

**SAN DIEGO LAFCO
MINUTES OF THE REGULAR MEETING
APRIL 2, 2012**

There being a quorum present, the meeting was convened at 9:00 a.m. by Vice Chairman Andy Vanderlaan. Also present were: Regular Commissioners – Supervisors Bill Horn and Greg Cox, Mayors Jim Janney and Mark Lewis, Special District Members John Ingalls and Bud Pocklington, and Councilmember Lorie Zapf. Alternate Commissioners – Supervisor Greg Cox, 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, Legislative Research Director Harry Ehrlich and LAFCO (Alternate) Legal Counsel Ellen Pilsecker. Absent were: Regular Commissioner – Chairwoman Supervisor Dianne Jacob. Alternate Commissioners – Councilmember Sherri Lightner. LAFCO Staff - Legal Counsel Thomas Bosworth.

Item 1
Roll Call

The Commission Secretary performed the roll call for the April 2, 2012, LAFCO meeting. With the exception of Regular Commissioner Supervisor Jacob and Alternate Commissioner Lightner, all commissioners were present. Alternate Commissioner Cox voted in place of Chairwoman Jacob.

Item 2
Approval of Minutes of Meeting Held February 6, 2012

On motion of Commissioner Pocklington, seconded by Commissioner Horn, and carried unanimously by the commissioners present; the Commission dispensed with reading the minutes of February 6, 2012 and approved said minutes.

Item 3
Executive Officer's Recommended Agenda Revisions

Michael Ott indicated that there were no agenda revisions.

Item 4
Commissioner / Executive Officer Announcements

Vice Chairman Vanderlaan acted as Chairman in place of Commissioner Jacob and asked the Commission and Executive Officer if there were any announcements.

Commissioner Pocklington commented about the Union-Tribune article related to issues between the San Diego County Water Authority (SDCWA) and Metropolitan Water District (MET) water agencies. He indicated that records were obtained under the California Public Records Act that revealed that the MET was operating as a “shadow government”. He said that MET held private meetings and excluded the CWA from policy meetings. Commissioner Pocklington said that MET included \$2.6 million in its budget for litigation costs. He suggested that the Commission and the public review MET’s website for additional information.

Commissioner Zapf commented about the issues related to the water agencies lawsuit. She said that the City of San Diego contacted the State Attorney General to investigate related water issues. Commissioner Zapf also said the city’s Internal Intergovernmental Relations Department drafted a policy to request a financial audit and special rate oversight of MET.

Alternate Commissioner Mathis asked if the San Diego County Water Authority seeks action against MET through the court system, and whether the lawsuit would be based on criminal or civil (financial) charges. In response to the question, Commissioner Pocklington said that it may be based on financial considerations and if the Attorney General gets involved there could be criminal charges.

Item 5
Public Comments

Commissioner Vanderlaan asked the public if anyone requested to speak on an item that is not related to the agenda. He indicated that there was one speaker slip received from a member of the public for comments.

Michael Hunsakers, Representative of the Property Owner Defense League and Twin Oaks Valley Property Owner Association addressed the Commission regarding the City of San Marcos annexation policies, voting procedures, protest proceedings, and MSR issues. He requested that LAFCO staff help identify these issues with the City before an Annexation application is submitted.

Item 6
Proposed FY 2012-13 LAFCO Budget

Michael Ott, Executive Officer provided a brief PowerPoint presentation to the Commission regarding the FY 2012-13 LAFCO Budget. He indicated that the FY 2012-13 budget was developed following a strategic planning meeting with the Commission on February 6th. He said that the process helped LAFCO staff develop a budget that is based on three spending and operational alternatives. He also said that the budget planning process also assisted in the identification of cost centers and benchmarks.

Mr. Ott indicated that the proposed budget provides funding for basic core responsibilities and various operational priorities established by the Commission. He said that the primary goals cover proposal processing, long-range planning activities, and statutory compliance. Mr. Ott discussed a major new work program for 2012-13 and referred to PowerPoint maps depicting disadvantaged communities per SB 244 definitions. He said that SB 244 requires all LAFCOs to identify disadvantaged communities and infrastructure needs related to fire, water and wastewater services. Mr. Ott also indicated that LAFCO staff intends on developing a web-based public facility and infrastructure data warehouse to achieve compliance with SB 244.

