

ANNOUNCEMENT OF CONTRIBUTIONS

Chair Cox requests those present who are involved with any of the changes of organization to be considered today by the Commission and have made a contribution of more than \$250 within the past twelve months to any member of the Commission to come forward and state for the record their name, the member to whom the contribution has been made, and the matter of consideration with which they are involved. There was none.

CONSENT ITEMS – APPROVE STAFF RECOMMENDATION:

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time without discussion, unless a request has been received prior to the hearing to discuss the matter.

- Item 2. Approval of Minutes for Regular Meeting of June 15, 2016
- Item 3. Approval of Executive Officer's Expense Report
- Item 4. Ratify Payments as Reconciled for Month of June 2016 and Note Cash Receipts
- Item 5. Unaudited Year-End Financial Report for Fiscal Year 2015-16
- Item 6. Approval of Fiscal Year 2007-08 Financial Records Destruction Pursuant to Commission Policy
- Item 7. Review and Approval of Contract with Davis Farr, LLP for Financial Audit Services for the Period Fiscal Year 2015-16 through Fiscal Year 2018-19

LAFCO considered the items listed under its consent calendar, which includes a Visa Justification, the Executive Officer's amended expense report and ratification of payments as reconciled for the month of June, the unaudited Year-End Financial Report for FY 15-16, approval of the FY 07-08 Records Destruction and approval of the contract with Davis Farr, LLP for Financial Audit Services FY 15-16 through FY 18-19. Copies of each report are on file in the LAFCO office and are made part of the record by their reference herein.

Executive Officer Kathleen Rollings-McDonald presents an amended Executive Officer's Expense Report.

Chair Cox calls for requests for deferral from Commissioners or staff; there are none.

Commissioner McCallon moves approval of the modified consent calendar, second by Commissioner Ramos. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: None.

PUBLIC HEARING ITEMS:

ITEM 8. CONSENT ITEMS DEFERRED FOR DISCUSSION

No items deferred for discussion.

Commissioner Lovingood states that he will recuse himself from item 9, LAFCO 3202 – Wrightwood, and will be absent the remainder of the hearing. He leaves the dais at 10:02 A.M.

ITEM 9. CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3202 AND (2) LAFCO 3202 – REORGANIZATION TO INCLUDE FORMATION OF THE WRIGHTWOOD COMMUNITY SERVICES DISTRICT AND DISSOLUTION OF COUNTY SERVICE AREA 56 (WRIGHTWOOD COMMUNITY WITHIN SAN BERNARDINO AND LOS ANGELES COUNTIES)

Executive Officer Kathleen Rollings-McDonald presents the staff report for LAFCO 3202, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. The item has been advertised in *The Mountaineer Progress* newspaper, a newspaper of general circulation.

Ms. McDonald states that the community of Wrightwood is a small mountain community located in the Swarthout Valley in the eastern San Gabriel Mountains. She shows the area on the overhead. She states that this proposal was initiated by the San Bernardino County Board of Supervisors through adoption of a resolution of application in response to requests made by the Feasibility Committee for a Wrightwood Community Services District. She states that the proposal was initiated with an original boundary encompassing 6,012 acres, but as staff's analysis was undertaken, questions arose regarding whether or not the proposed boundary accurately reflected the community of Wrightwood, specifically for the territory within San Bernardino County. She states that following discussions with the proponent and the Committee, the boundary was expanded within San Bernardino County generally northerly to abut the Phelan Pinon Hills CSD boundary, and easterly to include additional territory along Lone Pine Canyon Road, which encompasses approximately 17 square miles or 10,739 +/- acres as reviewed on the overhead.

Ms. McDonald reviews the portion of the CSD Law that the Commission must review when creating a new CSD as listed on the overhead and discussed in the staff report. She states that the formation of this CSD meets 3 of the 4 requirements; it does not meet the requirement for cityhood, as the creation of a city cannot cross county boundaries. Ms. McDonald reviews the timeline for the completion of the CSD formation as noted in the staff report and states that following completion of the reconsideration period, there will be a 21-day protest period, followed by a protest hearing to be held in September. Following the completion of protest, the Boards of Supervisors of Los Angeles and San Bernardino Counties will be requested to direct their respective Registrar of Voters to place the matter of district approval and for the selection of the initial board of directors on the March 7, 2017

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ballot, followed by the adoption of the impartial analysis for the election to be placed on the Commission's agenda. She states that the time lines for this formation are very tight and does not allow much room for latitude in processing. Ms. McDonald provides a flyover of the proposal area on the overhead.

Ms. McDonald states that State law and Commission policy require that staff address specific questions with regard to evaluation of a proposal and reviews the key evaluation elements as noted in the staff report.

Ms. McDonald states that the proposed CSD's boundaries do not infringe upon an established sphere of influence. She states that the boundary presented for the Wrightwood CSD is reflective of the identified community, including lands within both San Bernardino and Los Angeles Counties. She notes that the existing agencies within the area and/or those whose sphere of influence includes CSA 56, which is proposed for dissolution. They include CSA 70, which has a full range of services and whose sphere is coterminous with its boundaries, and the San Bernardino County Fire Protection District and its North Desert Service Zone for San Bernardino County. She states that the Consolidated Fire Protection District for Los Angeles County and the Mojave Desert Resource Conservation District also overlay the territory, and the Golden State Water Company overlays the territory of the proposed District in both counties.

Ms. McDonald states that on June 6th the boundaries for the proposed Wrightwood CSD were modified within the San Bernardino County portion to more accurately reflect the community of Wrightwood. She states that the boundaries, as modified, represent the cohesive socio-economic community of interest and that based on the community definition, the boundaries as proposed represent a reasonable service boundary for current and future growth within the community.

Ms. McDonald reviews the service and financial consideration requirements as listed in the staff report. She states that for service considerations, the feasibility study submitted for this application included streetlighting, park and recreation and solid waste services. She states that the proponents have also identified the District as the agency responsible for delivery of solid waste services within the community. She states that in addition, LAFCO staff has identified that CSA 56 is currently authorized sewer service for planning the delivery of a wastewater treatment services in the future, should portions of the community be mandated to install this utility.

