

**DRAFT**  
**SAN DIEGO LAFCO**  
**MINUTES OF THE REGULAR MEETING**  
**JUNE 6, 2011**

There being a quorum present, the meeting was convened at 9:00 a.m. by Chairman Carl Hilliard. Also present were: Regular Commissioners – Councilmember Lorie Zapf (arrived at 9:05 a.m.), Mayor Mark Lewis, Special District Members John Ingalls and Bud Pocklington and Public Member Andy Vanderlaan. Alternate Commissioners – Special District Member Jo MacKenzie and Public Member Harry Mathis. LAFCO Staff – Executive Officer Michael Ott, Assistant Executive Officer Shirley Anderson, Chief, Governmental Services Ingrid Hansen, Local Governmental Analyst Robert Barry and LAFCO Legal Counsel, Thomas Bosworth. Absent were: Regular Commissioner - Supervisor Dianne Jacob, Vice Chairwoman and Supervisor Bill Horn. Alternate Commissioners – Supervisor Greg Cox, Mayor Jim Janney and Councilmember Sherri Lightner.

**Item 1**  
**Roll Call**

The Commission Secretary performed the roll call for the June 6, 2011, LAFCO meeting. All regular commissioners were present with the exception of Commissioners Dianne Jacob and Bill Horn and Alternate Commissioners Greg Cox, Jim Janney and Sherry Lightner.

**Item 2**  
**Approval of Minutes of Meeting Held May 2, 2011**

On motion of Commissioner Bud Pocklington, seconded by Commissioner Mark Lewis, and carried unanimously by the commissioners present; the Commission dispensed with reading the minutes of May 2, 2011 and approved said minutes.

**Item 3**  
**Executive Officer's Recommended Agenda Revisions**

Chairman Carl Hilliard asked the Executive Officer if there are any agenda revisions. Michael Ott indicated that there were no agenda revisions.

**Item 4**  
**Commissioner / Executive Officer Announcements**

Chairman Carl Hilliard asked the Commission and Executive Officer if there were any announcements. Executive Officer, Michael Ott indicated that there were no announcements.

**Item 5**  
**Public Comments**

Chairman Hilliard addressed the public asking if anyone requested to speak on an item that is not related to the agenda. Chairman Hilliard stated that there were no speaker slips received from the members of the public requesting to speak.

**Item 6**  
**Administrative Approval of a Contractual Service Agreement:  
Lakeside Sanitation District / Sharon Hartnett (OAS11-06; DA11-06)**

Michael Ott explained to the Commission that Item 6 is a contractual sewer service agreement involving the Lakeside Sanitation District and that the item is on the agenda for information purposes. Mr. Ott indicated that Robert Barry will provide further information.

Robert Barry provided a staff presentation to the Commission and indicated that the property owner has a failing septic system and requests a connection to the Lakeside Sanitation District public sewer system. He indicated that a letter was submitted from the Department of Environmental Health indicating that the septic system is failing and difficult to repair.

This was an information item and no action was required by the Commission.

**Item 7**  
**Proposed Amendment to the Sphere of Influence for the  
Rancho Santa Fe Community Services District (SA11-07)**

**Proposed "El Camino Real Annexation" to the  
Rancho Santa Fe Community Services District (DA11-07)**

Michael Ott explained to the Commission that Item 7 involves an agreement between the Rancho Santa Fe Community Services District (CSD) and the City of San Diego for provision of sewer service and an associated annexation and sphere of influence amendment. Mr. Ott noted a correction of the district's name for the proposed project. Mr. Ott also said that Robert Barry will provide further information.

Robert Barry, Local Governmental Analyst, provided a brief report to the Commission about the proposed "El Camino Real Annexation". Mr. Barry said that the proposed annexation area currently utilizes an underground septic disposal system, and the use of septic systems are problematic due to high groundwater conditions. He indicated that the landowners have sought connection to public sewer as a long-term solution. He also said that the proposed annexation area is contiguous with the City of San Diego; however, the City does not support annexation of the properties or the provision of sewer service via a contractual service agreement between the City and individual landowners. Mr. Barry said that San Diego does support a contractual agreement with

another public agency. Therefore, the Rancho Santa Fe CSD and the City of San Diego have agreed to the contractual sewer service agreement to allow extended services outside San Diego's incorporated boundary and sphere. He also said that the territory is not within the district's sphere of influence, and a sphere amendment is required.