Mr. Ott explained to the Commission the difference between Budget Alternatives 1, 2, and 3. He said that Alternative 1 would freeze LAFCO staffing and expenditures, work tasks, and budgetary assumptions. He stated that this alternative would result in partial compliance with new LAFCO statues and Commission priorities. He indicated that Alternatives 2 and 3 would restructure priorities and staff / professional resources to produce marked improvements to proposal processing, long-range planning, administrative effectiveness, and statutory compliance. Mr. Ott said that budget Alternatives 2 and 3 would improve the allocation of analytical resources and either of the alternatives would produce salaries and benefits cost savings compared to the FY 2011-12 budget. He said that both alternatives feature a reallocation of staff resources by downgrading one Local Governmental Analyst position to an Administrative Analyst or support classification, combined with the reclassification of one mid-level Local Governmental Analyst position to a senior analyst classification (Local Governmental Analyst III). He indicated that Alternative 2 imposes a partial wage freeze; allows a one-time 1% compensation payment for all positions and performance-based merit increases for two Administrative Assistants. Alternative 3 would be based on a maximum of a 2% performance-based increase for eligible staff and no one-time increases, plus the reclassification of the Local Governmental Analyst I and II positions, and performance-based merit increases for two Administrative Assistants.

Mr. Ott discussed the Municipal Service Review (MSR) and Sphere Review (SR) Program. He said that Alternative 1 would result in partial compliance with State Law and Alternatives 2 and 3 would allow LAFCO to achieve statutory compliance. He said that LAFCO will be reviewing services related to healthcare services, water and wastewater providers in the San Dieguito sub-region, Pala-Bonsall and Ramona communities. Mr. Ott said that the San Miguel Consolidated Fire Protection would be placed in a special study classification if Alternatives 2 or 3 would be approved. Mr. Ott also mentioned that he has been contacted by the Grand Jury regarding LAFCO's possible involvement with healthcare districts and that the foreman of the Grand Jury was encouraged that Alternatives 2 and 3 placed a priority on the review of healthcare services in San Diego County.

Mr. Ott discussed the Reports and Publications work plan. He said that Alternative 1 does not place on this particular office function. He indicated that Alternatives 2 and 3 would facilitate updates and preparation of publications. He said that the estimated cost

allocation for this program is about \$35,000; however, some of the associated costs would be recovered through publication charges.

Mr. Ott discussed the legislative and statutory compliance work plan. He said that Alternative 1 scales back LAFCO's legislative and statutory program and that Alternatives 2 and 3 would continue the program and result in implementation of new statutes.

Mr. Ott discussed the Website and Communications work plan. He said that LAFCOs are required by state law to establish a website. He also said that the website will be an important source of data due to the implement of the SB 244 bill and the site could be upgraded so that it becomes a data warehouse of public facility information. He said associated website upgrade costs are included in the budget assumptions for Alternatives 2 and 3.

Mr. Ott discussed the Outreach and Support work plan. He said that alternative 1 would achieve the basic goals. He indicated that Alternatives 2 and 3 would provide funding for membership services and printing of publication needs.

Mr. Ott discussed the Policy Development and Priorities work plan. He said that with exception of SB 244 and AB 54 compliance, no other policy development needs were identified in the budget.

Michael Ott concluded his presentation and Vice Chairman Vanderlaan opened the public hearing.

Commissioner Bill Horn asked about the difference in cost savings between the alternatives. In response to the question, Michael Ott explained the cost comparison between the alternatives and figures. Commissioner Horn indicated that there were not enough funds to be cutting back; therefore, he made a motion to approve alternative 3.

Commissioner Jim Janney, second the motion.

Commissioner Sam Abed asked about the difference of revenue grand totals and if the totals were considered a short-fall for each alternative. In response to the question, Michael Ott said that there would be no short-fall for any of the alternatives. Mr. Ott indicated that \$150,000 is proposed to be transferred from LAFCO's Special Project fund to pay for special projects in FY 2012-13. Alternate Commissioner Abed asked if the alternatives use reserves. In response to the question, Mr. Ott indicated that none of the alternatives use contingency reserve funds.

Commissioner Lorie Zapf asked about downgrading the local governmental analyst position to an administrative position and the cost savings allocation. In response to the question, Mr. Ott indicated that the position was a filled position until resignation of an incumbent in FY 2011-12. He mentioned that he has not filled the position so that the Commission could provide direction as to how to best fill it based on changing of office

and workload priorities. Mr. Ott indicated that if the position is filled it should be filled at a lower level.