Ms. McDonald states that there are no streetlights within the Los Angeles County portion of the Wrightwood community affected by this action as none are owned by a public entity. She states that park and recreation services are provided within the Wrightwood community through the operation of the community/senior center and park under the auspices of CSA 56, and the services are available to the whole of the community whether they are residents of Los Angeles or San Bernardino County.

Ms. McDonald states that staff has identified eight parcels of land within the Wrightwood community within San Bernardino County which are owned by CSA 56 and will be transferred to the new CSD. She states that two of the parcels are adjacent to the Wrightwood

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Elementary School.

Ms. McDonald states that for solid waste, staff has identified that the provision of solid waste is proposed as an active function/service of the new Wrightwood CSD and that the active function would be defined as solid waste and recycling. She states that the delivery of this service highlights the differences between San Bernardino and Los Angeles counties and the need for a staffing pattern at the new CSD, which can address any concerns.

Ms. McDonald states that staff received a response from Los Angeles County which states that the inclusion of residential customers under the Wrightwood CSD and its proposed franchise with CR&R does not pose an issue. She further stated, however, that Los Angeles County has identified that any franchise service contract proposed by the Wrightwood CSD, including bin and roll-off rentals, should be non-exclusive in order to avoid conflict with the existing Los Angeles County Commercial Waste Collection Franchise.

Ms. McDonald states that for San Bernardino County, the boundaries of the proposed district as modified, includes the territory of County Franchise Area (CFA) 15 and portions of CFA 20, and that both are franchised to CR&R Waste and Recycling Services. She states that the current contracts with CR&R are set to expire June 30, 2017. She states that the Wrightwood CSD would be required to assume solid waste collection and recycling responsibilities. She states that as part of the implementation of AB 1826, effective January 1, 2016, the program requires that an entity conduct outreach and education to inform businesses on how to recycle organic waste as well as conduct monitoring to identify those not in compliance. She states that the CSD will also be responsible for mandatory commercial recycling, implementation of Public Resources Code 40059, and will need to comply with Public Resources Code Section 41821.2.

Ms. McDonald states that another aspect of Solid Waste and Recycling will be the transfer of the existing special tax, identified as the County's Refuse Disposal Land Use Fee of \$85.14 per parcel, which will include the administration of the "dump card program" and will require the completion of contracts with the County to be in place before the County will transfer the revenues of the special tax, clearly identified with which County it is designated, for accounting purposes. She states that based on the information provided by the Feasibility Committee, the receipt of these revenues will allow the District to fund development of programs for further source reduction and recycling efforts.

Ms. McDonald states that the Committee has identified in its materials that the inclusion of wastewater service would prompt a negative reaction by the electors and have purposely limited the range of service to those of most interest to the community. She states that the proponent, the County, has indicated that this is a question for the Commission to decide, and the Special Districts Department has expressed its concern that the dissolution of CSA 56 will leave the area without a governance mechanism to address future decisions by the Regional Water Quality Control Board. She states that the requirement for an organized sewer system for a community is not a decision by a local agency but is in response to health and safety concerns of the Regional Water Quality Control Board. She states that staff's review of materials has shown that for many years the question of on-site septic systems for the densely developed downtown portion of the Wrightwood community, located in San

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Bernardino County, has been discussed and that CSA 56 was recognized as the entity responsible for discharge requirements. She further states that CSA 56, through a study in 2006, identified the areas of highest concern as the "Blue Zone". Ms. McDonald reviews the map on the overhead.

Ms. McDonald states that at the outset of this discussion it must reiterated, that the requirement for an organized sewer system is not locally made, but is a requirement which may be imposed by a regional regulatory agency. She states that in staff's view, the voice of the Wrightwood community needs to be heard on the question of a future sewer system for the area and that approval of LAFCO 3202 will replace the board-governed entity with an independent, locally elected board which should answer on behalf of the community. She states that LAFCO staff has proposed the expansion of the CSD's functions/services to include wastewater for the future planning and engineering of a regional sewer facility. Should the CSD desire to actively provide wastewater collection and treatment service, it would be required to return to San Bernardino LAFCO for approval under the provisions outlined in Government Code Section 56824.10, et seq.

Ms. McDonald notes that it is important to understand that providing the CSD with planning and engineering responsibilities for wastewater services will allow the District to work with the regional water quality control board, apply and receive grant funding, and provide opportunities for the community to actively participate in the planning process. She further reiterates that this does not allow the District to build and operate a regional treatment plant. She states that one option for consideration may to create an improvement district that would isolate sewer service planning and engineering to the more densely populated areas of the community. The law allows this Commission to determine the extent and location of a service, although isolating this service to a specific area within the District would represent a change in approach for this Commission.

Ms. McDonald summarizes the options for the Commission and states that staff has concerns regarding the creation of another small community services district due to its small population and relative isolation. She expresses concerns that the proponents did not include sewer service planning and engineering responsibilities in their formation application, a service area of critical importance to the Wrightwood community. She notes that incorporation is not an option because the community spans two counties and there is little interest in a county line adjustment. Ms. McDonald further states that for the last four audit years, the expenditures for CSA 56 have exceeded revenues which raises additional concerns for staff.

Ms. McDonald summarizes the applicant's financial feasibility study noting that staff made changes to the staffing plan, general manager's salary, property tax transfer assumptions, election costs, and added a ten percent contingency reserve consistent with Commission policy. She states that these changes were the result of extensive discussions between the LAFCO staff and the affected agencies. She also notes that an existing revolving loan of CSA 56 to build a skate park and other park improvements will remain of the CSD should its formation be successful. She explains each of the proposed conditions of approval. She states that it is staff's determination that: the proposed Wrightwood CSD formation is fiscally feasible; the CSD can provide for a reasonable reserve for three years; the CSD can maintain existing service levels and provide a higher level of service in the future as resources become

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available; and, the CSD formation would not financially affect existing agencies in the area. Ms. McDonald notes that the LAFCO's environmental consultant, Tom Dodson, has indicated the proposed CSD formation is statutorily exempt from CEQA. She notes that an updated total land value figure for the Los Angeles County portion of Wrightwood was received from the Los Angeles County Assessor after the staff report was published and the revised figure will need to be included in the conditions of approval should this proposal be approved.

