



FINAL MINUTES

LAFCO REGULAR MEETING

Wednesday, May 12, 2010, 9:00 a.m.

**Planning Commission Hearing Room, Hall of Administration
10 Civic Center Plaza
Santa Ana, CA**

1. CALL TO ORDER

Chair Peter Herzog called the regular meeting of the Local Agency Formation Commission (LAFCO) to order at 9:06 a.m.

2. PLEDGE OF ALLEGIANCE

Vice Chair Moorlach stated important historical events and led the pledge of allegiance.

3. ROLL CALL

The following Commissioners and Alternates were present:

- **Chair Peter Herzog**
- **Vice Chair John Moorlach**
- **Commissioner Bill Campbell**
- **Commissioner Cheryl Brothers**
- **Commissioner Susan Wilson**
- **Commissioner John Withers**
- **Alternate Commissioner Pat Bates**
- **Alternate Commissioner Patsy Marshall**
- **Alternate Commissioner Derek J. McGregor**
- **Alternate Commissioner Charley Wilson**

The following Commissioners were absent at roll call:

- **Commissioner Arlene Schafer**

The following LAFCO staff members were present:

- **Legal Counsel Clark Alsop**
- **Executive Officer Joyce Crosthwaite**
- **Analyst Benjamin Legbandt**
- **Analyst Joe Serrano**
- **Commission Clerk Esther Garcia-Negrete**

4. APPROVAL OF MINUTES

April 14, 2010 – Regular Commission Meeting Minutes

Chair Herzog called for any changes of the April 14, 2010 Regular Commission Meeting minutes. There were none.

MOTION: Approve April 14, 2010 Regular Commission Meeting minutes without revision. (John Withers)
SECOND: Cheryl Brothers
FOR: Cheryl Brothers, Bill Campbell, Peter Herzog, John Moorlach, Charley Wilson, Susan Wilson, and John Withers.
AGAINST: None
ABSTAIN: None
MOTION PASSED

5. PUBLIC COMMENT

Chair Herzog requested public comments on any non-agenda item. No public comments were received.

6. CONSENT CALENDAR

6a. – California Environmental Quality Act (CEQA) Guidelines Update

Chair Herzog called for approval of the consent calendar.

MOTION: Adopt the “Local Guidelines Implementing California Environmental Quality Act (2010)”. (John Moorlach)
SECOND: John Withers
FOR: Cheryl Brothers, Bill Campbell, Peter Herzog, John Moorlach, Charley Wilson, Susan Wilson, and John Withers.
AGAINST: None
ABSTAIN: None
MOTION PASSED

7. CONTINUED PUBLIC HEARING

7a. – Sphere of Influence Update for the City of Rancho Santa Margarita (SOI 09-09), Reconfirmation of MSR Determinations (MSR 09-05)

Policy Analyst Joe Serrano provided a brief background on the recent events related to the City's sphere update and added that consideration of the City's sphere had been continued for three additional months to allow the affected communities and agencies sufficient time to consider governance options.

Consultant Bob Aldrich, Aldrich & Associates, provided a history of the City's incorporation and past sphere issues. He added that during the consideration of the City's incorporation the eventual annexation of the communities of Coto de Caza, Las Flores, Wagon Wheel, and Stonecliffe into the City was discussed. Mr. Aldrich stated that these four adjacent communities have direct social and economic ties to the City and are essentially built out. Mr. Aldrich noted that spheres of influence, which identify the most logical long term service boundary for an agency, may be changed at any time by the Commission but are required by state law to be updated at least once every five years.. Mr. Aldrich concluded by noting that the City of Rancho Santa Margarita is the only logical long term service provider for the communities of Coto de Caza, Las Flores, Wagon Wheel, and Stonecliffe. Mr. Aldrich turned the presentation over to Consultant Stan Hoffman to discuss the fiscal study.

Consultant Stan Hoffman, Stan Hoffman & Associates, highlighted key factors, assumptions and conclusions of the South County Governance Options Fiscal Impact Analysis.

Commissioner Susan Wilson inquired whether the study addressed different revenue neutrality options. Mr. Hoffman replied that several sensitivity analyses were completed.

