

**LOCAL AGENCY FORMATION COMMISSION OF
ORANGE COUNTY**

REGULAR MEETING AGENDA

**Wednesday, July 10, 2024
8:15 a.m.**

**County Administrative North (CAN)
First Floor Multipurpose Room 101
400 W. Civic Center Drive, Santa Ana, CA 92701**

Any member of the public may request to speak on any agenda item at the time the Commission is considering the item.

1. CALL THE MEETING TO ORDER

2. PLEDGE OF ALLEGIANCE

3. COMMISSION APPOINTMENTS

The Commission will receive a report on recent appointments to the Commission, and the Oath of Office will be administered for the respective terms.

4. ROLL CALL

5. ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATION

(Communications received after agenda distribution for agendized items.)

6. PUBLIC COMMENT

This is an opportunity for members of the public to address the Commission on items not on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken by the Commission on off-agenda items unless authorized by law.

7. CONSENT CALENDAR

a.) May 8, 2024 – Regular Commission Meeting Minutes

The Commission will consider approval of the May 8, 2024 meeting minutes.

8. PUBLIC HEARING

No public hearing items scheduled.

9. COMMISSION DISCUSSION AND ACTION

a.) Fiscal Year 2023-2024 Year-End Comprehensive Report

The Commission will receive the year-end comprehensive report for FY 2023-24.

b.) Legislative Report (July 2024)

The Commission will receive a report on the status of bills previously reviewed and recently introduced legislation and consider adoption of position on AB 2661.

c.) Nomination and Appointments for 2024-2025 CALAFCO Elections Process

The Commission will consider a nomination and appointments for the upcoming CALAFCO Board of Directors elections process.

d.) Alternate Appointment for the Southern Region Local Agency Formation Commissions

The Commission will consider appointment of an alternate member for participation with the southern region LAFCOs.

e.) Orange County Grand Jury Report: *“Emerging Opportunities in South County Water/Wastewater Systems”*

The Commission will discuss required response to the Grand Jury on the recently released report involving water and wastewater opportunities in South Orange County.

f.) Commissioner Handbook

The Commission will continue discussion and consider adoption of the Commissioner Handbook.

10. COMMISSIONER COMMENTS

This is an opportunity for Commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission. No discussion or action may occur or be taken except to place the item on a future agenda if approved by the Commission majority.

11. EXECUTIVE OFFICER’S REPORT

Executive Officer’s announcement of upcoming events and brief report on activities of the Executive Officer since the last meeting.

12. INFORMATIONAL ITEMS & ANNOUNCEMENTS

No informational items and announcements.

13. CLOSED SESSION

No closed session items scheduled.

14. ADJOURNMENT OF REGULAR COMMISSION MEETING

The next Regular Commission Meeting will be held on Wednesday, August 14, 2024 at 8:15 a.m. at the County Administrative North (CAN), First Floor Multipurpose Room 101, 400 W. Civic Center Drive, Santa Ana, CA 92701.

PUBLIC PARTICIPATION:

The Local Agency Formation Commission of Orange County welcomes your participation. The public may share general comments or comments on agenda items through the following options:

- 1) **In-person** comments may be provided during the general comment period on off-agenda items and during the hearing of a specific agenda item. In accordance with the OC LAFCO guidelines, each speaker's comments may not exceed three (3) minutes for the respective item. If you have documents for the Commission, please bring 15 copies and submit to the Commission Clerk for distribution.
- 2) **Written** general comments or comments on specific agenda items may be submitted by email to the Commission Clerk at ccarter-benjamin@oclafco.org. Comments received no less than twenty-four (24) hours prior to the regular meeting will be distributed to the Commission and included in the record.

Pursuant to Government Code Section 54957.5, public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be made available to the public on the OC LAFCO website at <https://oclafco.org/meetings/>.

State law requires that a participant in an OC LAFCO proceeding who has a financial interest in a decision and who has made a campaign contribution of more than \$250 to any commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission's staff before the hearing.

AMERICANS WITH DISABILITIES ACT (ADA)

All regular meeting agendas and associated reports are available at <https://oclafco.org/meetings/>. Any person with a disability under the Americans with Disabilities Act (ADA) may receive a copy of the agenda or associated reports upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, to participate in a public meeting. Requests for copies of meeting documents and accommodations shall be made with OC LAFCO staff at (714) 640-5100 at least three business days prior to the respective meeting.

2024 MEETING AND EVENTS CALENDAR

Approved November 8, 2023

2024



January						
S	M	T	W	T	F	S
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29	30	31				

- OC LAFCO Regular Meeting (*begins at 8:15 a.m.*)
Location: County Administrative North, First Floor Multipurpose Room 101, 400 W. Civic Center Dr., Santa Ana, CA 92701.
- Office closure due to legal holidays and flexible work schedule.
- CALAFCO Annual Conference - October 16 - 18, 2024 at Tenaya Lodge at Yosemite.

3 | Commission
Appointments

REGULAR MEMBERS

CHAIR

Donald P. Wagner
County Member

VICE CHAIR

Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR

Douglass Davert
Special District Member

James Fisler
Special District Member

Derek J. McGregor
Public Member

Bruce Whitaker
City Member

VACANT
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

VACANT
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

MEETING DATE: July 10, 2024

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer

SUBJECT: Commission Appointments

The City Selection Committee and the Special District Selection Committee completed the following appointments to the OC LAFCO city and special district member seats:

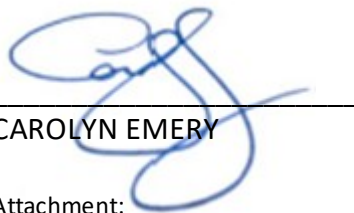
Wendy Bucknum, Regular City Member
Term of Office: July 1, 2024 – June 30, 2028

Carol Moore, Alternate City Member
Term of Office: July 1, 2024 – June 30, 2028

James Fisler, Regular Special District Member
Term of Office: July 1, 2024 – June 30, 2028

The Oath of Office for the above appointments will be administered at the July 10 Regular Commission Meeting. Attached for reference is the **OC LAFCO Terms of Office** as of July 1, 2024.

Respectfully submitted,



CAROLYN EMERY

Attachment:

1. OC LAFCO Terms of Office (Upd: July 2024)

**LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY**

Commissioners' Terms of Office

Updated: July 2024

Pursuant to Government Code Section 56334, the expiration date of the term of office of each member of the Commission is June 30th in the year in which the term of the member expires.

NAME	ORIGINAL DATE APPOINTED TO OC LAFCO	CURRENT TERM OF OFFICE	REMARKS
<u>COUNTY MEMBERS</u>			
Donald Wagner	2019	2022-2026	<i>Appointed to a four-year term.</i>
VACANT	2022	2023-2027	<i>Appointed to a four-year term.</i>
VACANT	2023	2023-2027	<i>Appointed to a four-year term.</i>
<u>CITY MEMBERS</u>			
Wendy Bucknum	2015	2024-2028	<i>Appointed to a four-year term.</i>
Bruce Whitaker	2023	2022-2026	<i>Appointed to complete the unexpired term ending in 2026.</i>
Carol Moore (Alt.)	2023	2024-2028	<i>Appointed to a four-year term.</i>
<u>SPECIAL DISTRICT MEMBERS</u>			
Douglass Davert	2018	2022-2026	<i>Appointed to a four-year term.</i>
James Fisler	2011	2024-2028	<i>Appointed to a four-year term.</i>
Kathryn Freshley (Alt.)	2019	2022-2026	<i>Appointed to a four-year term.</i>
<u>PUBLIC MEMBERS</u>			
Derek McGregor	2009	2022-2026	<i>Appointed to a four-year term.</i>
Lou Penrose (Alt.)	2017	2021-2025	<i>Appointed to a four-year term.</i>

DRAFT MINUTES

OC LAFCO REGULAR MEETING

Wednesday, May 8, 2024
8:15 a.m.

County Administrative North (CAN)
First Floor Multipurpose Room 101
400 W. Civic Center Drive, Santa Ana, CA 92701

1. CALL TO ORDER

Chair Wagner called the meeting of the Local Agency Formation Commission of Orange County (OC LAFCO) to order at 8:15 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner Fisler led the Pledge of Allegiance.

3. ROLL CALL

The following Commissioners were present:

City Members

Carol Moore **(Alt.)**

County Member

Donald P. Wagner **(Chair)**

Special District Members

James Fisler

Kathryn Freshley **(Alt.)**

Public Members

Derek J. McGregor

Lou Penrose **(Alt.)**

The following staff members and general counsel were present:

- Executive Officer Carolyn Emery
- Assistant Executive Officer Luis Tapia
- Policy Analyst II Gavin Centeno
- General Counsel Scott Smith

4. ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATION (Received After Agenda Distribution)

The Executive Officer noted that no supplemental communication was received.

5. PUBLIC COMMENT

Chair Wagner requested public comments on any non-agenda items. The Executive Officer noted that there were no requests to speak from the public.

Chair Wagner closed the hearing of public comments.

6. CONSENT CALENDAR

Chair Wagner asked if there were any requests by Commissioners to pull a consent calendar item for discussion or from the public to speak on the item. There was no discussion or request to pull an item from Commissioners, and the Executive Officer noted that there were no requests from the public to speak on the consent calendar. **Commissioner Fisler** motioned for approval of the consent calendar, and **Commissioner Freshley** seconded the motion.

6a. – April 10, 2024 - Regular Commission Meeting Minutes

6b. – Amendments to the Local Guidelines for Implementing the California Environmental Quality Act (CEQA)

MOTION: Approve the Consent Calendar. (James Fisler)
SECOND: Kathryn Freshley
FOR: James Fisler, Kathryn Freshley, Derek J. McGregor, Carol Moore,
Donald P. Wagner
AGAINST: None
ABSTAIN: None

MOTION PASSED: 5-0.

7. PUBLIC HEARING

7a. – Final OC LAFCO Fiscal Year 2024-25 Budget

Chair Wagner opened the public hearing for the item. The Executive Officer noted that there were no requests from the public to speak on the item. Assistant Executive Officer Luis Tapia presented the staff report and recommended actions for Commission consideration.

Chair Wagner called for Commission discussion and questions. There were no questions or discussion from Commissioners. **Chair Wagner** closed the public hearing and called for a motion on the item. **Commissioner Freshley** motioned to approve the staff recommended actions, and **Commissioner McGregor** seconded the motion.

MOTION: Adopt the final OC LAFCO Fiscal Year 2024-25 Budget; direct the Executive Officer to transmit the final budget to the Board of Supervisors, cities, special districts, and the County Auditor-Controller. (Kathryn Freshley)

SECOND: Derek J. McGregor

FOR: Kathryn Freshley, Derek J. McGregor, James Fislser, Carol Moore, Donald P. Wagner

AGAINST: None

ABSTAIN: None

MOTION PASSED: 5-0.

8. COMMISSION DISCUSSION AND ACTION

8a. – Second Amendment to Professional Consultant Services Agreement with Eide Bailly

Executive Officer Emery noted that there were no requests from the public to speak on the item, and Assistant Executive Officer Luis Tapia presented the staff report and recommended actions for Commission consideration. He noted an additional handout provided to the Commission and made available to the public that includes more information on the hours and costs associated with the Eide Bailly agreement.

Chair Wagner called for Commission discussion and inquired about the relationship of the increase in the hourly rates, total contract amount and current scope of services. Staff responded that while there has been a gradual increase in rates, the agency has been able to maintain the contract amount through use of lower-level staff of the firm. Commissioners made other comments involving turnover and changes in the industry and asked additional questions on the scope and terms of the agreement. **Chair Wagner** asked if staff had completed a recent competitive bidding process for the services currently provided by Eide Bailly. Staff responded that a recent bidding process had not been conducted but could begin one to explore opportunities of competitive rates if that is the desire of the Commission.

Commissioner Fislser motioned to approve the amendment to the agreement in order to not disrupt the provision of services and direct staff to begin a competitive bidding process. **Commissioner Moore** seconded the motion. **Commissioner McGregor** suggested that if this is a time and materials agreement that a validation of rates to explore if they are competitive maybe more efficient than a bidding process. **Chair Wagner** asked if the maker of the motion would accept a friendly amendment to direct staff to do a rate validation and bring a report back to the Commission to determine if a bidding process is needed. **Commissioners Fislser** and **Moore** accepted the amendment to the motion.

MOTION: Approve Second Amendment to Professional Consultant Services Agreement with Eide Bailly; direct staff to conduct a rate validation for

accounting services and present report to Commission at a future meeting. (James Fisler)

SECOND: Carol Moore

FOR: James Fisler, Carol Moore, Kathryn Freshley, Derek J. McGregor, Donald P. Wagner

AGAINST: None

ABSTAIN: None

MOTION PASSED: 5-0.

9. COMMISSIONER COMMENTS

There were no general comments from Commissioners.

10. EXECUTIVE OFFICER'S REPORT

The Executive Officer noted that there were no additional items to report.

11. INFORMATIONAL ITEMS & ANNOUNCEMENTS

Chair Wagner noted that there were no informational items or announcements.

12. CLOSED SESSION

Chair Wagner and general counsel noted that there was no closed session item scheduled for discussion by the Commission.

13. ADJOURNMENT OF THE REGULAR COMMISSION MEETING

Chair Wagner noted that there were no items requiring immediate Commission action in June and adjourned the meeting at 8:47 a.m. to July 10, 2024.

Donald P. Wagner, Chair
Orange County Local Agency Formation Commission

ATTEST:

By: _____
Carolyn Emery
Executive Officer

9a | Commission
Discussion

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Derek J. McGregor
Special District Member

Bruce Whitaker
City Member

Vacant
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

Vacant
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

MEETING DATE: July 10, 2024

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer

SUBJECT: Fiscal Year 2023-2024 Year-End Comprehensive
Report

BACKGROUND

Throughout the fiscal year, the Commission receives quarterly financial reports and mid-year and year-end reports on the agency’s work plan. The attached comprehensive report combines the review of the accomplishments of the 2022-2025 Work Plan and an assessment of the agency’s budget and investment portfolio for July 1 through June 30, 2024. The Work Plan, which includes the status of approved projects and activities, is referenced as Attachment 2 to this report and includes the following recommended update:


- Goal 4: Optimize External Communication (page 4)
Update objective 4.1 [*“Conduct annual OC LAFCO 101 sessions (virtual) to engage agencies and public to inform of OC LAFCO activities.”*] to [*“Use agency communications tools (bi-annual news, website, video FAQs, fiscal indicators and shared services programs) to engage agencies and public to inform of OC LAFCO activities.”*]. The existing tools referenced in the updated language are effective resources for successfully achieving this ongoing objective.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Receive and file the Year-End Comprehensive Report for Fiscal Year 2023-2024.
2. Approve update to the 2022-2025 Work Plan.

Respectfully submitted,



CAROLYN EMERY

Attachments:

1. Fiscal Year 2023-2024 Year-End Comprehensive Report
2. 2022-25 OC LAFCO Work Plan (Upd.7-2024)
3. OC LAFCO MSR Program Schedule (Upd.1-2024)



Year-End Comprehensive Report

Fiscal Year 2023-24

Prepared: July 10, 2024

HIGHLIGHTS:

- FY 2023-24 Work Plan Accomplishments – Pages 2-5
- FY 2023-24 Commission Mandates and Analytics – Pages 6-7
- FY 2023-24 Budget Year-End Assessment – Pages 8-10
- Balance Sheet & Reserves Analysis – Pages 11-12

INTRODUCTION

The Year-End Comprehensive Report presents an overview of the Commission's Work Plan accomplishments and the agency's budget and investment portfolio performance for Fiscal Year 2023-24.

WORK PLAN ACCOMPLISHMENTS

This section highlights the accomplishments of the agency's 2022-2025 Work Plan during the current fiscal cycle. In addition to the processing of filed applications and responding to the legislative mandate to prepare Municipal Service Reviews, a Work Plan has been adopted by the Commission that includes objectives assigned to the following strategic goals – *Goal One*: Staff Development, Retention, and Recruitment; *Goal Two*: Improve Municipal Service Review (MSR) Process for Future MSRs; *Goal Three*: Promote Legislative Engagement; and, *Goal Four*: Optimize External Communication.

With a single fiscal year remaining for the 2022-2025 Strategic Plan, the agency's overall performance includes the completion of several objectives within the timeline established by the Commission and others on track to be completed prior to the Commission's adoption of a new plan in 2025. A discussion of each goal and the accomplishments and respective status of each objective are provided in the next section of this report and referenced in *Attachment 2*.

Goal One: Staff Development, Retention, and Recruitment

Staff development, retention and recruitment continued to be an area of priority during the FY 23-24 fiscal cycle. During the latter part of the cycle, the agency experienced some staff attrition through transitional and unanticipated vacancies. While the temporary loss of two key positions has presented some interruptions to projects and activities, the ongoing objective of this goal involving cross-training of staff has allowed for operational efficiencies to continue. Additionally, a recruitment to fill the currently vacant Policy Analyst position is near completion, and we anticipate having a new member to join the OC LAFCO team during the Summer season. Staff is also reviewing options to address other staffing matters, including updates to the agency's current personnel policy involving protocols for unanticipated and temporary vacancies and leaves.



Professional development involving staff continued to be supported and encouraged by executive management during this cycle. Staff participated in LAFCO-related and external activities to expand their acumen in the areas of human resources, leadership, geographic information systems, and municipal fiscal analyses.

During the past fiscal cycle, OC LAFCO completed the following activities to align with the key priorities of staff development, retention, and recruitment:

- ✓ Enhancement of vacation leave accrual benefit for existing and future OC LAFCO employees.
- ✓ \$25K annual funding for staff participation in professional development and training activities.
- ✓ Conducting of classification, compensation, and benefits assessment (*to begin in Fall 2024*).

With the current global challenges involving retaining and recruiting strong talent, the Commission continued identification of this area as a priority in future strategic plans will play a critical role to the agency's success in this area.

Goal Two: Improve Municipal Service Review (MSR) Process for Future MSRs

With 70 percent of the objectives completed for this goal, the MSR process has experienced many changes under the current strategic plan that have resulted in efficiencies in report preparation, data collection, and feedback from agencies. Report preparation and data collection areas have been enhanced through the budgeting and use of consultants to complement staff's expertise and resources. This has resulted in the completion of MSRs for 24 agencies and a joint powers authority over the past year, with three others that include 12 additional agencies underway.

In addition to the use of surveys before and after the process to gather data and feedback from cities and special districts, the MSR process also now includes the conducting of agency interviews. These direct discussions with agency staff have allowed OC LAFCO staff and consultants to receive clarification on information provided in the surveys when needed. The interviews also provide an additional opportunity for the agency staff to receive answers or clarification on the MSR process.

Enhancements to the MSR process discussed in this section have contributed to the completion of approximately 51 percent of the Commission's current five-year cycle MSR program with expectation of this increasing to 64 percent during the next fiscal cycle. The updated MSR program schedule is attached to this report for reference and is also available to the agencies and other interested parties on the agency's website.

Goal Three: Promote Legislative Engagement

With minimal activity and a shift in proactive actions at CALAFCO on the legislative front, OC LAFCO's actions involving legislation of LAFCO interest were relatively mild in comparison to recent cycles. However, during this legislative session, the Commission's monitoring of state

and federal legislation led to the adoption of four positions on bills involving failing wastewater systems, property tax exchange for district formation proposals, LAFCO's ability to require indemnification from applicants, and federal assistance funding for special districts.

During FY 2023-24, the Commission also became more involved in the CALAFCO Legislative Committee with the appointment of Commissioner McGregor to the committee and continued participation of staff in this effort. A report that includes the past year actions of the Commission in this area, as well as a snapshot of things to come, is provided under a separate agenda item and report for the July 10 meeting.

Goal Four: *Optimize External Communication*

The Commission's communication tools and resources remain key in keeping OC LAFCO Commissioners and staff connected with our local agencies and other external organizations and groups. Below is a list of the strategic plan objectives for this goal completed during FY 2023-24:

- ✓ Published Winter edition of the Pulse with distributions to local agencies and other external organizations and associations.
- ✓ Distributed introduction letters and OC LAFCO media kits to new OC legislators and other interested stakeholders.

Additional objectives that were also completed or started during the past fiscal year to support effective efforts of internal and external communication include the following efforts:

- Completion of website enhancements and improvements.
- Migration to the agency website and electronic access improvements of OC LAFCO local bylaws, policies, and procedures.
- Development of Draft Commissioner Handbook.

Finally, to ensure OC LAFCO stays connected with various external groups, staff and Commissioners continued participation with the following groups over the past fiscal year:

- CALAFCO Board of Directors (Commissioner McGregor, Board Director)
- CALAFCO Legislative and Advisory Committees (Commissioner McGregor and Luis Tapia, Assistant Executive Officer)
- CALAFCO Southern Region (Imperial, Orange, Los Angeles, Riverside, San Bernardino, San Diego LAFCOs) – staff and Commissioners, with Commissioner McGregor service as the 2024-25 Chair.
- Center for Demographic Research (CDR) - staff

- o Independent Special Districts of Orange County (ISDOC) (Commissioner Fidler and Gavin Centeno, Policy Analyst II)
- o Orange County City Managers Association – staff
- o Orange County Council of Governments (Chair Wagner - OCCOG Chair, Vice Chair Bucknum - OCCOG Immediate Past Chair)
- o Orange County Business Council – staff
- o UC Berkeley, LAFCO and Water/Wastewater Systems Consolidation Working Group (Carolyn Emery, Executive Officer)

COMMISSION MANDATES

While not included within the Commission's Work Plan, the Commission is required to efficiently process filed applications and conduct MSR and sphere reviews and updates in accordance with the timelines prescribed in State law and adopted local policies. Because of statutory timelines and mandates, filed applications and MSR take precedence over other agency activities and projects.

The past fiscal cycle presented a slow-down in filed applications, however, staff resources were allocated to efforts and inquiries involving potential changes of organization. Summaries below include highlights of these efforts.

Completed

MSR/SOI Reviews:

- Southwest Region (6 cities, 7 special districts, 1 JPA) – *Approved August 2023.*
- West Region – (7 cities, 4 special districts) – *Approved August 2023.*

Underway

Application

- Orange County Water District (OCWD) Municipal Service Review – *Anticipated Completion – November 2024.*

MSR/SOI Reviews:

- Orange County Mosquito Vector Control District – *Complete by October 2024.*
- Central Region – *Complete by January 2025.*

Potential Applications

- City of Westminster exploring annexation of four islands within the City's SOI.
- South Coast Water District exploring annexation of South Laguna area.

FY 2023-24 ANALYTICS

An objective within the Commission's Work Plan includes the presentation of a year-end analytics report on MSR agency feedback and the use of the agency's web-based programs, including social media. During the past fiscal cycle, the Commission approved the update to the agency's website, which functions as a key gateway for external users to access the Commission's services and resources. Additionally, staff continued to utilize these platforms to communicate key OC LAFCO events and projects, including monthly meetings, new commissioner appointments and project activity of high interest.

Enhancements to the website were formally unveiled in October 2023. In addition and during this time, the website's analytical tool ("google analytics") used to gauge the website's performance underwent a transitional upgrade. Because of this change, analytics on the new site were not captured during the months of October through April 2024. However, below are the analytics for the agency's key communications tools over the past two months. To capture a wider timeframe of analytics and allow users of the new website to explore, staff will review and provide an update on analytics to the Commission at the website's one year anniversary.

