

**MINUTES
SPECIAL MEETING OF THE
LOCAL AGENCY FORMATION COMMISSION
MUNICIPAL SERVICE REVIEW WORKING GROUP
AND SPECIAL DISTRICTS ADVISORY COMMITTEE
MONDAY, OCTOBER 6, 2003**

LAFCO Chairwoman Dianne Jacob (LAFCO Commissioner-County) convened the special meeting of the Local Agency Formation Commission, Municipal Services Review Working Group, and the Special Districts Advisory Committee at 9:30 a.m. At the request of Chairwoman Jacob, separate roll calls were conducted to establish individual quorums for the San Diego Local Agency Formation Commission, Municipal Services Review Working Group and the Special Districts Advisory Committee. Present were:

LAFCO Commission: Commissioners: Supervisor Dianne Jacob (County), Councilmember Patty Davis (Cities), Councilmember Donna Frye (City of San Diego), Councilmember Jill Greer (Cities), Supervisor Horn (County), Bud Pocklington (Special Districts), Andrew Vanderlaan (Public-at-Large) and Ron Wootton (Special Districts); Alternate Commissioners Harry Mathis (Public-at-Large), Andrew Menshek (Special Districts), and Betty Rexford (Cities). Absent was: LAFCO Alternate Commissioner – Supervisor Greg Cox (County).

Special Districts Advisory Committee: Gary Arant (Valley Center MWD, who entered at 9:36 a.m.), Barbara Barber (Helix WD), Harry Ehrlich (Olivenhain MWD), Ron Fuller (Alpine FPD), Daniel Goldberg (Fallbrook Healthcare District), Trish Hannan (Vallecitos WD), Judy Hanson (Leucadia CWD), Dr. Hanno E. G. Ix (Rincon del Diablo MWD), Darrell Jobes (East County FPD), Keith Lewinger (Fallbrook PUD), Jo MacKenzie (Vista ID), John Pastore (Rancho Santa Fe CSD), and Augie Scalzitti (Padre Dam MWD). Absent were: Tom Pocklington (Bonita-Sunnyside FPD), and Dennis Shepard (North County CD).

Municipal Services Review Working Group: Chairman Andy Vanderlaan (LAFCO Commissioner-Public), Vice Chairman Harry Ehrlich (Special Districts Advisory Committee), Councilmember Patty Davis (LAFCO Commissioner-Cities), Supervisor Dianne Jacob (LAFCO Commissioner-County), Andy Menshek (LAFCO Commissioner-Special Districts), Jo MacKenzie (Special Districts Advisory Committee), Paul Malone (Ad Hoc Cities Advisory Committee), and Penny Riley (Ad Hoc Cities Advisory Committee).

Also present were **LAFCO Staff:** Executive Officer Michael Ott; Chief, Policy Research Shirley Anderson; LAFCO Legal Counsel William Smith, and GIS/IT Administrator Pete Janemark.

Item 2

Introduction of Commissioners, Members of the Municipal Services Review Working Group, and Special Districts Advisory Committee

At the request of Chairwoman Jacob, the members of each group introduced themselves, indicating which group or groups they serve on and the capacity in which they serve. Chairwoman Jacob thanked the members of all three groups, and also thanked members of the audience for coming and instructed them to fill out speaker slips if they wished to address the joint meeting.

Item 3

Discussion and Concurrence on Process for Conducting Special Meeting

Mr. Ott summarized the meeting procedures, which were previously approved at the last joint meeting in April 2003. He recommended that Chairwoman Jacob coordinate the special meeting; however, the chairpersons' of the three groups (Supervisor Jacob, Harry Ehrlich, and Andy Vanderlaan) should lead discussions and deliberations separately. Mr. Ott discussed the rules to establish a quorum for each group and for voting on motions for items on the agenda. Mr. Ott complimented the working group and said that the members work well in providing guidance to LAFCO staff, and that in April 2003 LAFCO conducted a joint meeting of the working group for the purpose of having their expertise and knowledge available to review the LAFCO staff analysis. Mike Ott said that the service review process began over a year ago and that LAFCO staff, and its consultant, collected data and provided data summaries to the working group. He said that the working group helped review the data, which resulted in LAFCO staff being able to summarize the data to establish a basis of what the analysis would be conducted on.

