

**MINUTES OF THE LOCAL AGENCY FORMATION COMMISSION  
HEARING OF MAY 16, 2012**

**REGULAR MEETING**

**9:00 A.M.**

**MAY 16, 2012**

**PRESENT:**

<b>COMMISSIONERS:</b>	<b>Jim Bagley</b>	<b>Neil Derry, Alternate</b>
	<b>Ginger Coleman</b>	<b>Larry McCallon</b>
	<b>Robert Colven, Alternate</b>	<b>Janice Rutherford</b>
	<b>Kimberly Cox, Vice-Chairman</b>	<b>Robert Smith, Alternate</b>
	<b>James Curatalo, Chairman</b>	<b>Diane Williams, Alternate</b>

**STAFF:**

**Kathleen Rollings-McDonald, Executive Officer**  
**Clark Alsop, Legal Counsel**  
**Samuel Martinez, Assistant Executive Officer**  
**Michael Tuerpe, Project Manager**  
**Anna Raef, Recording Secretary**  
**Rebecca Lowery, Deputy Clerk to the Commission**

**ABSENT:**

**COMMISSIONERS:**        **Brad Mitzelfelt**

**CONVENE REGULAR SESSION OF THE LOCAL AGENCY FORMATION  
COMMISSION – CALL TO ORDER – 9:10 A.M. – SAN BERNARDINO CITY  
COUNCIL CHAMBERS**

Vice-Chairman James Curatalo calls the regular session of the Local Agency Formation Commission to order and leads the flag salute.

**SWEAR IN REGULAR CITY AND SPECIAL DISTRICT MEMBERS OF THE  
COMMISSION**

Recording Secretary Anna Raef administers the Oath of Office to Ginger Coleman, Regular City Member, and Kimberly Cox, Regular Special Districts Member.

**ELECTION OF CHAIRMAN AND VICE CHAIRMAN – COMMISSIONER CURATALO  
ELECTED CHAIRMAN; COMMISSIONER COX ELECTED VICE CHAIRMAN**

Executive Officer Kathleen Rollings-McDonald presents the staff report for the election of the Chairman and Vice Chairman, 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 these are annually selected positions and Commission policy states that no commissioner may serve more than two consecutive terms as chairman or vice-chairman. She says that Chairman Mitzelfelt and Vice-Chairman Curatalo have completed their two-year cycle. She opens the nominations for Chairman.

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Commissioner Cox nominates Commissioner Curatalo as Chairman, second by Commissioner Coleman. Ms. McDonald calls for further nominations. There are none. Ms. McDonald closes the nominations. Ms. McDonald calls for a voice vote on the nomination of Commissioner Curatalo as Chairman and it is as follows: Ayes: Bagley, Coleman, Cox, Curatalo, McCallon, Rutherford. Noes: None. Abstain: None. Absent: Mitzelfelt.

Chairman Curatalo opens the nominations for Vice-Chairman. Commissioner Rutherford nominates Commissioner Cox as Vice-Chairman, second by Commissioner Coleman. Chairman Curatalo calls for further nominations. There are none. Chairman Curatalo closes the nominations and calls for a voice vote on the nomination of Commissioner Cox as Vice-Chairman and it is as follows: Ayes: Bagley, Coleman, Cox, Curatalo, McCallon, Rutherford. Noes: None. Abstain: None. Absent: Mitzelfelt.

**CONSENT ITEMS – APPROVE STAFF RECOMMENDATIONS FOR THE FOLLOWING ITEMS: APPROVAL OF MINUTES FOR REGULAR MEETING OF APRIL 18, 2012; APPROVAL OF EXECUTIVE OFFICER'S EXPENSE REPORT; AND RATIFY PAYMENTS AS RECONCILED FOR MONTH OF MARCH 2012 AND NOTE CASH RECEIPTS**

A Visa Justification for the Executive Officer's expense report, as well as a staff report outlining the staff recommendations for the reconciled payments, have been provided, copies of each are on file in the LAFCO office and are made a part of the record by their reference here.

Commissioner McCallon moves approval of the consent calendar, second by Commissioner Coleman. Chairman Curatalo calls for opposition to the motion. There being no opposition, the motion passes with the following vote: Ayes: Bagley, Coleman, Cox, Curatalo, McCallon, Rutherford. Noes: None. Abstain: None. Absent: Mitzelfelt.