Website Analytics (May 1 – July 1, 2024):

- ❖ 2,352 views
- ❖ 852 persons visited website through google search.
- ❖ 767 persons visited website through direct connection at oclafco.org.
- ❖ 61 persons visited website through other paths.
- ❖ Most commonly viewed pages: homepage, unincorporated areas, and agency meetings.

Social Media Analytics (May 1 – July 1, 2024):

- ❖ Facebook (99 friends)
- ❖ **X** (formerly Twitter) (96 followers)

The agency's social media volume experienced a minor increase of one percent indicating that interest in OC LAFCO's activities is most likely explored through the agency's website.

MSR Survey Feedback

The table on the next page includes a summary of survey responses collected from agencies reviewed during the MSR process for the southwest and west regions. As staff continues to assess ways to improve the MSR process, staff has determined that distribution of this instrument immediately following completion of the process may yield a higher response from agencies.

SUMMARY OF MSR SURVEY RESPONSES

SURVEY QUESTIONS:

- 1) Was your agency notified by OC LAFCO in advance of the MSR process commencing?
- 2) Did OC LAFCO provide regular or sufficient communication throughout the MSR process?
- 3) How many hours were required of your agency’s staff during the MSR process?
- 4) Overall, how would you rate the MSR process?
- 5) Additional comments?

Southwest and West MSR Regions	General Responses	MSR Completed	Next MSR
<p>CITY RESPONSES:</p> <p><i>13 Cities 3 responses received</i></p>	<ul style="list-style-type: none"> 1) Received notification of upcoming MSR process. 2) Received sufficient communication during the MSR process. 3) 20-30 hours of staff time required. 4) MSR process viewed as mostly or very collaborative process. 5) No additional feedback provided. 	<p>August 2023</p>	<p>2028</p>
<p>SPECIAL DISTRICT RESPONSES:</p> <p><i>11 Special Districts 4 responses received</i></p>	<ul style="list-style-type: none"> 1) Received notification of upcoming MSR process. 2) Received sufficient communication during the MSR Process. 3) Less than 20 hours of staff time required. 20-30 hours staff time required. 4) MSR process viewed as mostly or very collaborative process. 5) Cyle was most comprehensive and engaging process. There was opportunity to provide input and revisions to consultant that were incorporated into the final report. 6) OC LAFCO and RSG staff demonstrated excellent communication and responsiveness throughout the MSR process. Staff and consultant promptly addressed questions, engaged in meetings, and ensured a comprehensive understanding of our District and perspective on relevant issues. The commitment and effort invested by OC LAFCO and RSG staff in crafting a well-written report for adoption by the OC LAFCO board are appreciated. 	<p>August 2023</p>	<p>2028</p>

YEAR-END BUDGET OVERVIEW

This report provides an update on the agency's budget and investment portfolio performance for the period of July 1, 2023, through June 30, 2024.¹ The Fiscal Year 2023-24 budget of approximately \$1.74 million supports the operations of the Commission and the resources needed to accomplish the agency's work plan.

Revenues

The OC LAFCO revenues (agency apportionments and interest earnings) exceeded budget projections at the end of the fiscal cycle. The year-to-date agency revenues received include \$1,411,890 in agency apportionments and \$53,985 in interest earnings received from the Commission's investment accounts. The fiscal year budget for 2023-24 included conservative projections for the interest earnings that were based on the market performance at that time. However, interest earnings at year-end were performing well and exceeded those projections.

Another source of OC LAFCO revenue is application filing fees. These filing fees are not used for budgeting purposes as they are used to offset the costs associated with processing the respective applications. During the 2023-2024 fiscal year, the agency had filing fees for one application on deposit as shown in the financial overview as revenue within the Special Revenue Fund column. By year-end of the same fiscal cycle, no additional applications were filed with the Commission. The Special Fund column in the table on page 10 includes year-to-date accounting of the application fees and expenses incurred during the current fiscal year.

Expenditures

Throughout FY 2023-24, the General Fund expenditures were trending between nine and 15 percent below quarterly target levels, and as of June 30, 2024, expenditures are at approximately 81 percent of the overall budget of approximately \$1.7 million. The following table provides a comparison of the percentage of actual funds used and the target levels for the 2023-2024 budget cycle.²

Total Funds Used (as of June 30, 2024)				
	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.
Target	25%	50%	75%	100%
Actual	16%	39%	60%	81%

As indicated in the table on page 10, at close of the fourth quarter, overall expenses are projected to be approximately 19 percent below the approved budget total by June 30. Ending below the target level is largely attributed to savings within the salaries and benefits

¹ All financial statements contained in this report are on an accrual accounting basis.

² Actual expenditures for the year-end reporting are unaudited and subject to change.

line items resulting from unanticipated staff vacancies. Other year-end expenditures are generally within target levels, and larger costs are attributed to key operational expenditures that include salaries, benefits, and professional services. Line items, including mapping, unincorporated islands, and commission meeting expenses reflect low percentages of expenses due to delays (external and internal) in projects, potential applications, and other relative actions.

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of June 30, 2024:

As of 06/30/24	Balance
770-Payroll Account	\$414,569
Wells Fargo Checking	\$181,265
Wells Fargo Savings	\$216,678
Total	<u>\$812,512</u>

To maximize the interest accrued on the agency's revenues, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, funds are transferred from the investment accounts to the bank accounts to cover the agency's operational expenses. Additionally, the past fiscal year saw continued improvement involving the investment earnings of the agency's Section 115 Public Agencies Post-Employment Benefits Trust (Trust). The balance of the Trust account is \$77,377 as of June 30, 2024.

The following table illustrates the complete balance of OC LAFCO's investment portfolio as of June 30, 2024.

As of 06/30/24	Balance
OC Fund	\$353,340
LAIF	\$ 72,948
PARS Trust	\$ 77,377
Total	<u>\$503,665</u>

APPENDIX A
 OC LAFCO – Year-End Budget Overview
 July 1, 2023 – June 30, 2024

	YTD Special Revenue Funds	1st Qtr. General Fund	2nd Qtr. General Fund	3rd Qtr General Fund	4th Qtr General Fund	YTD General Fund	TOTAL FY 23/24 Budget	General Fund
Revenue:								
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318,390	0.0%
LAFCO Apportionment	-	1,286,153	125,737	-	-	1,411,890	1,411,890	100.0%
Filing Fees	291,537	-	-	-	-	-	-	0.0%
Misc Revenue	-	119	197	-	77	393	-	0.0%
Interest & Dividends	-	3,797	18,450	19,475	12,263	53,985	14,200	380.2%
PARS Trust Investment Gain/Loss	-	(1,938)	4,886	2,042	102	5,093	-	0.0%
Total Revenue	\$ 291,537	\$ 1,288,131	\$ 149,270	\$ 21,517	\$ 12,443	\$ 1,471,361	\$ 1,744,480	84.3%
Expenditures:								
Salaries	\$ 6,727	\$ 135,747	\$ 170,076	\$ 128,966	\$ 115,623	\$ 550,412	\$ 621,200	88.6%
Hourly Employees	-	4,037	5,037	4,416	3,887	17,377	20,800	83.5%
Benefits & Insurance								
Optional Benefit Plan	-	-	18,500	-	-	18,500	18,500	100.0%
Deferred Compensation	-	3,535	4,642	3,694	3,654	15,525	17,900	86.7%
Retirement Benefits	-	52,378	66,714	51,068	45,787	215,947	247,700	87.2%
Health Insurance	-	14,015	16,642	15,746	13,593	59,996	68,500	87.6%
Retiree Health Benefits	-	4,556	5,750	4,353	3,892	18,551	22,000	84.3%
Dental Insurance	-	1,521	1,594	384	310	3,808	6,900	55.2%
Life Insurance	-	89	104	78	63	333	420	79.4%
Workers Compensation	-	-	-	1,909	636	2,545	2,550	99.8%
Medicare	-	1,994	2,754	1,930	1,736	8,413	9,400	89.5%
Unemployment Insurance	-	-	-	-	-	-	620	0.0%
Health Reimbursement	-	1,800	2,100	1,560	1,260	6,720	-	0.0%
Salary Continuance	-	342	430	327	290	1,389	1,560	89.0%
Accidental Death Insurance	-	22	26	19	16	83	120	68.9%
Executive Car Allowance	-	1,200	2,400	1,200	1,800	6,600	7,200	91.7%
Total - Benefits & Insurance	6,727	81,452	121,655	82,267	73,037	358,410	403,370	88.9%
Information Technology	-	2,922	3,465	10,823	7,408	24,618	32,850	74.9%
Telephone & Internet	-	3,903	4,782	4,383	1,294	14,362	16,480	87.1%
County of Orange	-	1,045	462	3,762	4,411	9,681	10,300	94.0%
General Liability Insurance	-	2,869	2,869	2,869	3,302	11,910	14,030	84.9%
Memberships	-	9,758	5,083	5,128	19,653	39,621	39,900	99.3%
Office Equipment/Supplies	-	9,002	5,965	4,942	3,881	23,790	24,100	98.7%
Professional Services:								
Legal	1,114	12,032	10,192	14,834	6,351	43,409	60,000	72.3%
Accounting/Audit	-	15,340	11,195	22,680	3,780	52,995	53,000	100.0%
Human Resources	-	1,421	10,306	6,338	1,913	19,977	20,000	99.9%
Mapping/Archiving	-	935	935	935	935	3,740	13,900	26.9%
Other Professional Services	148,133	12,963	4,938	19,211	50,100	87,211	180,000	48.5%
Total - Professional Services	149,247	42,691	37,566	63,998	63,078	207,332	326,900	63.4%
Investment Admin Fees	-	140	189	22	22	372	850	43.8%
Public Noticing	-	2,288	-	819	2,405	5,512	14,800	37.2%
Unincorporated Areas Program	-	-	-	-	-	-	18,000	0.0%
Rents/Maintenance	-	36,647	27,485	27,199	18,043	109,376	111,600	98.0%
Equipment Leases	-	1,409	1,753	1,416	1,377	5,955	7,700	77.3%
Comm. & Staff Expense	-	2,468	1,167	1,091	320	5,047	7,000	72.1%
Comm. Stipends & Taxes/Fees	-	1,916	3,050	3,654	1,653	10,273	16,000	64.2%
Professional Development	-	-	52	2,053	-	2,105	25,000	8.4%
Transportation/Travel	-	7,303	7,807	3,303	2,543	20,955	21,300	98.4%
Commission Meeting Expense	-	363	253	402	363	1,381	12,300	11.2%
Refund of Deposit	7,016	-	-	-	-	-	-	0.0%
Total Expenditures	162,990	345,959	398,717	351,513	322,300	1,418,489	1,744,480	81.3%
Total Net Income (Loss)	\$ 128,548	\$ 942,172	\$ (249,446)	\$ (329,996)	\$ (309,857)	\$ 52,873	\$ -	

*No assurance provided on financial statements. Financial statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the United States not included

**Financial data represents pre-audited amounts, which does not include all year end adjustments.

Balance Sheet and Reserves Balance Analysis

This report includes the balance sheet to provide an understanding of OC LAFCO's financial status. The financial document in this year-end report summarizes the agency's assets and liabilities as of June 30, 2024. Additionally, an analysis of the agency's reserve balances is provided on page 12.

APPENDIX B OC LAFCO BALANCE SHEET As of June 30, 2024

	<u>Jun 30, 24</u>
ASSETS	
Current Assets	
Cash and Investments	
County Acct-Payroll	\$ 414,569
Wells Fargo Checking	181,265
Wells Fargo Savings	216,678
OC Fund	353,340
Investment Acct - LAIF	72,948
PARS Trust	77,377
Fair Market Value Adjustments	(5,805)
Total Cash and Investments	<u>1,310,373</u>
Other Current Asset	
Miscellaneous Receivable	40
Prepaid Expenses	41,574
Retirement Prepaid Expense	21,867
Total Other Current Asset	<u>63,481</u>
Total Current Assets	<u>1,373,854</u>
Fixed Assets	47,022
Other Assets	
Right to Use Assets	697,611
Pension Deposit	217,970
Def. Outflows Pension Related	515,973
Deferred OPEB Contributions	9,645
Deferred Outflows OPEB Related	38,000
Total Other Assets	<u>1,479,199</u>
TOTAL ASSETS	<u><u>\$ 2,900,075</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accrued Liability	7,560
Salaries Payable	41,026
Compensated Absences	52,378
Total Current Liabilities	<u>100,964</u>
Long Term Liabilities	
Lease Liabilities	739,733
Deferred Inflows OPEB Related	23,000
Net OPEB Liability	119,000
Net Pension Liability	1,587,646
Def. Inflows Pension Related	229,870
Total Long Term Liabilities	<u>2,699,249</u>
Total Liabilities	2,800,213
Fund Balance	99,862
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$ 2,900,075</u></u>

*No assurance provided on financial statements. Financial statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the United States not included.

APPENDIX C
OC LAFCO RESERVE BALANCE
As of June 30, 2024

Cash & Investments Description	June 30, 2024 Balance	Commission Approved Balances	Balance Excess / (Deficiency)
County Payroll	\$ 414,569	\$ 261,343 ¹	\$ 153,226
Checking - Wells Fargo	181,265	174,778 ¹	6,487
Savings - Wells Fargo	216,678	205,000 ¹	11,678
OC Fund Investment	353,340	-	353,340
LAIF Investment	72,948	-	72,948
PARS Trust	77,377	-	77,377
Total	\$ 1,316,178	\$ 641,121	\$ 675,057²

Footnotes:

¹Per the Cash and Cash Management Policy, the Commission must maintain \$261,343 during fiscal year 2023/24 in order to cover three months of payroll costs (County Payroll), \$174,778 to cover 3 months of operational expenses (Checking - Wells Fargo) and a minimum of \$205,000 (Savings - Wells Fargo) to cover contingency, litigation and unfunded liabilities.

²Remaining Available Cash to fund Operations and Reserves.

2022-2025 Work Plan

As directed by the Commission, the five goals identified by the Board have been refined by staff and KAMG to allow for implementation of respective objectives to effectively accomplish each goal. As a note, goals #2 and #5 were combined for efficiency as both are relative to the Commission's goal to improve the MSR process.

The 2022-2025 Work Plan depicted in the following section clearly defines the agency's goals, objectives, and schedules over the next three years. As a note, the multi-year work plan may be amended, if warranted, by the Commission.

GOAL 1:

Staff Development, Retention and Recruitment

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
1.1	EO	Conduct Classification, Compensation and Benefits Assessment.	Consultant	2023-2024	Not started
1.2	EO/AEO/CC	Complete staff assessment and conduct recruitment for vacancy(ies).	Consultant	2022-2023	Staff assessment complete. Analyst recruitment underway.
1.3	EO/CC	Complete cross-training of staff in budgeting and auditing areas.		2022-2023	Complete

GOAL 2:

Improve Municipal Service Review (MSR) Process For Future MSRs

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
2.1	All	Create MSR schedule that eliminates the MSR cycles and identifies the next scheduled comprehensive MSR as five years from last date of agency MSR and SOI review.		2022-2025	Complete
2.2	EO/AEO/ Analyst	Develop criteria for conducting the following MSR and SOI review processes for future reviews: <ol style="list-style-type: none"> 1. Comprehensive 2. Reconfirm 3. Update 	Consultant	2025	Not started
2.3	AEO/Analyst	Develop and distribute the following MSR questionnaires: <ol style="list-style-type: none"> 1. Pre-MSR/SOI – to assess which process will be conducted. 2. Post-MSR/SOI -- to receive feedback on the MSR/SOI process. 		2025 2022	Not started Complete
2.4	AEO/Analyst	Continued use of web-based programs (fiscal indicators, shared services, and MS dashboard) to maintain agency data for MSR determinations.		2022-2025	Upgrades of programs complete. <i>Maintenance of programs ongoing.</i>
2.5	AEO/Analyst/CC	Present year-end report to the Commission that provides analytics on MSR agency feedback and the use of the agency's web-based programs.		2023-2025	Completed annually.

GOAL 3: Promote Legislative Engagement

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
3.1	Commissioners/ EO/AEO	Establish a legislative ad-hoc committee to develop engagement principles and guidelines involving external organizations (CSDA, CSAC, League of CA Cities, OC League of CA Cities).		2022-2023	Complete
3.2	EO/AEO	Monitor key legislation of LAFCO-interest through participation on CALAFCO legislative and advisory committees.		2022-2025	Completed annually.

GOAL 4: Optimize External Communication

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
4.1	All	Use agency communications tools (bi-annual news, website, video FAQs, fiscal indicators and shared services programs) to engage agencies and public to inform of OC LAFCO activities.		2023-2025	Complete Ongoing
4.2	Analyst/CC	Conduct visits and disseminate media kits to OC legislators and stakeholders.		2023-2025	Complete
4.3	Analyst	Deploy video FAQs on website to inform OC LAFCO stakeholders.	Consultant	2022	Complete
4.4	EO/Analyst	Distribute bi-annual news to inform of OC LAFCO activities.	Consultant	2022-2025	"The Pulse" published twice each year.



OC LAFCO
4TH Cycle - Municipal Service Review (MSR) and Sphere of Influence Update (SOI) Program

YEAR 2023-24


MSR Region	Areas of Interest	Cities	Special Districts
Orange County Water District <i>(in-progress)</i>	<ul style="list-style-type: none"> ■ Water: recycled water efforts, addressing the drought and water conservation. ■ Use of MSRs as tool/resource to update on services provided by the district. ■ Focused review of potential consolidation of OCWD and MWDOC 		Countywide District
Central <i>(in-progress)</i>	<ul style="list-style-type: none"> ■ Police ■ Public Works <ol style="list-style-type: none"> 1. Affordable housing. 2. Lack of alignment regarding Infrastructure limitations and legislative mandates on affordable and regular housing. 3. Population growth demands on existing infrastructure. ■ Accessory dwellings' impact on service delivery. 	Anaheim Irvine Orange Santa Ana Tustin Villa Park	East Orange County WD Irvine Ranch WD Serrano WD Silverado-Modjeska Parks & Rec. District
Southeast	<ul style="list-style-type: none"> ■ Public Works <ol style="list-style-type: none"> 1. Location and condition of public infrastructure. ■ Police <ol style="list-style-type: none"> 1. Fiscal sustainability of increasing costs of contracts with County Sheriff. 2. Impacts of and ability to maintain related pension costs. ■ Water <ol style="list-style-type: none"> 1. Water quality involving low flow run-off issues. 2. Assistance for agencies from treatment agencies on flow diversion and low flow funding mechanisms. 1. Water rate structures and conservation. 	Lake Forest Mission Viejo Rancho Santa Margarita San Clemente San Juan Capistrano	El Toro WD Irvine Ranch WD Moulton Niguel WD Santa Margarita WD South Coast WD Trabuco Canyon WD South Orange County Wastewater Authority(JPA)
Orange County Vector Control District <i>(in-progress)</i>	<ul style="list-style-type: none"> ■ Public Works: mosquito breeding and conveyance systems. ■ Parks and Recreation: mosquito breeding and lack of grounds maintenance. 		Countywide District



OC LAFCO
4TH Cycle - Municipal Service Review (MSR) and Sphere of Influence Update (SOI) Program

YEAR 2024-25

MSR Region	Areas of Interest	Cities	Special Districts
North	<ul style="list-style-type: none"> ■ Fire and Emergency Response <ol style="list-style-type: none"> 1. Integration of fire and water services for more effective response during emergency and disaster events. 2. Consolidation of internal services (i.e. procurement, HR, training). 3. Regionalization of service delivery involving medical calls and reduction in costs. 4. Maintaining of adequate fire suppression. ■ Police <ol style="list-style-type: none"> 1. Consolidation of specialty services that may include: CSI, dispatch, commercial and traffic enforcement. 2. External issues involving consolidation of departments. ■ Shared Services <ol style="list-style-type: none"> 1. Maximizing of funding opportunities supported by County for unincorporated islands. 2. Shared service models to increase funding for additional services that may include: IT, purchasing, training, HR, class comps. ■ Development of shared services system for areas such as: landscape and fleet maintenance. 	Brea Fullerton La Habra Placentia Yorba Linda	Placentia LD Yorba Linda WD
Coastal	<ul style="list-style-type: none"> ■ Public Works <ol style="list-style-type: none"> 1. Public outreach for better understanding of the financing of infrastructure. 2. Correlation of level and cost of services. 3. Economies of scale and potential shared services system for areas such as: fleet, tree trimming, and purchasing. ■ Solid Waste <ol style="list-style-type: none"> 1. Impacts of having fewer haulers on competitive bidding and rates. ■ Parks and Recreation ■ Police <ol style="list-style-type: none"> 2. Impediments involving consolidation of agencies Shared services database that includes: operational and staffing costs; population growth impacts on infrastructure and land use. 	Costa Mesa Huntington Beach Los Alamitos Newport Beach Seal Beach	Costa Mesa SD Irvine Ranch WD Mesa WD Rossmoor CSD Rossmoor/Los Alamitos SD Sunset Beach SD Surfside Colony CSD Surfside Colony SWSD

 <p style="text-align: center;">OC LAFCO Municipal Service Review (MSR) and Sphere of Influence Update (SOI) Program</p> <p style="text-align: center;">COMPLETED MSR's</p>				
MSR Region	Services Provided	MSR Approved	SOI Status	Next Scheduled MSR
County Service Area Nos. 13, 22, and 26	Fund wastewater and park and recreation services countywide and within unincorporated areas adjacent to the cities of Buena Park and Yorba Linda.	August 2022	Reconfirmed	2027
Municipal Water District of Orange County	Manages Orange County's imported water supply and resource planning, with the exception of the cities of Anaheim, Fullerton, and Santa Ana.	September 2020	Reconfirmed	2025
Orange County Cemetery District	Owns and operates three public cemeteries located in the cities of Anaheim, Lake Forest and Santa Ana.	October 2022	Reconfirmed	2027
Orange County Sanitation District	Provides regional sewer collection and treatment for 20 cities, four special districts (containing five cities), and several unincorporated areas generally located in the northern and central parts of the County.	September 2020	Reconfirmed	2025

Updated: January 2024

 OC LAFCO Municipal Service Review (MSR) and Sphere of Influence Update (SOI) Program COMPLETED MSRs					
MSR Region	Cities	Districts	MSR Approved	SOI Status	Next Scheduled MSR
Southwest	Aliso Viejo Dana Point Laguna Beach Laguna Hills Laguna Niguel Laguna Woods	Capistrano Bay CSD Emerald Bay CSD El Toro WD Laguna Beach County WD Moulton Niguel WD South Coast WD Three Arch Bay CSD JPA: South Orange County Wastewater Authority	August 2023	All city and six special district SOIs reconfirmed. South Coast SOI continued to discuss South Laguna annexation.	2028
West	Cypress Buena Park Garden Grove Fountain Valley La Palma Stanton Westminster	Buena Park LD Cypress Rec. & Park District Garden Grove SD Midway SD	September 2020	All city and special district SOIs reconfirmed.	2028

9b | Commission
Discussion

MEETING DATE: July 10, 2024

TO: Local Agency Formation Commission of Orange County

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Legislative Report (July 2024)

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Derek J. McGregor
Public Member

Bruce Whitaker
City Member

VACANT
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

VACANT
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

BACKGROUND

Before adjourning to recess, the Assembly and Senate continued to move bills through committees. Upon its return on August 5, the pace of legislators is expected to hasten to meet deadlines and move bills to the Governor’s desk by August 31. Governor Newsom will then have until September 30 to sign or veto bills that survived the process.

