CONVENE REGULAR SESSION OF THE LOCAL AGENCY FORMATION COMMISSION – CALL TO ORDER – 9:09 A.M. – SAN BERNARDINO CITY COUNCIL CHAMBERS

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

PRESENTATION OF RESOLUTION OF APPRECIATION TO SUPERVISOR NEIL DERRY

Chairman Curatalo reads and presents a resolution of appreciation to outgoing Commissioner Neil Derry. Chairman Curatalo states that it has been a pleasure serving with Commissioner Derry on this Commission. Former Commissioner Derry states that he appreciated his time on the Commission and the assistance provided by LAFCO staff.

SWEAR IN DAWN M. ROWE ALTERNATE CITY MEMBER, JAMES RAMOS, REGULAR BOARD MEMBER AND JANICE RUTHERFORD, ALTERNATE BOARD MEMBER

Ms. Rebecca Lowery, Clerk to the Commission, administers the Oath of Office to Dawn M. Rowe, Alternate City Member. Ms. Rowe will serve the unexpired Term of Office for Ms. Diane Williams, expiring in May 2014.
Ms. Lowery administers the Oath of Office to James Ramos, Regular Board of Supervisors Member. Mr. Ramos will serve the unexpired Term of Office for Ms. Janice Rutherford, expiring in May 2017.

CONSENT ITEMS – APPROVE STAFF RECOMMENDATIONS

3. Approval of Minutes for Regular Meeting of November 21, 2012

4. Approval of Executive Officer’s Expense Report

5. Ratify Payments as Reconciled for Months of November and December 2012 and January 2013 and Note Cash Receipts


LAFCO considers the items listed under its consent calendar, which includes a Visa Justification, the Executive Officer’s expense report and a staff report outlining the staff recommendations for the reconciled payments. Also included is the Audit Report for Fiscal Year Ended June 30, 2012. 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 states that no items have been requested to be deferred for discussion.

Commissioner McCallon moves approval of the consent calendar, second by Commissioner Williams. Chairman Curatalo calls for opposition to the motion. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Curatalo, McCallon, Ramos, Smith, Williams. Noes: None. Abstain: None. Absent: Cox (Commissioner Smith voting in her stead).

PUBLIC HEARING ITEMS:

No items deferred for discussion

TO BE CONTINUED TO THE MARCH 20, 2013 HEARING MOUNTAIN REGION REVIEW OF ROAD AND SNOW REMOVAL SERVICES WHICH INCLUDES THE REVIEW OF COUNTY SERVICE AREA 70 ZONES R-2, R-3, R-4, R-5, R-7, R-9, R-11, R-12, R-13, R-16; R-21, R-22, R-23, R-33, R-34, R-35, R-36, R-40, R-44, R-45, R-46, AND ROAD SERVICES FOR COUNTY SERVICE AREA 79 AND ITS ZONE R-1, AND COUNTY SERVICE 18 (CEDARPINES PARK):

SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE/AMENDMENT FOR THE FOLLOWING:

CONSIDERATION OF: (A) CEQA STATUTORY EXEMPTION FOR LAFCO 3121; AND (B) LAFCO 3121 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 68 (VALLEY OF THE MOON)
CONSIDERATION OF: (A) CEQA STATUTORY EXEMPTION FOR LAFCO 3122; AND (B) LAFCO 3122 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 69 (LAKE ARROWHEAD)

CONSIDERATION OF: (A) CEQA STATUTORY EXEMPTION FOR LAFCO 3119; AND (B) LAFCO 3119 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 59 (DEER LODGE PARK)

LAFCO conducts a public hearing to consider Mountain Region Review of Road and Snow Removal Services which includes the review of County Service Area 70 Zones R-2, R-3, R-4, R-5, R-7, R-9, R-11, R-12, R-13, R-16; R-21, R-22, R-23, R-33, R-34, R-35, R-36, R-40, R-44, R-45, R-46, And Road Services For County Service Area 79 And Its Zone R-1, And County Service 18 (Cedarpines Park) and LAFCO 31119, LAFCO 3121, and LAFCO 3122. Notice of the Commission consideration of this application was published in a newspaper of general circulation within the area, The Sun, for the original hearing in December 2010. The matter has been continued to dates certain of March 2011, June 2011, September 2011, February 2012, November 2012 and February 20, 2013 without re-advertisement.

