

**LOCAL AGENCY FORMATION COMMISSION  
SPECIAL DISTRICTS ADVISORY COMMITTEE  
MINUTES OF THE NOVEMBER 12, 2004 MEETING**

There being a quorum present, the meeting was convened at 9:37 a.m., by Chairman Harry Ehrlich (Olivenhain MWD). Also present were: **Committee Members** – James Alkire (South Bay Irrigation District) (newly elected member), Gary Arant (Valley Center MWD) (who arrived at 9:43 a.m.), Barbara Barber (Helix WD), Ron Fuller (Alpine FPD), Daniel Goldberg (Fallbrook HCD), Trish Hannan (Vallecitos WD), Judy Hanson (Leucadia WD), Darrell Jobes (East County FPD), Keith Lewinger (Fallbrook PUD), Jo Mackenzie (Vista Irrigation District), John Pastore (Rancho Santa Fe CSD), Tom Pocklington (Bonita-Sunnyside FPD), Augie Scalzitti (Padre Dam MWD); and Dennis Shepard (North County CD). **LAFCO Commissioners** – Commissioners Bud Pocklington, Andy Vanderlaan, and Ron Wootton. **LAFCO Staff** – Executive Officer Michael D. Ott, and LAFCO Legal Counsel William D. Smith. Absent was: **Committee Member** – Dr. Hanno E.G. Ix (Rincon del Diablo MWD). Also present were: Chris Gilmore, Deputy Controller, Pete Redmann, Property Tax Services Manager and Senior Deputy County Counsel Mara Elliott.

**Item 1**

**Approval of Minutes of May 21, 2004**

With James Alkire, Gary Arant, Judy Hanson, Keith Lewinger, John Pastore, Tom Pocklington, and Dennis Shepard abstaining, ON MOTION OF Trish Hannan, seconded by Jo MacKenzie, and carried unanimously by the committee members present, the committee dispensed with reading the minutes of the May 21, 2004 meeting, and approved said minutes.

**Item 2**

**Seating of New/Reelected Members of the Advisory Committee**

Mr. Ott indicated that seven incumbent members were re-elected to the Special Districts Advisory Committee, including: Gary Arant, Harry Ehrlich, Ron Fuller, Keith Lewinger, Jo MacKenzie, Augie Scalzitti, and Dennis Shepard. Mr. Ott said that one new member, James C. Alkire (South Bay Irrigation District), was elected to serve on the Special Districts Advisory Committee. Mr. Ott introduced Mr. Alkire to the Committee and congratulated him and the reelected members of the Advisory Committee.

Mr. Ott introduced Commissioners Bud Pocklington, Andy Vanderlaan and Ron Wootton, members of the Local Agency Formation Commission, who were attending the Advisory Committee meeting.

Commissioner Pocklington briefly spoke to the Committee, congratulating Mr. Alkire on his election to the Special Districts Advisory Committee, and also congratulating the reelected Committee members. Mr. Pocklington said the LAFCO Commission relies on the Advisory Committee's expertise.

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

Mr. Ott said there were no revisions to the agenda.

**Item 4****Committee Member/Executive Officer Announcements**

Chairman Ehrlich said that the matter of the appointment of the 2005 Chairperson and Vice Chairperson would be brought to the Committee at the December 17, 2004 meeting.

**Item 5****Public Comment**

No members of the public requested to speak.

**Item 6****FY 2004-05 Special Districts Apportionment of LAFCO Costs**

Michael Ott gave a PowerPoint presentation, explaining the origin, purpose and responsibility for implementing the LAFCO cost apportionment. Mr. Ott explained the four different classes of agencies seated on San Diego LAFCO that are involved in the apportionment of LAFCO costs, to include: City of San Diego, 17 cities in San Diego County, 64 Special Districts, and the County of San Diego. Mr. Ott also discussed alternative apportionments within the different classes, explaining that the cities approved an alternative apportionment in FY 2001-02, and approved a modified alternative apportionment method to be effective for FY 2004-05. Mr. Ott discussed the districts alternative LAFCO cost apportionment issues, indicating that in 2001, the special districts class was unsuccessful in the approval of an alternative apportionment.

Mr. Ott introduced Chris Gilmore and Pete Redmann from the San Diego County Auditor and Controller's office. Mr. Gilmore gave a PowerPoint presentation regarding the Special Districts apportionment of LAFCO costs for FY 2004-05. Mr. Gilmore explained the Auditor's responsibilities, LAFCO's 2004-05 Budget, LAFCO revenue adjustments, revenue definitions, and presented samples of the revenue adjustments that were made and included on the invoices received by the special districts. Mr. Gilmore indicated that Assembly Bill 1948 changed the method of calculating revenues, beginning with Fiscal Year 2003-04 (Government Code § 56381(1)(C)). Mr. Gilmore explained that as a result of Health and Safety Code § 32121, since Grossmont Healthcare and Fallbrook Healthcare Districts do not operate hospitals, their status changed from hospital districts to special districts, affecting the FY 2002-03 and FY 2003-04 LAFCO cost apportionment. Mr. Gilmore also explained to the Committee the definitions of non-enterprise and enterprise districts under Government Code § 56381(1)(C). Mr. Gilmore said that, in the future, should there be any changes to the law that impact special districts, the Auditor and Controller's office will work with both the special districts and LAFCO, in advance, so there would be time for the changes to

be incorporated into the budgets of the special districts. Mr. Gilmore also answered questions from the Committee members and the audience.