Item 4

Seating of new members of the Special Districts Advisory Committee

Chairman Harry Ehrlich of the Special Districts Advisory Committee installed re-elected members and new members of the committee. Mr. Ehrlich welcomed re-elected members Barbara Barber, Judy Hanson, Darrell Jobes, John Pastore, and Tom Pocklington, and newly elected members Daniel Goldberg, Trish Hannan, Dr. Hanno Ix, and Augie Scalzitti. Supervisor Jacob also welcomed them to the committee.

Item 5

Appointment / Re-appointment of Advisory Committee Chair and Vice Chair

Chairman Harry Ehrlich of the Special Districts Advisory Committee opened the discussion item and turned it over to the LAFCO Executive Officer Mike Ott to chair the committee for deliberations of appointment/re-appointment of Advisory Committee Chair and Vice Chair. Mr. Ott requested motions from the floor.

Jo MacKenzie (Vista Irrigation District) and Keith Lewinger (Fallbrook Public Utility District) nominated Harry Ehrlich as Chairperson for the Special Districts Advisory Committee.

On motion of Gary Arant, seconded by Jo MacKenzie, and carried unanimously by the members present, the Special Districts Advisory Committee took the following action:

Re-appointed Harry Ehrlich as Chairperson for the Special Districts Advisory Committee.

Judy Hanson (Leucadia County Water District) and Barbara Barber (Helix Water District) nominated Jo MacKenzie as Vice Chairwoman for the Special Districts Advisory Committee.

On motion of Keith Lewinger, seconded by Gary Arant, and carried unanimously by the members present, the Special Districts Advisory Committee took the following action:

Re-appointed Jo MacKenzie as Vice Chairwoman for the Special Districts Advisory Committee.

Item 6

Approval of minutes of the Special Meeting held April 7, 2003

Local Agency Formation Commission Deliberations

Chairwoman Jacob asked if there were any changes or additions to the minutes of the Special Meeting held on April 7, 2003.

On motion of Bud Pocklington, seconded by Patti Davis, and carried unanimously by the members present, the Local Agency Formation Commission dispensed with reading the minutes of the April 7, 2003 Special Meeting of the Local Agency Formation Commission, Municipal Services Review Working Group, and the Special Districts Advisory Committee and approved the LAFCO portion of said minutes.

Special Districts Advisory Committee Deliberations

Chairman Ehrlich asked if there were any discussions or input for the minutes of the Special Meeting held on April 7, 2003.

With newly elected members abstaining, on motion of Keith Lewinger, seconded by Jo MacKenzie, and carried unanimously by the members present, the Special Districts Advisory Committee dispensed with reading the minutes of the April 7, 2003 Special Meeting of the Local Agency Formation Commission, Municipal Services Review Working Group, and the Special Districts Advisory Committee and approved the Special Districts Advisory Committee portion of said minutes.

Municipal Services Review Working Group Deliberations:

Chairman Vanderlaan asked if there were any discussions or input for the minutes of the Special Meeting held on April 7, 2003.

On motion of Jo MacKenzie, seconded by Andy Menshek, and carried unanimously by the members present, the Municipal Service Review Working Group dispensed with

reading the minutes of the April 7, 2003 Special Meeting of the Local Agency Formation Commission, Municipal Services Review Working Group, and the Special Districts Advisory Committee and approved the Municipal Services Review Working Group portion of said minutes.

Item 7

Executive Officer's recommended agenda revisions

Mike Ott said that the only revision of the agenda was to formally present the 2003 CALAFCo Outstanding Professional Award to LAFCO staff member, Shirley Anderson.