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 states that staff requests an amended continuance of this item to the April 17, 2013 hearing, on the basis of a pending Memorandum of Understanding for shared services to reduce the costs for road maintenance and snow removal between the County Special District Department and Public Works Transportation. She states that the item is scheduled to go before the Board of Supervisors for approval on February 29, 2013. Staff is requesting a continuance so that this information can be included in staff’s presentation to the Commission. She also states that the hearing for March will be cancelled due to the lack of proposals ready for presentation to the Commission thus causing the amendment to the continuance date.

Commissioner McCallon moves approval of the request for continuance to the April 17, 2013 hearing, second by Commissioner Ramos. Chairman Curatalo calls for opposition to the motion. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Curatalo, McCallon, Ramos, Smith, Williams. Noes: None. Abstain: None. Absent: Cox (Commissioner Smith voting in her stead).

(It is noted that Commissioner Rutherford arrives at 9:21 a.m.)

DISCUSSION ITEMS:

PRESENTATION BY NORM RUGGLES, CHIEF EXECUTIVE OFFICER, SAN BERNARDINO COUNTY EMPLOYEE RETIREMENT ASSOCIATION (SBCERA) ON UNFUNDED ACTUARIAL LIABILITY ISSUES AND RELATED RETIREMENT ISSUES

Executive Officer Kathleen Rollings-McDonald presents the staff report a complete copy of
Ms. McDonald states that over the last several years as LAFCO has considered the mandatory factors for Municipal Service Reviews related to finance, one question reoccurs in the area of retirement obligations, what is unfunded liability and how is it being addressed. She says that in response to questions generated by a request to LAFCO staff for information on an exemption for an out-of-agency service contract, she contacted Chief Executive Officer, Norm Ruggles, of the San Bernardino County Employee Retirement Association (SBCERA) for additional information. As part of that conversation, Mr. Ruggles was requested to make a presentation to the Commission on the issue of unfunded liabilities. She says that staff presented some sample questions to Mr. Ruggles which were requested to be covered as a part of his presentation and are listed as follows:

What is LAFCO’s unfunded actuarial liability and what would happen if the legislature were to do away with LAFCO? Since LAFCO is created by Government Code Section 56000 et seq. repeal of the statute or transfer of this responsibility would affect current obligations. What is the difference between unfunded actuarial accrued liabilities (shown on the LAFCO audit response) and unfunded actuarial liabilities, if any?

LAFCO and the other non-County agencies pay a different percentage each year into the system, why is this and are the assets from these deposits accounted for separately from the County Fund? Did the County pension obligations receive a “pension payment vacation” as PERS gave its participants in the past while the non-County agencies have been required to pay consistently?

For a consolidation of special districts or the incorporation of a new City whose former agencies were members of SBCERA what is the method for determining payments to SBCERA, if necessary, or changes in cost factors? LAFCO has reviewed a number of changes affecting organization which were members of SBCERA, such as the incorporation of the City of Big Bear Lake, the formation of the Crest Forest Fire Protection District and Rim of the World Recreation and Park District, to name a few, and were not aware of any issue at the time with SBCERA. However, LAFCO understands that a potential contract for Crest Forest Fire Protection District to have San Bernardino County Fire Protection District provide the service comes with a substantial payment required to SBCERA.