Responding to comments and a question from Keith Lewinger, Daniel Goldberg, representing Fallbrook HCD, said that healthcare districts receive property tax dollars and those dollars are used to provide healthcare only and not to operate the hospitals. Responding to a question from Commissioner Wootton, Mr. Goldberg said that any monies received from the lease of the hospitals goes directly to operate the hospital. Mr. Goldberg said if either hospital lease terminates for any reason, then the healthcare district would be obligated to operate the hospital.

In response to comments and a question from Gary Arant, Chairman Ehrlich indicated that Senator Kelley authored AB1948 and the Association of California Healthcare Districts sponsored the Bill. He said the primary agency was the Palomar/Pomerado Healthcare District, who brought the issue forward, but the Bill was sponsored statewide. Mr. Ehrlich said the wording in the Bill was changed in July or August of 2002, in one of the last rewrites of the Bill.

Doug Wilson, representing Padre Dam MWD, asked if it was possible to “go back” to the formula that was considered by the special districts. Mara Elliott, Senior Deputy County Counsel, said it is not allowed, and that the statute does not provide wording for the Auditor and Controller to reevaluate “backwards.” She asked that each of the special districts have their own legal counsel review all legislation that pertains to the districts.

In response to comments and questions from Keith Lewinger, Mr. Gilmore said that the correction was not made last year due to an error of the Auditor and Controller’s office, and he said he readily admits that LAFCO costs should have been apportioned differently.

Mara Elliott said that there is no flexibility in the law to postpone implementation to allow the districts to revisit the issue. Ms. Elliott suggested the possible formation of a payment plan for the districts. She requested that the legal counsels from the special districts contact her to discuss the issue.

Mr. Ott explained the mechanics of the LAFCO budget process to the Committee.

Mr. Lewinger said the issue is the extra cost to the agencies. Mr. Lewinger said that as far as correcting the error, the Auditor and Controller has to do what the law states. He said that the special districts should implement a new apportionment method, or have the legislature define a new apportionment method, which could be retroactive. Mr. Gilmore said the Auditor and Controller’s office would work with LAFCO, County Counsel and the Committee to see if there is a more advantageous approach to resolve this issue.

Chief Darrel Jobes asked if at the end of the budget year LAFCO were short would it be possible for LAFCO to get a loan from the County of San Diego. Mr. Gilmore said that might be an option.

Mr. Gilmore said the Auditor and Controller's office prepared individual schedules regarding the calculations for each district, which will be distributed to the districts after the meeting.

Chairman Ehrlich said several options were mentioned in Mr. Gilmore's presentation that the Auditor and Controller's office would be willing to do to improve the allocation process. He asked if this would be done administratively within the Auditor and Controller's office to prevent this from happening in the future. Mr. Gilmore said that was correct.

At 11:20 a.m., Chairman Ehrlich indicated the Committee would adjourn for a short break and reconvene at 11:35 a.m.

Chairman Ehrlich reconvened the meeting at 11:35 a.m. with all Special District Advisory Committee members being present, with the exception of John Pastore. Chairman Ehrlich reopened the meeting with a continuation of the discussion of this item.

Responding to a comment by Judy Hanson regarding a payment plan for those districts that have not paid, Chairman Ehrlich asked if there was a policy that would allow any district experiencing financial hardship to have a period of time to pay the additional apportionment costs. Mr. Ott said LAFCO and the Auditor and Controller do not have a payment plan policy. He indicated that over \$100,000 has not been collected this year. He said that the Local Agency Formation Commission has authorized him to work with the Auditor and Controller to set up an appropriate means of payment. He suggested a payment plan option that would not go beyond a three-year timeframe be explored and developed.

LAFCO Legal Counsel Bill Smith indicated that the agencies should pay the total amount – if they are financially able to pay; however, he indicated that LAFCO has the authority to work out payment plans with the Auditor and Controller, if it is necessary, for the districts that are experiencing financial hardships due to this issue.

In response to comments from Trish Hannan, Mr. Ott said the remarks he has received from the agencies either through e-mail or telephone calls gives him a feeling that the agencies have the means of paying the costs, but some agencies are having philosophical difficulties with paying the additional apportionment.

Commissioner Vanderlaan said it is not an issue of whether an agency can pay or not. He said that since the Auditor and Controller has made an error; they should be helpful and flexible in terms of a solution, whether it is a payment plan, or a loan with no interest to LAFCO.

ON MOTION OF Judy Hanson, seconded by Augie Scalzitti, and carried unanimously by the committee members present, the committee directed the Executive Officer to research and develop a payment plan process by December 29, 2004, to be available to the agencies that have a financial need, without interest or at the lowest possible interest available, as long as it is not detrimental to LAFCO.

Chairman Ehrlich explained that a sub-committee would be formed to discuss an alternative apportionment, and asked for volunteers to help with this issue. Gary Arant, Keith Lewinger, Dennis Shepard, Darrell Jobes, and Jo MacKenzie, who will serve as chair, were appointed the sub-committee. In addition, Commissioner Andy Vanderlaan volunteered to serve, as did Doug Wilson, representing the Padre Dam Municipal Water District. Mr. Ott also indicated he would attend the sub-committee meetings, but reminded committee members that an alternative apportionment proposal needs to originate from special district officials, rather than from the Advisory Committee or LAFCO. Chairman Ehrlich said that other people could participate on this sub-committee, as well.

**Item 7**

**Special District Advisory Committee Member Term Lengths**

This item was continued to the December 17, 2004 Special Districts Advisory Committee meeting.

**Item 8**

**Adjournment**

There being no further business to come before the Advisory Committee, the meeting was adjourned at 12:00 p.m. to the December 17, 2004 meeting date.

**Jan Bryson  
Executive Assistant**