In summary, Ms. McDonald states that formation of the CSD could provide a permanent form of local government for the Wrightwood community which can be expanded in the future. She notes that CSDs can provide up to 33 different services, subject to review and approval by LAFCO. Ms. McDonald notes that LAFCO staff's expansion of the CSD application to include wastewater planning and engineering services has drawn great concern from landowners, and staff has attempted to address that concern by specifically limiting that service to planning and engineering services only. Ms. McDonald notes that over the past three years, LAFCO has reviewed a number of small agencies with significant governance and budget concerns. She states that it is not possible for the Commission to require the CSD to hire highly qualified staff to protect its limited resources which is an issue of concern for staff. She notes that once a CSD is formed, it is difficult to dissolve.

Ms. McDonald states that staff has not made a specific recommendation regarding this item, but instead, is providing the Commission with two options. She notes that if the Commission decides to approve this proposal, this decision can be supported because it will provide for a community specific system for the delivery of services, provide a local voice for the community and will unite both the Los Angeles and San Bernardino portions of the Wrightwood community under a single local government agency. She states if the Commission decides to deny the proposal, that decision can be justified due to the small size of the area, isolated location and lack of development does not warrant self-governance at this time.

Chair Cox asks if there are any questions for staff from the Commission.

Commissioner Ramos asks if the special tax for solid waste services referred to in the staff report is already in place, to which Ms. McDonald responds affirmatively and states the existing special tax would transfer to the CSD. She further stated that each landowner received individual notice regarding this issue. Commissioner Ramos inquires whether the special tax is subject to a vote. Ms. McDonald responds that a vote is not required and that the existing tax will automatically transfer to the CSD.

Commissioner Ramos refers to page 17 of the staff report which references the services LAFCO is authorizing with the formation of the CSD. Specifically, he references planning and engineering of sewer facilities. He asks if the authority for the CSD to implement and manage a sewer facility would require LAFCO's approval.

Ms. McDonald responds affirmatively. She notes that there has been a great deal of concern regarding this issue with some residents concerned that installation of a sewer system could threaten their mountain lifestyle. She states that should, at some point in the future, the regional water quality control board require some type of sewer system in Wrightwood,

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having the ability to partner in the planning and engineering of this system would be important to the Wrightwood community. Commissioner Ramos asks if there is any specific timeframe for the implementation of a sewer system. Ms. McDonald states that there is no timeframe.

Commissioner Curatalo inquires if sewer planning and engineering was removed as an authorized service of the CSD at this time, could that function be added later.

Ms. McDonald responds affirmatively. She states that CSA 56 currently has that service but is proposed for dissolution as part of this proposal. She states that CSA 70 still exists on the San Bernardino County portion of Wrightwood and could create a separate zone for sewer planning and engineering. Commissioner Curatalo asks if there are any projected costs for the implementation of a sewer system. Ms. McDonald responds that there are no cost estimates.

Commissioner Bagley states that if he were a resident of Wrightwood he would want to make a decision for the whole community. He states that adding the sewer planning and engineering function to the CSD services is a wise decision.

Commissioner Farrell asks about the option of creating a separate study area or improvement zone for sewer issues, to which Ms. McDonald states that that is an option but historically when the Commission grants a service it is district-wide.

Tom Dodson, LAFCO's environmental consultant, addresses the Commission and states that in evaluating the proposal he assumed the sewer planning and engineering function would be a part of the proposed CSD range of services. If that service were removed from the CSD, and CSA 56 is dissolved, it could result in a delay in responding to a future directive from the regional water quality control board for implementation of a sewer system in Wrightwood and could result in an environmental impact. He asks the Commission to take that into consideration in its deliberations.

Commissioner Ramos asks which agency is currently responsible for sewer planning and engineering services in Wrightwood. Ms. McDonald responds that CSA 56, proposed for dissolution as part of the CSD formation, has that responsibility, and if that power is removed from the proposed CSD, no service provider would be designated to assume that responsibility.

Chair Cox asks for clarification as to the boundaries of CSA 70. Ms. McDonald responds that CSA 70 overlays the San Bernardino County portion of Wrightwood and could address the issue on the San Bernardino side. She clarifies that even if CSA 56 is dissolved, CSA 70 would still remain.

Chair Cox asks if there are any comments from the public.

Natalie Lopiccolo, Chair of the Wrightwood CSD Feasibility Committee, expresses her support for the formation of the Wrightwood CSD. She explains that the committee, along with their consultant, were selective in determining which services the CSD would include in its proposal and excluded sewer planning due to lack of community support. She states that

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following approval of the CSD, sewer planning could be added at that time.

Rex Richardson, Solid Waste Program Director for Los Angeles County, clarifies that the CC&R contract with County Franchise #15 is an evergreen contract with a rolling 8-year term. He notes that residents are not required to participate in the solid waste disposal service - it is a voluntary program and CC&R currently has approximately 1,500 residential accounts and 42 commercial accounts in Wrightwood.

Melissa McClain, Board of Supervisors, 1st District Office, states that she represents the applicant – the County Board of Supervisors - and states County supports the formation on the CSD.

Mary Campbell, a Wrightwood resident, expresses concern over additional street lighting in the community, the mandated recycling service, and asks about sources of funding for the planning and engineering of a sewer system.

Ms. McDonald states that grant funds are available for sewer planning and engineering, and actual sewer service, if that service were to be provided in the future, would be paid for by a monthly customer charge. She clarifies that recycling is now universally required and is a part of the CC&R services. She states that Wrightwood is part of the San Bernardino County “night skies” ordinance and additional street lights would only be added to address health and safety issues.

