



FINAL MINUTES

LAFCO REGULAR MEETING & STRATEGIC PLANNING SESSION

Friday, March 14, 2014, 9:00 a.m.

Community Room at the Santa Ana Police Department

60 Civic Center Plaza, Santa Ana, CA 92701

1. CALL TO ORDER

Chair **Joe Carchio** called the Regular Meeting and Strategic Planning Session of the Orange County Local Agency Formation Commission (OC LAFCO) to order at 9:10 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner **Charley Wilson** led the Pledge of Allegiance.

3. OATH OF OFFICE - COMMISSIONERS BATES, MOORLACH, AND SPITZER

The Oaths for Commissioners' Bates, Moorlach, and Spitzer were not administered, based on their current terms of office that are still in effect.

4. ROLL CALL

The following Commissioners and Alternates were present:

- **Chair Joe Carchio**
- **Commissioner Cheryl Brothers**
- **Commissioner Charley Wilson**
- **Commissioner Susan Wilson**
- **Commissioner John Withers**
- **Alternate Commissioner James Fisler**
- **Alternate Commissioner Derek McGregor**

The following Commissioner was delayed:

- **Commissioner John Moorlach** (arrived at 9:39 a.m.)

The following Commissioners and Alternates were absent:

- **Vice Chair Pat Bates**
- **Alternate Commissioner Todd Spitzer**

The following LAFCO staff members were present:

- Executive Officer Carolyn Emery
- Assistant Executive Officer Ken Lee
- Project Manager Benjamin Legbandt
- Commission Clerk Cheryl Carter-Benjamin
- Legal Counsel Clark Alsop

Chair Joe Carchio welcomed guests in the audience attending the meeting, including representatives from the County, cities, special districts, public, and other LAFCOs.

5. ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATIONS

None

6. APPROVAL OF MINUTES

February 5, 2014 - Regular Commission Meeting Minutes

The minutes were approved with no revisions.

MOTION: Approve the February 5, 2014 Regular Commission Meeting Minutes. (Charley Wilson)

SECOND: Cheryl Brothers

FOR: Joe Carchio, Cheryl Brothers, Charley Wilson, Susan Wilson, John Withers

AGAINST: None

ABSTAIN: None

MOTION PASSED

7. PUBLIC COMMENT

Chair Joe Carchio requested public comments on any non-agenda items. There were none.

Chair Joe Carchio closed public comments.

8. CONSENT CALENDAR

None

9. PUBLIC HEARING

None

10. COMMISSION DISCUSSION AND ACTION

10a. - Yorba Linda Unincorporated Areas

Executive Officer Carolyn Emery stated that there were no reportable actions on the item.

10b. - CALAFCO Board Update

MOTION: Receive and file the March 14, 2014 CALAFCO Board Update.
(Charley Wilson)

SECOND: Susan Wilson

FOR: Joe Carchio, Cheryl Brothers, Charley Wilson, Susan Wilson,
John Withers

AGAINST: None

ABSTAIN: None

MOTION PASSED

10c. - County Unincorporated Areas Fiscal Model

Executive Officer Carolyn Emery introduced Frank Kim, County of Orange Chief Financial Officer, who gave a presentation on the recently developed fiscal model to provide an accounting of revenues and expenditures in the county unincorporated areas.

During the presentation, Mr. Kim advised the Commission that the County would maintain and update the fiscal model data. He also noted that a binder containing the financial data would be provided to LAFCO and available for public review.

Commissioner Brothers asked whether the costs of service data would include the associated levels of service. Mr. Kim responded that it currently is not part of the record but could be included in the data model in the future.

Commissioner Susan Wilson inquired about the nature of the confidentiality restrictions for some of the sales tax data. Mr. Kim replied that sales tax data is confidential for county unincorporated islands where fewer than five businesses generate sales tax revenues. He provided the example of smaller islands where there

may be only two sales tax generating entities. If revealed, the data would give competitors an unfair advantage of knowing their revenues.