Commissioner Zapf asked for clarification regarding Alternative 3 performance-based criteria versus the 1% pay adjustment in Alternative 2. Mr. Ott indicated that award of any pay increase per Alternative 3 would be performance-based and not automatic. Staff performance would have to be at an outstanding (above standard) level. Mr. Ott indicated that the Commission is responsible for evaluating the performance of the Executive Officer and the Executive Officer is responsible for evaluating the performance of LAFCO staff. Commissioner Zapf also asked if there were written policies that constitute performance eligibility. In response to the question, Mr. Ott indicated that LAFCO has personnel rules that address this matter.

Commissioner Zapf also asked if the performance based percentages are being calculated towards the pension or benefit system. In response to the question, Mr. Ott said that the percentages are being deducted for retirement contributions. He said that he will provide specific figures for the amounts in the final budget.

Commissioner Zapf expressed concerns about the strategic plan direction of the improved budget format and the estimated cost of the \$48,000 for preparation of a handbook and audit services. Mr. Ott indicated that the Commission requested a newly developed budget system for LAFCO and increased disclosure in detailed reports. He said that the estimated cost allocates staff time and resources to improve the budget reporting system. Ms. Zapf also asked is the reformatting cost is a one-time cost or ongoing. Mr. Ott indicated that there may be further changes in the future, depending on the conclusions reached in the upcoming audit.

Commissioner Pocklington commented about the net-cost savings between the three alternatives. Commissioner Pocklington thanked LAFCO staff for a job well-done in presenting reports to the Commission. Mr. Pocklington asked about staff performance and the difference of accomplishing the goals and how long would it take to complete the goals if the Commission selected Alternative 2 or 3. Mr. Ott indicated that the difference between Alternative 2 and 3 is primarily based on the professional services contributions, use of contract workers, and a performance-based personnel system. Mr. Ott indicated that core responsibilities would be accomplished with adoption of Alternative 1, but task completion would take longer and involve multiple fiscal years. Commissioner Pocklington supported the motion made by Supervisor Horn.

Commissioner Jim Janney inquired about LAFCO's benefit and retirement system and whether there will be a cost increase in FY 2012-13. In response to the question, Mr. Ott said that LAFCO staff will be paying more out-of-pocket contributions to the San Diego County Retirement Association (SDCERA) based on a previous action the Commission took in 2011. He also said that LAFCO also pays the County a specified amount of funds each year towards the retirement of Pension Obligation Bonds (POB).

Commissioner Zapf indicated that she does not support the motion that was placed on the floor for Alternative 3, but could support Alternative 2.

Alternate Commissioner Jo Mackenzie asked for clarification of the trust fund summary. Mr. Ott indicated that the trust fund accounts with the County have existed for decades and are interest-bearing. Mr. Ott said that use of the funds is subject to Commission discretion.

Commissioner John Ingalls commended LAFCO staff for the granularity of the budget report and information. Commissioner Ingalls asked whether priorities that were established at the February 6th meeting could be changed and if an amendment was needed. Commissioner Ingalls commented about the Reports and Publications annual Sphere and MSR summary report. He suggested that the report be provided bi-annually to reduce publication costs. In response to the question, Mr. Ott indicated that there is no annual requirement regarding the Sphere and MSR summary report. He said that the summary is published for activity tracking purposes and that a bi-annual publication schedule could be followed.

Commissioner Vanderlaan commented about the direction that the Commission provided for LAFCO staff to approve Alternative 3 of the proposed budget and that the final budget will be presented at the May 7th meeting. Mr. Vanderlaan suggested that when the Commissioners ask LAFCO staff to complete special tasks in the future (e.g., budget reformat), they request estimated costs from LAFCO staff.

Commissioner Zapf inquired about the cost increase under Professional and Special Services – Sphere Review funds under alternatives 1-3. In response to the question, Mr. Ott said that service reviews are mandated and minimum resources would be allocated for statutory compliance under Alternative 1. He said that compliance would eventually occur but it would take longer than allowed under State Law.

Commissioner Vanderlaan asked if there were any discussions with the cities, special districts and the county regarding the funding of the approved budget. In response to the question, Mr. Ott indicated that the budget was referred to all cities, special districts, and the County of San Diego. He said that no opposition has been expressed; however, some agencies urged the Commission to adopt a budget at the April meeting, so that the County Auditor could prepare local agency cost apportionments.