Cynthia Beall, Wrightwood resident, states that her property is located in the “Blue Zone”. She states that the community is unaware of this meeting, and there is strong opposition within the community to the CSD formation. She states that she has a lack of confidence in the proposal and asks the Commission to deny the proposal.

Albert Morrissette, Phelan Pinon Hills CSD Board Member, expresses support for the proposal.

Tom Denard, Wrightwood resident, expresses his support for the CSD and states that the local community should be involved in planning sewer services. He expresses his support for more community meetings to better educate the Wrightwood residents.

Lynn Crawford, Chairman of the Wrightwood Sewer Committee, states that the committee is waiting for the County to complete a sewer feasibility study. She further states that adding the sewer planning and engineering services to the CSD could cause the community to pull their support from the CSD formation.

Charles Franklin, Wrightwood resident, asks for clarification regarding an “at large” election. He further states that Wrightwood has both a Municipal Advisory Committee and CSA 56, and questions the value of another layer of government, to which Ms. McDonald clarifies the definition of “at large” elections.

Leo Horsite, Wrightwood resident, expresses support for the CSD formation.

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Chuck Carroll, Wrightwood resident and member of the Municipal Advisory Committee, states that the sewer issue is beyond the scope of what the community can do and should not be the focus of the CSD.

Lois Steinman, Wrightwood resident and member of the Sewer Committee, expressed support for the CSD.

Chair Cox asks if there any comments from the Commission.

Commissioner Ramos states that approval of the CSD will allow the residents to be more involved in their community and favors approval. He further states that it is time to move on and give residents of Wrightwood the opportunity to vote on this issue.

Commissioner Williams asks about resident notification of the hearing to which Ms. McDonald states that each landowner was individually noticed, and a 1/8 page ad was published in the local newspaper.

Commissioner McCallon states his support for local control and for including the sewer planning and engineering service as part of the CSD.

Commissioner Curatalo states his support for the CSD formation.

Commissioner Bagley expresses support for the CSD. He further states that the CSD will allow the community to take control of its own destiny and speculated that decades from now Wrightwood may become an incorporated city.

Chair Cox cautions that by including the sewer planning and engineering function the Commission is creating a challenge for community support of the CSD.

Chair Cox calls for further testimony, there being none, closes the public hearing.

Commissioner Ramos moves approval of staff's recommendation, as modified, to include wastewater planning powers for LAFCO 3202, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Lovingood.

(It is noted that Commissioner Curatalo leaves the dais at 12:17 P.M.)

DISCUSSION ITEMS:

ITEM 10 REVIEW AND CONSIDERATION OF CONTRACT NO. 16-1001429 BETWEEN SAN BERNARDINO COUNTY TRANSPORTATION COMMISSION AND LAFCO FOR LEASE OF HARVEY HOUSE PREMISES AND \$130,000 LOAN FOR INTERIOR IMPROVEMENTS LOCATED AT 1170 WEST 3RD STREET, UNIT 150, SAN BERNARDINO

Commissioner McCallon moves approval of staff recommendation, second by Commissioner

Ramos. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Farrell, Cox, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Curatalo (Commissioner Farrell voting in his stead), Lovingood.

ITEM 11 REVIEW AND ADOPTION OF AMENDMENTS TO LAFCO POLICY AND PROCEDURE MANUAL INCLUDING, BUT NOT LIMITED TO, SECTION III -- HUMAN RESOURCES POLICIES AND PROCEDURES, CHAPTER 2: EMPLOYMENT, AMENDING POLICY 2 (B) -- ESTABLISHMENT OF COMPENSATION RANGE FOR EXECUTIVE OFFICER AND ADDING POLICY 2 (F) EXECUTIVE OFFICER INCENTIVE PAYMENT

Executive Officer Kathleen Rollings-McDonald presents the staff report for Amendments to the LAFCO Policy and Procedure Manual, a copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald states that as a part of the ongoing discussions related to compensation for the Executive Officer, one issue that has been raised by Legal Counsel for LAFCO and Legal Counsel for SBCERA is that the position of Executive Officer has an annually set salary contract amount, and it is a flat rate set by the Commission. She notes that having a salary range for the Executive Officer position is advantageous for future recruitments. She states that staff is proposing a range for the Executive Officer position consisting of five levels.

Ms. McDonald also notes that the proposed policy change includes provisions for Commission authorized incentive payments to staff for superior performance, and that eligibility for incentive payments under the staff's proposal is limited to management level staff only which consists of the Executive Officer, Assistant Executive Officer and Project Manager positions. She states the one complication with this approach is that while the Commission has direct overview of the Executive Officer, all other staff report to the Executive Officer. She notes that this could require closed session discussions with the Commission and subordinate staff during annual performance reviews.

(It is noted that Commissioner Curatalo returns to the dais at 12:19 P.M.)

Chair Cox asks if there are any questions from the Commission.

Chair Cox states that she believes the Executive Officer position should be the only position eligible for the incentive payments, and that the Executive Officer can address other staff performance through merit increases.

Commissioner Warren expresses support for the Executive Officer salary range.

Commissioner McCallon expresses support limiting the incentive payments to the Executive Officer position.

Significant discussion on this issue ensues.

Commissioner Ramos asks if the Executive Officer position salary range can be approved today, and a decision on the performance incentive payments be deferred for future discussion

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and consideration by the Commission

Clark Alsop, LAFCO legal counsel, responds affirmatively.

Commissioner Ramos moves approval of the establishment of the compensation range for the Executive Officer position as proposed by staff, second by Commissioner McCallon. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Lovingood.

ITEM 12 ADJOURN TO CLOSED SESSION OF THE LOCAL AGENCY FORMATION COMMISSION - -12:35 P.M.

Chair Cox adjourns to Commission to closed session.

Personnel (Government Code Section 54957) – Employee Evaluation – Executive Officer

(It is noted that Commissioner Warren leaves the hearing at 12:53 P.M.)

RECONVENE DISCUSSION SESSION – 12:55 P.M.