Ms. McDonald reviews the SBCERA contribution rates for FY 2013/14 and also reviews the California Public Employees’ Pension Reform Act (PEPRA) as noted on attachment 1 of the staff report and the LAFCO contribution for tier 1 employees as noted on attachment 2 of the staff report. With that background, Ms. McDonald introduces Chief Executive Officer Norm Ruggles, and Chief of Fiscal Services, Julie Underwood, from SBCERA.

Mr. Ruggles gives a brief background of SBCERA stating that it was created under California’s County Employees’ Retirement Law of 1937 (CERL) and has been amended
by approval of the California Public Employees’ Pension Reform Act (PEPRA). The plan currently has 19 employers with a total membership of 32,824.

He says that SBCERA is governed by a 9 member board of trustees consisting of 4 elected members, 4 appointed members, and 1 ex-officio member. They have 6 departments consisting of a staff of 51 employees.

Mr. Ruggles gives an overview of the Current Fiscal Year Performance and an overview of SBCERA’s funding with the Actuarial Value of Assets at 6.7 billion, the Actuarial Accrued Liability of 8.6 billion, and the Unfunded Actuarial Accrued Liability at 1.8 billion. He states that the funded ratio is 78%, and the actuarial assumed rate of return is 7.75% per year.

Mr. Ruggles states that with regard to the question of what is the difference between unfunded actuarial accrued liabilities and unfunded actuarial liabilities, there is no difference in the two, both are debts for which no current funding is available; the amount, at any given time, by which future payment obligations exceed the present value of funds available to pay them. He states that the reason for the unfunded liability has to do with the recession and the poor performance of investments. He says that with regard to the question of what LAFCO’s unfunded liability is, LAFCO is mixed in with a pool of 11 other smaller employers and he had no specific amount to state for LAFCO.

Mr. Ruggles states that the reason why LAFCO and the other non-County agencies pay a different percentage each year into the system, is that San Bernardino County contributes more funding. Mr. Ruggles notes that with regard to the question of the County pension obligation receiving a “pension payment vacation” that in 2001 retirement was over funded so the general member contribution did not pay for that year, LAFCO was included in that. He says that as far as the withdrawal of employers in the SBCERA system, Government Code 31564.2 states that if a district’s participation in the retirement system is terminated, the district is liable to the retirement system for the district’s share of any unfunded actuarial liability, for the officers and employees of the district who either have retired or will retire under the retirement system. The withdrawal must be in writing with a majority vote of the employees and a resolution of the Governing Body stating they want to withdraw from the program. It would also need SBCERA’s Board approval. He states that the law allows the payments to be returned over a 20 year period. He states that the process is complicated and would be very costly.

Ms. McDonald asks the question regarding the Pension Payment Vacation since LAFCO has always funded its obligation, to which Mr. Ruggles states that in 2001 the retirement board was over-funded and the general member contribution did not pay that year. The County was given a pension payment vacation and that LAFCO also did not pay in 2001.

Chairman Curatalo thanks Mr. Ruggles for his presentation and asks for comments from the Commission.

Commissioner Bagley thanks Mr. Ruggles for his presentation and states that one of the functions assigned to LAFCO is that of the municipal service reviews for special districts and municipalities. As part of the review process, LAFCO looks at the finances, how money is spent and where the monies come from. He states that the question of unfunded pension liability is of
concern. He asks in which year did SBCERA know they had an unfunded liability? Mr. Ruggles states that SBCERA knew they had a deficit years ago.

Commissioner Bagley states that the Commission needs to analyze what the costs for retirement are, not only for the Commission, but also in the public agencies that they oversee. He states that public agencies do not realistically address the cost of the unfunded liabilities. He states that he would like in the future municipal service reviews to address the issue of unfunded liabilities and take a realistic look at those numbers. He adds that in the Little Hoover Commission report, the most poignant recommendation was that special districts and municipalities should aggressively make changes to stay sustainable. He states that he is concerned both as a taxpayer and as a LAFCO Commissioner; he is concerned for the employees of these agencies that are anticipating retirement and the ability of the agency to provide it. He would like to strive for 100 percent funding for these retirement plans.