This report provides an update on bills of LAFCO-interest that are still active in the Legislature’s committees, a recommendation for the Commission to adopt a position on AB 2661, and a snapshot of things to come involving CALAFCO activity on the legislative front.

UPDATE ON PREVIOUSLY REVIEWED LEGISLATION

During the 2024 legislative session, the Commission adopted positions on four bills. The table on the next page provides additional information on the status of each bill. As a note, two bills identified in the table, AB 805 and SB 1209 were recently amended, and summaries of the amendments are provided as attachments to this staff report. However, staff is not recommending changes to the Commission’s previously adopted positions on these bills.

2023-24 Legislative Session – Bill Status			
Bill	Description	Adopted Position	Status
AB 805	Proposes the designation of an “Administrator” by the State Water Resources Control Board involving inadequate and failing sewer systems serving disadvantaged communities.	Watch	AB 805 is currently under review in the Senate. Next hearing date: None scheduled.
AB 3277	Proposes to amend the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) for proposals seeking the formation of a special district to exclude the exchange of property tax revenue when an affected agency is not seeking a share of the property tax revenue.	Support	Signed by the Governor on July 2, 2024
SB 1209	Proposes to amend current State law for explicit authorization by LAFCOs to require indemnification by applicants for litigation involving proposals.	Support	SB 1209 is currently under review in the Assembly. Next hearing date: None scheduled.
H.R. 7525	Proposes to codify a formal definition of special district in federal law and direct federal agencies to recognize special districts as local governments to ensure districts are able to receive federal assistance, including funding and grants.	Support	H.R. 7525 was approved by the United States House of Representatives on May 6, 2024. It is anticipated that the United States Senate will consider the proposed legislation during the upcoming months. Next hearing date: None scheduled.

Amendments to AB 805 (Arambula) Sewer Service: Disadvantaged Communities

During the March regular meeting, the Commission reviewed AB 805 and adopted a **Watch** position. The bill previously proposed that the State Water Resources Control Board designate an “Administrator” to a system that has demonstrated reasonable potential to cause sewer service violations to disadvantaged communities within incorporated or unincorporated territory. The Administrator would provide administrative, technical, operational, legal, and managerial services. On behalf of LAFCOs, CALAFCO submitted a letter of concern to the author regarding the lack of LAFCO involvement in the process proposed within the bill. The letter suggested that the bill be amended to require the State Board to consult with respective LAFCOs

prior to making its determination that a sewer system is inadequate, and if the amendment was accepted, CALAFCO would consider a “support if amended” position on the bill. While AB 805 was amended, the recommended amendments from CALAFCO were not included. Additionally, after further review of the current amendments by the CALAFCO legislative committee, it was concluded that the proposed amendment to the author was unnecessary. The recent amendments shift the focus of the bill to a regulatory process for the State Board. The bill proposes that the State Board appoint an administrator to sewer systems that have been identified with a history of continued failure due to non-compliance with existing state regulations to provide adequate sewer services to a disadvantaged community. The administrator would be responsible for assisting the sewer service systems in making the necessary upgrades and repairs to meet state regulations and provide high-quality sewer services.

Based on the recent shift of the intent of the bill, staff recommends that the Commission continue a “**Watch**” position on AB 805.

OC LAFCO POSITION: **Watch** position adopted on March 13, 2024. No additional action recommended.

SUPPORT: California Coastkeeper Alliance, California Environmental Voters, Clean Water Action, Community Water Center, Junior Philanthropists Foundation, Leadership Counsel for Justice & Accountability, Union of Concerned Scientists.

OPPOSE: None on record.

BILL LOCATION/STATUS: Senate Appropriations Committee. No hearing date scheduled at the time of agenda distribution.

Amendments to SB 1209 (Cortese) Local Agency Formation Commission: Indemnification

The initial bill language of SB 1209 proposed an amendment to State law that would explicitly authorize LAFCOs to require applicants to indemnify the respective Commission against litigation. At that time, the Commission adopted a support position on the bill as it aligned with the Commission’s legislative policy to support legislation that enhances and recognizes LAFCO’s authority to perform the duties mandated by the CKH Act.

Since that time, the bill has experienced amendments due to concerns of the California Building Industry Association (CBIA) expressed to the bill author. The amendments highlighted below were generated from meetings involving the bill author, CBIA, CALAFCO, and the two LAFCOs (Los Angeles and Butte) who proposed a change in the statute to legislative staff:

- Respective LAFCO will provide prompt notification to applicants when a legal challenge to the Commission’s approval of a proposal and fully cooperate with the applicant to defend the Commission’s decision.

- An applicant who indemnifies the Commission against litigation shall not be required to pay or perform any settlement resulting from a challenge to an approval by the Commission unless the applicant approves the settlement.
- The Commission’s ability to independently defend the Commission’s approval of a proposal is not limited if the Commission covers the attorney fees and costs and acts in good faith.

Amendments to SB 1209 have been reviewed by OC LAFCO general counsel to assess potential impacts to OC LAFCO. General counsel has determined that the amendments do not raise concerns for the agency. Therefore, staff recommends that the Commission continue a “**Support**” position as the bill continues to align with the Commission's policy to support legislation that furthers the implementation of the CKH Act.

OC LAFCO POSITION: **Support** position adopted on March 13, 2024. No additional action recommended.

SUPPORT: California Association of Local Agency Formation Commission, Alameda LAFCO, Butte LAFCO, Contra Costa LAFCO, Del Norte LAFCO, El Dorado LAFCO, Fresno LAFCO, Inyo LAFCO, Los Angeles County, Los Angeles LAFCO, Madera LAFCO, Marin LAFCO, Mendocino LAFCO, Merced LAFCO, Monterey LAFCO, Napa LAFCO, Nevada LAFCO, Orange LAFCO, Placer LAFCO, Riverside LAFCO, Sacramento LAFCO, San Francisco LAFCO, San Joaquin LAFCO, San Luis Obispo LAFCO, San Mateo LAFCO, Santa Barbara LAFCO, San Bernardino LAFCO, Santa Clara LAFCO, Shasta LAFCO, Solano LAFCO, Sonoma LAFCO, Stanislaus LAFCO, Tulare LAFCO, Yolo LAFCO.

OPPOSE: California Association of Resources Conservation Districts.

BILL LOCATION/STATUS: Assembly for third reading. No hearing date scheduled at the time of agenda distribution.

NEWLY INTRODUCED LEGISLATION

AB 2661 (Soria) Electricity: Westlands Water District

The California Water District Law (CWDL) provides for the establishment of water districts and their powers. One of the powers included within state law authorizes a water district to use any water or water supplies provided by the district or used by the district to construct, maintain, and operate plants to generate hydroelectric power and maintain transmission lines for the conveyance of that power. AB 2661 is specific to the Westlands Water District located in Fresno County. The bill would provide the authority for the District to generate, provide, and sell electricity without going through the LAFCO process as delineated in the CKH Act.

CALAFCO submitted a letter of concern to the Senate Local Government Committee regarding the bill not including the LAFCO process for the approval of a new or expanded service. The letter

suggested that the bill be amended to include language to clarify that any request for a new or expanded service must go through the local LAFCO process in accordance with the CKH Act.

While AB 2661 and an amendment to require the LAFCO process would only affect the Westlands Water District and Fresno County LAFCO, staff is recommending the Commission adopt a “**Watch**” position as an area of interest.

RECOMMENDED ACTION: Adopt a **Watch** position on SB 2661.

SUPPORT: California State Association of Electrical Workers, Coalition of California Utility Employees, Westlands Water District, Agricultural Council of California, Agricultural Energy Consumers Association, Almond Alliance, Association of California Water Agencies (ACWA), Bizfed Central Valley, CA Cotton Ginners & Growers Association, California Avocado Commission, California Citrus Mutual, California Cotton Ginners & Growers Association, California Manufacturers and Technology Association, California Special Districts Association, California Walnut Commission, City of Avenal, City of Coalinga, City of Hanford, City of San Joaquin, Dairy Institute of California, Golden State Clean Energy LLC, Harris Farms INC, Kings River Conservation District, Kings River Water Association, Regenerate California Innovation, INC, Self Help Enterprises, Western Agricultural Processors Association, Western Growers Association.

OPPOSE: None on record.

BILL LOCATION/STATUS: Senate Energy Utilities and Communications Committee. No hearing date scheduled at the time of agenda distribution.

UPCOMING 2025 LEGISLATIVE SESSION

The upcoming 2025 legislative session is expected to be full of activity. In the coming months, CALAFCO will identify priorities for the new session for discussion with the legislative committee and final approval by the Board. Expected priorities include a review of the CKH Act for potential technical and non-substantive clean-up to provide clarity to LAFCO procedures and provisions, the delivery of services outside of jurisdictional boundaries, reviewing legislation introduced by external groups and organizations impacting LAFCOs, and legislation that may continue on as two-year bills.

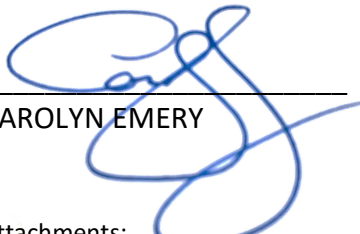
Staff will continue to proactively monitor and keep the Commission apprised of the legislative activity of Sacramento and CALAFCO through participation on the CALAFCO legislative committee, quarterly meetings of the southern region group, and general awareness of the activity of other key stakeholders.

RECOMMENDED ACTION

This is a receive and file report and staff recommends the Commission:

1. Adopt a **Watch** position on AB 2661.

Respectfully Submitted,



CAROLYN EMERY



LUIS TAPIA

Attachments:

1. Assembly Bill 805 (Arambula)
2. Senate Bill 1209 (Cortese)
3. Assembly Bill 2661 (Soria)


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AB-805 Sewer service: disadvantaged communities. (2023-2024)

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Date Published: 06/06/2024 09:00 PM

AMENDED IN SENATE JUNE 06, 2024

AMENDED IN SENATE MAY 15, 2024

AMENDED IN ASSEMBLY JANUARY 22, 2024

AMENDED IN ASSEMBLY MARCH 09, 2023

CALIFORNIA LEGISLATURE— 2023–2024 REGULAR SESSION

ASSEMBLY BILL

NO. 805

Introduced by Assembly Member Arambula
(Coauthor: Senator Rubio)

February 13, 2023

An act to amend Sections 13288 and 13442 of, and to add Section 13289.5 to, the Water Code, relating to water quality, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 805, as amended, Arambula. Sewer service: disadvantaged communities.

Under existing law, the State Water Resources Control Board and the 9 California regional water quality control boards regulate water quality in accordance with the Porter-Cologne Water Quality Control Act and the federal Clean Water Act. Existing law authorizes a regional board to order the provision of sewer service by a receiving sewer system, as defined, to a disadvantaged community served by an inadequate onsite sewage treatment system, as defined.

This bill would authorize the state board, until January 1, 2029, and after it makes a specified *finding or* findings by ~~resolution or a prescribed process~~, *resolution*, to require a ~~sewer service provider~~ *designated sewer system* to contract with an administrator designated or approved by the state board for administrative, technical, operational, legal, or managerial services to assist a designated sewer system with the ~~provision~~ *delivery* of adequate sewer service, as defined. The bill would also authorize the state board to order a designated sewer system to accept those services, including full management and control of all aspects of the designated sewer system, from an administrator. The bill would define "designated sewer system" for these purposes as a sewer *system service provider* that serves a disadvantaged community that is either an inadequate sewer ~~system~~

service or a sewer system that has *a* demonstrated ~~a~~ failure to maintain technical, managerial, ~~and~~ *or* financial capacity to prevent waste, fraud, and abuse.

The bill would require the state board to take specified actions before determining that a sewer service provider is a designated sewer system, including providing the sewer service provider an opportunity to show that it has taken steps to timely address its failure to be an adequate sewer system or to timely address its failure to maintain technical, managerial, and financial capacity, conducting a public meeting, and providing an opportunity for public comment. The bill would authorize the state board to grant specified authority over the designated sewer system to the administrator, including the authority to expend money for various purposes and to set and collect sewer rates and fees. The bill would require the state board to work with the administrator and the communities served by the designated sewer system to develop, within the shortest practicable time, adequate technical, managerial, and financial capacity to deliver adequate sewer service so that the services of the administrator are no longer necessary.

Existing law creates the State Water Pollution Cleanup and Abatement Account in the State Water Quality Control Fund and continuously appropriates moneys in the account to the state board for specified purposes, including providing grants for cleaning up a waste, abating the effects of a waste on waters of the state, or addressing an urgent drinking water need, as provided.

This bill would authorize the state board to also use moneys in the account to provide grants to administrators for specified purposes, including, among others, to provide administrative, technical, operational, legal, or managerial services to a sewer service ~~provider:~~ *provider, until December 31, 2029, as provided.* By expanding the purposes for which moneys in a continuously appropriated account may be spent, the bill would make an appropriation.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3 Appropriation: yes Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. *It is the intent of the Legislature in enacting Section 13289.5 of the Water Code to do all of the following:*

(a) Provide a limited and temporary authority to the State Water Resources Control Board to appoint administrators to manage the responsibilities of sewer service providers that are obviously and egregiously failing to provide adequate sewer service while the wastewater needs assessment commissioned by the State Water Resources Control Board is being conducted.

(b) Allow the State Water Resources Control Board to finalize the statewide wastewater needs assessment to inform a future permanent program based on the findings from the wastewater needs assessment.

(c) Require the State Water Resources Control Board to implement Section 13289.5 of the Water Code in a manner that is consistent with the progressive approach to enforcement that is detailed in the provisions of its water quality enforcement policy regarding environmental justice and disadvantaged communities and facilities serving small communities.

SECTION 1. **SEC. 2.** Section 13288 of the Water Code is amended to read:

13288. For purposes of this chapter, the following definitions apply:

(a) "Adequate sewer service" means a *sanitary sewer service provided by a* sewer service provider that ~~meets public health and environmental standards:~~ *is not an inadequate sewer service, as defined in subdivision (j).*

(b) "Administrator" means a person whom the state board has determined is competent and willing to perform the administrative, technical, operational, legal, or managerial services required for purposes of this chapter, pursuant to criteria set forth in the handbook described in subdivision (i) of Section 13289.5. An administrator may be any qualified individual, firm, or another sewer service provider.

(c) "Affected residence" means a residence within a disadvantaged community that may be subject to provision of sewer service pursuant to this chapter.

(d) "Affected resident" means a resident or a property owner of an affected residence.

(e) "Annexation" has the same meaning as set forth in Section 56017 of the Government Code.

(f) "Designated sewer system" means a sewer ~~system~~ *service provider* that serves a disadvantaged community that is either an inadequate sewer ~~system~~ *service* or a sewer system that has *a* demonstrated ~~a~~ failure to maintain technical, managerial, ~~and or~~ financial capacity to prevent waste, fraud, and abuse.

(g) "Disadvantaged community" means a disadvantaged community, as defined in Section 79505.5, or a low-income community, as defined in Section 39713 of the Health and Safety Code.

(h) "Extension of service" has the same meaning as set forth in Section 56133 of the Government Code.

(i) "Inadequate onsite sewage treatment system" means an onsite sewage treatment system that has the reasonable potential to cause a violation of water quality objectives, to impair present or future beneficial uses of water, or to cause pollution, nuisance, or contamination of waters of the state.

(j) (1) "Inadequate sewer ~~system~~ *service*" means a sewer service *provider* that ~~fails~~ *serves a disadvantaged community, has a demonstrated history of failures* to meet regulatory standards for proper wastewater collection, treatment, and disposal, and may exhibit deficiencies, such as infrastructure failure, insufficient capacity, or ineffective treatment of wastewater.

(2) A demonstrated history of failures to meet regulatory standards may include, but is not limited to, multiple violations, multiple instances of noncompliance with enforcement actions, or refusal to accept compliance assistance.

(k) (1) "Onsite sewage treatment system" means an onsite sewage treatment system, as defined in Section 13290, that is not operated by a local agency, as defined in Section 56054 of the Government Code, or a utility regulated by the Public Utilities Commission.

(2) "Onsite sewage treatment system" includes, but is not limited to, a septic tank, cesspool, leach field, and seepage pit.

(l) "Provision of sewer service" means the provision of sanitary sewer service, including the collection or treatment of sewage, to a disadvantaged community by any of the following processes:

- (1) Annexation where the receiving sewer system is a special district.
- (2) Extension of service where the receiving sewer system is a city, county, or special district.
- (3) Additional sewer service provided within city, county, or special district boundaries.

(m) "Receiving sewer system" means the sewer system that provides service to a disadvantaged community pursuant to this chapter.

(n) "Sewer service provider" means any local agency that provides sanitary sewer service, ~~including~~ *which may include* wastewater collection, treatment, disposal, or any combination thereof.

(o) "Special district" means a special district as defined in Section 56036 of the Government Code.

SEC. 2. SEC. 3. Section 13289.5 is added to the Water Code, immediately following Section 13289, to read:

13289.5. (a) ~~The~~ *Before implementing the actions authorized by this section, the* state board ~~may, by resolution or through the process described in the guidelines authorized pursuant to subdivision (e) of Section 13442, make findings that a sewer service provider has an inadequate sewer system, as defined in Section 13288, and that it is in the best interest of the customers of the inadequate sewer system and the State of California that an administrator be appointed to assist a sewer service provider with making improvements necessary to develop an adequate sewer system. When those findings are made, the sewer service provider shall be referred to as a "designated sewer system."~~ *shall, by resolution, make one or both of the following findings:*

(1) A sewer service provider is an inadequate sewer service, as defined in Section 13288, and that it is in the best interest of the customers of the sewer service provider and the State of California that an administrator be appointed to assist a sewer service provider with making improvements necessary to develop an adequate sewer system. When these findings are made, the sewer service provider shall be referred to as a designated sewer system.

(2) A sewer service provider has demonstrated a history of continued failures to maintain technical, managerial, or financial capacity to prevent waste, fraud, or abuse. When this finding is made, the sewer

service provider shall be referred to as a designated sewer system.

(b) Following adoption of a resolution based on the findings required by subdivision (a) for *identifying a sewer service provider as* a designated sewer system, the state board may do any of the following:

(1) (A) Require a ~~sewer service provider~~ *designated sewer system* to contract with an administrator designated or approved by the state board for administrative, technical, operational, legal, or managerial services, or any combination of those services, to assist the designated sewer system with the ~~provision~~ *delivery* of adequate sewer service.

(B) To fulfill the requirements of this section, a ~~sewer service provider~~ *designated sewer system* may contract with administrators. Where administrator services are comprehensive, the sewer service provider may contract with no more than one administrator at a time. Where administrator services are limited in scope, a sewer service provider may contract with more than one limited scope provider at a time, provided that in no instance will the scopes overlap. An administrator that is not designated or approved by the state board shall not be used for purposes of this section.

(C) An administrator may provide services to more than one designated sewer system.

(D) If a designated sewer system is also a water system that has been ordered to consolidate or has been ordered to accept assistance from an administrator, the state board shall consider designating the same administrator for the designated sewer system that was designated to the water system, and requiring that administrator to consult with the management of both the designated water and the designated sewer ~~system~~ *systems* in carrying out their duties.

(2) Order a designated sewer system to accept administrative, technical, operational, legal, or managerial services, including full management and control of all aspects of the designated sewer system, from an administrator selected by the state board.

(3) Order a designated sewer system to accept administrative, technical, operational, legal, or managerial services from an administrator for full oversight of construction or development projects, including, but not limited to, accepting loans and grants issued by the state board and entering into contracts on behalf of the designated sewer system.

(c) The state board shall do all of the following before determining that a sewer service provider is a designated sewer system pursuant to subdivision (a).

(1) Provide the sewer service provider with notice and an opportunity to show that the sewer service provider has taken steps to timely address its failure to be an adequate sewer system or has taken steps to timely address its failure to maintain technical, managerial, and financial capacity.

(2) (A) Conduct a public meeting in a location as close as feasible to the affected community.

(B) The state board shall make reasonable efforts to provide a 30-day notice of the public meeting to affected ratepayers, renters, and property owners.

(C) The state board shall provide representatives of the sewer service provider, affected ratepayers, renters, and property owners with an opportunity to present oral and written comments at the public meeting.

(D) The state board shall provide an opportunity for public comment at the meeting.

(3) Provide the public with an opportunity (3) to submit comments by mail or electronically during the 30-day notice period and for at least one week after the public meeting described in paragraph (2).

(4) Consider whether designating a sewer system and ordering a designated sewer system to contract with an administrator is feasible, and not in conflict with any federal or state laws, regulations, or permit requirements.

(d) The state board shall make financial assistance available to an administrator of a designated sewer system, as appropriate and to the extent that funding is available.

(e) The state board shall not *identify a designated sewer system or* make findings that a sewer service provider has an inadequate sewer ~~system~~ *service* or require a sewer service provider to contract with an administrator pursuant to this section on or after January 1, 2029. All other authorizations and requirements pursuant to this section shall remain in effect ~~on and after January 1,~~ *until December 31,* 2029.

(f) The authority granted to an administrator by the state board pursuant to subdivision (b) may include, but is not limited to, the authority to do all of the following:

(1) Expend available money for capital infrastructure improvements that the designated sewer system needs to provide adequate sewer service.

(2) Set and collect user sewer rates and fees. The provisions of this section are subject to all applicable constitutional requirements, including Article XIII D of the California Constitution.

(3) Expend available money for operation and maintenance costs of the designated sewer system, including conducting feasibility or planning studies, or addressing outstanding technical or legal issues.

(g) The state board shall work with the administrator of a designated sewer system and the communities served by that designated sewer system to develop, within the shortest practicable time, adequate technical, managerial, and financial capacity to deliver adequate sewer service so that the services of the administrator are no longer necessary.

(h) A designated sewer system shall not be responsible for any costs associated with an administrator that are higher than the costs necessary to maintain the designated sewer system and ~~provide~~ *deliver* adequate sewer service.

(i) Before ordering a designated sewer system to accept administrative, technical, operational, legal, or managerial services from an administrator pursuant to subdivision (b), the state board shall develop standards, terms, and procedures, to be incorporated in the handbook adopted pursuant to subdivision (g) of Section 116686 of the Health and Safety Code, consistent with the process provided in subdivision (a) of Section 116760.43 of the Health and Safety Code, for all of the following:

(1) The process and criteria for the state board to designate a sewer service provider as a designated sewer system, and the evidence required to support findings by the state board in a resolution pursuant to subdivision (a).

(2) Ensuring compliance with subdivision (h).

(3) Providing opportunity for public comment on the selection of an administrator and the services to be provided.

(4) Providing public access to budgets, ownership and financial information, and other documents and records related to the provision of sewer service to affected residences and to the management of the designated sewer system by the administrator.

(5) Providing regular public meetings, notifications, opportunities for public comment, and other forms of engagement with customers of the designated sewer system for significant decisions or actions made on behalf of the designated sewer system, including, but not limited to, establishing operating budgets, altering sewer rates, adopting system policies, entering into long-term contracts or financing commitments, and developing system projects or plans.

(6) Formal requests to the state board to reverse or modify a decision of an administrator or to request substitution of an administrator.

(7) Ensuring an administrator acts in the best interests of the community served.