Chair Cox asks LAFCO Legal Counsel Clark Alsop to report on the closed session. Mr. Alsop states that the Commission met in closed session and discussed the amendment number 6 to the contract for the Executive Officer. He states that the Commission was presented with a two page contract which considered and changed subsection e to item number 3 to include the following language, “SB LAFCO agrees that Contractor shall be eligible for a merit acknowledgement for extraordinary service to be determined by the Commission”. He states that the balance of amendment number 6 remains that same.

ITEM 13. REVIEW AND ADOPTION OF CONTRACT AMENDMENT #6 WITH THE EXECUTIVE OFFICER

Commissioner McCallon moves approval of contract amendment #6 of the Executive Officer with the change in subsection “e”, second by Commissioner Ramos. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Lovingood.

INFORMATION ITEMS:

ITEM 14 LEGISLATIVE UPDATE REPORT

Executive Officer Kathleen Rollings-McDonald states that there is no legislative report. A copy of the CALAFCO daily legislative report dated July 19, 2016, has been provided to the Commission for information purposes, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

ITEM 15 EXECUTIVE OFFICER'S ORAL REPORT

Ms. McDonald presents that Executive Officer's oral report and states that a city and public member position is open on the CALAFCO Board of Directors and if there is interest by any of the commissioners to let her know. She states that the annual CALAFCO merit award nominations are now open and recommends the Commission submit the three fire reorganizations completed this year for consideration as Project of the Year. Finally, she requests that if any of the Commissioners are interested in attending the annual CALAFCO conference in Santa Barbara on October 25 – 27, to advise the Commission Clerk as soon as possible.

(It is noted that Commissioner Ramos leaves the hearing at 12:58 P.M.)

Commissioner Bagley moves approval of submitting the three fire reorganizations to CALAFCO for consideration for a merit award, second by Commissioner McCallon. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, McCallon, Williams. Noes: None. Abstain: None. Absent: Lovingood, Ramos.

ITEM 16 COMMISSIONER COMMENTS

There are none.

ITEM 17 COMMENTS FROM THE PUBLIC

There are none.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION THE HEARING IS ADJOURNED AT 12:59 P.M.

ATTEST:

KATHLEEN ROLLINGS-McDONALD
Executive Officer

LOCAL AGENCY FORMATION COMMISSION

KIMBERLY COX, Chair

**ACTION MINUTES OF THE
LOCAL AGENCY FORMATION COMMISSION
HEARING OF August 17, 2016**

REGULAR MEETING

9:00 A.M.

August 17, 2016

PRESENT:

COMMISSIONERS: Jim Bagley
James Ramos, Vice Chair
Janice Rutherford
Aquanetta Warren, Alternate
Diane Williams

STAFF: Kathleen Rollings-McDonald, Executive Officer
Clark Alsop, LAFCO Legal Counsel
Samuel Martinez, Assistant Executive Officer
Michael Tuerpe, Project Manager
Jeffrey Lum, LAFCO Analyst
Bob Aldrich, LAFCO Consultant

ABSENT:

COMMISSIONERS: Kimberly Cox, Chair
Jim Curatalo
Robert Lovingood
Larry McCallon
Thurston "Smitty" Smith
Steve Farrell

**CONVENE REGULAR SESSION OF THE LOCAL AGENCY FORMATION COMMISSION
– CALL TO ORDER – 9:03 A.M. – SAN BERNARDINO CITY COUNCIL CHAMBERS**

Vice Chair Ramos calls the regular session of the Local Agency Formation Commission to order and requests Commissioner Williams to lead the flag salute.

Vice Chair Ramos calls for comments from the public regarding the closed session item. There are none.

**ADJOURN TO CLOSED SESSION OF THE LOCAL AGENCY FORMATION
COMMISSION – 9:07 A.M.**

Personnel (Government Code Section 54957) – Employee Evaluation – Executive Officer

CONVENE PUBLIC SESSION – 9:20 A.M.

Vice Chair Ramos asks LAFCO Legal Counsel Clark Alsop to report on the closed session. Mr. Alsop states that no reportable action was taken in closed session.

ANNOUNCEMENT OF CONTRIBUTIONS

Vice Chair Ramos requests those present who are involved with any of the changes of organization to be considered today by the Commission and have made a contribution of more than \$250 within the past 12 months to any member of the Commission to come

forward and state for the record their name, the member to whom the contribution has been made, and the matter of consideration with which they are involved. There was none.

**CONSENT ITEMS – ITEMS #2, #3, AND #4; and,
ITEM 6 -- CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO
3208; AND (2) LAFCO 3208 – SPHERE OF INFLUENCE AMENDMENT FOR THE WEST
VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT; and,
ITEM 7 --CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO
3209; AND (2) LAFCO 3209 – REORGANIZATION TO INCLUDE ANNEXATIONS TO
THE WEST VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT AND ITS
ASSESSMENT DISTRICT NO. 1 AND ZONE A -- CONTINUED TO THE SEPTEMBER 21,
2016 HEARING**

Executive Officer Kathleen Rollings-McDonald states that four Commission votes are required to move items forward, and because Vice Chair Ramos and Commissioner Rutherford have identified conflicts with Items 6 and 7 on the agenda, this leaves only three Commissioners to vote. She states that these items require continuance to the September 21, 2016 hearing. Ms. McDonald further states that because of the absence of Rebecca Lowery, Clerk to the Commission, staff is recommending that all of the items on the consent calendar also be continued to the September 21, 2016 hearing.

Vice Chair Ramos asks the Commission to consider a motion and second to continue Items 2, 3, 4, 6 and 7 to the September 21, 2016 hearing.

Commissioner Warren moves approval of the recommended continuance of Items 2, 3, 4, 6 and 7 to the September 21, 2016 meeting, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Ramos, Rutherford, Warren and Williams. Noes: None. Abstain: None. Absent: Cox, Curatalo, Lovingood (Ms. Rutherford voting in his stead), McCallon (Ms. Warren voting in his stead)

PUBLIC HEARING ITEMS:

ITEM 5 CONSENT ITEMS DEFERED FOR DISCUSSION

No items deferred for discussion.