Commissioner Rutherford states that speaking as a member of the SBCERA Board, the Board is keenly aware of all the issues previously stated by Commissioner Bagley, and they are aware that they are diligently working to find a way to close the gap between funded and unfunded liability. She says that the board has designed a conservative financial portfolio that will better withstand the fluctuation of the market. The challenge is that if the expected rate drops below 7.75% then there is an immediate increase in payment due from all the agencies that pay into it. The Board has serious issues with the members’ expectations of their retirement, the expectations of their investments, and the issues are broader than LAFCO and SBCERA.

Mr. Ruggles states that one of the predicaments that SBCERA faces is the level of retirement benefits that are promised and are legally owed to the members, the case law is very clear when it comes to retirement benefits and once vested, not much can be done to reduce that benefit. The employee pension reform act that was passed by the legislature will help with corrections going forward; another option would be to increase the contribution rate to help close the gap. He states that the retirement board is very engaged in protecting the assets of the membership; however, these are tough times.

Commissioner Bagley states that part of the responsibility that the Commission has when processing the Municipal Service Reviews is to serve as the “public watchdog” and if the Commission were to determine that a municipality or special district was spending monies on employees that they did not have the revenue to support, the Commission would call for drastic actions including an investigation by law enforcement in some cases. He says that this is the gravest fiscal crisis facing the United States, not just San Bernardino County or California and that if we do not address it, we become the irresponsible party. He also states that he would like to see in future municipal service reviews a line item in the budget documents that shows the deficit owed by that agency and shows the ongoing unfunded or deficit financial obligation as well.

Chairman Curatalo states that for the service reviews, a line item on the budget that notes the unfunded liability would be helpful and would comply with the spirit of full disclosure.

Ms. McDonald states that staff will comply with the request going forward. She also adds that when reviewing audits, the information received is the full-unfunded liability for the system so
staff will attempt to show the Commission an estimated annual percentage for both the LAFCO annual budgets and for the agencies that the Commission reviews. She adds that as creatures of the legislature, the Commission must remain aware of their budgets with the understanding that the legislature could decide to do away with LAFCOs so going forward, LAFCO staff will identify, starting in April as part of the budget review, what the unfunded liability is for the Commission’s employees.

Ms. McDonald states that it is important to understand what the unfunded liability for an agency is especially when reviewing the possibility of consolidation of districts or for the formation of new agencies; the potential for a change to an organization can come with substantial payments required to a retirement system and the Commission needs to be aware of this as they move forward with the approvals of incorporations, changes in organizations, and so forth. She says that the Commission must be aware of the financial obligations of an agency when approving transitional changes and have a clear outline from the agency as to how they intend on paying for those obligations after the transition.

Chairman Curatalo asks if the Commission can include the question of financial obligations to a retirement system for agencies requesting a change of organization as part of the LAFCO review process.

Ms. McDonald says that staff will include, in the conditions of approval, the information and direction regarding the financial obligation to a retirement system for an agency requesting a change of organization, when needed. She states that when the Commission reviewed the County Fire Reorganization, the discussion was held regarding the fact that the employees were a part of SBCERA, and the conditions of approval transferred all of the CSA 70 employees to the San Bernardino County Fire Protection District (SBCFPD); a district that had the ability to become independent through the adoption of a resolution or by an election. The Commission requested that SBCFPD employees be accounted for in the retirement system so that if that change were to occur, it could be addressed, since it would not be a LAFCO action. She says that is why question number three in the staff report was asked and states that the Crestline Sanitation District went from a board governed special district to an independent special district without any LAFCO action, it was simply an adoption of resolution and an election of board members; those employees were part of the employee pension obligation. However, the new employees would be part of a different subset of the SBCERA system. She says that she asked Mr. Ruggles and Ms. Underwood how would SBCERA account for that and is the district aware that they have to account for that.