(8) Development and approval of a post-administrator sewer service plan to ensure compliance with subdivision (g). Development of the plan shall include, but is not limited to, an evaluation of long-term public governance or community ownership options.

(9) The process for the state board to determine an administrator is no longer needed and to terminate the administrator's responsibilities.

(j) An administrator appointed pursuant to this section for a designated sewer system shall not be liable for claims by past or current ratepayers, ~~or~~ by those affected by the sewer service provided by the designated sewer system, *or for enforcement actions taken by the state board* in any of the following circumstances:

(1) If good faith, reasonable effort, and ordinary care were used by the administrator to assume possession of, or to operate, the sewer service provider.

(2) For any injury or damages that occurred before the commencement of the operation period.

(3) For injury, violations, or damages after the administrator has assumed control of the designated system until the necessary upgrades to the infrastructure or managerial responsibilities have been completed to become an adequate sewer system.

(k) This section does not limit or supersede any other law authorizing claims against the state board or providing a defense to liability, and shall not be construed to create any new or expanded basis for liability.

(l) Nothing in this section shall be construed to do any of the following:

(1) Relieve a ~~sewer service provider~~ *designated sewer system* or any other entity from complying with any provision of federal or state law, including those pertaining to water quality.

(2) Impair any cause of action by the Attorney General, a district attorney, a city attorney, or other public prosecutor, or impair any other action or proceeding brought by, or on behalf of, a regulatory ~~agency~~ *agency against a designated sewer system*.

(3) Impair any claim alleging the taking of property without compensation within the meaning of either the Fifth Amendment to the United States Constitution or Section 19 of Article I of the California Constitution.

(4) Relieve any person or entity from liability for action or inaction in bad faith, or without reasonable effort or ordinary care.

(m) Nothing in this section shall absolve, indemnify, or protect a prior operator, designated sewer system, or individual from liability based on an act or failure to act prior to the operation period.

(n) Administrative and managerial contracts pursuant to this section shall be exempt from Chapter 2 (commencing with Section 10290) of Part 2 of Division 2 of the Public Contract Code and may be awarded on a noncompetitive bid basis as necessary to implement the purposes of this section.

(o) This section does not apply to a charter city, charter county, or charter city and county.

SEC. 3. SEC. 4. Section 13442 of the Water Code is amended to read:

13442. (a) Upon application by an eligible entity, as described in subdivision (b), the state board may approve the payment of grant moneys from the account to that entity to assist in cleaning up a waste, abating the effects of a waste on waters of the state, addressing actions required pursuant to Section 13289.5, or addressing an urgent drinking water need without regard to whether the need for drinking water is a result of the discharge of waste.

(b) An entity is eligible to apply for funding pursuant to this section if that entity has authority to undertake the activity described in subdivision (a) for which it seeks moneys and the entity is any of the following:

(1) A public agency.

(2) A tribal government that is on the California Tribal Consultation List maintained by the Native American Heritage Commission and is a disadvantaged community, as defined in Section 79505.5, that agrees to waive tribal sovereign immunity for the explicit purpose of regulation by the state board pursuant to this division.

(3) A not-for-profit organization serving a disadvantaged community, as defined in Section 79505.5.

(4) A community water system, as defined in Section 116275 of the Health and Safety Code, that serves a disadvantaged community, as defined in Section 79505.5.

(5) An administrator, as defined in Section 13288.

(c) An eligible entity shall not become liable to the state board for repayment of moneys paid to the entity under this section and expended in accordance with the state board's approval of payment, but this shall not be a defense to an action brought pursuant to subdivision (a) of Section 13304 for the recovery of moneys paid under this section.

(d) Projects using moneys that are paid to an eligible entity pursuant to this section shall be exempt from state contracting and procurement requirements set forth in the Government Code and the Public Contract Code to the extent necessary to take immediate action to protect public health and safety.

(e) The state board may adopt guidelines for the allocation and administration of these moneys that shall not be subject to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(f) The state board may expend funds for the purposes described in Section 13289.5, but is not authorized to use funds for these purposes for costs incurred after December 31, 2029.

SEC. 4. SEC. 5. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to authorize the State Water Resources Control Board to take appropriate action as soon as possible to ensure that adequate, sanitary sewer service is provided to communities, it is necessary for this act to take effect immediately.


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SB-1209 Local agency formation commission: indemnification. (2023-2024)

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Date Published: 06/11/2024 09:00 PM

AMENDED IN ASSEMBLY JUNE 11, 2024

CALIFORNIA LEGISLATURE—2023–2024 REGULAR SESSION

SENATE BILL
NO. 1209

Introduced by Senator Cortese

February 15, 2024

An act to add Section 56383.5 to the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

SB 1209, as amended, Cortese. Local agency formation commission: indemnification.

Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, provides the exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts, except as specified. The act continues in existence in each county a local agency formation commission (LAFCO) that consists of members appointed, as specified, and oversees those changes of organization and reorganization. The act authorizes a LAFCO to, among other things, review and approve with or without amendment, wholly, partially, or conditionally, or disapprove proposals for changes of organization or reorganization, as specified.

This bill would authorize a LAFCO to require, as a condition for, among other things, processing a change of organization or reorganization, that the applicant agrees to defend, indemnify, and hold harmless the LAFCO, its agents, officers, and employees from and against any claim, action, or proceeding, as specified, ~~arising from or relating to the action or determination by the LAFCO.~~ *to attack, set aside, void, or annul an approval by the LAFCO. The bill would require the LAFCO to promptly notify the applicant of any claim, action, or proceeding to attack, set aside, void, or annul an approval by the LAFCO and require the LAFCO to fully cooperate in the defense. The bill would specify that an applicant who is a party to the agreement is not responsible to defend, indemnify, or hold harmless the LAFCO if the LAFCO fails to notify the applicant or cooperate fully in the defense, and is not required to pay or perform any settlement relating to the agreement, unless the applicant approves the settlement. The bill would specify that nothing in its provisions are to be construed to prohibit the LAFCO from participating in the defense of any claim, action, or proceeding to attack, set aside, void, or annul an approval by the commission if specified conditions are met, including that the LAFCO bears its own attorney's fees and costs of the claim, action, or proceeding.*

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 56383.5 is added to the Government Code, to read:

56383.5. (a) The commission may require, as a condition for processing a change of organization or reorganization, a sphere amendment or a sphere update, or any other action or determination requested from the commission, that the applicant agrees to defend, indemnify, and hold harmless the commission, its agents, officers, and employees from any claim, action, or proceeding against the commission, its agents, officers, or employees ~~arising from or relating to the action or determination by the commission~~ to attack, set aside, void, or annul an approval by the commission.

(b) (1) An agreement to defend, indemnify, and hold harmless entered into pursuant to subdivision (a) shall require the commission to promptly notify the applicant of any claim, action, or proceeding to attack, set aside, void, or annul an approval by the commission and shall require the commission to cooperate fully in the defense.

(2) An applicant who is a party to an agreement to defend, indemnify, and hold harmless entered into pursuant to subdivision (a) shall not be responsible to defend, indemnify, or hold harmless if the commission fails to notify the applicant or cooperate fully in the defense pursuant to paragraph (1).

(c) An applicant who is a party to an agreement to defend, indemnify, and hold harmless entered into pursuant to subdivision (a) shall not be required to pay or perform any settlement relating to the agreement, unless the applicant approves the settlement.

(d) Nothing in this section shall be construed to prohibit the commission from participating in the defense of any claim, action, or proceeding to attack, set aside, void or annul an approval by the commission if both of the following conditions are met:

(1) The commission bears its own attorney's fees and costs of the claim, action, or proceeding.

(2) The commission defends the claim, action, or proceeding in good faith.


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AB-2661 Electricity: Westlands Water District. (2023-2024)

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AMENDED IN ASSEMBLY MAY 16, 2024

AMENDED IN ASSEMBLY APRIL 24, 2024

AMENDED IN ASSEMBLY MARCH 21, 2024

CALIFORNIA LEGISLATURE— 2023–2024 REGULAR SESSION

ASSEMBLY BILL

NO. 2661

Introduced by Assembly Member Soria

February 14, 2024

An act to ~~amend Section 454.57 of the Public Utilities Code, and to~~ add Chapter 4 (commencing with Section 37860) to Part 8.1 of Division 13 of the Water Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 2661, as amended, Soria. Electricity: ~~transmission facility planning:~~ Westlands Water District.

~~(1)Existing law vests the Public Utilities Commission (PUC) with regulatory authority over public utilities. Existing law requires the PUC to adopt a process for each load-serving entity, as defined, to file an integrated resource plan and a schedule for periodic updates to the plan to ensure that it meets, among other things, the state's targets for reducing emissions of greenhouse gases and the requirement to procure at least 60% of its electricity from eligible renewable energy resources by December 31, 2030. Under existing law, after the load-serving entities updated the integrated resource plans pursuant to the schedule adopted by the PUC, the PUC adopted an aggregated resource portfolio known as the preferred system plan.~~

~~Existing law establishes an Independent System Operator (ISO) as a nonprofit public benefit corporation, and requires the ISO to ensure the efficient use and reliable operation of the electrical transmission grid consistent with the achievement of planning and operating reserve criteria, as specified. Existing law requires the PUC, in consultation with the State Energy Resources Conservation and Development Commission, to provide, not later than March 31, 2024, transmission-focused guidance to the ISO about resource portfolios of expected future renewable energy resources and zero-carbon resources. Existing law requires the guidance to include the allocation of those resources by region based on technical feasibility and commercial interest in each region.~~

~~This bill would require the PUC to perform a sensitivity analysis evaluating the potential for 10,000 to 30,000 megawatts of solar electrical generation located in the Central Valley beyond the amount of solar electrical generation described in the most recently adopted preferred system plan as of January 1, 2025. The bill would~~

~~require the PUC to transmit the sensitivity analysis to the ISO for evaluation as part of the next transmission planning process.~~

~~(2)The~~

The California Water District Law provides for the establishment of water districts and authorizes a district to construct, maintain, and operate plants for the generation of hydroelectric energy and transmission lines for the conveyance of the hydroelectric energy. Existing law merged the former West Plains Water Storage District into the Westlands Water District, and provides for the operation of the Westlands Water District.

This bill would authorize the Westlands Water District to provide, generate, and deliver solar photovoltaic or hydroelectric electricity and to construct, operate, and maintain works, facilities, improvements, and property necessary or convenient for generating and delivering that electricity. The bill would require the district to use the electricity for the district's own purposes, and the bill would authorize the district to sell surplus electricity to a public or private entity engaged in the distribution or sale of electricity. The bill would also authorize the district to construct, operate, and maintain energy storage systems and electric transmission lines, and to construct, operate, and maintain works, facilities, improvements, and property necessary or convenient for the operation of the energy storage system and electric transmission lines, within the boundaries of the district, as specified. *The bill would require the district to report the amount of income, and the purposes for expenditure of that income, from these electricity facilities in a specified report.*

This bill would make legislative findings and declarations as to the necessity of a special statute for the Westlands Water District.

Vote: majority Appropriation: no Fiscal Committee: *yesno* Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

~~SECTION 1. Section 454.57 of the Public Utilities Code is amended to read:~~

~~454.57.(a) This section shall be known, and may be cited, as the Accelerating Renewable Energy Delivery Act.~~

~~(b) The Legislature finds and declares all of the following:~~

~~(1) The commission, the Energy Commission, and the State Air Resources Board have jointly estimated that the state's installed electric generation may need a threefold increase in capacity to meet state carbon-free electricity policy targets.~~

~~(2) Record-setting renewable energy generation build rates are needed to meet the goals of the California Renewables Portfolio Standard Program and the Senate Bill 100 (Chapter 312 of the Statutes of 2018) target of supplying 100 percent of retail sales of electricity from renewable energy resources and zero-carbon resources. However, these build rates are not achievable without additional electrical transmission lines and facilities connecting new resources to consumers in the state's load centers.~~

~~(3) In recent years, California has seen problems in delivering renewable energy resources and zero-carbon resources to customers, including problems caused by constraints on the transmission system. First, there are generation pockets where the total potential output from renewable energy generation exceeds the capacity of the transmission system to export that energy. Second, there are load pockets where there is insufficient transmission capacity to import the renewable energy resources and zero-carbon resources that are available. Both types of constraints should be promptly fixed so that all available renewable energy resources and zero-carbon resources can be delivered to customers.~~

~~(4) Reducing the use of nonpreferred resources in disadvantaged communities has been a priority for those communities, and they would benefit from increased access to electricity from new renewable energy resources and zero-carbon resources delivered to serve in-city loads.~~

~~(5) New transmission facilities have many steps that must be accomplished before they are online and delivering electricity. Major new transmission lines can take more than a decade from initial planning to operation.~~

~~(6) New transmission facilities should be planned proactively to support delivery to load centers from expected locations for future renewable energy resource and zero-carbon resource development, where those locations are identified in the integrated resource planning process pursuant to Sections 454.52 and 9621 or as part of longer range planning processes pursuant to Section 454.53.~~

~~(7)The Central Valley may have the potential to host substantially increased amounts of solar energy generation and energy storage beyond current planning assumptions if there were sufficient transmission capacity to deliver the energy to load centers. The commission, Energy Commission, and Independent System Operator should consider potential increased development of solar energy generation and energy storage in the Central Valley and of the transmission capacity needed to deliver that energy to load centers.~~

~~(8)New transmission facilities should be designed to minimize the risk of transmission-triggered wildfires.~~

~~(9)New transmission facilities should be designed to facilitate renewable energy transmission across California to better manage the variability of electrical supply.~~

~~(10)The Independent System Operator has issued a 20-Year Transmission Outlook that identifies substantial additional transmission projects needed to integrate renewable energy resources and storage for retail suppliers within the Independent System Operator balancing authority. Given the scale of this challenge, there is an urgent need to prioritize and accelerate the substantial effort needed to build transmission projects with long development times.~~

~~(c)Recognizing that the Independent System Operator's Federal Energy Regulatory Commission-approved tariff requires the Independent System Operator to plan and approve new transmission facilities needed to achieve the state's goals, it is the intent of the Legislature that the Independent System Operator shall take notice of the state policies expressed in this section.~~

~~(d)(1)In support of the state's policy to supply increasing amounts of electricity from renewable energy resources and zero-carbon resources pursuant to Article 16 (commencing with Section 399.11) and Section 454.53, beginning as soon as possible and not later than March 31, 2024, the commission, in consultation with the Energy Commission, shall provide transmission-focused guidance to the Independent System Operator about resource portfolios of expected future renewable energy resources and zero-carbon resources. The guidance shall include the allocation of those resources by region based on technical feasibility and commercial interest in each region to allow the Independent System Operator to identify and approve transmission facilities needed to interconnect resources and reliably serve the needs of load centers.~~

~~(2)(A)For purposes of the next integrated resource plan cycle after January 1, 2025, the commission shall perform a sensitivity analysis evaluating the potential for 10,000 to 30,000 megawatts of solar electrical generation located in the Central Valley beyond the amount of solar electrical generation described in the most recently adopted preferred system plan as of January 1, 2025.~~

~~(B)The commission shall transmit the results of the sensitivity analysis performed pursuant to subparagraph (A) to the Independent System Operator for evaluation as part of the next transmission planning process.~~

~~(e)In providing the guidance described in subdivision (d), the commission and the Energy Commission shall provide projections each year, including from the integrated energy policy report prepared pursuant to Section 25302 of the Public Resources Code and the load-serving entities' integrated resource plans prepared pursuant to Section 454.52, to support planning and approvals by the Independent System Operator in its annual transmission planning process, including by doing all of the following:~~

~~(1)Providing projections of resource portfolios and electricity demand by region for at least 15 years into the future to ensure adequate lead time for the Independent System Operator to analyze and approve transmission development, and for the permitting and construction of the approved facilities, to meet the projections;~~

~~(2)Providing load growth projections, including projected growth from building and transportation electrification, that are consistent with achieving the economywide greenhouse gas emissions reductions required pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code;~~

~~(3)Providing projections of new renewable energy resources and zero-carbon resources consistent with the build rates necessary to achieve the targets established in Article 16 (commencing with Section 399.11) and Section 454.53;~~

~~(4)(A)Providing resource projections that, combined with transmission capacity expansions, are expected to substantially reduce, no later than 2035, the need to rely on nonpreferred resources in local capacity areas;~~

~~(B)The resource projections in subparagraph (A) shall include consideration of cost-effective and feasible alternatives to transmission capacity expansions, including the use of energy storage resources, renewable energy resources, or zero-carbon resources that are located within the local capacity areas.~~

~~(5) Providing projections for offshore wind generation as identified by the SB 100 Joint Agency Report of the commission, the Energy Commission, and the State Air Resources Board, and informed by the strategic plan developed pursuant to Section 25991 of the Public Resources Code, to allow the Independent System Operator to identify and approve transmission facilities needed from offshore wind resource areas that would be sufficient to make offshore wind resources fully deliverable to load centers.~~

~~(6) Providing projections for increases in imports of electricity into the state that reflect the expected development of renewable energy resources and zero-carbon resources in other parts of the Western Interconnection for the purpose of delivering clean energy to California balancing authorities.~~

~~(f) On or before January 15, 2023, the commission shall request the Independent System Operator to do both of the following:~~

~~(1) Identify, based as much as possible on studies completed before January 1, 2023, by the Independent System Operator and projections provided before January 1, 2023, by the commission and the Energy Commission, the highest priority transmission facilities that are needed to allow for increased transmission capacity into local capacity areas to deliver renewable energy resources or zero-carbon resources that are expected to be developed by 2035 into those areas.~~

~~(2) Consider whether to approve transmission projects identified pursuant to paragraph (1) as part of its 2022–23 transmission planning process.~~

~~(g) It is the policy of the state that new transmission facilities be built on a timely basis and in anticipation of new electrical generation that will be built to meet the state's renewable energy resource and zero-carbon resource targets, with interim targets for transmission capacity additions that demonstrate adequate progress toward meeting these long-term transmission needs. The commission shall request that the Independent System Operator implement this policy by approving transmission projects needed based on a longer planning period supported by the guidance provided pursuant to subdivisions (d) and (e). The projects should be approved in time to be online when needed, considering permitting and construction lead times.~~

~~(h) It is the policy of the state that planning for new transmission facilities considers the following goals:~~

~~(1) Minimizing the risk of wildfire.~~

~~(2) Increasing systemwide reliability and cost efficiency, including through the sharing of diverse electrical generation resources within California and with other parts of the Western Interconnection.~~

~~(3) Eliminating transmission constraints that prevent electrical generation resources from delivering to the wider grid and that prevent importing energy into load pockets.~~

~~(i) For purposes of this section, the following definitions apply:~~

~~(1) "Local capacity area" means a transmission constrained load pocket, as identified by the Independent System Operator, where local generation capacity is needed for reliability due to insufficient transmission capacity into the load pocket to meet electricity demand with electricity from outside of the load pocket.~~

~~(2) "Nonpreferred resources" means electrical generation resources that are not renewable energy resources or zero-carbon resources pursuant to Section 454.53.~~

~~**SEC. 2. SECTION 1.** Chapter 4 (commencing with Section 37860) is added to Part 8.1 of Division 13 of the Water Code, to read:~~

CHAPTER 4. Additional Powers of the District

37860. (a) For purposes of this section, "for its own purposes" means the Westlands Water District performing only functions within its capacity as a water district, including, but not ~~be~~ limited to, any of the following:

- (1) Pumping operations.
- (2) Water treatment operations.
- (3) Barrier intrusion operations.
- (4) Desalination operations.

(b) (1) The Westlands Water District may provide, generate, and deliver solar photovoltaic or hydroelectric electricity, and may construct, operate, and maintain any and all works, facilities, improvements, and property, or portions thereof, necessary or convenient for generating and delivering that electricity.

(2) An electric powerplant or transmission line constructed pursuant to this subdivision may be leased for operation.

(3) The electricity generated pursuant to this subdivision shall be used by the Westlands Water District for its own purposes. The district may sell surplus electricity to a public or private entity that is engaged in the distribution or sale of electricity.

(c) The Westlands Water District may construct, operate, and maintain an energy storage system, as defined in Section 2835 of the Public Utilities Code, and all works, facilities, improvements, and property, or portions thereof, necessary or convenient for the operation of an energy storage system, within the boundaries of the district, regardless of whether the energy storage system is interconnected to or directly charged by an electric powerplant constructed pursuant to subdivision (b). An energy storage system constructed pursuant to this subdivision may be leased for operation. The district may operate an energy storage system in a manner intended, as determined by the district, to increase the economic value of the energy storage system and the district is not required to use the discharging energy for its own purposes. The district may purchase discharging energy through a market administered by the Independent System Operator. The district may sell discharging energy and any attributes of the energy storage system through a market administered by the Independent System Operator.

(d) The Westlands Water District may construct, operate, and maintain electrical transmission lines and all works, facilities, improvements, and property, or portions thereof, necessary or convenient for the conveyance of electricity within the boundaries of the district, regardless of whether the transmission lines are used for the purpose of conveying electricity from an electric powerplant constructed pursuant to subdivision (b). Transmission lines constructed pursuant to this subdivision may be leased for operation. The district may sell the rights to use transmission lines constructed pursuant to this subdivision to any public or private entity that is engaged in the distribution or sale of electricity. Transmission facilities developed pursuant to this section shall be controlled by a California balancing authority, as defined in Section 399.12 of the Public Utilities Code, regardless of ownership by the Westlands Water District or a subsequent owner.

(e) This section does not authorize the Westlands Water District to provide, sell, or deliver electricity at retail.

(f) The Westlands Water District shall not acquire property employed in the generation or delivery of electricity for public or private utility purposes, except by mutual agreement between the district and the owner of that property.

(g) The Westlands Water District shall report the amount of income, and the purposes for expenditure of that income, from electricity facilities constructed pursuant to this section in the report required by Section 53892 of the Government Code.

SEC. 3. SEC. 2. The Legislature finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique need of the Westlands Water District to support the development of solar electrical generation for the electrical grid and to facilitate the development of transmission capacity to help California reach its clean energy and climate goals.

July 10, 2024

9c | Commission
Discussion

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Derek J. McGregor
Public Member

Bruce Whitaker
City Member

VACANT
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

VACANT
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer

SUBJECT: Nomination and Appointments for 2024-2025 CALAFCO
Elections Process

BACKGROUND

On May 21, 2024, the California Association of Local Agency Formation Commissions (CALAFCO) Election Committee opened the nomination period for seats on the Board of Directors with upcoming expiring terms (**Attachment 1**). Each region (Southern, Central, Coastal, and Northern) is allocated four CALAFCO Board seats (County, City, Special District, and Public). For the Southern Region, nominations are open for two seats, the city and public members. The nomination period closes on **Monday, September 16, 2024**. Nominations received by this deadline will be included in the Committee’s report and on the ballot.

The current board members and terms for the Southern Region are shown in the table below. The term of office is two years and begins officially at the Annual Membership Meeting. OC LAFCO **Commissioner Derek McGregor** and Aquanetta Warren of San Bernardino LAFCO have expressed interest in continuing on the board to represent the southern region. Commissioner McGregor was first appointed to the CALAFCO board in 2021 and was subsequently reelected by the southern region LAFCOs (Imperial, Los Angeles, Orange, Riverside, San Bernardino, and San Diego) in 2022. He currently serves on the Association’s awards and legislative committees.