Executive Officer Joyce Crosthwaite stated that the Commission would only be considering amending the sphere of influence boundary for the City of Rancho Santa Margarita. She noted inclusion within a sphere boundary may facilitate negotiations between the City and the County. Ms. Crosthwaite stated that staff recommendation is consistent with the Commission's goal of placing unincorporated communities within cities' spheres of influence to encourage the development of long term governance options for these areas. She stated that the Rancho Santa Margarita City Council voted to oppose any amendment to their sphere of influence boundaries. However, the Las Flores and Coto De Caza representatives support inclusion of their communities in the City's sphere of influence. She noted that Rancho Santa Margarita City Manager, Steve Hayman was in the audience.

Chair Herzog opened the public hearing.

Fred Whitney, Las Flores representative, informed the Commission that the Las Flores LLC distributed a survey to their residents regarding their governance preferences. Mr. Whitney briefly summarized the results of the survey. He noted that 83% of the respondents favored annexation to the City of Rancho Santa Margarita. He reiterated that the Las Flores LLC remained supportive of being included in the City of Rancho Santa Margaritas sphere of influence.

Steve Hayman, City Manager for the City of Rancho Santa Margarita, restated that the City Council opposed any amendment to its sphere. He added that the Council's decision does not reflect at all the hard work of the South County Working Group and the value of fiscal impact analysis prepared by Mr. Hoffman.

Vice Chair Moorlach asked Mr. Hayman the intent of the original incorporation proponents in regards to the adjacent communities when the City incorporated..

Mr. Hayman replied that he was unaware of the intentions of the founding members of the City. He noted that the current City Council feels that at the time of incorporation the community was planned to have certain characteristics and that annexation of adjacent communities could alter the character of the community.

Vice Chair Moorlach stated that with incorporation comes a potential responsibility to these communities and noted that these communities were affirming their desire to be part of the City.

City Manager Steve Hayman stated that he would relay the Las Flores survey findings to the City Council.

Commissioner Susan Wilson stated that the residents from the Coto de Caza community were adamantly opposed to being included in the incorporation of Rancho Santa Margarita. She added that it was not feasible to include other surrounding areas at that time because there was no common boundary.

Chair Herzog closed the public hearing and asked for Commissioner comments.

Commissioner Bates stated that she would like to continue this item to the June 9th Commission meeting to address some issues raised by the Rancho Santa Margarita City Council and to also address the potential impact of SB 1174. She expressed her appreciation for everyone's participation in the process and acknowledged the progress accomplished by the working group.

Chair Herzog stated that he also served on the Commission when the City of Rancho Santa Margarita incorporated and noted that it was encouraging to witness the City and the adjacent communities working together. He stated his support for continuing the item for consideration at the June 9th Commission meeting.

Executive Officer Crosthwaite stated that to keep costs down the Commission should ask the Consultant Stan Hoffman any questions at the meeting.

Commissioner Campbell inquired if staff had a copy of the worksheets and working papers used for the sensitivity analysis. Executive Officer Crosthwaite responded that staff did have copies and would forward those on to him.

Mr. Hoffman stated that **Commissioner Campbell** could contact him directly if he had any questions.

Commissioner Campbell asked Mr. Hayman if the Commission could provide the City Council with any resources to alleviate the concern regarding amending the general plan. City Manager Steve Hayman, responded that he certainly welcomed any additional information the Commission desired to provide.

MOTION: Continue the Sphere of Influence Update and Municipal Service Review determinations for the City of Rancho Santa Margarita to the June 9, 2010 Commission meeting. (Peter Herzog)
SECOND: Bill Campbell
FOR: Bill Campbell, Cheryl Brothers, Peter Herzog, John Moorlach, Charley Wilson, Susan Wilson, and John Withers.
AGAINST: None
ABSTAIN: None
MOTION PASSED

8. PUBLIC HEARING

8a. –Proposed LAFCO Final Budget for Fiscal Year 2010-2011

Policy Analyst Joe Serrano stated that last month the Commission adopted the proposed budget for fiscal year 2010-2011. He noted that the apportionment costs would remain the same for the funding agencies and the agency reserves were reduced approximately \$130K to balance the upcoming fiscal year budget. He noted that the proposed budget was distributed to funding agencies for review and no comments were received. He highlighted budget projections for the next three years and pointed out that if the Commission continues to draw down their reserves, a budget deficit may be experienced by fiscal year 2011-2012. Mr. Serrano made a correction to an error in the report and concluded with reminding the Commission that the forecasted budgets are not final. He added that the projections are meant to provide the Commission and with preview of the agency's revenue and expenditures.

Chair Herzog called for Commissioner questions or comments.