Commissioner Vanderlaan said that a motion was placed on the floor to approve alternative 3. Commissioner Zapf opposed the motion.

With no further discussion from the commission or public comments, Commissioner Vanderlaan closed the public hearing.

On motion of Commissioner Horn, seconded by Commissioner Janney, and opposed by Commissioner Zapf and carried by the commissioners present (Vice Chairman Vanderlaan, Supervisors Bill Horn and Greg Cox, Mayors Jim Janney and Mark Lewis,

Special District Members John Ingalls and Bud Pocklington, the Commission took the following actions:

- (1) Opened the hearing on the Proposed FY 2012-13 LAFCO Budget and closed the hearing after providing the public an opportunity to provide comments.
- (2) Provided Commission comments and direction as to Alternatives 1-3 of the Proposed FY 2012-13 LAFCO Budget.
- (3) Approved and adopted FY 2012-13 Proposed LAFCO Budget Alternative 3 and directed the Executive Officer to return with the Final FY 2012-13 LAFCO Budget on May 7, 2012 based on the Commission's action.

Item 7

Legislative Update Report

Harry Ehrlich, Director of Legislative provided a brief report to the Commission regarding the Legislative update report for this year and the second year of 2011-12 Legislative Session. Mr. Ehrlich said that 700 new bills were submitted and that LAFCO staff will be tracking 10 of the bills. He said that staff is still reviewing several of the bills and amendments; therefore, LAFCO has no recommended positions at this time.

Mr. Ehrlich discussed AB 2238 (Perea) a bill that would require LAFCOs to determine the feasibility of consolidations and other service efficiency options in a MSR and also require LAFCOs to determine compliance with the Safe Drinking Water Act. He said that CALAFCO opposes the bill unless it is amended. He also said that these requirements are under the same terms as SB 244. Mr. Ehrlich said that LAFCO staff will continue to work with CALAFCO, ACWA and CSDA. He indicated that the author has made amendments to the bill as of last week to remove some of the problematic provisions and said that new information will be presented at the next meeting.

Commissioner Vanderlaan commented about the Legislature requiring more responsibility without any funding and that the CALAFCO Legislative committee is reviewing and opposing bills that require more responsibility without any funding.

Mr. Ehrlich discussed AB 2624 (Smyth), a bill that would allow LAFCOs to be eligible to apply for grants to support planning and development of sustainable communities. Commissioner Pocklington asked who provides the grants. In response to the question, Mr. Ehrlich said that the grants are funded by state bonds. He said that he is not sure if it would affect the San Diego LAFCO because of the minimum amount requested for funding is \$100,000. He also said that CALAFCO is supporting the bill.

Mr. Ehrlich discussed SB 1498 (Emmerson). This bill authorizes LAFCOs to authorize a city or district to provide new or current services outside the jurisdictional boundaries and the sphere of influence to disadvantage communities. Mr. Ehrlich said that that the bill is sponsored by the League of Cities and CALAFCO is also proposing a change to LAFCO's authority to expand conditions under which out-of-agency services could be

provided. He also said that the annexation requirements in SB 244 applying to cities will also be the subject of discussion in 2012. He said that CALAFCO is watching the bill and additional information will be provided at the next LAFCO meeting.

Mr. Ehrlich discussed SB 1566 (Negrete McLeod) a bill that requires a specific amount vehicle license fees be deposited into the Motor Vehicle License Fee (VLF) account in the Transportation Tax Fund for allocation to cities and counties. He said that the bill will be effective on or after July 1st and that the fees will be distributed to each city that was incorporated after August 5, 2004. He also said that the bill has affected five newly incorporated cities and that one may be applying for disincorporation. Mr. Ehrlich said that this bill would benefit for inhabited annexations, because currently inhabited annexations do not qualify for any VLF funds.

Mr. Ehrlich discussed the Assembly Omnibus bill that is sponsored by CALAFCO to correct provisions in the Cortese-Knox-Hertzberg Act. He mentioned that San Diego LAFCO staff is working with CALAFCO to rewrite the protest provisions. He said that he would provide additional information at the next meeting.

The Commission accepted the Legislative Report provided by Mr. Ehrlich.

There being no further business to come before the Commission, the meeting adjourned at 10:05 a.m. to the May 7, 2012 meeting, in Room 302, County Administration Center.

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