Ms. McDonald states that the Commission needs to be aware of the nuances that are created when reviewing a change of organization and that the right questions need to be asked of those agencies and will be asked going forward.

Commissioner McCallon states that he appreciates Commissioner Bagley’s comments and is in agreement with his statements and that he is confident that with Commissioner Rutherford’s input on the SBCERA board that they will work to close that gap between funded and unfunded liabilities. He states that the Commission needs to be aware and needs to ask the right questions and needs to continue to ask for answers.
Chairman Curatalo states that the employees that are paying into retirement systems and that are expecting payments upon retirement would be interested to know how the unfunded liability is being addressed as well.

Ms. McDonald states that she would like to thank Mr. Ruggles for taking the time to come and speak to the Commission. Mr. Ruggles states that now that the lines of communication are open between SBCERA and LAFCO the ability to share information will be easier.

Chairman Curatalo asks that staff continue to monitor this item continue to report to the Commission as needed.

SWEAR IN JANICE RUTHERFORD, ALTERNATE BOARD MEMBER

Ms. Rebecca Lowery, Clerk to the Commission, administers the Oath of Office to Janice Rutherford, Alternate Board of Supervisor Member. Ms. Rutherford will serve the unexpired Term of Office for Mr. Neil Derry, expiring in May 2017.

MID-YEAR BUDGET REVIEW FOR FISCAL YEAR 2012-13:

FINANCIAL REPORT FOR PERIOD JULY 1 THROUGH DECEMBER 31, 2012

LAFCO considers Mid-Year Budget Review for Fiscal Year 2012-13 which includes the Financial Report for Period July 1 through December 31, 2012 and the Benefit Plan Changes Required due to Recent Pension Legislation. 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 documents provided show that LAFCO has received one proposal, and three service contracts through December 30, 2012. She states that the activities level is lower than it was the prior year at this time as the current economic climate does not lend itself for development proposals. She states that the information in the staff report outlines the activity.

Ms. McDonald states that for salaries and benefits, as outlined on page 2 of the staff report, the Commission is at 46% of the amended budget. Concessions were made at the beginning of the year when the City of San Bernardino did not pay their apportionment through forgoing the recruitment for a LAFCO secretary and instead using a temporary clerical support contract for this fiscal year. She says that she is happy to report that on February 8, 2013, after many calls, emails, and other efforts, the City of San Bernardino has paid their apportionment and the apportionment for FY 2012/13 is fully funded. The staff’s projection for Salaries and Benefits expenditures for the fiscal year are 91% of the Amended Budget.

Ms. McDonald states that for Services and Supplies, the Commission is at 45% of the amended Budget Authority and is on target for the remainder of the fiscal year. She says that there have been some increases in cost due to the Assistant Executive Officer, Samuel Martinez, being designated the CALAFCO Deputy Executive Officer for the southern region and being
designated the CALAFCO staff liaison in charge of the program for the annual CALAFCO conference for 2013. She states that she does not anticipate the need to utilize any of the contingency funds or the reserves.

Ms. McDonald states the staff has three Commission approved on-going projects; the Scanning project will bring all files into the digital realm and allow for the transmittal and/or review of all files electronically. This project is anticipated to finish under cost estimate. She says that the Website update project is anticipated to be active in April 2013. The website has been completely revamped; the LAFCO Logo has been updated; the website will allow for the viewing of the LAFCO Commission Hearings; and the routine on-going maintenance will be assumed by LAFCO staff.

She says that the database contract with Orange County LAFCO is moving along and that OCLAFCO needs to do additional work in order to allow for use of the program by others. It is anticipated that a resolution to the issues will completed in March 2013 and that also in March a survey will be sent to all the special districts and cities regarding shared services and fiscal indicators so that the information can be used going forward in the service reviews. LAFCO staff is also working with the County’s Visioning Project to try to gather as much information as possible so that services are not being duplicated. She says that idea of shared services is on the rise and that one of the reasons the Mountain Roads report was continued was that the County Special Districts is currently in the process of developing a shared service road contact for the maintenance of roads and snow remove in the County to make for a comprehensive and efficient service process. Apple Valley, Victorville, Hesperia and Adelanto are also currently contemplating as JPA for law enforcement in an effort to control costs and get service that is more effective.

