

**SAN DIEGO LAFCO
MINUTES OF THE REGULAR MEETING
FEBRUARY 6, 2012**

There being a quorum present, the meeting was convened at 9:00 a.m. by Chairwoman Supervisor Dianne Jacob. Also present were: Regular Commissioners – Vice Chairman Andy Vanderlaan, Supervisor Bill Horn, Mayors Mark Lewis and Jim Janney, Special District Members John Ingalls and Bud Pocklington, and Councilmember Lorie Zapf. Alternate Commissioners–Special District Member Jo MacKenzie, Public Member Harry Mathis and Mayor Sam Abed. LAFCO Staff – Executive Officer Michael Ott, Assistant Executive Officer Shirley Anderson, Local Governmental Analyst, Robert Barry, and LAFCO Legal Counsel Thomas Bosworth. Absent were: Alternate Commissioners – Supervisor Greg Cox and Councilmember Sherri Lightner.

Item 1
Roll Call

The Commission Secretary performed the roll call for the February 6, 2012, LAFCO meeting. With the exception of Alternate Commissioners Cox and Lightner, and Commissioner Zapf (who arrived the commission meeting at 9:05 a.m.), all commissioners were present.

Item 2
Approval of Minutes of Meeting Held December 5, 2011

On motion of Commissioner Ingalls, seconded by Commissioner Pocklington, and carried unanimously by the commissioners present; the Commission dispensed with reading the minutes of December 5, 2011 and approved said minutes.

Item 3
Executive Officer's Recommended Agenda Revisions

Michael Ott indicated that there were no agenda revisions.

Item 4
Installation of LAFCO Alternate City Member
Mayor Sam Abed (City of Escondido)

Michael Ott addressed the Commission and indicated that Mayor Sam Abed will be installed as the alternate city commissioner by the Assistant Clerk of the Board of Supervisors David Hall.

Item 5

Commissioner / Executive Officer Announcements

Chairwoman Dianne Jacob asked the Commission and Executive Officer if there were any announcements. Executive Officer, Michael Ott indicated that Commissioner John Ingalls had an announcement.

Commissioner John Ingalls introduced William Haynor, Director of the Whispering Palms Community Services District and said that Mr. Haynor was also elected to serve on the Special Districts Advisory Committee.

Item 6

Public Comments

Chairwoman Jacob asked the public if anyone requested to speak on an item that is not related to the agenda. She indicated that there were no speaker slips received from members of the public for comments.

Item 7

Proposed “Dickson Annexation” to the San Diego County Sanitation District: This item involves annexation to the district (DA10-09)

At the request of Michael Ott, the Commission waived the staff presentation.

On motion of Commissioner Horn, seconded by Commissioner Pocklington, and carried unanimously by the commissioners present, the Commission took the following actions:

- (1) Find in accordance with the Executive Officer’s determination, that pursuant to Section 15319(b) of the State CEQA Guidelines, the annexation is not subject to the environmental impact evaluation process because the annexation area consists of individual small parcels of the minimum size for facilities exempted by Section 15303, New Construction or Conversion of Small Structures; and
- (2) Adopt the form of resolution approving this annexation for the reasons set forth in the Executive Officer’s Report, waiving the Conducting Authority proceedings according to Government Code Section 56663(c), and ordering the annexation subject to the following conditions:

Payment by property of San Diego County Sanitation District capacity fees and sewer service fees, and State Board of Equalization charges.

Item 8

Quarterly Self-Approved Expense Claims Report: A report summarizing expense claims approved by the Executive Officer

Michael Ott indicated that there were no reimbursement expense claims to report for the quarter.

On motion of Commissioner Pocklington, seconded by Commissioner Vanderlaan, and carried unanimously by the commissioners present, the Commission took the following action:

Accepted the February 6, 2012, Quarterly Self-Approved Expense Claims Report.