CALAFCO Southern Region Board Members			
Director	LAFCO	Category	Term
Kimberly Cox	San Bernardino	Special District	2023-2025
Yxstian Gutierrez	Riverside	County	2023-2025
Derek McGregor	Orange	Public	2022-2024
Aquanetta Warren	San Bernardino	City	2022-2024

Ballots for the open seats will be made available to each LAFCO’s voting delegate at the 2024 Annual Conference, which will take place in Fish Camp, California (October 16-18). In accordance with local policy, the current OC LAFCO Chair (Donald Wagner) and Vice Chair (Wendy

Bucknum) or the Immediate Past Chair (Douglass Davert) serve as the Commission's primary and alternate voting delegates for CALAFCO Board elections. The policy also provides that the Commission may appoint other Commissioners in the event that any of these officers are unable to attend the conference. Staff is recommending the Commission discuss and appoint primary and alternate voting delegates, if warranted, for participation in the conference's voting matters.

RECOMMENDED ACTIONS

Staff recommends the Commission:

1. Discuss and appoint, if warranted, primary and alternate voting delegates.
2. Adopt OC LAFCO Resolution No. CP 24-05 nominating Commissioner McGregor for the CALAFCO Board of Directors public member seat representing the Southern Region and the appointment of primary and alternate voting delegates.
3. Direct staff to submit required election documents to CALAFCO.

Respectfully submitted,



CAROLYN EMERY

Attachments:

1. CALAFCO Board of Directors Nominations for 2024/25
2. Form of OC LAFCO Resolution No. CP 24-05

Date: May 21, 2024	
To: Local Agency Formation Commission Members and Alternate Members	
From: Kenneth Leary, Committee Chair CALAFCO Board Election Committee CALAFCO Board of Directors	
RE: Nomination Period Now Open for 2024/2025 CALAFCO Board of Directors	

The Nomination Period is now open for the fall elections of the CALAFCO Board of Directors for the following seats:

CENTRAL REGION	COASTAL REGION	NORTHERN REGION	SOUTHERN REGION
County Member	County Member	City Member	City Member
District Member	District Member	Public Member	Public Member

Please inform your Commission that the CALAFCO Election Committee will be accepting nominations for the above-cited seats until:

MONDAY, SEPTEMBER 16, 2024

<p><i>Serving on the CALAFCO Board is a unique opportunity to work with other commissioners throughout the state on legislative, fiscal, and operational issues that affect us all. The Board meets four to five times each year, generally virtually. However, strategic plan retreats and other meetings may be scheduled in-person and will alternate around the state. A job description is attached that more fully discusses director responsibilities and time commitment.</i></p>	<p><i>Board terms span a two-year period, with no term limits, and any LAFCO commissioner or alternate commissioner is eligible to run for a Board seat.</i></p> <p><i>Elections will be conducted during Regional Caucuses at the CALAFCO Annual Conference prior to the Annual Membership Meeting on Thursday, October 17, 2024 at the Tenaya Lodge in Fish Camp, California.</i></p>
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Should your Commission nominate a candidate, please return the completed Nomination Form and Candidate’s Résumé Form by the deadline. Completed nomination forms and all materials must be RECEIVED by CALAFCO by the deadline.

Electronic filing of nomination forms is **highly encouraged** to facilitate the recruitment process. Please email to info@calafco.org. However, hard copy forms and materials may also be mailed to:

Election Committee c/o Executive Director
California Association of Local Agency Formation Commissions
1451 River Park Drive, Suite 185
Sacramento, CA 95815

Complete nominations received by the September 16th deadline will be included in the Election Committee’s Report that will be distributed to LAFCO members. Candidate names will be listed in the report, and on the ballot, in the order nominations are received. The Election Committee Report will be distributed no later than October 3, 2024, with ballots made available to Voting Delegates at the Annual Conference.

Nominations received after the deadline will be returned; however, nominations may be made from the floor during the Regional Caucuses or during at-large elections, if required, at the Annual Membership Meeting.

For those member LAFCOs who cannot send a representative to the Annual Meeting, an electronic ballot will be made available *if requested in advance*. **Ballot requests must also be received no later than Monday, September 16, 2024, with completed absentee ballots due by no later than Thursday, October 10, 2024.**

NOMINATION/ELECTION PROCESS DEADLINES AND TIMELINES	
•	May 21 – Nomination Announcement and packet sent to LAFCO membership and posted on the CALAFCO website.
•	September 16 – Completed Nomination packet due
•	September 16 – Request for an absentee/electronic ballot due
•	September 16 – Voting delegate name due to CALAFCO
•	October 3 – Distribution of the Election Committee Report (includes all completed/submitted nomination papers)
•	October 3 – Distribution of requested absentee/electronic ballots.
•	October 10 – Absentee ballots due to CALAFCO
•	October 17 - Elections

If you have any questions about the election process, please contact CALAFCO Executive Director René LaRoche at rlaroche@calafco.org or by calling 916-442-6536.

Members of the 2024/2025 CALAFCO Election Committee are:

- | | |
|--------------------------------|--|
| Kenneth Leary, Committee Chair | Napa LAFCO (Coastal Region) |
| Bill Connelly | Butte LAFCO (Northern Region) |
| Kimberly Cox | San Bernardino LAFCO (Southern Region) |
| Anita Paque | Calaveras LAFCO (Central Region) |

To assist you in this consideration, you will find attached for your reference a copy of the CALAFCO Board Member Job Description, the CALAFCO Board of Directors Nomination and Election Procedures and Forms, and the current listing of Board Members and corresponding terms of office.

I sincerely hope that you will consider joining us!

Attachments.



Board Member Job Description

California Association of Local Agency Formation Commissions (CALAFCO) Member of the Board of Directors

Mission

As a 501(c)(3) nonprofit organization, CALAFCO supports LAFCOs by *promoting efficient and sustainable government services based on local community values through legislative advocacy and education.*

For more information, please see CALAFCO's website at www.calafco.org.

Values

The underlying values that define our organization are: *dependability, efficiency, honesty, and transparency.*

Duties

Board members have the following legal duties:

1. **Duty of Care:** *Ensuring prudent use of all assets including financial, facility, people, and good will.*
2. **Duty of Loyalty:** *Ensuring that the association's activities and transactions are, first and foremost, advancing its mission; Recognizing and disclosing conflicts of interest; Making decisions that are in the best interest of the association and not in the best interest of an individual board member, or any other individual or entity.*
3. **Duty of Obedience:** *Ensuring that the association obeys applicable laws and regulations; follows its own bylaws and policies; and that it adheres to its stated corporate purposes/mission.*

Position

The Board is a governing body and is expected to support the work of CALAFCO by providing mission-based leadership and strategic governance. While day-to-day operations are led by CALAFCO's Executive Director (ED), the Board-ED relationship is a partnership and the appropriate involvement of the Board is both critical and expected. Board Members are tasked with the Leadership, Governance, and Oversight of the association. Responsibilities include, but are not limited to:

- Representing CALAFCO to stakeholders; acting as an ambassador for the organization to regional members and California legislators.

Board Member Job Description

- Approving policies that provide the appropriate authority and guidance for/to the ED in the administration of the organization.
- Serving as a trusted advisor to the ED.
- Participating in strategic planning retreats.
- Reviewing agenda and supporting materials, and communicating question to the Executive Director, prior to board and committee meetings.
- Weighing the organization's outcomes against strategic plan initiatives.
- Approving CALAFCO's annual budget, financial reports, and business decisions; being informed of, and meeting all, legal and fiduciary responsibilities.
- Assisting the ED and board chair in identifying and recruiting other Board Members to ensure CALAFCO's commitment to a diverse board and staff that recognizes the differing perspectives among LAFCOs.
- Partnering with the ED and other board members to ensure that board resolutions are carried out.
- Serving on committees or task forces and taking on special assignments, as needed.

Board Terms/Expected Participation

CALAFCO's Board Members are elected during regional caucuses held at the association's annual meeting, and serve two-year terms.

Regular board meetings are held quarterly, special meetings are called as needed, strategic planning retreats are held every two years, committee meetings are called at different times during the year, and legislative canvassing in Sacramento may be needed. Two absences, within a calendar year, from any regularly scheduled board meetings constitutes a resignation of the Board member.

Qualifications

Board Members must be seated LAFCO Commissioners at their local level.

This is an extraordinary opportunity for an individual who is passionate about the importance of the role that LAFCOs play in the sustainable growth of a region, and who has a track record of leadership. His/her accomplishments will allow him/her to interface effectively with the state legislature, as well as attract other well-qualified, high-performing Board Members.

Remuneration

Service on CALAFCO's Board of Directors is without remuneration. Administrative support, travel, and accommodation costs are typically provided by a director's home LAFCO.



Board of Directors Nomination and Election Procedures and Forms

The procedures for nominations and election of the CALAFCO Board of Directors [Board] are designed to assure full, fair and open consideration of all candidates, provide confidential balloting for contested positions and avoid excessive demands on the time of those participating in the CALAFCO Annual Conference.

The Board nomination and election procedures shall be:

1. APPOINTMENT OF AN ELECTION COMMITTEE:

- a. Following the Annual Membership Meeting the Board shall appoint an Election Committee of four members of the Board. The Election Committee shall consist of one member from each region whose term is not ending.
- b. The Board Chair shall appoint one of the members of the Election Committee to serve as Committee Chair. The CALAFCO Executive Director shall either serve as staff to the Election Committee or appoint a CALAFCO regional officer to serve as staff in cooperation with the Executive Director.
- c. Each regional officer shall serve as staff liaison to the Election Committee specifically to assist in conducting the election as directed by the Executive Director and Committee.
- d. Goals of the Committee are to encourage and solicit candidates by region who represent member LAFCOs across the spectrum of geography, size, and urban-suburban-rural population, and to provide oversight of the elections process.

2. ANNOUNCEMENT TO ALL MEMBER LAFCOs:

- a. No later than four months prior to the Annual Membership Meeting, the Election Committee Chair shall send an announcement to each LAFCO for distribution to each commissioner and alternate. The announcement shall include the following:
 - i. A statement clearly indicating which offices are subject to the election.
 - ii. A regional map including LAFCOs listed by region.
 - iii. The specific date by which all nominations must be received by the Election Committee. The deadline shall be no later than 30 days prior to the opening of the Annual Conference. Nominations received after the closing date shall be returned to the proposing LAFCO marked "Received too late for Election Committee action."
 - iv. The names of the Election Committee members and the name of their LAFCO, regional representation, email address and phone number. The name, email address and phone number of the Executive Director shall also be included.
 - v. The email address and physical address to send the nominations forms.
 - vi. A form for a Commission to use to nominate a candidate and a candidate resume form of no more than one page each to be completed for each nominee.
 - vii. The specific date by which all voting delegate names are due.
 - viii. The specific date by which absentee ballots must be requested, the date CALAFCO will

Key Timeframes for Nominations Process

Days*	
120	Nomination announcement
30	Nomination deadline
14	Committee report released

*Days prior to annual membership meeting

distribute the absentee ballots, and the date by which they must be received by the Executive Director.

- b. A copy of these procedures shall be posted on the web site.

3. THE ELECTION COMMITTEE:

- a. The Election Committee and the Executive Director have the responsibility to monitor nominations and help assure that there are adequate nominations from each region for each seat up for election. No later than two weeks prior to the Annual Conference, the Election Committee Chair shall distribute to the members the Committee Report organized by regions, including copies of all nominations and resumes, which are received prior to the end of the nomination period.
- b. At the close of the nomination period, the Election Committee shall prepare regional ballots. Each region will receive a ballot specific to that region. Each region shall conduct a caucus at the Annual Conference for the purpose of electing their designated representatives. Caucus elections must be held prior to the annual membership meeting at the Conference. The assigned regional officers along with a member of the Election Committee shall tally ballots at each caucus and provide the Election Committee the names of the elected Board members and any open seats. In the event of a tie, the regional officer and Election Committee member shall immediately conduct a run-off ballot of the tied candidates.
- c. Make available sufficient copies of the Committee Report for each Voting Delegate by the beginning of the Annual Conference. Only the designated Voting Delegate, or the designated Alternate Voting Delegate shall be allowed to pick up the ballot packet at the Annual Conference.
- d. Make available blank copies of the nomination forms and resume forms to accommodate nominations from the floor at either the caucuses or the annual meeting (if an at-large election is required).
- e. Advise the Executive Director to provide "CANDIDATE" ribbons to all candidates attending the Annual Conference.
- f. Advise the Executive Director to provide "VOTING DELEGATE" ribbons to all voting delegates attending the Annual Conference.
- g. Post the candidate statements/resumes organized by region on a bulletin board or other easily accessible location near the registration desk.
- h. Regional elections shall be conducted as described in Section 4 below. The representative from the Election Committee shall serve as the Presiding Officer for the purpose of the caucus election and shall be assisted by a regional officer from a region other than their own, as assigned by the Executive Director
- i. Following the regional elections, in the event that there are open seats for any offices subject to the election, the Election Committee Chair shall notify the Chair of the Board of Directors that an at-large election will be required at the annual membership meeting and to provide a list of the number and category of seats requiring an at-large election.

4. ELECTRONIC BALLOT FOR LAFCO IN GOOD STANDING NOT ATTENDING ANNUAL MEETING

Limited to the elections of the Board of Directors

- a. Any LAFCO in good standing shall have the option to request an electronic ballot if there will be no representative attending the annual meeting.
- b. LAFCOs requesting an electronic ballot shall do so in writing to the Executive Director no later than 30 days prior to the annual meeting.
- c. The Executive Director shall distribute the electronic ballot no later than two weeks prior to the

annual meeting.

- d. LAFCO must return the ballot electronically to the Executive Director no later than three working days prior to the annual meeting.
- e. LAFCOs voting by electronic ballot may discard their electronic ballot if a representative is able to attend the annual meeting.
- f. LAFCOs voting under this provision may only vote for the candidates nominated by the Election Committee as noted on the ballot and may not vote in any run-off elections.

5. AT THE TIME FOR ELECTIONS DURING THE REGIONAL CAUCUSES OR ANNUAL MEMBERSHIP MEETING:

- a. The Presiding Officer shall:
 - i. Review the election procedure with the membership of their region.
 - ii. Present the Election Committee Report (previously distributed).
 - iii. Call for nominations from the floor by category for those seats subject to this election:
 - 1. For city member.
 - 2. For county member.
 - 3. For public member.
 - 4. For special district member.
- b. To make a nomination from the floor, a LAFCO, which is in good standing, shall identify itself and then name the category of vacancy and individual being nominated. The nominator may make a presentation not to exceed two minutes in support of the nomination.
- c. When there are no further nominations for a category, the Presiding Officer shall close the nominations for that category.
- d. The Presiding Officer shall conduct a "Candidates Forum". Each candidate shall be given time to make a brief statement for their candidacy. If a candidate is absent from the regional caucus, they may ask someone in their region to make a brief statement on their behalf.
- e. The Presiding Officer shall then conduct the election:
 - i. For categories where there are the same number of candidates as vacancies, the Presiding Officer shall:
 - 1. Name the nominees and offices for which they are nominated.
 - 2. Call for a voice vote on all nominees and thereafter declare those unopposed candidates duly elected.
 - ii. For categories where there are more candidates than vacancies, the Presiding Officer shall:
 - 1. Poll the LAFCOs in good standing by written ballot.
 - 2. Each LAFCO in good standing may cast its vote for as many nominees as there are vacancies to be filled. The vote shall be recorded on a tally sheet.

3. Any ballots submitted electronically for candidates included in the Election Committee Report shall be added to the tally.
 4. With assistance from the regional officer, tally the votes cast and announce the results.
- iii. Election to the Board shall occur as follows:
1. A majority of the total number of LAFCOs in a given region are required for a quorum. Returned absentee ballots shall count towards the total required for a quorum.
 2. The nominee receiving the majority of votes cast is elected.
 3. In the case of no majority, the two nominees receiving the two highest number of votes cast shall face each other in a run-off election. Electronic ballots are not included in the tally for any run-off election(s).
 4. In case of tie votes:
 - a. A second run-off election shall be held with the same two nominees.
 - b. If there remains a tie after the second run-off, the winner shall be determined by a draw of lots.

6. ADDITIONAL PROCEDURES

- a. For categories where there are more candidates than vacancies, names shall be listed on the ballot in the order the nomination was received and deemed complete.
- b. The Election Committee Chair shall announce and introduce all Board Members elected during the Regional Caucuses at the annual business meeting.
- c. In the event that Board seats remain unfilled after a Regional Caucus, an election will be held immediately at the annual business meeting to fill the position at-large. Nominations will be taken from the floor and the election process will follow the procedures described in Section 4 above. Any commissioner or alternate from a member LAFCO may be nominated for at-large seats.
- d. Seats elected at-large become subject to regional election at the expiration of the term. Only representatives from the region may be nominated for the seat.
- e. As required by the Bylaws, the members of the Board shall meet as soon as possible after election of new Board members for the purpose of electing officers, determining meeting places and times for the coming year, and conducting any other necessary business.

7. LOSS OF ELECTION IN HOME LAFCO

Board Members and candidates who lose elections in their home office shall notify the Executive Director within 15 days of the certification of the election.

8. FILLING BOARD VACANCIES

Vacancies on the Board of Directors may be filled by appointment by the Board for the balance of the unexpired term. Appointees must be from the same category as the vacancy, and should be from the same region.

CALAFCO's Four Regions



The counties in each of the four regions consist of the following:

Northern Region

Butte
Colusa
Del Norte
Glenn
Humboldt
Lake
Lassen
Mendocino
Modoc
Nevada
Plumas
Shasta
Sierra
Siskiyou
Sutter
Tehama
Trinity
Yuba

CONTACT: Steve Lucas
Butte LAFCO
slucas@buttecounty.net

Southern Region

Orange
Los Angeles
Imperial
Riverside
San Bernardino
San Diego

CONTACT: Gary Thompson
Riverside LAFCO
gthompson@LAFCO.org

Coastal Region

Alameda
Contra Costa
Marin
Monterey
Napa
San Benito
San Francisco
San Luis Obispo
San Mateo
Santa Barbara
Santa Clara
Santa Cruz
Solano
Sonoma
Ventura

CONTACT: Dawn Longoria
Napa LAFCO
dawn.longoria@napa.lafco.ca.gov

Central Region

Alpine
Amador
Calaveras
El Dorado
Fresno
Inyo
Kings
Madera
Mariposa
Merced
Mono
Placer
Sacramento
San Joaquin
Stanislaus
Tulare
Tuolumne
Yolo

CONTACT: José Henriquez
Sacramento LAFCO
henriquezj@sacounty.net

CURRENT BOARD MEMBERS AND TERMS

NAME	REGION	TYPE & TERM
Bill Connelly	Butte <i>Northern</i>	County (2025)
Kimberly Cox	San Bernardino Southern	District (2025)
Rodrigo Espinosa	Merced <i>Central</i>	County (2024)
Yxstian Gutierrez	Riverside Southern	County (2025)
Blake Inscore, Secretary	Del Norte <i>North</i>	City (2024)
Gay Jones, Treasurer	Sacramento <i>Central</i>	District (2024)
Kenneth Leary	Napa Coastal	Public (2025)
Gordon Mangel	Nevada <i>Northern</i>	District (2025)
Michael McGill	Contra Costa <i>Coastal</i>	District (2024)
Derek McGregor	Orange <i>Southern</i>	Public (2024)
Margie Mohler, Chair	Napa <i>Coastal</i>	City (2025)
Anita Paque	Calaveras <i>Central</i>	Public (2025)
Wendy Root Askew	Monterey <i>Coastal</i>	County (2024)
Josh Susman	Nevada <i>Northern</i>	Public (2024)
Tamara Wallace	El Dorado Central	City (2025)
Acquanetta Warren, Vice-Chair	San Bernardino <i>Southern</i>	City (2024)



Board of Directors

2024/2025 Nomination Form
(Must accompany the Candidate Résumé Form)

Nomination to the CALAFCO Board of Directors

In accordance with the Nominations and Election Procedures of CALAFCO,

_____ LAFCO of the _____ Region

Nominates _____

for the (check one) City County Special District Public

Position on the CALAFCO Board of Directors to be filled by election at the next Annual Membership Meeting of the Association.

_____ LAFCO Chair

_____ Date

NOTICE OF DEADLINE

Nomination Packets must be received by **September 16, 2024** to be considered by the Election Committee.

Send completed nominations to
info@calafco.org

Or, mail to:

CALAFCO Election Committee
CALAFCO
1451 River Park Drive, Ste. 185
Sacramento, CA 95815

Date Received



Board of Directors
2024/2025 Candidate Résumé Form
(Complete both pages)

Nominated By: _____ LAFCO Date: _____

Region (please check one): Northern Coastal Central Southern

Category (please check one): City County Special District Public

Candidate Name _____

Address _____

Phone Office _____ Mobile _____

e-mail _____

Personal and Professional Background:

LAFCO Experience:

CALAFCO or State-level Experience:

Availability:

Other Related Activities and Comments:

NOTICE OF DEADLINE

Complete Nomination Packets must be received by **September 16, 2024** to be considered by the Election Committee.

Send completed nominations to
info@calafco.org

Or, mail to:

CALAFCO Election Committee
CALAFCO
1451 River Park Drive, Ste. 185
Sacramento, CA 95815

CP 24-05

**RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION OF ORANGE COUNTY, CALIFORNIA
NOMINATING COMMISSIONER DEREK J. MCGREGOR TO
THE BOARD OF DIRECTORS OF THE CALIFORNIA
ASSOCIATION OF LOCAL AGENCY FORMATION
COMMISSIONS**

July 10, 2024

On motion of _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, on May 21, 2024, the Board Election Committee of the California Association of Local Agency Formation Commissions (“CALAFCO”) opened the 2024/25 elections for the CALAFCO Board of Directors; and

WHEREAS, the Local Agency Formation Commission of Orange County (“OC LAFCO”) has been and continues to be an active member of CALAFCO, providing leadership in reinforcing the importance of LAFCO’s role in shaping the future growth and development of the State of California; and

WHEREAS, over the years, a number of past and current OC LAFCO Commissioners have served on the CALAFCO Board of Directors, providing guidance in shaping CALAFCO policies and legislative positions, and providing important policy perspectives from the Southern Region of the State; and

WHEREAS, Commissioner Derek J. McGregor currently serves as the Southern Region Public Member on the CALAFCO Board of Directors, a member of the CALAFCO Legislative and Awards Committees, and Chair of the Southern Region of CALAFCO. Additionally, Commissioner McGregor has served on several other CALAFCO committees, including the annual conference planning and board elections committees and has expressed interest in continuing to represent the Southern Region on the CALAFCO Board of Directors.

WHEREAS, the OC LAFCO Guidelines for Selecting OC LAFCO Voting Delegates provides that the Commission shall appoint voting delegates to participate in elections for the

CALAFCO Board of Directors and other voting matters during the CALAFCO conference in the event that the current Chair, Vice Chair, or Immediate Past Chair is unable to attend the conferences.

NOW, THEREFORE, the Local Agency Formation Commission of Orange County DOES HEREBY RESOLVE as follows:

Section 1. Commissioner Derek J. McGregor is hereby nominated for the open Public Member seat on the CALAFCO Board of Directors, representing the Southern Region.

Section 2. Commissioner _____ is hereby appointed to serve as the primary voting delegate, and Commissioner _____ is hereby appointed to serve as the alternate voting delegate for participation in the 2024/25 elections for the CALAFCO Board of Directors and other voting matters during the 2024 CALAFCO Conference.