Item 8

Presentation of Chapter Two (fiscal section) of the Southern San Diego County Water and Sewer Municipal Service Review

Mike Ott gave a brief explanation about municipal service reviews. Mr. Ott reported that three working group meetings were held so far, and one joint meeting. He said that the first part of the working group effort involved the data collection of which the working group was instrumental in terms of reviewing the data and providing guidance to LAFCO and LAFCO staff with respect to the accuracy of the information. Mr. Ott said that a joint meeting was established as a mechanism earlier this year to help LAFCO staff establish a strategy for reaching closure on the service review process, as well as to review the infrastructure analysis that had been conducted by LAFCO staff. Mr. Ott indicated that the October 6 Special Meeting will deal primarily with fiscal issues. Mr. Ott introduced Shirley Anderson who presented a PowerPoint presentation of the staff report. Ms. Anderson requested direction and comments from the working group regarding the staff report. She said that two agencies, Padre Dam Municipal Water District and the Otay Water District, have indicated they will provide comments that will be reflected in the next report. Ms. Anderson indicated that apparently, those changes would not be substantial. Ms. Anderson said that "underlines" throughout the current draft report reflect changes.

Bud Pocklington thanked Shirley Anderson for the thorough and detailed presentation. Mr. Pocklington commented that a pumping analysis was not included in the staff report, which plays an important part of the cost of water, and requested that the next report include the analysis. Also, in response to a comment from Ms. Anderson, Mr. Pocklington said that water is not free. He reported that a Metropolitan Water District analysis of water cost reports an increase of 3.8 to 4.2 percent per year, each year over the next ten years. In comparison, Mr. Pocklington also reported that the San Diego County Water Authority's rates are averaging approximately 3 percent. He said that this would be a major problem to homeowners in the future because it can lead to competition between suppliers who sell water, which means they may double the cost of water if they choose to do so. He said that it would be interesting to see how management and board members handle the situation. In regards to the municipal service review process, Mr. Pocklington said that it is taking too long and that LAFCO will need to streamline it. He said that he hopes the working group learns from this experience so that future service reviews will take less time to process.

Gary Arant commented that in Chapter Two, reserve policies are missing (i.e. bond rates). He asked the commission to refer to Attachment 4, page 26 & 27, which gives

information on bond rates. Mr. Arant said that the staff report should include the benefits of having healthy reserves, which he believes that bond rates would be advantageous because it would provide savings in the long term.

John Pastore asked if LAFCO staff analyzed the application of enterprise funds being transferred into general funds. In response, Shirley Anderson said that information received from City of Chula Vista indicates that the sewer department is being operated as an enterprise function; no general funds are transferred into the department and there is no siphoning away of enterprise funds into the general fund. Ms. Anderson indicated that this issue is not a restriction of State Law, but a policy decision.

Keith Lewinger suggested that a matrix of raw numbers be included in the next staff report so that the working group would be able to visually compare information among agencies.

John Pastore suggested that the information on rate increase should be based on a five-year basis instead of a three-year basis.

In response to a comment from Donna Frye regarding conservation violation, and investigations, Shirley Anderson indicated that the issues would be presented in the next staff report. Ms. Frye commented on concerns regarding sewer and water agencies that are consistently charged for violations, which could impact rates and lead to citizens paying a higher rate for water.

Chairwoman Jacob asked Shirley Anderson if agencies are providing customers with rebate program information. Ms. Anderson said that LAFCO staff will research, under Governance - Public Relations, how agencies interact with the public.

Bud Pocklington indicated that water conservation is a high priority for all districts. He reported that the San Diego County Water Authority is providing customers with water conservation showerheads, and giving rebates on toilets and washing machines. Mr. Pocklington said that water districts participate by transferring money to the County Water Authority, to the fund customer rebate programs.