Item 9

Selection of Outside Auditor: This Item involves the selection of a firm to provide audit services to the San Diego Local Agency Formation Commission

Michael Ott addressed the Commission regarding the Selection of an Outside Auditor. He indicated that the Commission approved the Request for Proposal (RFP) for audit services on August 1, 2011 and appointed (Commissioners John Ingalls, Jo MacKenzie, Harry Mathis and Andy Vanderlaan) as the Audit Committee. He also said that LAFCO staff distributed the RFP to 40 accounting firms; published a notice in the San Diego Union Tribune Newspaper; and posted announcements on the websites of San Diego LAFCO and CALAFCO. Mr. Ott indicated that four RFP responses were submitted by: R.J. Ricciardi, Inc.; Mayer Hoffman McCann (MHM), P.C.; James Marta & Company and Gruber and Associates.

Mr. Ott indicated that the Audit Committee, Executive Officer and the Assistant Executive Officer, Shirley Anderson met on December 5, 2011 to review the four RFP responses. He said that the Audit Committee appointed Commissioner Vanderlaan as the Chairman of the committee. He indicated that the committee reviewed and compared the RFP's responses based on a cost comparison, qualifications and criteria of each firm as follows: (1) Results of peer review, licensing, and independence; (2) Overall qualifications and experience of audit team; (3) Prior experience in implementing GASB #34; (4) Local government references; (5) Understanding of audit scope and objectives, plus thoroughness of approach; (6) Commitment to timeliness; and (7) Fees required to conduct audit. Mr. Ott said that the committee unanimously recommended that MHM, P.C. be selected for the three-year audit of LAFCO's financial statements and leave balance system, not to exceed the \$18,000 quoted in the firm's RFP response. Mr. Ott recommended that the Commission approve the Committee's

recommendation, or provide other direction, regarding the selection of a different accounting firm.

Commissioner Bill Horn commented about whether any of the firms had local offices in San Diego County. Mr. Ott said that the audit firm, MHM has an office in Orange County and San Diego County. He indicated that a representative from MHM (Jennifer Farr) is present for questions. Jennifer Farr, Representative of MHM, P.C. addressed the Commission and explained that the firm has an office located in San Diego County and Orange County. She said that each office has experienced staff that provides different types of audit services to governmental and other clients.

Chairwoman Jacob commented about a Los Angeles Times news article criticizing MHM's auditing standards. In response to the question, Jennifer Farr explained that the firm was criticized for other unrelated issues that were not based on auditing standards. She said the firm is working on trying to clear its name. Ms. Farr said that MHM has contracted with an independent vendor to perform quality control reviews of the firm's standard audits and a report has since been released confirming that the firm is accurate with standard auditing services.

Chairwoman Jacob asked the Audit Committee why MHM was recommended, given that its bid was not the lowest. In response to the question, Commissioner Andy Vanderlaan thanked LAFCO staff for the quality of information that was provided to the committee regarding the RFP responses. He said that the committee selected MHM because the firm's response was the most comprehensive and offered additional hours of services. He said that the committee was aware of the issues related to the firm and believed the individuals that would be assigned to LAFCO are qualified to perform audit services.

Alternate Commissioner Jo MacKenzie commented about how the Audit Committee compared and reviewed the four RFP responses. She explained that the committee considered the proximity of the firm's office to LAFCO's headquarters and that the Commission requested additional hours of services from all the firms for assistance throughout the year. She said that MHM was responsive to the Commission's request and included the additional hours in its proposal, while the other firms did not include a reasonable amount of additional hours.

Commissioners Ingalls and Mathis concurred with the comments made by Commissioners Vanderlaan and MacKenzie.

Chairwoman Jacob thanked LAFCO staff and the Audit Committee for providing valuable information to the Commission related to analysis of the RFPs.

Commissioner Vanderlaan made a motion to engage MHM to provide an external audit of the San Diego LAFCO.

On motion of Commissioner Vanderlaan, seconded by Commissioner Pocklington, and carried unanimously by the commissioners present, the Commission took the following action:

Reviewed and approved the Audit Committee's Recommendation for selection of Mayer Hoffman McCann, P.C. (MHM), as LAFCO's outside auditor and authorized Audit Committee Chairman Vanderlaan to sign the letter of engagement and co-sign (with Executive Officer Michael Ott) the LAFCO contract.