DISCUSSION ITEMS:

**ITEM 8 REVIEW AND CONSIDERATION OF AMENDMENTS AND UPDATES TO
LAFCO POLICY AND PROCEDURE MANUAL DEFINED AS: (A.) UPDATE SECTION II
– ACCOUNTING AND FINANCIAL POLICIES – ADD, AMEND; (B.) UPDATE SECTION III
– HUMAN RESOURCES – ADD, AMEND; (C.) UPDATE SECTION IV –
APPLICATION/PROJECT PROCESSING – AMEND; AND (D.) UPDATE SECTION VII –
FORMS – ADD, RESCIND – ALL UPDATES APPROVED**

Project Manager Michael Tuerpe presents the staff report, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. Mr. Tuerpe

states that in June 2012 the Commission directed that an annual review of the LAFCO Policy and Procedure Manual be undertaken in August or September of every year to ensure the document remains current. He indicates that the 2016 amendments relate to specific policies and forms and, in general, are non-controversial.

Mr. Tuerpe states that in April 2008, during the discussion of the 2008-2009 proposed budget, the Commission voiced its position to adopt a policy regarding the implementation of the mandatory apportionment process to provide some budgetary certainty to the independent special districts and cities. He states that the policy is to request that the County Auditor use the apportionment distribution provided during the proposed LAFCO budget review in April of each year using existing State Controller data. Mr. Tuerpe indicates that this would result in the apportionment of the Commission's net costs to the county, cities and independent special districts – regardless if new State Controller data are issued prior to the July 1 billing date. He further states that a policy taking this position was inadvertently omitted from past Policy and Procedure Manual updates and recommends the Commission adopt the policy related to the apportionment process, as reflected in Resolution No. 3232.

Executive Officer McDonald adds that this policy is an important protection measure for LAFCO's member agencies. She further states that LAFCO is required to adopt its budget well in advance of cities and special districts, and this policy provides stability for the entities that fund LAFCO by not apportioning a different amount after their final budgets are prepared.

Vice Chair Ramos asks if the Commission has any questions regarding the proposed apportionment policy. There are none.

Project Manager Tuerpe introduces a proposed change to "Filing Fee Refund" policy. He indicates that the proposal is to simplify the milestones used to determine a refund of LAFCO filing fees for a withdrawn application. He states that the proposed amendment to the policy would change the refunds as follows: if an application is withdrawn following issuance of the Notice of Filing but prior to property tax negotiations for changes of organization or Department Review Committee consideration for sphere of influence amendments, the applicant would receive a 2/3 refund. If an application is withdrawn following commencement of property tax negotiations or Department Review Committee consideration but prior to the advertisement of the Commission's consideration, the applicant would receive a 1/3 refund. If an application is withdrawn following advertisement of the Commission's consideration, the applicant would receive no refund.

Vice Chair Ramos asks if the Commission has any questions regarding the proposed refund policy. There are none.

Mr. Tuerpe introduces a proposed amendment to the Commission's Indemnification policy. He advises the Commission that the current policy requires an applicant and/or real party in interest to indemnify LAFCO upon submission of an application, but that the policy does not clearly reference a fire protection contract. He states that the proposed policy language addressing indemnification specifically references fire protection contracts.

Vice Chair Ramos asks if the Commission has any questions regarding the proposed refund policy.

Commissioner Bagley states that the policy language is fairly broad and he asks if an application for disincorporation would be covered by the proposed policy.

Executive Officer McDonald responds affirmatively and states that, by definition, a change of organization includes a wide range of actions including disincorporation, incorporation, consolidation, etc. She states that the intent of the policy is to require indemnification for all applications submitted to LAFCO.

Project Manager Tuerpe introduces two technical amendments to the Human Resources and Benefits Section of the LAFCO Policy and Procedure Manual. He states that the Human Resources and Benefits Section policies mirror those of the County's Exempt Compensation Plan, but that two changes made by the County in December 2015 were unknown to LAFCO staff at that time. Mr. Tuerpe states that the changes include: (1) minor changes to language to include disability and medical emergency leave as not counting towards step advancements, and (2) a change to the Flexible Spending Account policy to eliminate the current \$10 minimum in order for the Commission to match an employee's flexible spending account.

Vice Chair Ramos asks if the Commission has any questions regarding the proposed technical amendments to the Human Resources and Benefits Section. There were none.

Mr. Tuerpe introduces a proposed amendment to the Disadvantaged Unincorporated Community Annexation policy that currently requires data collection and mapping of disadvantaged unincorporated communities be performed annually. He states that the amendment would now require data collection and mapping to be conducted every five years. He further states that because the location of disadvantaged unincorporated communities can impact annexation and sphere of influence applications as well as service reviews, this change will provide clarity to potential applicants.

Vice Chair Ramos asks what the impact would be changing from an annual update to a five-year update of the disadvantaged unincorporated maps.

Executive Officer McDonald responds that a city annexation application typically takes between 12 to 18 months to finalize given the need for preparation of pre-zoning, plan for service, environmental review, property tax transfer and other processing requirements. She indicates that during this time, new mapping may be completed which changes the location of disadvantaged unincorporated communities and can significantly impact annexation applications. Ms. McDonald cites a proposed annexation to the City of Loma Linda as an example. She states the proposed change would provide a level of certainty to potential applicants.

Commissioner Bagley asks if cities are required to show disadvantaged communities within their General Plans.

Executive Officer McDonald responds affirmatively. She states that the definitions LAFCO and the State use to define disadvantaged unincorporated communities are not uniform.

Commissioner Bagley states that his primary concern is that everyone uses consistent data.

Executive Officer McDonald responds that the CALAFCO is discussing sponsorship of a statewide map using GIS data to be used as a statewide depository.