**PUBLIC HEARING ITEMS:**

**CONSENT ITEMS DEFERRED FOR DISCUSSION – NONE**

**CONSIDERATION OF CEQA STATUTORY EXEMPTION FOR LAFCO 3103; AND LAFCO 3103 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE HI-DESERT MEMORIAL HEALTHCARE DISTRICT – APPROVE STAFF RECOMMENDATION**

LAFCO conducts a public hearing to consider CEQA Statutory Exemption for LAFCO 3103; and LAFCO 3103 - Service Review and Sphere of Influence Update for the Hi-Desert Memorial Healthcare District. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, the *Hi-Desert Star*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth-page legal ad in each of the respective newspapers.

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Project Manager Michael Tuerpe presents the staff report, a copy of which is on file in the LAFCO office and is made a part of the record by its reference here. Mr. Tuerpe points out on the overhead display the City of Twentynine Palms and the Town of Yucca Valley and notes that the Morongo Valley community is not within the boundary of the District. He points out on the overhead display the main facility of the District and states there is a need for medical facilities in this large district. The hospital provides emergency care, inpatient, continuing care and other services. He says the District is facing some financial challenges, especially relating to the Medi-Cal reimbursement rate. The reduction was 10% or \$900,000 for this fiscal year, causing staffing reductions.

He states that the Commission has asked for an Attorney General opinion regarding healthcare district's compliance with the Gann limit. In the meantime, the requirement has been reviewed with the District and the District has indicated that it will wait for the Attorney General opinion and would abide by that opinion.

Mr. Tuerpe refers to the sphere of influence update and states that it is the staff recommendation to expand the sphere of influence in areas shown on the overhead display. He explains that the emergency room receives ambulances from outside its boundaries from within the Johnson Valley and Wonder Valley areas. Staff believes this is the true service area of the District. Staff also recommends a reduction in sphere within the Marine Corps Base area served by the Marine Corps Base's medical facilities.

He reports that an update to healthcare district law changes the function of healthcare districts from "hospital" to "healthcare." For this sphere of influence update, Mr. Tuerpe states that staff recommends modification of the Function title and service descriptions to reflect the District's actual services.

Mr. Tuerpe summarizes the staff recommendations.

Chairman Curatalo calls for questions from the Commission. Commissioner Cox asks why only half of the Marine Corps Base has been excluded. Mr. Tuerpe explains that the other half is not within the sphere of influence of the District. Commissioner Cox asks if the District is in agreement with the proposed changes. Mr. Tuerpe indicates that it is.

Commissioner Bagley states that the Marine Corps Base is federal land, so the only long-term effect of exclusion from the sphere would be if the base were closed it would change the land use. He says the expansion areas would identify with the Morongo Basin and are part of the Morongo Basin Unified School District. Therefore, they are very logical expansions that reflect accurately the demographic of the geopolitical area known as the Morongo Basin.

Chairman Curatalo asks if a representative of the District would like to speak. Dan McClure, representing the District, states the District wholly supports the findings and appreciates the work of LAFCO staff.

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Chairman Curatalo opens the public hearing and asks if there are members of the public who wish to speak on this item. There is no one. Chairman Curatalo closes the public hearing.

Commissioner Bagley moves staff recommendation, second by Commissioner Coleman. Chairman Curatalo calls for opposition to the motion. There being no opposition, the motion passes with the following vote: Ayes: Bagley, Coleman, Cox, Curatalo, McCallon, Rutherford. Noes: None. Abstain: None. Absent: Mitzelfelt.

**SERVICE REVIEW FOR THE TWENTYNINE PALMS COMMUNITY WHICH INCLUDES THE REVIEW OF COUNTY SERVICE AREA 70 ZONES M (WONDER VALLEY) TV-4 , AND TV-5 AND SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT SERVICE ZONE FP-4 (WONDER VALLEY) AND SPHERE OF INFLUENCE UPDATE/ AMENDMENT REVIEWS FOR THE FOLLOWING:**

**CONSIDERATION OF CEQA STATUTORY EXEMPTION FOR LAFCO 3101; AND LAFCO 3101 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR CITY OF TWENTYNINE PALMS – CONTINUED TO HEARING OF JUNE 20, 2012**

**CONSIDERATION OF CEQA STATUTORY EXEMPTION FOR LAFCO 3104; AND LAFCO 3104 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR TWENTYNINE PALMS WATER DISTRICT – APPROVE STAFF RECOMMENDATION**