Ms. McDonald says that for the contingency and reserves, as previously stated, it is not anticipated that any of the contingency funds will be used for this fiscal year. She says that for revenues, at mid-year, prior to receiving the outstanding apportionment amount from the City of San Bernardino, the Amended Budget revenues were at 99% and now are at 100%. She reviews the proposal activity chart and states that today LAFCO has received one proposal, one service contract that was development related, two service contracts that were administrative. She says that the Commission is aware of the decrease in activity which was the cause for the cancelation or consolidation of several LAFCO Hearings.

Ms. McDonald says that for the Fund Balance the estimated carryover revenue is $59,326. She says that staff is closely monitoring the Commission’s revenue receipts and expenditures processed, and will apprise the Commission of any changes in the situation, however, based upon the efforts of the Commission and staff to constrain expenditures, it is projected that the Commission will have sufficient fund balance to complete the current fiscal year in the black and carry forward the reserves.

Ms. McDonald states that AB340-California Public Employees’ Pension Reform Act of 2013 (PEPRA) went into effect on January 1, 2013. She says that PEPRA primarily affects new employees hired on or after January 1, 2013, however a few sections do apply to current member such as the elimination of Additional Retirement Credit and new Replacement Benefit Plans, new rules for retirees returning to temporary work within the same retirement system, and
pension forfeiture for felons. She says that page 7 of the staff report details the information. These changes will require an update and amendment to the LAFCO Benefit Plan, which will be presented to the Commission at the April 2013 Hearing.

She states that no additional staff will be hired in this fiscal year, however, it is anticipated that the recruitment for the LAFCO secretary will open next fiscal year and the new reforms will apply to the new employee. She says that the chart on page 8 of the staff report identifies the current SBCERA Tier 1 and Tier 2 provisions and she notes that with regard to contribution rates, the Tier 2 New Members must pay 50% of total normal cost; for the compensation category it is capped at $136,440 for 2013. For the benefit formula there were no changes to the Tier 1 Members, but for the Tier 2 New Members the formula is 2.5%@67; for the Final Average Salary Category there were no changes to the Tier 1 Members, but for the Tier 2 New Member the new formula is highest 3 year average. She says that the Commission currently has a Replacement Benefit Plan and that no change applies to existing employees but any new Commission employee will not be allowed the replacement benefit plan. She notes that working after Retirement will be the same for both Tier 1 and Tier 2 Members and that additional retirement credit is no longer available for either Tier.

Ms. McDonald states that she believes that the Commission has taken appropriate action in the Fiscal Year 2012-13 budget and has emphasized actions to constrain spending within anticipated revenue stream. Staff has identified that the expenditures for the Commission are within budget targets, proposal activity revenues are at full-year anticipated amount, and cost savings have been identified by forgoing the hiring of the LAFCO secretary portion authorized in the budget this fiscal year. She says that she believes that LAFCO staff has done a good job and will continue to work hard to ensure that the Commission is cost effective for the agencies and municipalities that support LAFCO through their apportionments. She states that staff’s recommendation is for the Commission to provide direction to staff on items of concern for the balance of the fiscal year and note receipt of the report and file.

Commissioner Bagley states that on page 18 of the LAFCO audit where it notes the Disclosures Relating to Interest Rate Risk it lists that the Commission is in the Investment Pool with the County of San Bernardino governed by the San Bernardino County Board of Supervisors, and is administered by the County Treasurer. It also states that investments in the pool are highly liquid as deposits and withdrawals can be made at any time without penalty; that the Commission’s fair value of its share in the pool is the same value of the pool shares, which amounted to $481,732. He says that what is of concern to him is that statement that says that the information on the pool’s use of derivative securities in its investment portfolio and its and the Commission’s exposure to credit, market, or legal risk is not available. He points out what happened with the bankruptcy failure in Orange County, that no one saw it coming and everyone with money in the pool lost significantly. He says that LAFCO has no monies to lose at this time and he would like, through the audit process, for the Commission to receive full disclosure of the interest rate risk factors.