Commissioner John Ingalls commented on Items 6 and 7 about the local service delivery conditions of the subject area and the potential need for further review within the sphere update and municipal service review process. In response to the question, Michael Ott indicated that the area will be studied in the next municipal service review.

This was an information item and no action was required by the Commission.

**Item 8**

**Proposed "Wellnitz/Builder Financial LLC Annexation" to the Spring Valley Sanitation District (DA11-08)**

Michael Ott explained to the Commission that Item 8 involves an annexation to obtain public sewer service from the Spring Valley Sanitation District and that this is only an information item. Mr. Ott indicated that Ingrid Hansen will provide further information.

Ingrid Hansen, Chief, Governmental Services provided a brief report to the Commission about the proposed annexation. She indicated that the property owner must obtain public sewer service that is subject to a county building permit requirement based on the construction of a newly single-family residence to replace the previous residence that was destroyed due to a fire.

This was an information item and no action was required by the Commission.

**Item 9**

**Audit / Rules Review Update**

Michael Ott provided a brief report to the Commission regarding LAFCO's Audit / Rules review. Mr. Ott indicated that the Commission's Audit/Rules Review Committee met on May 2<sup>nd</sup> and discussed some tasks that should be initiated in FY 2011-12. He said that the tasks included a review of applicable county and LAFCO rules / policies pertaining to position descriptions, salaries, and leave provisions. He said the review will be presented at the next commission meeting on August 1, 2011.

Mr. Ott also indicated that the Commission will initiate a financial audit and a review of LAFCO's leave accrual and usage system in FY 2011-12. He said that the financial audit component would require a Request for Proposal (RFP) and LAFCO staff would return with a draft RFP on August 1, 2011. He added that the San Diego LAFCO's bookkeeping/accounting firm, Lance, Soll and Lunghard (LSL), would be ineligible to bid on the financial component of the RFP because the firm is currently being used by LAFCO for accounting services.

Chairman Carl Hilliard asked the Commission for any comments or direction.

Commissioner Lorie Zapf asked whether the financial audit and leave accrual and usage system components need to be separated in a single RFP for purposes of identifying costs related to each audit component. She suggested that the RFP should include both components and the cost.

Commissioner Andy Vanderlaan asked Mr. Ott to elaborate on the background of the audit. In response to the question, Michael Ott covered the components of the audit and indicated that the Commission's Audit/Rules Review Committee supports this action.

Commissioner John Ingalls suggested that the Commission consider requesting in the RFP contract for LSL to perform additional agreed upon procedures to include the financial audit component and the cost of reviewing the leave system.

Commissioner Bud Pocklington commented about the audit review and suggested that there be a single RFP audit contract.

Commissioner Harry Mathis commented about LAFCO's personnel rules and the audit financial review. He stated that it is important for the Commission to maintain independence from the County, especially in the minds of the public. He questioned whether it made sense to look like the County, based on LAFCO's mandate to be independent of county government.

Commissioner Vanderlaan suggested that LAFCO staff return to the Commission with different bids on the financial audit and the leave accrual and usage system. In response, Chairman Hilliard asked for clarification that Commissioner Vanderlaan is requesting a single RFP.

Commissioner Ingalls asked why LSL is ineligible to bid on the financial audit component of the contract due to its prior accounting relationship with LAFCO during the anticipated three-year audit review time period of the audit. In response to the question, Michael Ott indicated that it is a professional accounting standard that would disqualify a firm that performs bookkeeping/accounting services from also performing a financial audit.

Commissioner Vanderlaan asked about LSL and its experience with other LAFCOs. Mr. Ott said that LSL contracts with a number of LAFCOs in Southern California and each LAFCO has a different contract with the firm containing a scope of services tailored to each agency.

Commissioner Harry Mathis commented about the legal and specific audit requirements defined by law, if any, for a public agency to do an audit. In response to the question, Michael Ott indicated that he did believe there are legal requirements for audits, but the Commission should voluntarily initiate an audit that is subject to accepted professional

accounting standards. Mr. Ott deferred to Legal Counsel Tom Bosworth and Assistant Executive Officer Shirley Anderson for any elaboration.

Commissioner Ingalls addressed the different procedures and standards associated with public agency audits. In response to the comment, Chairman Hilliard indicated that the subcommittee is requesting a financial audit and review of the vacation leave accrual and usage system.