**CONSIDERATION OF CEQA STATUTORY EXEMPTION FOR LAFCO 3152; AND LAFCO 3152 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR TWENTYNINE PALMS PUBLIC CEMETERY DISTRICT – APPROVE STAFF RECOMMENDATION WITH CONDITIONS**

LAFCO conducts a public hearing to consider Service Review for the Twentynine Palms Community, which includes the review of County Service Area 70 Zones M (Wonder Valley) TV-4, and TV-5 and San Bernardino County Fire Protection District Service Zone FP-4 (Wonder Valley) and Sphere of Influence Update/ Amendment Reviews for LAFCO 3101, 3104, and 3152. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, the *Hi-Desert Star*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.

Executive Officer Kathleen Rollings-McDonald presents the staff report, a copy of which is on file in the LAFCO office and is made a part of the record by its reference here. She points out on the overhead display the location of Joshua Tree, Twentynine Palms, and Wonder Valley at the eastern end of the Morongo Basin. She points out the City of Twentynine Palms, Twentynine Palms Cemetery District, Twentynine Palms Water District, the Wonder Valley community for CSA 70, Zone M, which provides park and road services, the two TV translator districts, and Service Zone FP-4, a part of the San

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Bernardino County Fire Protection District. She says these are the service providers for the area in addition to the County.

Ms. McDonald states that of importance to the Twentynine Palms community is territory within the City, which is part of the Marine Corps Base. She says it is a residential area, and the population in that area provides state subventions, including road subventions based on populations. She points out on the overhead display the boundary and sphere of influence for the City of Twentynine Palms. She states that when the City incorporated it was requested that the sphere of influence be restricted to only the lands immediately adjacent for planning purposes and was not intended to be a definition of the Twentynine Palms Community.

She refers to the factors and determinations the Commission must make for a service review and highlights some that reflect on the City. She says the Commission is given the SCAG projections out to 2040, and the report identifies an anomaly that reflects on the population projections. She explains that the Marine Corps Base is included as part of the base allocation and a projection for increases includes that population. While the population on the Base has stayed static for the last 15-20 years, LAFCO staff does not believe it should be a factor in increasing population. SCAG projections anticipate a population of 45,000 in 2040; however, staff's revised population projections, taking into account the static nature of the Marine Corps Base, projects at 38,000 by 2040, reflecting a 54 percent increase, compared to an 81 percent increase proposed by SCAG.

She says disadvantaged unincorporated communities must be considered in service reviews. She points out on the overhead display those communities adjacent to and within the sphere of influence of the City. The map does not reflect those communities within the City. She points out the chart showing the changes in assessed valuation that have occurred over the last several years. Declining property taxes affects the ability to continue to provide services. Staff anticipates that for 2011-2012 there will again be a minor decline in property values, causing a reduction in property taxes.

Ms. McDonald notes that a discussion is included on theoretical changes of organization. She says pages 53 and 54 of the staff report include an outline of possible governmental structure issues that could be considered; however, staff does not make recommendations. She reports that the potential for changes to fire protection services may impact the City in the future because the Government Code requires cities to provide fire protection if there is no other agency to provide it. Options have been identified in the report. She explains that the existing water district is not able to become a subsidiary district of the City because its land area outside the boundaries of the City exceeds 30 percent.

She points out on the overhead display the existing sphere of influence and boundary of the City of Twentynine Palms. The staff recommendation includes expansion of the sphere of the City to coordinate with the Twentynine Palms Community and the Twentynine Palms Water District. She notes that there are two small gaps in the proposed sphere. Those areas are part of the Twentynine Palms Marine Corps Base and reflect the existing sewer wastewater treatment plant and percolation ponds. She

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says the only sewerage in this portion of the Morongo Basin is provided to the Marine Corps Base. A sphere reduction is proposed to reflect the exclusion of the undevelopable lands that are part of the Joshua Tree National Park.

Ms. McDonald states that the staff report addresses the economic community of interest for Twentynine Palms, by taking into account the full community. The sphere of influence designation will afford the City the opportunity to participate in the sphere overlay policies in the County General Plan to address the issues of concurrent standards for development.