Commissioner Brothers asked staff which recipients received the draft budget approved at the April Commission meeting for comments. Executive Officer Joyce Crosthwaite responded that the budget was sent to all LAFCO funding agencies.

Commissioner Brothers requested clarification regarding category 5600 for public noticing and inquired if applicants reimburse LAFCO for this cost. Executive Officer Crosthwaite responded that applicants are responsible for the cost of public noticing. However, there are

other projects such as municipal service reviews and special studies for which LAFCO pays noticing costs.

Commissioner Campbell asked if the Commission is considering the approval of the three-year projections. Executive Officer Joyce Crosthwaite replied that Commission would vote only to receive and file the projected three- year budget.

Commissioner Campbell requested clarification regarding the increase in the professional services budget category.

Executive Officer Crosthwaite stated that the increase was based on trending of the professional service category as well as anticipation of the special studies that may come before the Commission in the near future.

Commissioner Campbell asked if those studies would require the Commission approval. Ms. Crosthwaite affirmed that the Commission must approve any proposed contract that is \$10,000 or higher.

Commissioner Susan Wilson suggested that the Commission be cautious of inflation and account for that in the budget.

Vice Chair Moorlach thanked staff for preparing a three-year budget and also displaying prior agency budgets. He inquired if rising pension costs were factored into the budget for salaries and benefits. Executive Officer Joyce Crosthwaite stated that staff worked with OCERS staff and those costs are included the proposed budget.

Vice Chair Moorlach inquired if the Commission should develop a reserve policy.

Chair Herzog stated that he believed the proposed budget presented at the April Commission meeting was appropriate. He noted that the Commission should be cautious in using reserves to balance the budget.

Vice Chair Moorlach stated that with the current reserves level, he thought it was prudent to use the reserves to balance the budget.

Commissioner Campbell stated that he supported the currently proposed budget given that the agency spends conservatively. **Commissioner Brothers** concurred.

MOTION: Adopt the proposed Final Fiscal Year 2010-2011 LAFCO Budget and distribute the budget to funding agencies. (John Withers)
SECOND: John Moorlach
FOR: Bill Campbell, Cheryl Brothers, John Moorlach, Charley Wilson, Susan Wilson, and John Withers.

AGAINST: Peter Herzog
ABSTAIN: None
MOTION PASSED

MOTION: Receive and file the three-year budget projections. (John Withers)
SECOND: John Moorlach
FOR: Bill Campbell, Cheryl Brothers, Peter Herzog, John Moorlach, Charley Wilson, Susan Wilson, and John Withers.
AGAINST: None
ABSTAIN: None
MOTION PASSED

8b. –Proposed “Rancho Santiago Annexation to the Orange County Sanitation District” (DA 09-18)

Policy Analyst Joe Serrano summarized the proposed annexation. He noted that it allows more effective process for annexing the areas and results in cost savings to property owners.

Commissioner Susan Wilson asked if the proposed annexation territory is mostly rural. Policy Analyst Joe Serrano replied that the area is mostly rural but some schools were also in the proposed annexation territory.

Commissioner McGregor requested clarification regarding the need for annexation to both the local and regional sewer provider jurisdictions.

Policy Analyst Joe Serrano stated that annexation to both service providers is necessary in order for the area to receive local and regional sewer service.

Commissioner Withers stated that due to lack of some infrastructure it is necessary to annex to both service providers.

Chair Herzog opened the public hearing but there were no public speakers.
Chair Herzog closed the public hearing.

MOTION: Approve “Rancho Santiago Annexation to the Orange County Sanitation District” (DA 09-18). (Bill Campbell)
SECOND: John Withers
FOR: Bill Campbell, Cheryl Brothers, Peter Herzog, John Moorlach, Charley Wilson, Susan Wilson, and John Withers.
AGAINST: None

ABSTAIN: None
MOTION PASSED

8c. –Proposed “Broadway/Thistle Island Annexation to the City of Anaheim”
(RO 10-01)

Executive Officer Crosthwaite commended Assistant Executive Officer Carolyn Emery for her work on the proposed annexation. Ms. Crosthwaite summarized previous annexation attempts within the Southwest Anaheim island. She recapped the current process and noted that there had been community outreach meetings for residents. Ms. Crosthwaite noted that LAFCO had waived annexation fees and expedited the application process.