Ms. McDonald states that staff will get the information and forward it to the Commission. She says that the County of San Bernardino has adopted strict policies regarding the investment issues.
Chairman Curatalo notes receipt of the report.

**INFORMATION ITEMS:**

**PENDING LEGISLATION REPORT**

Executive Officer Kathleen Rollings-McDonald states that there is no pending legislative report at this time and that the last day for bills to come out of the state for review is February 22, 2013. She says that she has placed at each Commissioner’s place a copy of the Technical Advisory for SB 244: Land Use, General Plans, and Disadvantaged Communities that was received by staff yesterday. She says that the document outlines the Governor’s Office of Planning and Research Technical Advisory plan on implementation of SB 244. The final document was issued with significant changes made by the Office of Planning and Research and that LAFCOs were not given an opportunity to review and comment on those changes.

She says that one of the significant changes relates to CEQA processing; a difference of opinion as to the statute of lead agency versus responsible agency on municipal service reviews and sphere of influence updates that triggers the disadvantaged unincorporated communities requirements. She says that staff will be reviewing the Technical Advisory and may return with a more detailed update at the April Hearing.

She states that the Omnibus Bill from CALAFCO will be more about non-controversial changes for protest procedures, and they will be looking at Government Code Section 56133 Out-of-Agency Service Agreements provisions to look at condemned water systems and work to amend the code so that it is amenable to curb urban sprawl and might need the review of special legislation so that it can address the needs faced in the County of San Bernardino. She says that there was an effort with SB 56 to take care of the motor vehicle in-lieu problem and it was determined by the Department of Finance that it is their legal and legislative counsel’s position that Prop 30 does not allow for the redistribution of motor vehicle in-lieu fees. To correct the issue for the short-fall in the four incorporated cities effected, their direction is to make a change through the property tax transfer structure which would have to be taken from local entities. CALAFCO not believe that this is a solution that will be accepted as a funding structure. She says that staff will continue to monitor and staff will report back to the Commission as information becomes available.

Commissioner Bagley states that it raises an issue and that in the State of California there is no consistent standard for funding cities and municipalities. He says that the legislature is not realistic on how cities and municipalities are funded and that the funding of cities through motor vehicle licensing fees has not, in his opinion, been a realistic funding source. He says that this raises and issue where all incorporations need to be reviewed and the issue of how tax monies are to be allocated should also be reviewed.

Ms. McDonald says the she does not anticipate future Incorporations until the issue is resolved, and that part of the incorporation process is to ensure the sustainability of an entity and that in order to accomplish that this issue needs to be resolved.
EXECUTIVE OFFICER’S ORAL REPORT

Executive Officer Kathleen Rollings-McDonald states that the March 20, 2013 hearing will be cancelled and that the Commission will meet again for the April 17, 2013 hearing at which time the Commission will review the Mountain Roads Report, the Service Review for Needles and Havasu Lake Communities and the preliminary budget.

She states that the Form 700 is due in April and also that staff will be putting together the committees to look at questions from the past service reviews regarding fire protection, water, water conservation, law enforcement and so forth so that staff can start the next round of service reviews.

COMMISSIONER COMMENTS

Chairman Curatalo welcomes the new members of the Commission.

COMMENTS FROM THE PUBLIC

There are none.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION, THE HEARING IS ADJOURNED AT 10:50 A.M.

ATTEST:

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REBECCA LOWERY
Clerk to the Commission

LOCAL AGENCY FORMATION COMMISSION

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JAMES CURATALO, Chairman