Project Manager Tuerpe states that at its May 18, 2016 hearing the Commission was provided a copy of the updated "Written Protest Instructions and Form" document. Mr. Tuerpe states that the new form, which was used at the Needles protest hearing, combines landowner protest and registered voter protest information in a single form to eliminate confusion. To formalize the update, he recommends that the Commission rescind both the current "Landowner Protest Petition" form and the "Registered Voter Protest Petition" form and add the "Written Protest Form" to the Manual.

Vice Chair Ramos asks if the Commission has any questions regarding the updated protest form. There are none.

Vice Chair Ramos asks if there are any comments from the public on Item 8. There are none.

Commissioner Williams moves approval of the staff recommended additions, amendments and recessions to the LAFCO Policy and Procedure Manual, second by Commissioner Warren. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Ramos, Rutherford, Warren and Williams. Noes: None. Abstain: None. Absent: Cox, Curatalo, Lovingood (Ms. Rutherford voting in his stead), McCallon (Ms. Warren voting in his stead)

ITEM 9: REVIEW AND CONSIDERATION OF POLICY UPDATES RELATED TO APPROVAL OF SB 239 – CONTRACTS FOR THE PROVISION OF FIRE PROTECTION – APPROVED *(Continued from the June 15, 2016 Hearing)*

Executive Officer Rollings-McDonald provides introductory comments to this item and states that the proposed policy establishes a new process for LAFCO review of fire protection contracts.

Assistant Executive Officer Samuel Martinez presents the staff report, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. Mr. Martinez provides an overview of Senate Bill 239, authored by Senator Robert Hertzberg, which addresses new requirements for fire contracts between two or more public agencies – both local and state agencies – for the delivery of fire protection and emergency medical response. He states that prior to this bill being enacted, a contract between two or more public agencies would have been processed as an exemption from LAFCO review pursuant to Government Code Section 56133(e)(1). Mr. Martinez further states that in order to implement SB 239, the bill's author encouraged each LAFCO to create local policies to best implement the law based on local conditions and/or other local policies.

Assistant Executive Officer Martinez describes terms and procedures within Section 56134 that are not defined by statute and indicates that such terms need to be clearly defined. He indicates the terms that require further clarification include, "affected public agency(ies)," "employment status," and "jurisdictional boundaries," and provides proposed clarifying language. Mr. Martinez also summarizes proposed changes to clarify the application and review process of fire contracts which include, but not limited to, new application, mapping, and plan of service requirements, and LAFCO review procedures all of which are detailed in Draft Resolution No. 3233 and discussed in the staff report. Mr. Martinez also responds to a comment letter from CALFIRE which is included as an attachment to the staff report. Finally, he recommends that the Commission approve the proposed policies and procedures for fire protection contracts as a new chapter of the Application Processing section of its Policy and Procedure Manual and approve the New Application Form for Fire Protection Contracts.

Vice Chair Ramos asks if the Commission has any questions regarding Item 9. There are none.

Vice Chair Ramos asks if there are any comments from the public on Item 9. There are none.

Commissioner Warren moves approval of the staff recommended additions, amendments and recessions to the LAFCO Policy and Procedure Manual, second by Commissioner Rutherford. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Ramos, Rutherford, Warren and Williams. Noes: None. Abstain: None. Absent: Cox, Curatalo, Lovingood (Ms. Rutherford voting in his stead), McCallon (Ms. Warren voting in his stead)

ITEM 10: STATUS REPORT ON LAFCO 3189 – SPECIAL STUDY FOR MORONGO VALLEY COMMUNITY SERVICES DISTRICT

Project Manager Michael Tuerpe presents the staff report, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. He reminds the Commission that a special study of the Morongo Valley Community Services District was completed by staff in July 2015 at the request of a CSD director. At that time, the Commission requested biannual updates thereafter with the first update provided to the Commission in February 2016. Mr. Tuerpe states that at the time of the February update, a special election was scheduled for June 2016 to consider converting the District's current fire assessment to a special parcel tax. He reports that the proposal was unsuccessful, and that funding for fire services by the Morongo Valley Community Services District remains challenging.

Mr. Tuerpe provides a recap of recent audits, stating that the District ended FY 2012-13 with a \$48,000 deficit and FY 2013-14 with an \$112,000 deficit. He further states that the District initiated painful cuts in staffing and salaries and received additional State reimbursement revenue to barely break-even for FY 2014-15.

Referencing unaudited year end data for FY 2015-16, Mr. Tuerpe states that the District ended the year generally in a break-even scenario with an increase of \$8,700 to the fund balance. He further notes that the District incurred a large expense of \$30,000 related to repairs of its fire truck but was able to absorb this expense due to revenue gained from strike team work via its contract with the State Office of Emergency Services. Mr. Tuerpe states that the District recently sold property that was no longer used, and the first sale payment of \$27,012 was placed in a Contingency Reserve. He notes that the second payment of \$38,871 was received after the close of the fiscal year and will be added to the Contingency Reserve in FY 2016-17.

Mr. Tuerpe states that the District has an MOU with CalFire to send strike teams when requested by CalFire. He further states that CalFire provides a brush truck, back-up when requested which reduces the District's overtime, and reimbursement when teams are sent to respond to fire areas. Mr. Tuerpe also notes that as of July 2016, the District can now backfill the Yucca Valley CalFire station when its teams are deployed and be eligible for reimbursement.

In conclusion, Mr. Tuerpe states that given the failure of the special election, the District is assembling an Ad-Hoc Committee to develop a 5-year sustainable staffing and budget plan for the District. He notes that the District's hard work to reduce expenses should be recognized, and while the District has adopted a sustainable budget for the last two years, he cautions that any unanticipated catastrophic event could severely impact District operations given its razor-thin budget surplus. Mr. Tuerpe recommends that the Commission direct staff to return with the next status report in February 2017 at which time staff will present the FY 2015-16 audit and mid-year report for FY 2016-17. Mr. Tuerpe states that the staff's recommendation is that the Commission receive the report and file.

Vice Chair Ramos asks if the Commission has any questions regarding Item 10. There are none.