Chairman Hilliard indicated that the subcommittee is requesting LAFCO's audit as follows: (1) Provide a single contract for both the financial audit and leave accrual and usage system; and (2) Include both components in the RFP with a request for associated costs.

Commissioner Vanderlaan suggested that the relationship between LAFCOs and county government should be analyzed by LAFCO staff when the RFP returns to the full commission. Commissioner Vanderlaan asked if the County oversees LAFCO's leave system or if it is administered by the LAFCO staff. In response to the question, Michael Ott said that LAFCO's leave system was inherited from the County years ago when the County transferred to LAFCO staff, the responsibility for managing the leave system. Mr. Ott indicated that the system is administered manually because LAFCO is subject to a different accrual system than county employees.

Chairman Hilliard clarified for LAFCO staff that the draft RFP contract should mirror the audit RFPs used by other Southern California LAFCOs.

Commissioner Vanderlaan suggested that the financial and vacation components of the audit be presented separately in the RFP. He indicated that a review of LAFCO's personnel provisions may not be needed in subsequent audits.

Chairman Hilliard summarized that a single RFP will be drafted to mirror the scope of work contained in other Southern California LAFCO audit contracts and will contain a separate review of the vacation leave system.

Chairman Hilliard received consensus from the Commission on the following:

- (1) Direct LAFCO staff to return to the Commission on August 1<sup>st</sup> with a draft RFP for financial audit services and a review of the vacation leave accrual and usage system.
- (2) Direct LAFCO staff to analyze the San Diego LAFCO's Personnel Rules in relation to comparable positions in the County of San Diego. The analysis should cover position descriptions, salaries, and leave provisions.
- (3) Conclude that there is no need to refer any of the items at the June 6<sup>th</sup> meeting to the Audit/Rules Review Committee.

Chairman Hilliard asked the Commission if there were any objections of the having LAFCO conform to the personnel policies of the County San Diego.

Commissioner Vanderlaan expressed concerns regarding the conformity between the two government agencies. He said that LAFCO should be recognized differently because LAFCO employees are not considered County employees. Mr. Vanderlaan suggested that if the Commission wants to achieve conformity with the County, it should also review other LAFCOs in terms of conformity.

Commissioner Zapf asked for clarification related to the analysis of County and LAFCO position descriptions. In response to the question, Michael Ott said that Supervisor Jacob requested that LAFCO staff perform a comparison of the job descriptions, salaries and leave provisions related to county positions. He said LAFCO staff will return with associated analysis for the Commission at the August LAFCO meeting.

Chairman Hilliard said the subcommittee requested an analysis of the policies to compare the LAFCO positions with the County and to see if LAFCO was above or below the policies.

Commissioners Vanderlaan and Mathis expressed concerns about applying county policies to LAFCO personnel when LAFCO is an independent agency.

Mr. Ott said that the Commission can provide further direction after LAFCO staff returns with the analysis on August 1<sup>st</sup>.

#### **Item 10** **Legislative Update**

LAFCO Consultant Harry Ehrlich provided a brief presentation to the Commission regarding several bills that LAFCO has been reviewing. He stated that AB 1430 (Assembly Local Government Omnibus) proposes routine changes or amendments to various government codes. He said that the bill has been moved over to the Senate.

Mr. Ehrlich said that SB 244 (Wolk) passed out of committee. He said that LAFCO sent a letter in opposition of the bill on April 5, 2011 to the author. He said the bill is a modified approach of AB 853 that requires counties and cities to include an analysis of island, fringe or legacy of unincorporated communities in updates or adoption of the housing element of a general plan.

Mr. Ehrlich said that the AB 392 (Alejo) Brown Act bill has been stopped this year. He said the Commission opposed this bill on May 2<sup>nd</sup> due to the unfunded mandate and concerns for local governmental responsibilities.

Commissioner Vanderlaan commented about the SB 244 bill and the need for LAFCOs to be proactive.

**Item 11**

**Quarterly Self-Approved Expense Claims Report**

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

Accept and Ratify the June 6, 2011, Quarterly Self-Approved Expense Claims Report.

**Item 12**

**Cancellation of the July 11, 2011 Meeting**

On motion by the commissioner present and carried unanimously, the Commission took the following action:

Approved the cancellation of the July 11, 2011 LAFCO meeting.

There being no further business to come before the Commission, the meeting adjourned at 10:15 a.m. to the August 1, 2011 meeting, in Room 302, County Administration Center.

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