With regard to the Twentynine Palms Water District, she states that the District provides water service and fire protection. She points out on the overhead display the City's boundaries within the Water District. She notes that the Marine Corps Base is not part of the Water District because there was no need for its level of service and the annexation was representative of a funding choice. She says the rates for water service are included in the staff report, noting that it is the cheapest water in the Morongo Basin. The District also provides fire protection service and says there are two fully-manned stations within its boundaries. The Marine Corps Base has fire service that also provides mutual aid. She points out on the overhead display the three stations operated by the San Bernardino County Fire Protection District, one of which is inactive. She notes that the territory between the Marine Corps Base and the Water District is the responsibility of County Fire. The Water District has been seeking an automatic aid agreement that includes payment for service; whereas, County Fire believes the current contract is sufficient to provide for those augmented services.

Ms. McDonald states that the Water District conducted a special election in mid-April for an augmented special tax to help fund its fire protection services. She says the Water District is facing severe financial constraints and needs to supplement its fire protection special tax, which was a flat rate with no inflation and no change over the last 25 years. That election failed and in FY 2012-13 the District can operate so long as it uses its equipment reserves to offset additional increases in costs, but it will not have sufficient funds to start FY 2013-14. She says it is staff's opinion that the current level of fire protection service by the Water District is not sustainable, as the revenues generated cannot continue to support the level of service that the District provides. She says the Water District has requested information on divesting itself of fire protection services and LAFCO staff will participate in a forum to discuss those options. She explains that staff cannot make a recommendation on the issue at this time other than to identify its position that this service is unsustainable. The staff report gives options relating to transfer of fire responsibility, including the City assuming responsibility within its boundaries and the County assuming responsibilities in the unincorporated areas. Another option would be a review and potential change to overlay County Fire over the Water District's boundary with the creation of another service zone to succeed to the existing special tax. Chairman Curatalo asks if it is possible for the Water District to adjust rates to provide for coverage. Ms. McDonald replies that water rates can only be used to cover the provision of that service.

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Ms. McDonald states that for the sphere update, staff is recommending two minor changes along the southern area of the Water District's existing sphere, which are now generally public lands within the Joshua Tree National Park.

With regard to authorized powers for special districts, minor changes are recommended to be more reflective of its service provision, especially as it relates to fire protection.

Ms. McDonald summarizes the recommendations for the Twentynine Palms Water District.

(It is noted that Commissioner Derry arrives at 9:48 a.m.)

Ms. McDonald reports on the Twentynine Palms Cemetery District and points out on the overhead display the boundaries of the District. She says the existing sphere of influence is much smaller and has never been adjusted to reflect the Twentynine Palms Community. She states that staff has worked with the Cemetery District to gather information for this report, but as of the date of publication of the report, several key components were missing. The District has not done financial statements for FY 2009-10 and 2010-11, staff did not receive budgets, as budgets have not been adopted over the last few years. Budgets have been provided to the County Auditor Controller, however, as it acts as the District's depository administering the District's payments. She notes that staff is also concerned about a bounced check to a contractor which provided services to the District; the check was drawn on an account outside the County. No information was provided regarding brokerage accounts or outside bank accounts, so staff is unsure of bank balances. Ms. McDonald states that staff has provided to the Commission the last financial reports outlining revenues and expenditures. Those reports indicate that in 2008-09 the District had \$135,000 fund balance. Property tax revenues are \$152,000 per year and expenditures exceed general service revenues by \$28,000 to \$29,000. She says fiduciary accounts are held for specific purposes, with a balance of \$281,000, and the endowment care accounts, which can only be used to fund the perpetual maintenance of the final resting places, have a balance of \$366,000. The final interest and investment balance is \$366,000.

Ms. McDonald reports that staff asked the County to provide as of March 31 the quarterly report for the revenues for the general, preneed and endowment care funds. The report identifies that the Endowment fund is now \$97,000. Without financial reports, staff has no idea where the other nearly \$300,000 is. The preneed is acknowledged and accounted for and the general fund has \$51,000. Staff questions how the District will make it through the fiscal year with only \$51,000 in its general fund. Staff asked and received from the Auditor Controller an outline of the budget presented by the District for the County's financial accounting system. She notes that expenditures are anticipated at \$373,000 and revenues are \$158,000, with no explanation of the \$200,000 deficit. She says there are serious concerns, including the lack of an adopted budget by the Board of Trustees, the revenues for the year represent only 42 percent of expenditures, reserves appear to be small, and budgets do not balance.

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She says this information was provided to the District on April 4. No official response from the District has been received.