Section 3. The Executive Officer is hereby directed to transmit this resolution and the required nomination and voting delegate forms to the CALAFCO Executive Director and Board Election Committee.

AYES:

NOES:

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

I, Donald P. Wagner, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 10th day of July, 2024.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of July, 2024.

Donald P. Wagner
Chair of the Local Agency Formation
Commission of Orange County

By: _____
Donald P. Wagner

July 10, 2024

9d | Commission
Discussion

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Derek J. McGregor
Public Member

Bruce Whitaker
City Member

VACANT
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

VACANT
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer

SUBJECT: Alternate Appointment for the Southern Region
Local Agency Formation Commissions

BACKGROUND

The Southern Region Local Agency Formation Commissions (formerly the Coalition of California Local Agency Formation Commissions) was formed in 2011 by Imperial, Los Angeles, Orange, Riverside, San Bernardino and San Diego LAFCOs. The group was established to primarily focus on the legislative positions of interest, educational opportunities, creating a forum for CALAFCO Board of Directors candidates, and joint review of CALAFCO programs and activities for the region. The regional group meets quarterly, and this effort has led to many joint partnerships and activities.

Quarterly meetings and other activities of the group are governed through rules and procedures outlined in the adopted by-laws. The document guides the rules of order, schedule of meetings, and selection of officers and primary and alternate voting members. At the next quarterly meeting on August 28, the southern region LAFCOs will review the by-laws and consider minor updates to improve procedures, including the schedule and format (in-person or virtual) for election of officers and quarterly meetings and meeting quorum. Currently, the by-laws provide for each LAFCO to designate a Commissioner and an alternate to vote in matters taken up by the southern region group. The by-laws also provide that the alternate may be a staff member or other Commissioner who shall vote in the absence of the regular Commissioner.

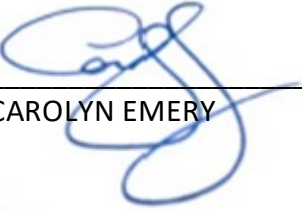
OC LAFCO Commissioner Derek J. McGregor currently represents the Commission at the southern region meetings and was most recently elected to serve as Chair of the southern group. To ensure that there is continuity of participation with the group and there is consistently a quorum of the group, staff is recommending the Commission appoint the Executive Officer to serve as OC LAFCO's alternate voting member.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Appoint the OC LAFCO Executive Officer as the alternate member for activities of the southern region LAFCOs.

Respectfully submitted,



CAROLYN EMERY

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Derek J. McGregor
Public Member

Bruce Whitaker
City Member

VACANT
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

VACANT
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

MEETING DATE: July 10, 2024

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer

SUBJECT: Orange County Grand Jury Report: "Emerging
Opportunities in South County Water/Wastewater
Systems"

BACKGROUND

On June 21, 2024, the Orange County Grand Jury (OCGJ) published a report entitled, "Emerging Opportunities in South County Water/Wastewater Systems." In accordance with State law, OC LAFCO is required to respond to each finding and/or recommendation of the report directed to the Commission by the deadline of September 20, 2024. The report is provided as Attachment 1 to this staff report. Below are the recommendations of the OCGJ for which OC LAFCO must provide a response:

- R1.** The OCGJ recommends that by January 1, 2025, LAFCO studies a policy of conducting post-consolidation agency review to be held within 24 months of agency reorganizations to determine their overall impact on the public. (F1, F2)
- R2.** The OCGJ recommends that by January 1, 2025, LAFCO forms a task force comprising representatives of affected water agencies to study the transformation of SOCWA and prepare a report on the future of water/wastewater in South Orange County. (F3, F4)

RECOMMENDED ACTION

This is a discussion item to receive feedback from the Commission. Staff will subsequently prepare a draft response to the OCGJ for Commission consideration at the August 14 Commission meeting.

Respectfully submitted,



CAROLYN EMERY

Attachment:

- 1. OC Grand Jury Report: Emerging Opportunities in South County Water/Wastewater Systems



Emerging Opportunities in South County Water/Wastewater Systems



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Emerging Opportunities in South County Water/Wastewater Systems

SUMMARY

This Orange County Grand Jury (OCGJ) report examines the 2021 consolidation of the City of San Juan Capistrano's (SJC) water and wastewater utilities with the Santa Margarita Water District (SMWD). It sheds light on the challenges encountered and benefits achieved through consolidation. The reorganization revealed unforeseen infrastructure costs. Also, different rate structures between the combined systems resulted in a dramatic fire line service rate increase for non-residential customers that prompted protest from some of the affected ratepayers. Going forward, the lessons learned from the SMWD experience are relevant for future consolidations. Based on the findings presented in this report, the OCGJ recommends that the Orange County Local Agency Formation Commission (LAFCO) develop an ongoing practice of evaluating post-consolidation outcomes and public impacts.

Further, this OCGJ report delves into the interrelationship of water and wastewater in South Orange County. The OCGJ studied the South Orange County Wastewater Authority (SOCWA), one of the largest collaborations of wastewater service providers in the region. Disputes among its member agencies, including litigation, have strained relations causing a bureaucratic entanglement that hinders operational effectiveness. Proposals and negotiations are underway that could ultimately affect the status of its members and the realignment of treatment plants serving South Orange County.

SOCWA is a long-standing joint powers authority (JPA) that shares several wastewater facilities managed through agreements that are due to expire in 2030. Its continuance as a JPA is tenuous yet its regulatory function remains relevant. As such, the OCGJ recommends LAFCO form a task force comprising representatives from affected water agencies to study the transformation of SOCWA and prepare a report identifying the optimal future of water and wastewater systems in South Orange County.

Technologies, innovation, and increased State and federal funding are on the horizon for the water and resource recovery industry. The OCGJ finds an urgent need to unite the South Orange County water and wastewater agencies so that South Orange County is in a better position to seize the opportunities that lie ahead.

BACKGROUND

Providing water and processing wastewater in Orange County has consistently captured the public's attention. Over the past 25 years, Grand Juries have issued 15 reports addressing various water-related challenges. Many of these reports emphasize the importance of consolidating water and wastewater agencies. Orange County is home to numerous governmental entities, including special districts and JPAs that oversee an array of countywide functions, particularly those related to water and wastewater service

Emerging Opportunities in South County Water/Wastewater Systems

providers. Specifically, there are 29 retail water suppliers¹ in Orange County with their own independent governing boards and associated bureaucracies.

Previous OCGJs have raised concerns about the redundancy, laden costs, and complexity of public agencies for decades. Reports investigated the intricate web of independent special districts. Consolidating the large number of public agencies overseeing water and wastewater systems is a matter of significant concern.²

Over the past six decades, Orange County's history reflects a transformation from an agricultural hub to a thriving residential and commercial community. Rapid growth during this period caused a proliferation of water districts throughout the county. This resulted in an overabundance of water retailers operating within one of the geographically smallest counties in California.

In more recent times, water districts have found it necessary and advantageous to consolidate with other compatible public agencies. The Irvine Ranch Water District (IRWD) successfully acquired 5 water agencies in the last 27 years, with the most recent consolidation occurring in 2008.³ The latest annexation within Orange County occurred in 2021 when the Santa Margarita Water District (SMWD) acquired the water and wastewater systems of the City of San Juan Capistrano (SJC) through annexation.

Additionally, the potential consolidation of Orange County Water District (OCWD) and Municipal Water District of Orange County (MWDOC)—the county's two major water wholesalers—is currently under review by the Orange County LAFCO. This is highlighted in the 2021-2022 OCGJ report titled "Water in Orange County Needs One Voice."⁴

Advancing technology has made wastewater a sought-after commodity essentially adding to the water supply. In the realm of Orange County wastewater, there are two main wastewater service providers: the Orange County Sanitation District (OCSAN) and SOCWA. Both handle regional wastewater collection and treatment within their respective areas. Despite providing similar services, they operate under different governance structures. OCSAN is a special district, while SOCWA operates as a JPA. OCSAN serves 25 agencies covering north and central Orange County, totaling 2.5 million residents, while SOCWA currently represents 7 water and sewer agencies in South Orange County, serving approximately 600,000 residents. (See figures 1 and 2)

¹ Retail water suppliers provide potable municipal water to more than 3,000 end users or supply more than 3,000 acre-feet of potable water annually at retail for municipal purposes. (Cal. Water Code § 10608.12.)

² 2011-2012 Orange County Grand Jury report titled "[Dragging Special Districts from The Shadows](#)"

³ [Consolidations \(irwd.com\)](https://www.irwd.com)

⁴ 2021-2022 Orange County Grand Jury report titled "Water in Orange County Needs One Voice" https://www.ocgrandjury.org/sites/jury/files/2023-06/2022-06-22_Water_in_Orange_County_Needs_One_Voice.pdf

Emerging Opportunities in South County Water/Wastewater Systems

Orange County Wastewater Agencies

	OCSAN	SOCWA
Services	Regional wastewater collection and treatment	Regional wastewater collection and treatment
Governing Structure	Special District	JPA
Agencies Served	25 agencies covering North and Central Orange County	7 water and wastewater agencies covering South Orange County
Funding	Property taxes, utility bills, grants and loans	Directly from member agencies. (no taxing authority)
# Residents Served	~2.5 million	~600,000

Figure 1-Wastewater Agencies

Emerging Opportunities in South County Water/Wastewater Systems

Water Agencies in South Orange County



Figure 2

Courtesy of SOCWA

Note: Santa Margarita Water District annexed the City of San Juan Capistrano Utilities in 2021. Laguna Beach County Water District serves the City of Laguna Beach and the Emerald Bay Service District.

REASON FOR THE STUDY

The public is generally unaware of the intricate processes and unseen operators who control the flow of their household water and sewage. However, the public has recently become keenly aware of rising utility bills. Media coverage has highlighted various water agencies raising rates to address escalating water costs, aging infrastructure, lack of upgrades, and deferred maintenance. The condition of water and wastewater infrastructure must be regularly assessed for an effective capital improvement program to maintain optimum performance.⁵ A recent example is the proactive April 16, 2024 “Huntington Beach Water/Wastewater Rate Report” proposal needed to ensure reliable water and wastewater systems through 2040.⁶ Over the past few years, several water agencies across Orange County have faced backlash from ratepayers for massive hikes to cover such expenses.

In 2023, public attention was drawn to the aftermath of the SMWD’s 2021 annexation of the SJC water systems. Media reports cited SMWD officials claiming neglect under prior SJC management. News coverage also focused on proposed rate increases so excessive that they generated protests from some of the most severely impacted customers. This being the most recent water systems consolidation, OCGJ was curious about the overall process, pre-existing condition of city’s water systems, and reasons underlying these major rate differences.

Additionally, with an interest in regional water matters, the OCGJ decided to extend its scope and examine the broader network of water and wastewater entities in South Orange County. The OCGJ identified a group of major water/wastewater providers that, through a long-standing JPA, manage and provide regional collection and treatment of wastewater to support their respective service areas. The OCGJ then undertook an investigation to assess the governance structure and operational effectiveness of this collaborative legal network. The OCGJ was particularly interested in the interrelationship of these water and wastewater providers and the prospect of future consolidations in South Orange County.

METHOD OF STUDY

The OCGJ conducted interviews with key personnel, attended tours, observed meetings, and reviewed documents relevant to the topic. Research focused primarily on public agencies serving South Orange County.

⁵ Capital Improvement Program, <https://efc.sog.unc.edu/resource/capital-planning-resources-for-water-and-wastewater-utilities/>

⁶ Huntington Beach Water / Wastewater Rate Report. <https://huntingtonbeach.legistar.com/View.ashx?M=F&ID=12846347&GUID=CF0B144A-8C49-4FFE-BC0F-EADFC70C317C>

Emerging Opportunities in South County Water/Wastewater Systems

Interviews:

- Shea Therapeutic Riding Center
- City of Laguna Beach
- ATS Financial Services
- City of San Clemente
- City of San Juan Capistrano
- South Coast Water District
- Santa Margarita Water District
- Moulton-Niguel Water District
- Irvine Ranch Water District
- Laguna Beach County Water District
- Municipal Water District of Orange County
- Trabuco Canyon Water District
- El Toro Water District
- South Orange County Wastewater Authority
- Orange County Water District
- Orange County LAFCO
- Berkson Associates Consulting
- Emerald Bay Service District

Site Visits:

- Orange County Emergency Operating Center at Loma Ridge
- Orange County Sanitation District
- Santa Margarita Water District
- Irvine Ranch Water District
- San Clemente Public Works Department
- South Coast Water District
- South Orange County Wastewater Authority
- Coastal Treatment Plant
- Municipal Water District of Orange County
- Orange County Water District
- Moulton Niguel Water District
- Laguna Beach County Water District
- JB Latham Treatment Plant
- City of Laguna Beach Public Works
- El Toro Water District
- Robert B. Diemer Treatment Plant

Meetings:

- LAFCO
- Municipal Water District of Southern California
- OCWD Water Summit
- Water Advisory Committee of Orange County (WACO)

Documents and Websites Reviewed:

- Previous Grand Jury reports
- M1 Manual-Association of California Water Agencies the *Manual of Standard Practices* by the American Water Works Association
- Websites, staff reports, agendas, and meeting recordings for water agencies in South Orange County
- Review of applicable State and local laws and regulations
- Local news articles and reports

INVESTIGATION AND ANALYSIS

WATER SYSTEMS – THE CONSOLIDATION PROCESS

Case Study: City of San Juan Capistrano and Santa Margarita Water District

The City of San Juan Capistrano's (SJC) water utilities transfer offers an insightful case study highlighting the challenges and benefits with consolidating its municipal water systems with the Santa Margarita Water District (SMWD). Records dating back to 2000 reveal a decades-long struggle marked by local political tensions, financial strain from ratepayer lawsuits, deferred maintenance, and insufficient capital reinvestment in the water system. These factors, compounded by a reluctance to adjust rates to cover ongoing water costs, culminated in a critical junction where the city eventually found itself seeking a more capable water provider to assume control of its water systems.

In the pivotal year of 2011, the financial hardships plaguing SJC intensified. A series of multimillion dollar lawsuits led to a substantial decrease in the city's bond rating, creating an additional \$7.5 million deficit in the city's budget. Faced with this fiscal crisis, the city resorted to extreme budgetary measures with city-wide cutbacks affecting the utility sector.

This financial rollercoaster persisted through Fiscal Years 2012 to 2014, until 2015 delivered yet another major economic hit. There was an unfavorable Court of Appeal's decision in a lawsuit concerning the City's billing rate system that impacted affluent and high-water users. It mandated an additional \$4.1 million refund, exacerbating the City's already precarious financial state.⁷ It was at this point, in 2015, that the City began to explore divesting its water and wastewater utilities. By August 2016, the City took a decisive step by filing an application with Orange County LAFCO to conduct a focused Municipal Service Review (MSR). The purpose was to explore the potential transfer of its water and wastewater operations and facilities to a public successor agency.

LAFCO's Regulatory Role: Municipal Service Reviews

LAFCOs are independent regulatory commissions throughout California that were created by the legislature in 1959 and are charged with controlling and adjusting the boundaries of cities and most special districts in all 58 counties. (See Cal. Gov. Code §§ 56001, 56325.) Besides regulating local government boundaries, LAFCOs play an important role in evaluating municipal services within their counties and making recommendations for improvements. LAFCOs review and update the designated sphere of influence for each city and special district under their jurisdiction. Prior to establishing or updating a sphere of influence, LAFCO must perform a special MSR. MSRs are comprehensive studies to determine the adequacy of governmental services being provided by the local agencies under LAFCO jurisdiction. MSRs can be conducted

⁷ Meghann M Cuniff, "San Juan Capistrano to pay \$4.1 million to refund customers for illegal water rates" *Orange County Register*, June 18, 2015.

Emerging Opportunities in South County Water/Wastewater Systems

individually for specific cities or districts, covering all services, or on a county-wide or regional basis focused on specific services.

As the local regulatory agency, Orange County's LAFCO was tasked with reviewing the annexation proposal submitted by SJC and analyzing the financial suitability and operational capability of potential public successor agencies. On October 10, 2018, LAFCO issued its Focused MSR,⁸ which assessed the SJC's utilities and identified potential successor public agencies to assume their operations.⁹ This report held significant weight in the City's search for a solution to off-loading its distressed assets.

The MSR identified three interested special water districts for further consideration: South Coast Water District (SCWD), Santa Margarita Water District (SMWD), and Moulton Niguel Water District (MNWD). Notably, the report underscored that all three potential agencies were generally better positioned than the city to provide water and sewer services to the community,¹⁰ thus marking a turning point in SJC's search for a viable solution to its long-standing water system challenges.

Following presentations from three qualified special districts and input from the public, SJC selected SMWD on February 19, 2019, for further discussion on the transfer of the City's water and sewer utility systems. The City Council's rationale for this decision was based on the potential for an economy of scale, enhanced operations, infrastructure improvements, and stabilized utility rates for its ratepayers.¹¹ Subsequently, on January 21, 2020, the City unanimously approved the annexation agreement with SMWD¹² and in late winter of 2020, SMWD filed an annexation application with LAFCO.¹³ As part of the process, SMWD submitted a Plan of Service proposing enhanced efficiency and cost-effective delivery of services to the affected ratepayers.¹⁴

On August 19, 2021, LAFCO approved the SMWD annexation of SJC's water and wastewater utilities, citing such benefits as stabilization of rates and immediate, long-term improvements of both utilities.¹⁵ SMWD assumed operational control of the City's water systems on November 15, 2021¹⁶, designating the area formerly serviced by the

⁸ FOCUSED MUNICIPAL SERVICE REVIEW (oclafco.org)

⁹ Orange County Local Agency Formation Commission Agenda Report Proposed "Santa Margarita Water District Annexation of the City of San Juan Capistrano Water and Wastewater Utilities" August 19, 2021, p. 1.

¹⁰ *Ibid.* pp. 1-2.

¹¹ *Ibid.*

¹² San Juan Capistrano City Council Meeting Minutes dated January 21, 2020, p. 4.

¹³ Santa Margarita Water District Letter to Local Agency Formation Commission, Orange County Subject: City of San Juan Capistrano Potable Water, Recycled Water, and Wastewater Utilities – Santa Margarita Water District's Plan of Service and Application Form, December 23, 2020, pp. 1-2.

¹⁴ *Ibid.*

¹⁵ Orange County Local Agency Formation Commission Agenda Report Proposed "Santa Margarita Water District Annexation of the City of San Juan Capistrano Water and Wastewater Utilities" August 19, 2021, pp. 21-22.

¹⁶ FAQs • Why does SMWD want to take over San Juan Capistrano's Water and Wastewater service from the City? <https://www.smwd.com/faq.aspx?qid=180>

Emerging Opportunities in South County Water/Wastewater Systems

SJC as Improvement District 9 (ID 9), distinct from SMWD's Improvement Districts 1 through 8.¹⁷

In May 2023, SMWD issued a Cost of Service and Rate Study concerning ID 9 that focused on determining rates necessary to cover water service costs as required by the California Constitution under Proposition 218.¹⁸ The study found 135 prominent ratepayers, including shopping centers, industrial buildings, schools, churches, and a major non-profit, that would be significantly impacted by the proposed monthly rate increases,¹⁹ specifically for their fire service lines. For instance, businesses faced increases from nearly \$9,700 to over \$14,000 annually for fire service lines, a result of SMWD's new rate methodology based on capacity. In contrast, residential lines saw more modest increases of no more than \$30 a month.²⁰

SMWD responded to the rate increase concerns by sending out required notices to new ID 9 ratepayers and met with those severely impacted. The proposed rate increases were publicized by local media, leading to protests from some affected ratepayers. At a July 12, 2023, public hearing on proposed rates, SMWD staff highlighted the City's deferred maintenance of infrastructure, and the lack of rate increases since July 2018. They argued that the increases were necessary to align ID 9 with the rest of the district. Protesting ratepayers claimed the proposed rate hikes were unjust. One ratepayer hired a consultant to evaluate the SMWD rate study. Thirteen water districts in Orange and Riverside Counties were included in the investigation. The rate methodology employed in the SMWD Cost of Service and Rate Study was not used in any of the 13 districts that were studied.²¹

In response to this feedback, SMWD's Board of Directors voted to continue the meeting to August 2, 2023. On that date, the Board approved ID 9 water rate increases proposed by staff, except for the capital charge component for fire meter owners. Additionally, the Board ordered a new Cost of Service and Rate Study for all districts within SMWD to be completed by June 30, 2024.

¹⁷ <https://www.smwd.com/DocumentCenter/View/4247/SMWD-ID-9-Cost-of-Service-and-Rate-Study> p.3.

¹⁸ *Ibid.*

¹⁹ Santa Margarita Water District Memorandum to: Board of Directors From Daniel Ferons, Erica Castillo Subject: Public Hearing on Proposition 218 Rate Structure; and Consideration and Action on Adoption of Resolution No. 2023-07-01 Adopting Adjustments in its Potable Water, Recycled Water, and Wastewater Service Charges and Water Shortage Contingency Rates for Improvement District No. 9 (San Juan Capistrano) Agenda Packet July 12, 2023, p.7.

²⁰ Brandon Pho, Noah Biesiada, San Juan Capistrano Businesses Shocked over Staggering Proposed Water Bill Hike, Voice of OC, June 22, 2023.

²¹ Findings Report, ATS Financial Services, July 6, 2023 "Analysis of ID 9 (SJC) of the SMWD Cost of Service and Rate Study and Proposed Rate Adjustments."