Ms Crosthwaite added that annexation applications from approximately 100 residents within the entire island had been received with approximately twenty of them from residents within the Broadway/Thistle neighborhood. She noted that the twenty properties were not all contiguous to the City and they do not constitute a logical boundary. Therefore, staff recommends that the Commission amend the annexation territory to include 88 parcels, approximately 30 acres, as shown in the staff report. Ms. Crosthwaite stated that the City of Anaheim’s Deputy City Manager was in the attendance.

Chair Herzog opened the public hearing.

Nancy Francis, West Island Neighbors stated that she does not live within the proposed annexation but expressed her opposition to the annexation.

Greg Garcia, City of Anaheim Deputy City Manager, thanked the Commission for all the hard work and acknowledged that it has been quite an arduous process. He summarized the benefits of annexation and noted that the City was ready to serve the residents.

Ken Voorhees, West Island Neighbors, expressed his opposition to the annexation.

Marvin Marsh, resident, stated that he supports the annexation of the proposed project territory to the City of Anaheim.

Dana Babin, resident, inquired whether his home was included in the proposed annexation territory. Executive Officer Crosthwaite stated that she would follow up with Mr. Babin.

John Harris, resident, stated that he does not live within the proposed project territory but was opposed to the annexation.

Charlene Marsh, resident, stated that she had received political literature from the Orange County Sheriff’s Department discouraging residents from annexing to the City. She noted that most of those who oppose annexation do not live in the Broadway/Thistle area. She

noted her support of the annexation and suggested that the Commission and the City conduct more community meetings.

John Scott, resident, expressed his support for the proposed annexation.

Phalia Scott, resident, stated her support for the proposed annexation.

Chair Herzog Closed the public hearing

Commissioner Susan Wilson stated that she was discouraged to hear that the Sherriff Union is sending fliers to residents.

Chair Herzog stated that, if annexed, the residents within the proposed territory will have enhanced municipal services and representation.

MOTION: Approve and Amend the proposed “Broadway/Thistle Island Annexation to the City of Anaheim” (RO 10-01) to include the entire Broadway/Thistle neighborhood.(John Moorlach)
SECOND: John Withers
FOR: Bill Campbell, Cheryl Brothers, Peter Herzog, John Moorlach, Charley Wilson, Susan Wilson, and John Withers.
AGAINST: None
ABSTAIN: None
MOTION PASSED

9. COMMISSION DISCUSSION AND ACTION

Commissioner Marshall left the meeting at 9:54 am.

9a. – California Redevelopment Agencies Report

Chair Herzog commended staff for a great report.

8b. – CCL/CALAFCO Update

Executive Officer Joyce Crosthwaite stated that the CALAFCO Board of Directors proposed amendments to the CALAFCO bylaws to allow for regional representation on the Board of Directors.

Commissioner Moorlach asked which LAFCO is not a member of CALAFCO.

Legal Counsel Clark Alsop stated that. Tehama LAFCO is not a member of CALAFCO.

10. COMMISSIONER COMMENTS

None

11. INFORMATIONAL ITEMS & ANNOUNCEMENTS

11a. – Coalition of California LAFCOS (CCL) Commissioner Summit

Ms. Crosthwaite reminded the Commission of the upcoming Coalition of California LAFCOS (CCL) Commissioner Summit on June 17th and 18th at the UCLA Lake Arrowhead Conference Center. She noted that all six southern California LAFCOS would be represented at the Summit.

11b. – Independent Special Districts of Orange County (ISDOC) Election

Executive Officer Crosthwaite announced that **Commissioners Charley Wilson and John Withers** were reelected to the Commission. She noted that the other candidates running withdrew from the election a couple days before the election and supported **Commissioners Wilson and Withers**.

Chair Herzog congratulated **Commissioners Wilson and Withers**.

Commissioner Withers stated that he was appreciative of the Commissioners' support during the election process and looked forward to serving another four-year term.

Commissioner Charley Wilson noted that it was an interesting process and appreciated the opportunity to visit with the independent special districts and looked forward to continuing his term on the Commission.

11c. – Interviews of Candidates for the Public Member Seat

No discussion

12. CLOSED SESSION

None

13. ADJOURNMENT OF REGULAR COMMISSION MEETING

The meeting adjourned at 11:09 am.

Peter Herzog, Chair
Orange County Local Agency Formation Commission

By: Esther Garcia-Negrete
Esther Garcia-Negrete
Office Manager/Commission Clerk