Commissioner McCallon states that in the past the Commission made a recommendation that the Grand Jury provide a review of the Barstow Cemetery District, and asks if it is appropriate to do so in this case. Ms. McDonald states that the Commission can direct staff to ask the County Grand Jury and the District Attorney Public Integrity Unit to investigate.

With regard to the sphere of influence update, Ms. McDonald says staff makes two possible recommendations, including designating a zero sphere of influence based upon financial and operational issues, or expanding the sphere of influence to reflect the Twentynine Palms-Wonder Valley communities.

Ms. McDonald summarizes the requirements for any sphere of influence determination. She states that staff is including conditions that the District be required to provide audits, funding determinations, adopted budgets for five fiscal years, and an adopted appropriation limit. In addition, the Commission may direct LAFCO staff to request biannual updates for five years, to provide the staff report to the Grand Jury and District Attorney Public Integrity Unit, and, should the District's financial position not improve, direct LAFCO staff to return to the Commission with a request for an immediate response.

With regard to the service reviews for improvement zones and fire service zones which serve these communities, Ms. McDonald states that the Commission has no jurisdiction over these zones, but must conduct service reviews. She says CSA 70 TV5 has been reviewed by the Commission as part of its review of the Homestead Valley, Yucca Valley, and Joshua Tree communities. The recommendation now, as was provided in the prior reviews, is that future budget and financial statements accurately identify sources of revenues.

She indicates the Wonder Valley community on the overhead display, a portion of which has been part of the Twentynine Palms sphere of influence for many years. She says CSA 70 Zone M provides road maintenance and park and recreation services. She states that property tax revenues generated in CSA 70 Zone M were transferred to San Bernardino County Fire Protection District for the provision of fire service. This determination was made while much of the ad valorem revenues, which were part of CSA 70 Zone M came from the detachment of the Twentynine Palms Park and Recreation District. Therefore Zone M's park and recreation services must now rely on special taxes and fees for service. She says park revenues are sustainable, as revenues exceed expenditures; however, for the road function, expenditures exceed revenues by \$20,000 per year. She says the concern is how the agency will maintain the level of service for dirt roads.

Ms. McDonald reports that CSA 70 TV-4 is another television translator district serving the larger area. For both television translator districts there is potential to create a single County service area within the unincorporated areas that fund TV translation

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services. She says there are a number of zones in the County that provide TV translation services.

The San Bernardino County Fire Protection District Service Zone FP-4 is the source of supplemental funding within the Wonder Valley community, but the overall provision of fire protection is through three components: one is the overlay of the San Bernardino County Fire Protection District which provides the administrative core for fire protection; the South Desert Service Zone for the actual fire protection service; and FP-4 for supplemental funding. For Wonder Valley, Station 45 is currently manned with one paid officer and paid call staff.

Ms. McDonald summarizes the recommendations.

Chairman Curatalo calls for questions from the Commission. Commissioner Coleman states a comment was submitted by the City of Twentynine Palms indicating concern about expanding the sphere of influence as it would affect the recently completed General Plan. Ms. McDonald responds that the staff report indicates that staff does not believe the sphere expansion would affect the existing General Plan; however, at its next update, LAFCO would expect that the sphere of influence would be included at that time. She emphasizes that the sphere of influence adopted today would not require the City to reopen its General Plan.

Commissioner Bagley expresses concern regarding the source of taxes for the Wonder Valley Fire Service Zone FP-4. He says it is a critical issue and he is happy it has come to light in this review. He believes that property taxes should have a direct nexus to where the revenues go. He does not like monies disappearing into general funds.

Chairman Curatalo comments that the regional approach to service reviews puts issues better in perspective and sheds lights on solutions.

Commissioner Bagley comments that major red flags have been raised regarding the Cemetery District. He hoped that the meeting with staff would generate audits and budgets, and since it has not, he sees this as an issue that must be addressed.

Chairman Curatalo opens the public hearing and asks if there are members of the public who wish to speak on this item.