Emerging Opportunities in South County Water/Wastewater Systems

SJC/SMWD Consolidation Timeline

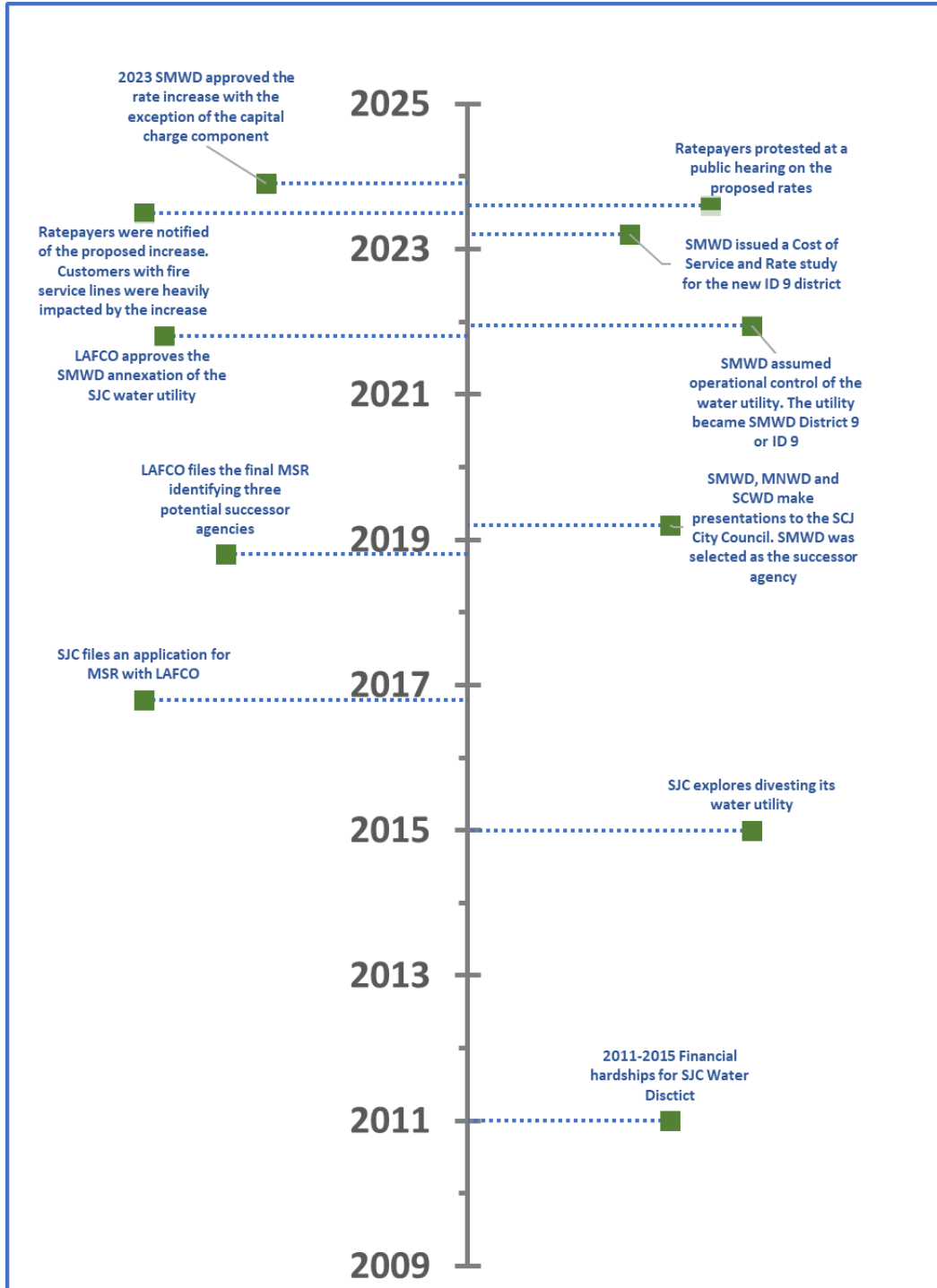


Figure 3

Emerging Opportunities in South County Water/Wastewater Systems

Summation

Although initial rate increases drew some criticism from the community, after the consolidation, the average monthly residential rate went up \$30. Overall, the SMWD consolidation signaled a positive direction for SJC's water future. Since the transfer, new SMWD customers have generally expressed satisfaction with their new provider's service and water quality, as reflected in polls and customer surveys.²² Additionally, SMWD is actively addressing deferred maintenance needs and making necessary infrastructure capital improvements neglected over time. Also, customer rates for ID 9 are on schedule to be consistent with the entire district by 2030.²³

The case of the SJC's water systems having undetected deficiencies underscores the need for an extensive assessment of the utilities in advance of such reorganizations. Transparency and more due diligence would have mitigated some consolidation concerns and helped smooth the transition of service providers. Research also suggests the need for a more extensive analysis of rate increases for non-residential customers.

WASTEWATER SYSTEMS - REGIONAL COLLABORATION

Case Study: South Orange County Wastewater Authority (SOCWA)

SOCWA was formed in 2001 when the South East Regional Reclamation Authority, Aliso Water Management Agency, and South Orange County Reclamation Authority consolidated to meet the wastewater needs of more than 500,000 homes.

The mission of SOCWA is to collect, treat, beneficially reuse, and dispose of wastewater in a manner that protects and respects the environment; maintains the public's health; and meets local, state, and federal regulations.²⁴ (See figure 4)

SOCWA exists to handle the wastewater needs of homes and businesses throughout South Orange County. It oversees the entire process from collection to disposal, ensuring water is treated properly. Additionally, SOCWA plays an important role in producing recycled water for irrigation and commercial purposes, saving a substantial amount of domestic water annually. This translates to preserving around 1.6 billion gallons of water, equivalent to 16,259 acre-feet.

SOCWA operates in collaboration with member agencies, including local water providers and local cities. It manages various programs to fulfill the Clean Water Act and National Pollutant Discharge Elimination System (NPDES)²⁵ permit requirements. It also operates two ocean outfalls and three wastewater treatment plants. The facilities

²² [One Year Later: A Look at Santa Margarita Water District's Acquisition of San Juan Capistrano's Water Utilities | Eye on SJC | picketfencemedia.com.](#)

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ [National Pollutant Discharge Elimination System \(NPDES\) | US EPA](#)

Emerging Opportunities in South County Water/Wastewater Systems

owned and/or operated by SOCWA include the Coastal Treatment Plant located in the City of Laguna Beach, the JB Latham Treatment Plant located in the City of Dana Point, and the Regional Treatment Plant located in the City of Laguna Niguel. Together these three plants provide regional collection and treatment to approximately one third of the County’s population.

Wastewater Purification and Recycling

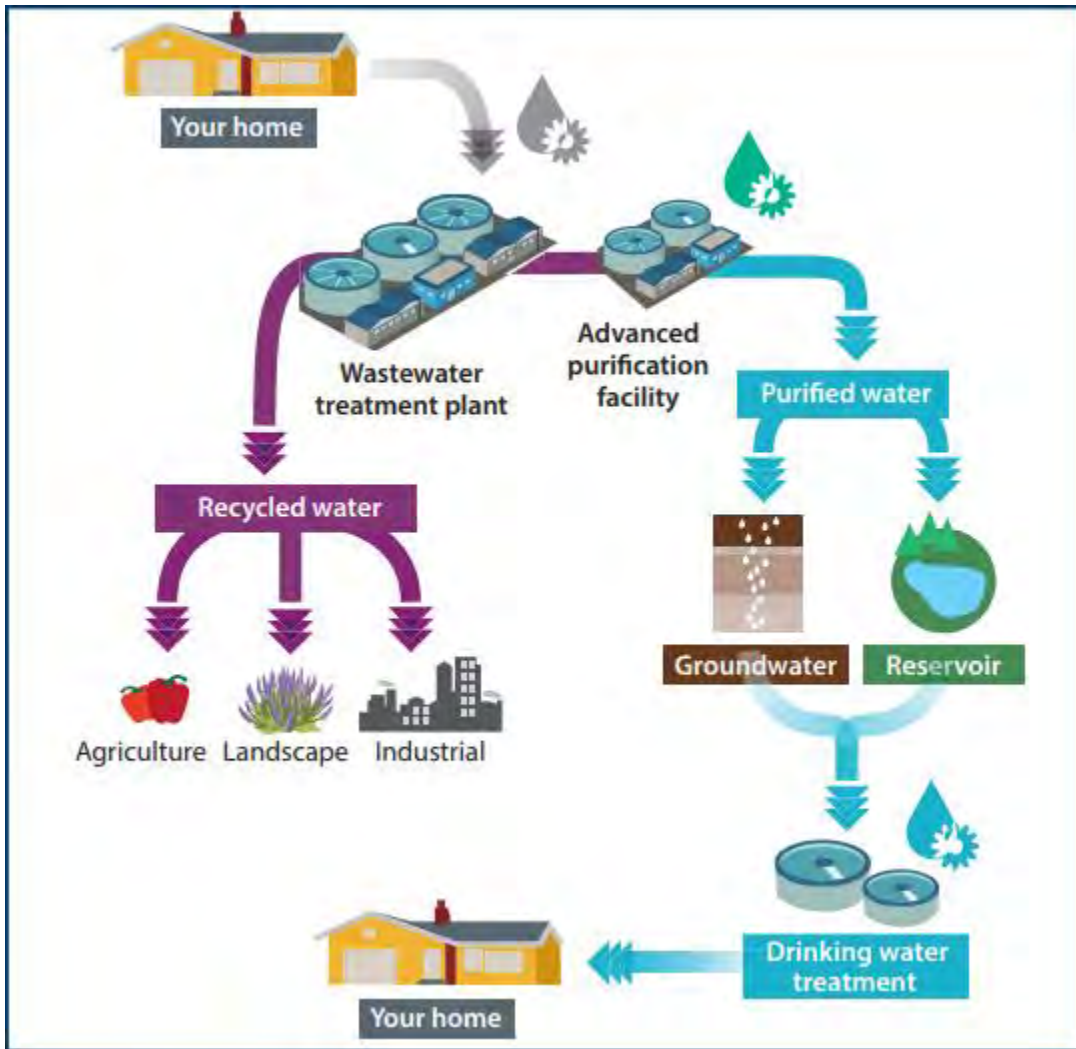


Figure 4

Source: sdwa.org waternewsnetwork.com

Emerging Opportunities in South County Water/Wastewater Systems

Joint Power Authority: Governing Structure

SOCWA is a JPA originally founded by 10 member agencies consisting of local water and service districts and cities. A JPA is a membership between two or more public agencies to jointly exercise common powers.²⁶ SOCWA currently has 7 member agencies which include two cities, four water districts, and a community services district. The four water districts in SOCWA provide sewer and water service to their customers. (See Appendices 1 and 2).

SOCWA's Board of Directors is made up of one representative from each of SOCWA's members. Each director has one vote regardless of their individual levels of contribution to SOCWA's revenues or the size of the population or territory they serve. Among other functions, the Board is responsible for approving SOCWA's budget, appointing its general manager, and taking other administrative actions. While SOCWA's Board governs matters that affect SOCWA as a whole, members enter into agreements with each other to establish project committees to serve their specific needs.²⁷

A project committee forms when members enter into agreements to share the cost of an existing SOCWA wastewater processing facility or to construct a new facility in exchange for their use of the facility for processing their wastewater products or for other purposes. By entering into these agreements, members establish a right to a certain amount of capacity in a SOCWA facility. Capacity here refers to the member's right to use the facility to process wastewater liquids and solids or to perform advanced water treatment. Project committee agreements and budgets express these capacities as a percentage of the total capacity of the facility for its different functions.²⁸

Voting at the project committee level also follows a one-member, one-vote structure. Members of a project committee vote on matters directly related to that project committee, including budgets to maintain or expand the facility. Members of project committees are bound by the terms of their agreements to pay their share of project costs. Members may only be relieved of this obligation by mutual consent of all participating members of the particular project committee.²⁹

SOCWA has no direct taxing authority, and nearly all funding for its operations comes directly from the contribution of members. SOCWA bills project committee members for their share of SOCWA's costs to construct, operate, and maintain the facilities the project committees utilize. Project committee agreements establish each participating

²⁶ <https://www.auditor.ca.gov/reports/2017-113/introduction>.

²⁷ *Ibid.*

²⁸ *Ibid.*

²⁹ *Ibid.*

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member's share of operation and maintenance costs and capital costs generally based on the member's level of usage or capacity rights.³⁰

SOCWA: Disputes and Succession

In May 2017, SOCWA, along with three of its members, filed a lawsuit alleging that one of its members – Moulton Niguel Water District (MNWD) had failed to pay its contractual share of project costs for the Coastal Treatment Plant (CTP).³¹ MNWD entered into a project committee with the City of Laguna Beach, SCWD, and Emerald Bay Service District (EBSD) in 1999 to use CTP's capacity to process up to 1.96 million gallons per day (MGD) of its wastewater products. In response, MNWD stated it no longer used any of its contractual capacity to CTP and filed an answer and cross-complaint in August 2017 alleging fiscal mismanagement, fiscal improprieties, and poor retention of financial records on the part of SOCWA.³²

In March 2018, the California State Auditor released its audit report (SOCWA State Audit Report)³³ concerning the financial management practices and governance structure of SOCWA. It found that the elements of SOCWA's governance structure were generally similar to that of other wastewater and water JPAs in California. The report found evidence of financial mismanagement and inadequate record keeping but indicated that SOCWA had taken steps to correct its fiscal and record keeping practices. In response to the audit SOCWA agreed to the recommendations contained in the report.³⁴

In February 2019, the Riverside Superior Court issued its tentative ruling holding that MNWD was legally obligated to pay its proportional share of all costs, including capital costs and items necessary to maintain and operate the Coastal Treatment Plant until February 19, 2030 when the CTP project agreement ended.³⁵ In May 2019, SOCWA, MNWD, SCWD, EBSD, and the City of Laguna Beach issued a public statement regarding the litigation on the coastal treatment plant, and that the parties had agreed to resolve their differences on mutually agreeable terms.³⁶

On August 9, 2023, LAFCO issued its MSR Sphere of Influence Reviews covering the Southwest Region (OCLAFCO SW MSR).³⁷ It identified all agencies in the region that receive wastewater services in some capacity from SOCWA. Services provided by SOCWA generally fit into two areas:

³⁰ <https://www.auditor.ca.gov/reports/2017-113/introduction>.

³¹ *Ibid*

³² *Ibid*.

³³ <https://www.auditor.ca.gov/reports/2017-113/summary.html>

³⁴ <https://www.auditor.ca.gov/reports/2017-113/response.html>

³⁵ <https://www.oregister.com/2019/02/27/judge-rules-on-2-million-dispute-over-orange-county-sewage-plant/>

³⁶ <https://www.oregister.com/2019/05/20/moulton-niguel-water-district-agrees-to-pay-4-8-million-in-wastewater-dispute/>

³⁷ https://oclafco.org/wp-content/uploads/2024/01/OCLAFCO_Southwest_MSR_-_Final_8.28.23.pdf

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1. Permitting and regulatory support for the operation of all wastewater treatment plants in south Orange County
2. Operation of three wastewater treatment plants

The MSR also noted the SOCWA's JPA agreement previously included ten agencies but had recently been reduced to seven voting members including the El Toro Water District (ETWD), MNWD, SCWD, EBSD, the City of Laguna Beach, SMWD, and the City of San Clemente. As of July 1, 2023, the following three agencies were no longer members of SOCWA: Irvine Ranch Water District (IRWD), Trabuco Canyon Water District (TCWD), and SJC. San Juan Capistrano's wastewater services and infrastructure were assumed by SMWD through an annexation to the district in 2021 and TCWD and IRWD had arranged for former SOCWA services to be provided through other means.³⁸

The MSR stated SOCWA staff were aware of the evolving issues regarding SOCWA's management, purpose, and structure, and had hired a facilitator at the request of SCWD to assist in moving the discussion forward. Additionally, SOCWA staff noted that the agencies have full authority to make any changes they desire to the JPA agreement, provided they get the appropriate majority.

The MSR further noted within SOCWA there are numerous shared facilities for wastewater collection and treatment. These are managed by SOCWA through separate project agreements or committees among various member agencies. Many of these agreements predate SOCWA and are due to expire in 2030. MNWD had expressed strong interest in assuming the operational responsibility of one of SOCWA's regional facilities, the Regional Treatment Plant. In its justification, MNWD saw a potential benefit if several of SOCWA's assets were operated by each member agency. In their view, which was shared by SMWD, SOCWA is not structured to meet the wastewater service needs of some member agencies and should focus on providing enhanced permitting and regulatory compliance support for the SOCWA member agencies.

The MSR found that SCWD had expressed a strong interest in preserving the existing structure of SOCWA while also expressing openness to evaluating the agreements for efficiency and improvement. The other agencies reviewed in the MSR did not express similar interest in a reexamination of the SOCWA arrangements, nor did they share any complaints or concerns about SOCWA's service level. While they did not express a desire to advance these ideas during the MSR process, they stressed their openness to reevaluating the project agreements as they approach their respective expiration dates. After the MSR, SOCWA members conducted facilitator directed meetings to address member concerns.

At the Board of Directors meeting on March 7, 2024, SOCWA presented a \$20 million buyout proposal to transition the Regional Treatment Plant to MNWD and other

³⁸ *Ibid*

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considerations to facilitate MNWD's withdrawal from SOCWA.³⁹ The proposed agreement will become effective on June 30, 2024, and is contingent on several conditions including the required unanimous vote of all SOCWA members to authorize MNWD's withdrawal from SOCWA.⁴⁰

On May 1, 2024, a special meeting was held to address the March 7, 2024, proposal to transition the Regional Treatment Plant to MNWD and to facilitate MNWD's withdrawal from SOCWA. There was unanimous approval of the proposal in principle with members set to return to their respective boards for official approval by June 1, 2024.

The steps ahead are to continue negotiations and require MNWD to provide its official response. If consensus is reached, then terms and conditions would be laid out to adopt the necessary amendments to various JPA agreements and Project Committee agreements. MNWD would need to develop and adopt an agreement with SCWD, EBSD, City of Laguna Beach, and ETWD for handling solid waste. Treatment, conveyance, and outfall agreements would need to be developed and adopted between SOCWA and MNWD.

Lastly, upon MNWD's withdrawal from SOCWA, and after the buyout payment, the transfer of the Regional Treatment Plant and its operation to MNWD would be complete.

Summation

The history of SOCWA shows the divergent approaches of its member agencies. While some agencies embraced long-range regional collaboration, it could be argued that smaller districts with overweighted voting authority hindered them. Past litigation among JPA members has created a legacy of distrust, and Balkanized decision-making among its governing directors. Water officials interviewed by the OCGJ clearly indicated tension among rival SOCWA members. It appears some members are entrenched in transactional approaches aimed solely at addressing ownership, operation, and modernization of treatment plants within their own boundaries.

Water and wastewater agencies, like SOCWA, have worked together through legal agreements in the past. However, SOCWA's collaborative efforts have not always been successful which may be reflective of its JPA governing structure.⁴¹ Over time, changes in local support, leadership, and financial pressures have led member agencies to reconsider their involvement in the JPA.

³⁹ https://www.socwa.com/event/board-of-directors-meeting-3-7-2024/?instance_id=716

⁴⁰ <https://www.socwa.com/wp-content/uploads/2023/12/7f-2024-03-06-SOCWA-Proposal-to-Transition-RTP-to-MNWD.pdf>

⁴¹ Trish Cypher and Colin Grinnell, "Governments Working Together: Citizen's Guide to JPAs" (California State Legislature, 2007).

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It was evident from the SOCWA special meeting of May 1, 2024, that leaving a JPA can be complicated.⁴² SOCWA started with 10 members but is now down to 7, and negotiations are ongoing for yet another member to leave. Now, SOCWA needs new agreements to govern its operations going forward. This leaves uncertainty about SOCWA's future beyond the expiration of its original contracts in 2030. However, with California's ocean discharge regulations being so extensive, JPA members have expressed support for SOCWA to continue in some form to handle permitting as well as other regulatory support functions within its purview.

THE PATH FORWARD

Water System - Consolidations

Consolidating, restructuring, or merging agencies is a function of assessing the costs and benefits regarding safety, security,⁴³ reliability, financial and operational efficiencies, and economies of scale, versus the attraction of local control. A thorough assessment of this "balancing act" will benefit future generations of Orange County residents.

South Orange County is served by ten water providers in jurisdictions ranging in size from 540 customers in EBSD to 116,000 customers in IRWD (Appendices 1 and 2). To advance consolidations, over the past decade the State of California has developed financial incentives for larger water systems to absorb small systems, introduced new authorities to mandate consolidation under specific circumstances, and invested significantly in technical assistance resulting in over 200 completed projects throughout the State with more underway.⁴⁴ Interviews identified the benefit of having a single entity to discuss the optimal management/structure of water, wastewater, and reuse operations with a common vision for the future of Southern Orange County.

In recent years, water districts have experienced the benefits of consolidation with one another, as evidenced by IRWD. It has successfully acquired five other agencies over the past twenty-seven years, including the Santa Ana Heights Mutual Water Company in 1997, Carpenter Irrigation District in 2000, Los Alisos Water District in 2001, Santiago County Water District in 2006, and the Orange Park Acres Mutual Water Company in 2008.⁴⁵

Irvine Ranch Water District's process involves a selective approach, emphasizing efficiencies and mutual benefits. It begins with a consolidation request to IRWD from the prospective water agency, followed by mutual agreement on terms, and then an application to LAFCO for their evaluation. Irvine Ranch Water District has a proven track

⁴² <https://www.socwa.com/wp-content/uploads/2023/12/7f-2024-03-06-SOCWA-Proposal-to-Transition-RTP-to-MNWD.pdf>

⁴³ [EPA warns of increasing cyberattacks on water systems | AP News](#)

⁴⁴ Luskin Center for Innovation, Trends in California Water Systems Consolidation (December 2023) [Policy-Brief-Trends-in-California-Water-Systems-Consolidation.pdf \(ucla.edu\)](#)

⁴⁵ [Consolidations \(irwd.com\) https://www.irwd.com/about-us/consolidations](#)

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record since 1997 of having successfully unified five providers benefitting 57,000 residents with improved water reliability and standardized rates. With extensive cash reserves, IRWD is poised to maintain and enhance its water systems over the next fifty years.

It is evident that past consolidations among water agencies have yielded positive outcomes by enhancing efficiencies and fostering mutual benefits through shared expertise and resources. With the multitude of water districts and the risk of financial strain comparable to SJC, future consolidations are not just probable but beneficial. Hence, it is imperative to draw lessons from past experiences. By reviewing the issues and concerns encountered by SMWD and by adopting the strategies employed by IRWD, there is an opportunity to improve the process for future consolidations (Appendices 1 and 2).

Wastewater Systems - Collaboration

In South Orange County, collaboration among water and wastewater providers can drive positive changes for the region's future. Despite past challenges posed by differing governing boards and environmental perspectives across separate jurisdictions, officials have shown the willingness to unify and address shared concerns. The future of SOCWA involves reorganizing the structure so that it can resolve the operational issues of treatment plants. This allows major water agencies to focus on maximizing wastewater reuse and to minimize ocean discharge, with the aspirational goal of zero discharge. Collaboration among all agencies operating treatment plants is paramount, to adopt a more integrated management approach.

The Moulton Niguel Water District, one of the leading service providers, has embraced a transformative drive to water management. Since 2019, MNWD has pursued federal funds to strengthen its infrastructure against seismic and severe storm damage. In 2024 the district was awarded \$10.3 million in federal grants to strengthen and improve its wastewater infrastructure. The grant is administered by the California Office of Emergency Services and funded by the Federal Emergency Management Agency (FEMA) to replace sewer lines that move more than half of all district wastewater.⁴⁶ Advocating for funding as a region to address aging infrastructure is vital to ensure the long-term sustainability of water management efforts. By working collectively towards these goals, South Orange County can lead the way in sustainable water management practices for the benefit of current and future generations.

The Moulton Niguel Water District is also working on a reverse osmosis project called OASIS (Optimal, Adaptive, Sustainable, Integrated, Supply) to receive wastewater from homes and businesses, and treat it for potable reuse. The OASIS project emerges as a beacon of innovation and sustainability, offering not only reliable water reuse but also an opportunity for education and public engagement. By demonstrating the safety and effectiveness of direct potable reuse, South Orange County can pave the way for similar

⁴⁶ <https://www.mnwd.com/moulton-niguel-water-district-awarded-federal-grant/>

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projects across California. Building partnerships with neighboring regions, environmental organizations, and governmental bodies will be crucial to securing state, federal, and private funding dedicated to advancing water reuse in South Orange County, with OASIS as the flagship project, being a top priority.

Another transformative advancement is the Doheny Ocean Desalination Project, planned by the South Coast Water District as part of the Joint Regional Water Supply System. This project would create a new, local, drought-proof water supply that would provide emergency water supplies.⁴⁷ Benefits would provide a water source at a reasonable cost, up to 5 million gallons per day of drinking water and the potential for long-term regional benefits. The proposed facility would be located near Doheny State Beach in the City of Dana Point and is planned to be on-line in 2028.