Vice Chair Ramos asks if there are any comments from the public on Item 10.

Donna Munoz, General Manager of the Morongo Valley Community Services District, states that she appreciates working with LAFCO. She states that two months after she became General Manager she reduced her salary and made other District-wide adjustments to enable the District to end up in the black, including a \$65,000 addition to the reserves. She states that securing a fire truck replacement is the District's highest priority and that the District is committed to maintaining a balanced budget.

Vice Chair Ramos asks if there are any comments from the commission on Item 10.

Commissioner Bagley commends General Manager Munoz for taking a pay cut and points out two issues for the District board members to consider – an increase of \$50,000 in employee compensation that impacts the budget and an over reliance on reimbursement funds from the emergency strike team to balance the budget which he characterizes as non-sustainable.

Commissioner Warren questions whether the District is in communication with its constituents regarding the budget and other issues of concern.

Executive Officer Kathleen Rollings-McDonald responds that the District has conducted a number of community meetings, and Morongo Valley residents are aware of the ongoing issues.

Vice Chair Ramos asks, if conditions change, whether this item can be brought back before the Commissioner prior to February 2016.

Executive Officer Kathleen Rollings-McDonald responds affirmatively.

ITEM 11: STATUS REPORT ON RIM OF THE WORLD PARK AND RECREATION DISTRICT

Project Manager Michael Tuerpe presents the staff report, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. He states that the District was the subject of a service review which identified serious budget issues, and the Commission required biannual updates. Mr. Tuerpe states that the District has improved significantly since the service review, adopting sustainable budgets and filling staff vacancies. He further states that unaudited numbers for FY 2015-16 show a net gain of \$36,000 for the year. He notes that a \$50,000 expenditure for the election of new board members budgeted in FY 2015-16 did not occur due to a lack of candidates which would have changed the positive to a negative balance.

Mr. Tuerpe notes that the District provides childcare services and that budgeting for this service has been strained due to changing demographics and decreasing demand. He further states that to address this issue, the District has reduced the number of childcare centers from three to two, and this will help the long-term sustainability of this service.

In reviewing the General Operating reserve, Mr. Tuerpe notes that the reserve level does not meet the minimum recommended level of 10% of expenditures. However, he states that the District's \$327,712 in unassigned fund balance can be used to satisfy the 10% general reserve level. He notes that the District has a \$22.00 parcel tax with no inflationary factor, and that this limits the District's purchasing power in future years.

In summary, Mr. Tuerpe indicates that the District has come a long way since the service review and has been responsive to all of LAFCO's requests for data and meetings. He cautions the Board of Directors to carefully evaluate the acquisition of new facilities that lack a sustainable revenue source for operations and maintenance as this would further stress the flat parcel tax. Mr. Tuerpe notes that this is the final status report scheduled for the District and indicates that next review would be included in the countywide park and recreation service review scheduled for FY 2018-19.

Vice Chair Ramos asks if there are any comments from the public on Item 11. There were none.

Vice Chair Ramos asks if there are any comments from the commission on Item 11.

Commissioner Bagley questions the \$50,000 cost for an election of Board members and asks for an estimate of registered voters within the District. Executive Officer Kathleen Rollings-McDonald responds that she believes the number of registered voters within the District is in the \$35,000 range, and that the election cost seems in line with previous election efforts

Commissioner Rutherford acknowledges the District's financial difficulties and offers County assistance to develop long-term budget solutions and to connect the District with outside assistance and support.

INFORMATION ITEMS

ITEM 12 LEGISLATIVE UPDATE ORAL REPORT

Executive Officer Kathleen Rollings-McDonald presents the oral legislative report. She states that Senate Bill 1318 – Wolk, which addresses revisions to existing law regarding water issues within and near disadvantaged unincorporated communities, has died. Ms. Rollings-McDonald notes that SB 1266 – McGuire, which addresses joint powers agreements, AB 2910 – the Assembly Local Government Committee's omnibus bill proposing technical, non-substantive changes to LAFCO law, and AB 2032 – Linder, which proposes minor changes to disincorporation law have all been sent to the Governor for signature. She further notes that bills to correct the transfer of motor vehicle in lieu fees for inhabited annexations and four recently incorporated cities in Riverside County have died.

ITEMS 13 EXECUTIVE OFFICER'S ORAL REPORT

Executive Officer Kathleen Rollings-McDonald presents the Executive Officer's oral report and states that a request for determination of exemption for a contract between the Chino Basin Water Conservation District and the Inland Empire Resource Conservation District, which had no development impacts, was approved administratively. She also advises the Commission that Pamela Miller, Executive Officer of CALAFCO, will appear before the Little Hoover Commission on August 25, 2016 to discuss special districts. Ms. Rollings-McDonald further states that the September hearing will largely be limited to the continued items from today's hearing and possibly an item concerning the Apple Valley Heights Water District. Finally, Ms. Rollings-McDonald informs the Commission that staff will be attending a community meeting in Wrightwood to respond to questions regarding the proposed community services district, and she requests that commissioners advise staff as soon as possible if there is interest in attending the annual CALAFCO conference scheduled for late October in Santa Barbara.

ITEM 14 COMMISSIONER'S COMMENTS

Commissioner Warren states that any interested person can donate to victims of the Blue Cut Fire through the local Red Cross.

Commissioner Ramos notes that an air show will be held on September 10, 2016 at San Bernardino International Airport.

ITEM 15 COMMENTS FROM THE PUBLIC

Priscilla Williams from the Arrowhead Villas Mutual Service Company requests consideration for additional funding from LAFCO to pay for a portion of their major water projects planned over the next few years.

Vivian Castro from the Chino Basin Water Conservation District updates the Commission on several joint projects the District is undertaking with other agencies throughout the County.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION, THE HEARING IS ADJOURNED AT 10:38 A.M.

ATTEST:

KATHLEEN ROLLINGS-McDONALD
Executive Officer

LOCAL AGENCY FORMATION COMMISSION

KIMBERLY COX, Chair