Item 10
FY 2012-13 Strategic Plan Meeting

Michael Ott, Executive Officer provided a PowerPoint presentation to the Commission regarding the FY 2012-13 Strategic Plan. Mr. Ott indicated that the Commission historically established a strategic work plan for the upcoming year in conjunction with adoption of the annual budget. He said that a different approach would be used for FY 2012-13. He indicated that the work plan would be developed first and then a budget would be proposed. He also said that the strategic planning process will be focused on the following areas: (1) LAFCO's mission; (2) Objectives and Goals; (3) Strategy; and (4) Implementation.

Mr. Ott said that LAFCO's mission statement is contained on its website and included in various documents. He paraphrased the mission as follows: "The San Diego LAFCO is responsible for encouraging planned, well-ordered, efficient urban development patterns with appropriate consideration of preserving open-space and agricultural lands." He indicated that the San Diego LAFCO carries out this mission by reviewing ways to reorganize and streamline governmental services to produce orderly development. Mr. Ott then provided a brief summary of the Work Plan Components and encouraged comments and direction from the Commission.

Mr. Ott discussed Work Plan Component No. 1: Proposal Review. He indicated that it is based on a mandatory LAFCO function that consists of a series of steps and incorporates input from proponents and opponents. He said that the proposal process is efficient and that LAFCO has received recognition awards based on its proposal processing. However, he suggested that improvements could still be made to the process to resolve delays with the State Board of Equalization and the County of San Diego Assessor's office. He said that LAFCO staff will be working with both agencies to develop a plan to decrease associated processing time and delays.

Mr. Ott discussed Work Plan Component No. 2: Municipal Service Review (MSR) and Sphere Review Programs. He indicated that LAFCO is starting a new review cycle since the reviews were last conducted in 2006, 2007 and 2008. Mr. Ott said that this program should be a priority item in the budget, unless the Commission provides different direction. He said that reviews of MSRs and spheres are mandated by law every five years.

Commissioner Horn asked about the density of development planned along rail lines and transportation corridors, and whether LAFCO should have a role in commenting on such matters. In response to the question, Mr. Ott said that LAFCO cannot directly regulate density or intensity of development or land uses, but could provide comments about the orderliness of development. Chairwoman Jacob suggested that the commission not get involved with Board of Supervisors' decisions on the general plan updates; she also said that the purview of the Commission is to review spheres of influence and annexation requests.

Alternate Commissioner Sam Abed asked who has the purview to increase the density of development along rail lines. In response to the question, Chairwoman Jacob said that it is not the Commission's responsibility to get involved with general plan or zoning issues.

Commissioner Andy Vanderlaan commented about MSRs and spheres and suggested that LAFCO move forward with the MSRs and sphere reviews detailed in the Executive Officer's report.

Mr. Ott discussed Work Plan Component No. 3: Special MSR and Sphere Updates. He said that based on community and local agency needs or LAFCO priorities, certain agencies are subject to special service review and sphere studies. He indicated that priorities should be placed on healthcare districts and water and wastewater providers of the San Dieguito, Pala and Bonsall Hydrologic Subregion, Ramona and County Service Area No. 135 (San Diego County Fire Authority). Mr. Ott discussed the issues of water reuse and reclamation and wastewater in the San Dieguito area and said that this region should be placed in a special category. He also discussed a handout related to water availability and wastewater issues in the Santa Cruz County. He indicated that the Commission adopted a water procedure that is designed to help raise water awareness in the county for water availability and long term availability.

Chairwoman Jacob asked if LAFCO has the authority to review the San Miguel Consolidated Fire Protection District (FPD) to make sure that services are provided on an ongoing basis due to the district's financial problems. She also said that the district sent out an RFP. In response to the question, Mr. Ott said that the District's RFP was sent out to governmental agencies that could possibly take over responsibility for providing structural fire protection service. Mr. Ott indicated that it would be appropriate to place the San Miguel Consolidated FPD in a special study category.