MOTION: Receive the update on the County Unincorporated Areas Fiscal Model. (John Withers)

SECOND: Cheryl Brothers

FOR: Joe Carchio, Cheryl Brothers, Charley Wilson, Susan Wilson, John Withers

AGAINST: None

ABSTAIN: None

MOTION PASSED

10d. - 2014 LAFCO Strategic Planning Session

Executive Officer Carolyn Emery introduced the strategic plan and reviewed OC LAFCO's notable 2013 achievements, discussed agency projects completed and/or underway for FY 2013-2014, and described the alignment of the annual strategic plan, work plan, and budget. The Executive Officer then turned the meeting back to the Chair for the introduction of guest speaker, Michael Coleman.

Guest speaker Michael Coleman, Fiscal Policy Advisor for the League of California Cities and California Society of Municipal Finance Officers, provided an overview of his recently developed fiscal monitoring tool and shared thoughts on LAFCO's role in the fiscal monitoring of local government agencies and the financing of incorporation and disincorporation. His presentation included the following highlights:

- Discussion of VLF-related legislation and city incorporations and annexations
Comments included general background on the timeline and impacts of the state-take-away of VLF and property tax revenue making annexations and incorporations (recent and future) financially infeasible.
- Potential Legislative Fix for Annexations and Incorporations
Mr. Coleman also provided insight on a potential legislative fix to restore property tax revenues in-lieu of VLF to affected cities and how it relates to LAFCOs. He added that there is some early indication of potential amendments to pending legislation to only retroactively address post-2004 incorporations and annexations but not apply the fix to future incorporations and annexations.

- Overview of the California Municipal Fiscal Health Diagnostic
Presentation included a “walk-thru” of the fiscal monitoring tool developed by Mr. Coleman and the League of California Cities which attempts to incorporate the areas of current trends in municipal finance and financial solvency

Commissioner Moorlach arrived at 9:39 a.m.

Commissioner Withers commented on fiscal solvency and if government agencies are the best service providers. Mr. Coleman replied that within aggressive communities looking for alternative providers, those providers might include the County and neighboring cities, and not necessarily just private providers.

Commissioner Fisler asked how an agency would explain large capital asset expenditures as part of the fiscal monitoring tool. Mr. Coleman replied that there could be misunderstanding when looking at the numbers in fund balances. He further commented that, with the platform OC LAFCO has provided through its own Fiscal Trends Program, the data should lead agencies to ask their own questions about fiscal health so those agencies can provide explanations.

Commissioner Moorlach also commented that, if known ahead of time, monies would be set aside each year for the next project with restrictions, which would help explain large expenditures in your assets.

MOTION: Continue the 2014 Strategic Plan to the April 9, 2014 LAFCO Regular Meeting. (Susan Wilson)
SECOND: Cheryl Brothers
FOR: Joe Carchio, Cheryl Brothers, John Moorlach, Charley Wilson, Susan Wilson, John Withers
AGAINST: None
ABSTAIN: None

MOTION PASSED

11. COMMISSIONER COMMENTS

Commissioner Moorlach asked about OCFA and the percentage of property tax received by cities. The Executive Officer replied that LAFCO has no direct authority over OCFA and therefore has not researched the question.

Commissioner Withers left at 11:38 a.m.

12. INFORMATIONAL ITEMS AND ANNOUNCEMENTS

12a. - Coalition of California LAFCOs (CCL) Update

Executive Officer Carolyn Emery informed the Commission that the April 21 CCL quarterly meeting was rescheduled to May 12, 2014 at the Santa Ana Train Station, 5th Floor.

12b. - Commissioners 700 Forms

Executive Officer Carolyn Emery reminded the Commission that their completed Form 700 documents are due to the LAFCO office no later than April 1, 2014.

13. CLOSED SESSION

None

14. ADJOURNMENT OF REGULAR COMMISSION MEETING

The meeting adjourned at 11:50 a.m.

Joe Carchio, Chair
Orange County Local Agency Formation Commission

By: _____
Cheryl Carter-Benjamin
Commission Clerk