Jay Corbin, Councilman for City of Twentynine Palms, states he is here to express concerns about the City's sphere of influence change, particularly Area 3. He says this is a rural area and is not an area that he believes that the City would ever have an interest in annexing and he does not believe the residents have any interest in annexation. He asks that this area not be included or that the decision be deferred until the City Council has had an opportunity to discuss it. Ms. McDonald responds that the sphere of influence is merely a planning tool for any jurisdiction. In the case of a city, a sphere of influence gives it a point to discuss with the County its sphere area, and all development applications would be routinely routed through the City by the County for comment through the land use process. Absent a sphere of influence,

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there is no direction in the County development code to do so. Commissioner Bagley comments that the area in question reflects the Water District boundary. He believes that discussion with the City Council would be useful in considering how overall fire service is going to occur in the future. Commissioner Derry states that he would like to hear from the City Council on this issue.

Chairman Curatalo closes the public hearing and calls for further questions from the Commission. There are none.

Commissioner Derry moves approval of the staff recommendation with modifications to LAFCO 3152 to choose the sphere update option of a zero sphere of influence and conditions requiring the Twentynine Palms Cemetery District to forward budget and audit documents within 60 days, if none are provided the Commission directs staff to ask the Grand Jury and District Attorney to take action and continuation of LAFCO 3101 to the June 20, 2012 hearing, second by Commissioner McCallon.

Commissioner Cox asks if the City of Twentynine Palms staff was silent on the sphere of influence expansion. Ms. McDonald states that the staff report was reviewed at a meeting on April 4, 2012, and a question was raised by City staff regarding the impact of the expansion on its existing General Plan. Staff requested comments and no opposition was provided to staff at that time.

Chairman Curatalo calls for opposition to the motion. There being no opposition, the motion passes with the following vote: Ayes: Bagley, Coleman, Cox, Curatalo, Derry, McCallon, Rutherford. Noes: None. Abstain: None. Absent: Mitzelfelt (Commissioner Derry voting in his stead).

**CONSIDERATION OF CEQA STATUTORY EXEMPTION FOR SCHEDULE OF FEES, DEPOSITS AND CHARGES REVISIONS; AND REVIEW AND ADOPTION OF SCHEDULE OF FEES, DEPOSITS AND CHARGES FOR FISCAL YEAR 2012-13 – APPROVE STAFF RECOMMENDATION**

LAFCO conducts a public hearing to consider CEQA Statutory Exemption for Schedule of Fees, Deposits and Charges Revisions; and Review and Adoption of Schedule of Fees, Deposits and Charges for Fiscal Year 2012-13. Notice of this hearing has been advertised as required by law through publication in *The Sun*, a newspaper of general circulation. Individual notice of this hearing was provided to affected and interested agencies, County departments, all Cities/Towns, Independent Special Districts and the County.

Executive Officer Kathleen Rollings-McDonald 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. Ms. McDonald reports that the proposed fee schedule was adopted in April and was circulated for review and comment. No comments were received. She summarizes the staff recommendations.

Chairman Curatalo calls for questions from the Commission. There are none.

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Chairman Curatalo opens the public hearing and calls for comments from the public. There are none. Chairman Curatalo closes the public hearing.

Commissioner McCallon moves approval of the staff recommendation, second by Commissioner Cox. Chairman Curatalo calls for opposition to the motion. There being no opposition, the motion passes with the following vote: Ayes: Bagley, Coleman, Cox, Curatalo, Derry, McCallon, Rutherford. Noes: None. Abstain: None. Absent: Mitzelfelt (Commissioner Derry voting in his stead).

**REVIEW AND ADOPTION OF FINAL BUDGET FOR FISCAL YEAR 2012-13  
INCLUDING THE FOLLOWING:  
ADOPTION OF FINAL BUDGET AND APPORTIONMENT  
APPROVAL OF CONTRACT AMENDMENT #2 FOR CONTRACT EXECUTIVE  
OFFICER  
APPROVE CONTRACTS WITH: ADVANCE COPY SYSTEMS FOR COPIER  
RENTAL; COUNTY INFORMATION SERVICES DEPARTMENT FOR UPDATE OF  
LAFCO WEBSITE  
APPROVE LEASE AGREEMENT THROUGH FISCAL YEAR 2017 – APPROVE  
STAFF RECOMMENDATION**

LAFCO conducts a public hearing for the review and adoption of the Final Budget for Fiscal Year 2012-13. Notice of this hearing has been advertised as required by law through publication in *The Sun*, a newspaper of general circulation. Individual notice of this hearing was provided to affected and interested agencies, County departments, all Cities/Towns, Independent Special Districts and the County.