A motion was placed on the floor to add San Miguel Consolidated FPD to the list of MSR updates or special studies. Commissioner Vanderlaan, seconded that motion and carried unanimously by the commissioners present.

Mr. Ott discussed Work Plan Component No. 4: Reports and Publications. He indicated that LAFCO provides important services to the public and other agencies by publishing documents, such as the LAFCO Procedures Guide, Annual MSR and Sphere Report, and updated application forms. He said that the Procedure Guide needs to be current due to changes in State Law and the last update was in 2006. He said that the application forms should be reviewed and updated on a regular basis. He also said that the Annual MSR and Sphere report was last updated in 2011 and should be updated in 2012. Mr. Ott said that he would like the Commission to consider whether LAFCO should proceed with the updates in 2012-13 or defer the items to another year and also provide special requests regarding the content of the update.

Mr. Ott discussed Work Plan Component No. 5: Legislative and Statutory. He indicated that the focus on this work item involves coordination with CALAFCO, CCL, the Special Districts Advisory Committee, and other governmental agencies. Mr. Ott provided a summary about a new statute resulting from the enactment of SB244 that will require implementation in 2012.

Commissioner Bud Pocklington thanked LAFCO staff for its efforts and skill level regarding legislative matters. He asked who provides funding for SB244. In response to the question, Mr. Ott said that LAFCOs are required to fund the implementation of the SB244.

Chairwoman Jacob asked the Commission if LAFCO should continue the legislative program. The Commissioners agreed to continue the legislative program. She also asked what action could be taken if the Commission does not comply with the SB244 bill. In response to the question, Mr. Ott said that there would likely be legal action taken against LAFCO that would decertify (reverse) its jurisdictional approvals. Commissioner Jacob suggested that LAFCO keep track of implementation costs.

Mr. Ott discussed Work Plan Component No. 6: Operational and Administrative. He suggested that the Commission should continue to have annual audits and improve its administrative procedures.

Mr. Ott discussed Work Plan Component No. 7: Budgetary. He said a new budget format will be implemented in FY 2012-13 to provide a clearer outline of budget activity and performance.

Mr. Ott discussed Work Plan Component No. 8: Personnel and Staffing. He indicated that LAFCO consists of a small, but highly skilled staff. He said that the

Commission also contracts with people and firms, such as John Traylor, Harry Ehrlich, and IGIS for supplemental support. He also said that LAFCO currently has a vacant position for an analyst due to a resignation last fiscal year and that work has been shifted to a mid-level analyst position that is now performing senior analyst level work. Mr. Ott said that the Commission should provide some direction on the vacant analyst position to ensure that workload matches position classifications. He indicated that LAFCO needs an administrative support or records management classification to assist with projects that have been deferred. Chairwoman Jacob asked what the cost of implementation was and what effect that it would have on the LAFCO budget. In response to the question, Mr. Ott said that the cost would be \$3-4,000 plus benefits. He indicated that he will develop alternatives for the Commission to consider as part of the FY 2012-13 budget. Commissioner Pocklington supported the change that Executive Officer was recommending.

Commissioner Jim Janney commented about the difficulty in approving analyst classification changes without first reviewing the overall effect on the upcoming budget. In response to the comment, Mr. Ott said that he would provide detailed cost estimates with and without the position changes in the FY 2012-13 budget report. Chairman Jacob said that the Commission will provide comments on the implementation of this item after different options are presented in the budget.

Mr. Ott discussed Work Plan Component No. 9: Website and Communication. He said that LAFCO created a new website last fiscal year. He indicated that a potential improvement to the site that should be considered next budget year is to create a jurisdictional query feature to assist property owners obtain information about their properties. He said that LAFCO staff received bids last year for about \$30-\$35,000 to develop an interactive element. The bids were from the County of San Diego and the firm that LAFCO currently uses for GIS support.

Chairwoman Jacob asked if the cost would be an annual amount or a one-time fee and would this be included in the 2012-13 budget. In response to the question, Mr. Ott said that it would be a one-time cost.

Mr. Ott discussed Work Plan Component No. 10: Outreach and Support. He indicated that the Commission should support CALAFCO, CCL, Special Districts Advisory Committee, and elections coordination activities.