Looking ahead, the integration of treatment plant operations and the advancement of technologies like direct potable use and desalination are key focal points. As such, the OCGJ recommends LAFCO form a task force comprising representatives of affected water districts to study the transformation of SOCWA and prepare a report identifying the optimal future of water and wastewater systems in South Orange County.

In an era of emerging opportunities, a comprehensive regional plan developed in conjunction with all stakeholders is needed for guiding future projects and addressing evolving needs. As the task force facilitator, LAFCO can also play a pivotal role in studying future consolidations and a unified regional approach to water and wastewater management and service delivery. By planning and working together, South Orange County is poised to lead the way in securing a better future for generations to come.

COMMENDATIONS

Irvine Ranch Water District (IRWD) - The Irvine Ranch Water District successfully acquired 5 water providers serving 57,000 residents since 1999. These consolidations provide reliable water supply at equitable rates, which are mutually beneficial to all customers.

City of San Clemente – Based on interviews and a comprehensive site visit, the OCGJ found the City of San Clemente does an excellent job in maintaining and operating its water and wastewater utility systems. This integrated system augments the City's local recycled water sources and is beneficial in reusing urban runoff and reducing biosolids.

⁴⁷ [South Coast Water District, CA \(scwd.org\)](http://scwd.org)

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FINDINGS

In accordance with California Penal Code Sections 933 and 933.05, the 2023-2024 Grand Jury requires responses from each agency affected by the findings presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation described here, the 2023-2024 OCGJ has arrived at the following principal findings:

- F1. San Juan Capistrano’s deferred maintenance of the water/wastewater utility resulted in the need to transition the facility to a larger water provider to allow more efficient management and maintenance of the infrastructure.
- F2. The SMWD proposed rate increase severely impacted San Juan Capistrano’s non-residential customers and led to protests of unfairness and negative attention from the local media.
- F3. SOCWA’s member agencies have widely diverse populations, requirements, and revenues. This has led to conflicts over governance, facility operation, and control, affecting the evolving potential for wastewater reuse.
- F4. There is currently no unified strategy for the future of water/wastewater provision in South Orange County

RECOMMENDATIONS

In accordance with California Penal Code Sections 933 and 933.05, the 2023–2024 Grand Jury requires responses from each agency affected by the recommendations presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation titled “Emerging Opportunities in South County Water/Wastewater Systems,” the 2023-2024 OCGJ makes the following two recommendations:

- R1. The OCGJ recommends that by January 1, 2025, LAFCO studies a policy of conducting a post-consolidation agency review to be held within 24 months of agency reorganizations to determine their overall impact on the public. (F1, F2)
- R2. The OCGJ recommends that by January 1, 2025, LAFCO form a task force comprising representatives of affected water agencies to study the transformation of SOCWA and prepare a report on the future of water/wastewater in South Orange County. (F3, F4)

RESPONSES

California Penal Code Section 933 requires the governing body of any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the governing body. Such comment shall be made no later than 90 days after the Grand Jury publishes its report (filed with the Clerk of the Court). Additionally, in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected county official shall comment on the findings and recommendations pertaining to the matters under that elected official's control within 60 days to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code Section 933.05 specifies the manner in which such comment(s) are to be made as follows:

- (a) As to each Grand Jury finding, the responding person or entity shall indicate one of the following:
 - (1) The respondent agrees with the finding.
 - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.
- (b) As to each Grand Jury recommendation, the responding person or entity shall report one of the following actions:
 - (1) The recommendation has been implemented, with a summary regarding the implemented action.
 - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
 - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the Grand Jury report.
 - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation, thereof.

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- (c) If a finding or recommendation of the Grand Jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the Grand Jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision-making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Responses Required

Comments to the Presiding Judge of the Superior Court in compliance with Penal Code Section 933.05 are required from:

Findings – 90 Day Response Required

City of Laguna Beach	F3, F4
City of San Clemente	F3, F4
City of San Juan Capistrano	F1, F2
El Toro Water District	F3, F4
Emerald Bay Service District	F3, F4
Irvine Ranch Water District	F4
Laguna Beach County Water District	F4
Moulton Niguel Water District	F3, F4
Santa Margarita Water District	F1, F2, F3, F4
SOCWA Board of Directors	F3, F4
South Coast Water District	F3, F4
Trabuco Canyon Water District	F4

Recommendations – 90 Day Response Required

Orange County LAFCO Board of Commissioners	R1, R2
City of Laguna Beach	R2
City of San Clemente	R2

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El Toro Water District	R2
Emerald Bay Service District	R2
Irvine Ranch Water District	R2
Laguna Beach County Water	R2
Moulton Niguel Water District	R2
Santa Margarita Water District	R2
SOCWA Board of Directors	R2
South Coast Water District	R2
Trabuco Canyon Water District	R2

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GLOSSARY

Acre-foot - A unit of measure used to calculate volumes of water. One acre-foot equals the volume of water that would cover an acre of land at a depth of one foot.

AWWA - American Water Works Association is a non-profit organization. Its mission is to improve water quality and supply.

Desalination - A process that removes salt and other minerals from water.

ISDOC - Independent Special Districts of Orange County is an association that advocates for Orange County’s independent special districts.

JPA - Joint Powers Authority is a membership between two or more public agencies to jointly exercise common powers.

LAFCO - Local Agency Formation Commission is a countywide commission, required in each California county. LAFCO’s powers include approving, establishing, expanding, reorganizing, and, in limited circumstances, dissolving cities and special districts.

MSR - Municipal Service Review is a comprehensive analysis conducted by LAFCO to assess the performance of municipal services within a specific geographic area.

NPDES - National Pollutant Discharge Elimination System

OASIS - A initiative for advanced integrated water management started by MNWD. (Optimal, Adaptive, Sustainable, Integrated, Supply)

OCSAN - Orange County Sanitation District provides wastewater collection, treatment, and recycling North and Central Orange County.

Potable Water - Water that is suitable for human consumption.

Recycled Water - Wasterwater that has been treated (filtered and disinfected). It is used as irrigation for golf courses and parks.

Special District - A local government entity that was created to provide a specific public service. Examples are water service, cemeteries and fire protection.

SOCWA - South Orange County Wastewater Authority is a Joint Powers Authority with seven member agencies, consisting of local retail water agencies and cities that provide

Emerging Opportunities in South County Water/Wastewater Systems

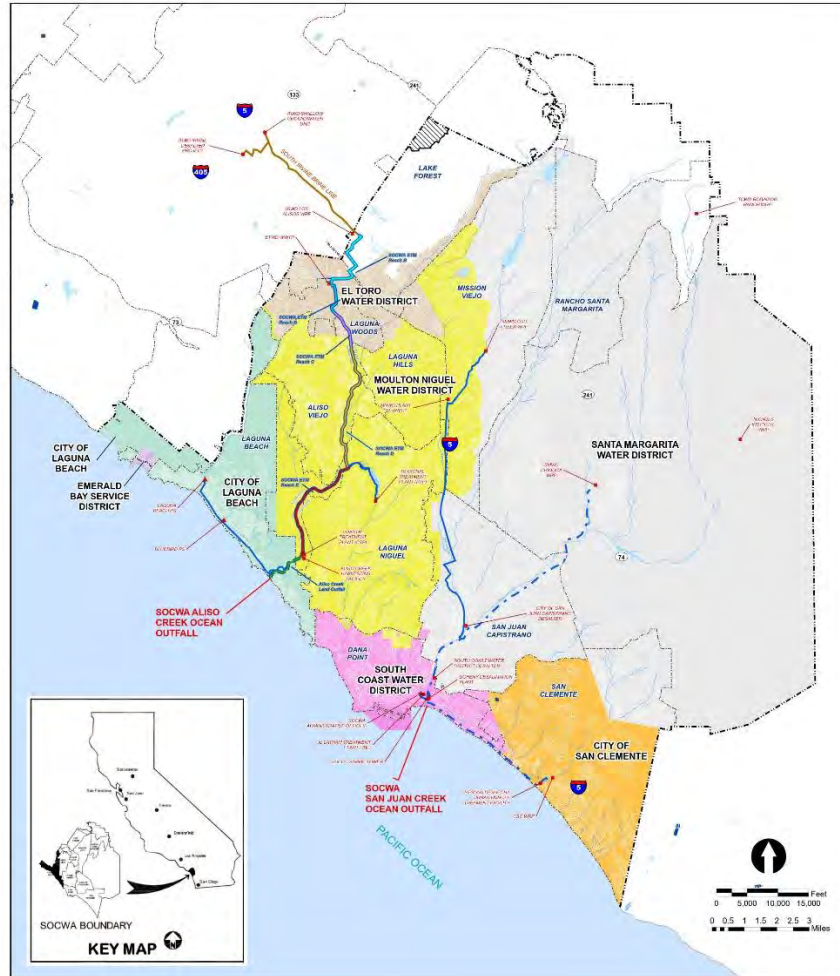
water to their residents. SOCWA manages the collection, transmission, treatment, and disposal of wastewater across South Orange County.

WACO - Water Advisory Committee of Orange County

APPENDICES

APPENDIX 1

South Orange County Water Resource Agencies



- | | | | |
|--|---|---|---|
| <p>Member Agencies</p> <ul style="list-style-type: none"> City of Laguna Beach City of San Clemente El Toro Water District Emerald Bay Service District Moulton Niguel Water District Santa Margarita Water District South Coast Water District OCSD Annexation Area | <p>SOCWA Facilities</p> <ul style="list-style-type: none"> Desalter/Treatment Facility Pump Station Treatment Facility SOCWA Administrative Offices Transmission Line Land Outfall South Irvine Brine Line Ocean Outfall | <p>SOCWA Effluent Transmission Line</p> <ul style="list-style-type: none"> ETL - Reach A ETL - Reach B ETL - Reach C ETL - Reach D ETL - Reach E Aliso Creek Land Outfall | <p>SOCWA Boundary</p> <ul style="list-style-type: none"> SOCWA Boundary City Boundaries Lake/Pond Reservoir Streams |
|--|---|---|---|



Emerging Opportunities in South County Water/Wastewater Systems

APPENDIX 2

South Orange County Water Resource Agencies Summary Data

Location	Type	Established	Services	SOCWA Member	Water Lines (Miles)	Sewer Lines (Miles)	Sewage Treatment Plants	Residents Served	Service Connections	Area (sq mi)	# Employees	Board / Council Members
Emerald Bay Service District (EBSD) *	Community Services District	1961	Water & Sewer	Yes	6	6	0	2,000	540	1	1	5
Trabuco Canyon Water District (TCWD)	Special District	1961	Water & Sewer	No	66	45	1	14,000	4,200	13	21	5
City of Laguna Beach	Municipal Utility	1927	Sewer	Yes	n/a	95	0	23,000	8,000	9	14	5
Laguna Beach County Water District (LBCWD)	Dependent Special District**	1925	Water	n/a	135	n/a	n/a	25,000	8,450	9	40	5
South Coast Water District (SCWD)	Special District	1932	Water & Sewer	Yes	158	136	0	39,000	12,600	8	85	5
El Toro Water District (ETWD)	Special District	1960	Water & Sewer	Yes	170	158	1	51,000	10,000	9	61	5
City of San Clemente	Municipal Utility	1928	Water & Sewer	Yes	230	162	1	64,000	17,800	19	45	5
Moulton Niguel Water District (MNWD)	Special District	1960	Water & Sewer	Yes	656	500	1	170,000	55,000	37	163	7
Santa Margarita Water District (SMWD)	Special District	1964	Water & Sewer	Yes	1,080	665	3	200,000	65,000	111	200	5
South Orange County Totals				7	2,501	1,767	7	588,000	181,590	216	630	47
Irvine Ranch Water District (IRWD)	Special District	1961	Water & Sewer	No	1,976	1,374	2	465,000	122,000	181	337	5
South Orange County Wastewater Authority	Joint Powers Authority	2001	Sewage Treatment	n/a	n/a	51	3	600,000	n/a	n/a	64	7***

Notes

Data obtained from agency websites and interviews.

South Orange County imports approximately 90% of Water from Metropolitan Water District of Southern California

TCWD operates the only potable water treatment facility in South Orange County

IRWD Listed Separately as Majority of Customers in Central Orange County

SOCWA operates the two ocean outfalls: Aliso Creek and San Juan Creek

* Water system operated and maintained by LBCWD

** LBCWD is a Subsidiary (Dependent) District of the City whose Council serves as the Board.

*** 7 Appointed by Member Agencies

Emerging Opportunities in South County Water/Wastewater Systems

APPENDIX 3**South Orange County Water Districts/Providers**

El Toro Water District (ETWD) - Provides water and wastewater service in the cities of Laguna Hills, Laguna Woods, Lake Forest, Aliso Viejo, and Mission Viejo.

Emerald Bay Service District (EBSD) - Provides fresh water supply under contract with the Laguna Beach County Water District. Collects wastewater and transmits to Laguna Beach.

Irvine Ranch Water District (IRWD) - Serves Central Orange County, including the following cities: Irvine, Newport Beach, Tustin, Orange, Lake Forest, and Costa Mesa.

Laguna Beach County Water District (LBCWD) - Provides water service to portions of the city of Laguna Beach, a portion of Crystal Cove State Park, and the unincorporated community of Emerald Bay.

City of Laguna Beach - Provides wastewater collection and/or transmission services to the city of Laguna Beach, a portion of Crystal Cove State Park, and the unincorporated community of Emerald Bay.

Moulton Niguel Water District (MNWD) - Provides water and wastewater services to customers in Laguna Niguel, Aliso Viejo, Mission Viejo, Laguna Hills, and Dana Point.

Municipal Water District of Orange County (MWDOC) is a wholesale water provider. It purchases imported water through the Metropolitan Water District of Southern California (MET) and delivers this water to its 27 member agencies, who in turn, provide retail water services to the public. It is the only agency with members from all water providers in South Orange County.

Orange County Water District (OCWD) - Manages the ground water supply for Orange County. It is a wholesale agency.

City of San Clemente - Provides water/wastewater services to the residents of San Clemente

Santa Margarita Water District (SMWD) - Serves the cities of Mission Viejo, San Juan Capistrano, Rancho Santa Margarita, and the communities of Coto de Caza, Las Flores, Ladera Ranch, Rancho Mission Viejo, and Talega in San Clemente.

South Coast Water District (SCWD) - Serves the communities of Dana Point, South Laguna Beach, and areas of San Clemente and San Juan Capistrano.

Trabuco Canyon Water District (TCWD) - Serves the Communities of Trabuco Canyon, Robinson Ranch, Trabuco Highlands, Walden, Rancho Cielo, Portola Hills, Santiago Canyon Estates, and Dove Canyon.

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Derek J. McGregor
Special District Member

Bruce Whitaker
City Member

Vacant
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

Vacant
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

MEETING DATE: July 10, 2024

TO: Local Agency Formation Commission of Orange County

FROM: Executive Officer

SUBJECT: Commissioner Handbook

SUMMARY

On February 14 and April 10, 2024 the Commission engaged in discussions on the draft Commissioner Handbook. Facilitated by consultant, Bill Kelly, some Commissioners requested additional edits to the draft document including simplifying it in length and rewording of sections. To ensure that the consultant and staff could appropriately address these comments, Commissioners were asked to submit comments in writing to staff by May 3. The current version of the draft handbook, referenced in Attachment 1, includes edits based on Commissioner feedback given during the regular meeting and submitted to staff. Below are alternatives for Commission action through a single motion for this item.

ALTERNATIVES FOR COMMISSION ACTION

The following alternatives for Commission action have been identified:

Alternative One:

Adopt the Commissioner Handbook in final form with or without revisions.


Alternative Two:

Continue consideration of the Handbook to the next or future regular meeting.

Alternative Three:

Not adopt the Commissioner Handbook.

Respectfully Submitted,



CAROLYN EMERY

Attachment:

1. Commissioner Handbook (Version:7-2024)

DRAFT

COMMISSIONER HANDBOOK



Local Agency Formation Commission of Orange County 2677 North Main Street, Suite 1050, Santa Ana, CA 92705
Office: (714) 640-5100 ♦ www.oclafco.org

TABLE OF CONTENTS [to be appended]

In support of the Orange County Local Agency Formation Commission’s (OC LAFCO) mission, the Commission will develop, adopt, and maintain the Commissioner Handbook (“Handbook”). The intent is to educate and continually guide the Commission to govern and conduct the affairs of OC LAFCO at a high level through strategic planning and achievement in accord with best practices. This Handbook is in addition to the “Bylaws, Policies and Procedures of OC LAFCO, generally and most recently updated on March 8, 2023, which contains additional information concerning controlling legislation and rules and regulations having authority per the Cortese-Knox-Hertzberg Reorganization Act of 2000 (“CKH Act”), as well as local policies enacted by the Commission. The Handbook will serve as a guide for commissioners, staff and members of the public in determining the manner in which matters of Commission business are to be conducted.

Preamble

The population served by OC LAFCO is entitled to appointed Commissioners who through fair, ethical, and accountable practices, exercise their independent judgement on behalf of the interests of Orange County’s residents, property owners, and the public as a whole. Such Commissioners are to operate under the following qualities:

- They comply with both the letter and the spirit of the laws and policies affecting the operations of the Commission;
- They are independent, impartial, and fair in their judgment and actions;
- They use their public office for the public good, not for personal gain; and
- They conduct public deliberations and processes openly, unless legally confidential, in an atmosphere of respect, civility and transparency.

To this end, OC LAFCO has adopted this Handbook, along with its Bylaws, Policies, and Procedures, to encourage public confidence in the integrity of the Commission and its fair and effective operation. The Commission’s commitment to these principles is captured in the OC LAFCO mission statement and governing principles outlined within the Handbook.

Chapter 1 – ROLE AND AUTHORITY

OC LAFCO Mission Statement

OC LAFCO serves Orange County cities, special districts, and the county to ensure effective and efficient delivery of municipal services.

Authority

Established in 1963 by the California Legislature, OC LAFCO is responsible for overseeing the boundaries, establishing spheres of influence (probable physical boundaries), and preparing municipal service reviews (analysis of municipal services) for Orange County’s 34 cities and 34 independent and dependent special districts. The Commission is governed by a seven-member governing body, with an additional four members that serve as alternate members. The Commission’s authority operates under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The Commission has authority to employ and set the terms and conditions of employment for the Executive Officer, but the Executive Officer has hiring and management authority over all other OC LAFCO employees.

In order for the Commission to function effectively, each Commissioner must understand their respective role and the relationship they have to other Commissioners, the Executive Officer and staff. This also requires an understanding of the level of performance required to carry out the duties of a Commissioner. The officers of the Commission include the Chair, Vice Chair, and Immediate Past Chair. In addition to preserving order and decorum at the Commission’s regular meetings, the Chair has the authority to act outside of the regular meetings involving procedural or administrative matters.

Role of the Commission

The Commission’s primary role is to establish policies that guide OC LAFCO in its legislative actions and mission. The Commission’s policy decisions and actions constitute “action” of the Commission as one governing body. In order to fulfill these responsibilities, Commissioners operate under the following general guidelines:

1. That the Commission hires an Executive Officer to manage the Commission’s day-to-day operations and implement policies and properly evaluates the Executive Officer annually based on the goals and objectives the Commission adopts and outlines in the OC LAFCO strategic plan.
2. That the Commission is responsible (from a policy perspective) to ensure that the Commission is a progressive, innovative, and well-managed agency.



3. That the Commission exercises authority only collectively as a Commission, and individual Commission members shall not act on their own volition in representing the Commission as a whole.
4. That the Commission supports orderly growth and the social, fiscal and economic well-being of Orange County’s local agencies, residents, and communities.

Chapter 2 – ORGANIZATIONAL PRINCIPLES

Adherence to established organizational principles can help to promote collegiality amongst Commissioners and a collaborative work environment that encourages Commissioners and staff working together as a team. The following principles facilitate OC LAFCO’s internal efficiencies and effective decision-making involving the population OC LAFCO serves:

1. OC LAFCO bridges local government agencies and community service needs.
2. OC LAFCO provides governance solutions to local government agencies and their communities.
3. OC LAFCO leads and facilitates conversations and develops governance solutions to ensure improved service efficiencies and financial sustainability of local government agencies.
4. OC LAFCO studies current trends and anticipates changes of organization and reorganization to assist the Commission in addressing potential jurisdictional challenges and identifying opportunities that guide local governments.
5. OC LAFCO conducts the Commission’s processes and operations objectively and transparently in accordance with State and other applicable laws and locally adopted policies, procedures and guidelines.

Chapter 3 – REPRESENTING AN OFFICIAL COMMISSION DECISION OR POSITION

In public interactions relating to Commission business, clarity about whether Commissioners are sharing the position or policy of the Commission, the position or policy of their home agency, or their own position, Commissioners should:

1. Officially represent the Commission at external meetings or communicate on behalf of the Commission only when authorized by the Commission.



2. When expressing their own position on pending Commission business outside of a Commission meeting, indicate that they are sharing their own position and not the Commission's.
3. When sharing an individual position on a pending proposal, do not commit to voting for or against a proposal subject to a public hearing before hearing review of statutory requirements presented at the Commission hearing on the proposal.
4. Before communicating with the news media, social media or other forms of communication about Commission business, inform the Executive Officer and/or the Commission Chair.

Chapter 4 – INTERACTION WITH COMMISSION STAFF

Carrying out the Commission's legislative authority and adopted mission statement is a collaborative effort of Commissioners and staff. The following guidelines are intended to help define the relationship between the Executive Officer and Commission staff:

Executive Officer and Staff

1. Commissioners are encouraged to contact the Executive Officer before staff about any subject related to the Commission's agenda, work in progress, or operations, including attendance at regularly monthly meetings so that the respective alternate may be notified in a timely manner.
2. The CKH Act anticipates that Commissioners wear at least two legislative hats. Nevertheless, involving Commission business, Commissioners should interact with the Executive Officer and staff as members of the Commission. If their interaction with the Executive Officer and staff is on behalf of their home agency, their appointing body, or any other body or person other than the Commission, they should clearly advise the Executive Officer and staff of that fact.
3. State law requires the Executive Officer to conduct the appointment proceedings for OC LAFCO special district commissioners. In this role, the Executive Officer is an agent of the State of California and any interaction from commissioners with the Executive Officer involving these proceedings should be on behalf of their home agency or position held with their home agency and not as a member of the Commission.
4. If, in the judgment of the Executive Officer, more than one hour of staff time will be required to complete an individual Commissioner request, the item may be

agendized to solicit Commission authorization to expend the additional time necessary on the requested item, and responses to individual Commissioner requests shall be distributed to all Commission members.

5. Commissioners are provided the same information, where practical, including staff reports, meeting agendas, background information, and other communication as deemed appropriate by the Executive Officer and in order to comply with the law.
6. For the purposes of coordination and workflow management, communications, and questions regarding work in progress, the Executive Officer shall advise the Commission when he/she is out of the office for an extended period of time and shall designate the Assistant Executive Officer to act on his/her behalf during that time.

General Counsel

1. Legal inquiries involving less than three hours of attorney time may be made directly to the Commission's general counsel. Requests requiring more time should be directed to counsel through the Commission.
2. Commissioners are aware that all written and electronic documentation and communication are presumed to be public records. This excludes information protected by attorney-client privilege. Individual Commissioners are not authorized to waive the attorney-client privilege.