Executive Officer Kathleen Rollings-McDonald 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. Ms. McDonald reports that the proposed budget and apportionment schedule were forwarded to all Cities/Towns, Independent Special Districts and the County of San Bernardino for review and comment as required by law. She states that during that period no comments were received.

Ms. McDonald summarizes the staff recommendations.

Chairman Curatalo calls for questions from the Commission. There are none.

Chairman Curatalo opens the public hearing and calls for comments from the public. There are none. Chairman Curatalo closes the public hearing.

Commissioner Derry moves approval of the staff recommendation, second by Commissioner Coleman. Chairman Curatalo calls for opposition to the motion. There being no opposition, the motion passes with the following vote: Ayes: Bagley, Coleman, Cox, Curatalo, Derry, McCallon, Rutherford. Noes: None. Abstain: None. Absent: Mitzelfelt (Commissioner Derry voting in his stead).

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**PENDING LEGISLATION REPORT**

Ms. McDonald states that AB2238 has been amended again, but still retains the continuing requirement for costly studies for disadvantaged unincorporated communities. The Commission still opposes this bill and has forwarded letters. She CALAFCO's Executive Director indicates that CALAFCO is working with Assemblyman Perea and Senator Wolk to remove the requirements for LAFCOs. She says Assemblyman Perea is not interested in removing the requirement because he believes LAFCOs can fund the studies by apportioning the costs to LAFCOs' constituents.

AB2698, the CALAFCO sponsored Omnibus Bill, is moving forward and will make changes necessary to the protest provisions.

SB1498 (Emerson) has died because it included the removal of the Wolk Bill's requirement for annexation for disadvantaged unincorporated communities anytime a City proposed an annexation of 10 acres or more. She says this is unfortunate, as the out-of-agency service contract amendments included in the bill would have allowed San Bernardino LAFCO to address the City of Big Bear Lake DWP issues.

SB1566 (McLeod), the bill to return VLF funding for cities, appears to be in trouble. Failure of this bill will retain the severe financial impact on inhabited annexations for the future.

The Fuller Bill for the Bighorn Desert View Water Agency has died in committee, but staff is working with Senator Fuller and the agency to move forward with necessary corrections.

AB1902 (Jones), a bill relating to web posting of notices, died in committee, as it was opposed by newspaper organizations.

**EXECUTIVE OFFICER'S ORAL REPORT**

Ms. McDonald reports that at each Commission's place is a copy of a publication regarding general plans, LAFCOs and rezoning.

Ms. McDonald announces that there will be no July hearing. The mountain road review was scheduled; however Special Districts requested a continuation to January 2013. Ms. McDonald recommends placement on the November agenda. She notes that six members of the Commission are up for reelection in November and she would like to bring the matter to the Commission before a number of Commissioners could change.

The June hearing will include a discussion of the Department of Water and Power for the City of Big Bear Lake service review and the continued review of the policy and procedure manual

**MINUTES OF THE LOCAL AGENCY FORMATION COMMISSION  
HEARING OF MAY 16, 2012**

Commissioner McCallon comments that he has discussed with Ms. McDonald possible disincorporation of cities. Ms. McDonald states that on June 29, the Southern California LAFCOs and CALAFCO will conduct a workshop on disincorporation. She explains that most LAFCOs are unfamiliar with the process, as a disincorporation in California has not occurred since the mid-'70s when Cabazon was disincorporated. She says considerable interest has been expressed by counties. She notes that Riverside has the potential for disincorporation of four cities. Commissioner Bagley asks if there are rumors of cities in other counties. She says that as the redevelopment issue unfolds, there probably will be. Commissioner Coleman comments that many cities went into significant debt funding their redevelopment agencies. Ms. McDonald states that a few cities' city halls, parks, and police departments are owned by the redevelopment agency.

Commissioner Cox states she continues to be amazed that the legislature still engages in "gutting and amending" of bills. She says this is the epitome of surreptitious activity. Commissioner Williams comments that the legislature should be required to comply with the Brown Act.

**COMMISSIONER COMMENTS**

Commissioner Cox thanks staff for adding page numbers to slides, making it very helpful to follow along.

**COMMENTS FROM THE PUBLIC**

There are none.

**THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION,  
THE HEARING IS ADJOURNED AT 10:49 A.M.**

**ATTEST:**

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**ANNA RAEF, Recording Secretary**

**LOCAL AGENCY FORMATION COMMISSION**

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**JAMES CURATALO, Chairman**