Chairwoman Jacob said that there was a speaker slip that was submitted for this item.

Michael Hunsengar, Representative of Twin Oaks Valley Property Association. Mr. Hunsengar addressed the Commission with concerns related to procedures for annexation of inhabited areas and the annexation of Merriam Mountains and the red tape reduction Task Force. He said that annexing into this area would

cause some issues for the residents in the area. He also said the residents are concerned about the short protest period reduction and would like to see a lower threshold for voter approval of annexations. Mr. Hunsengar indicated that communities such as the island of Lake San Marcos or Twin Oaks should be included in the MSRs. In response to the question, Chairwoman Jacob asked that Mr. Hunsengar present a written statement so that some of his issues can be addressed and also stated that LAFCO is an independent entity and has no purview over other Task Forces or agencies. She stated that LAFCO does not get involved in land use decisions with the city or county. Chairwoman Jacob asked the Executive Officer to respond to the LAFCO process. Mr. Ott said that a 25% voter-approval threshold is required by State Law and cannot be changed locally. Chairwoman Jacob commented about LAFCO staff doing an outstanding job and is honest with their analysis when providing any information to the public.

Mr. Ott discussed Work Plan Component No. 11: Policy Development. He said that the Commission recently adopted procedures and policies that adequately guide jurisdictional review functions. He asked the Commission to provide direction on any special policy areas that they would like LAFCO staff to review.

The presentation was concluded at this time and Mr. Ott thanked the Commission for its input.

Item 11

FY 2011-12 Comprehensive Second Quarter Budget Update

Michael Ott, Executive Officer provided a brief report to the Commission regarding Item 11. He said that a revised format was used to provide a comprehensive view of LAFCO's budget activity. He asked for direction or comments regarding the new format of the budget report. He indicated that the budget worksheet is based on a quarterly performance for FY 2011-12 – July 1, 2011 through December 31, 2011. Chairwoman Jacob suggested that a year to date and a comparison report of the last fiscal year be shown on the budget report for the Commission to review. She also suggested that a column could be eliminated from the table if a year-to-date column was added to replace the quarter-by-quarter presentation. She also asked about the use of \$75,000 of LAFCO reserves to cover ongoing office lease costs with the County. In response to the question, Mr. Ott said that the Commission preauthorized the usage of the funds for the new office lease because it would have been a large unanticipated impact on member agencies due to the short notice given to LAFCO to find alternative office space. Mr. Ott indicated that it would be a policy item for the Commission to consider when reviewing the FY2012-13 budget. Chairwoman Jacob asked that the reserve balance be included in future budget reports.

Alternate Commissioner Abed asked if LAFCO had any other projections for the 2012-13 or if it is done year by year. In response to the question, Mr. Ott said

that LAFCO does not currently prepare a multi-year budget, but it could consider changes to its budget process.

Commissioner Zapf asked if the table shows funds that are used (expended) in the budget. In response to the question, Mr. Ott said that the revised budget update format shows funds expended, as well as a percentage of funds used. He said that in the next budget update will include a comparison to the previous year budget.

Commissioner Ingalls asked about accounts 52758 Vehicle Lease ISF and 52178 Vehicle Maintenance. In response to the question, Mr. Ott said LAFCO has a lease with the County for a county vehicle that is used by LAFCO staff and that vehicle maintenance costs are associated with the assigned vehicle.

Commissioner Vanderlaan addressed concerns regarding the impact on cities and special districts had LAFCO not used reserve funds to lessen the impact of office lease costs in FY 2011-12.

The Commission accepted the Second Quarter Budget Update Report provided by the Executive Officer.

Commissioner Ingalls commented about the issues that Santa Cruz LAFCO is having regarding water availability and encouraged Commissioners to read the article handed out before the meeting.

There being no further business to come before the Commission, the meeting adjourned at 11:00 a.m. to the March 5, 2012 meeting, in Room 302, County Administration Center.

**Tamaron Lockett
Administrative Assistant
San Diego Local Agency Formation Commission**