Ron Wootton commented that it is very easy to go much farther into details than what is needed in order to make determinations and finish the service review. Mr. Wootton said that most of the details have very little effect on the relationship between the agencies and provision of service within the region. He said that LAFCO is not looking whether the agencies are good or bad, LAFCO is looking at whether services are being managed efficiently.

Andy Vanderlaan complimented LAFCO staff members for the diligence of their first service review, which contains sensitive and complicated issues. He said that LAFCO needs to look at a measurable time factor and reach closure. Mr. Vanderlaan suggested that as a combined group, the working group should utilize the macro approach as it relates to LAFCO staff. He said that if there are issues related to a specific matter, then perhaps that can be handled on an adhoc basis. Mr. Vanderlaan said that the purpose of the working group is to help LAFCO staff establish service review guidelines, to ensure that LAFCO staff is heading in the right direction. He said if

LAFCO staff is heading in the right direction, then encourage them to go forward, if not, then provide direction.

Donna Frye suggested that water and sewer agencies should apply for grant monies or state revolving funds. She said that as a requirement, the agencies would have to provide a "Cost of Service" study that relates to water and sewer. Councilwoman Frye said it would be beneficial to the agencies because not only are they receiving funds, but also the study they provide to the State would also be available to LAFCO. She indicated that it would reduce the amount of documents provided to LAFCO, and at the same time would ensure that standards are being met.

In response to a question from Dr. Hanno Ix, Shirley Anderson said that the service review process has taken approximately 18 months, which included the adoption of the Municipal Service Review Guidelines in order for LAFCO staff to have guidance on how to process service reviews.

Mike Ott explained that the process began in February 2002. Mr. Ott said that San Diego LAFCO's Municipal Service Review Guidelines, which were adopted by the Commission, have been a template for other LAFCOs in California. Mr. Ott complimented the combined groups, as well as the agencies, for their collaboration efforts in providing guidance to LAFCO staff in establishing the guidelines. Mr. Ott said that the Southern San Diego County Water and Sewer Municipal Service Review is not an ordinary services review. He indicated that eyes and ears throughout California are tuned to this particular service review. He said that LAFCO staff is dealing with sensitive issues that have been uncovered. Mr. Ott stated that staff has been straightforward and objective in presenting the issues in a balanced manner, which takes time. He indicated that LAFCO staff is in the process of developing a new data collection process that will expedite the completion of future service reviews.

In response to a question from Chairwoman Jacob, Mr. Ott indicated that the final analysis of the Southern San Diego County Water and Sewer Municipal Service Review would be completed and presented to the working group by the end of 2003. He said that a final joint meeting should be scheduled for January or February 2004.

Gary Arant stated that without a doubt, San Diego LAFCO is on the leading edge of municipal service reviews. In regards to water conservation, Mr. Arant reported that the amount of water that Southern California Region and San Diego region is using is still less than what was used in 1989 and 1990.

Harry Erlich agreed with the issue of timing and said that he would like to see closure with the service review process, and suggested that the next two chapters be brought forward to the working group together. He suggested that the Municipal Services Review Working Group meet as soon as possible to discuss the next two chapters, and plan for a joint meeting to discuss the outcome of that meeting.

Andy Vanderlaan asked the MSR Working Group members if they were ready to meet and discuss the next two chapters of the Southern San Diego County Water and Sewer Municipal Service Review, and bring the results back to the next joint meeting. All members of the MSR Working Group said yes. Chairwoman Jacob accepted the consensus.

In response to a question from Dr. Hanno Ix, Mike Ott said that the Municipal Services Review Guidelines, which include nine determinations, are conclusions that will be of assistance to decision makers, the public, and affected agencies in helping evaluate how efficiently services are being provided.

Chairwoman Jacob questioned the computation of the numbers for Otay Water District, entered in the "Profiles of Agencies Capital Reserves" spreadsheet. Mike Ott said that LAFCO staff would review the spreadsheet and make any necessary corrections/revisions if necessary.

In response to a question from Chairwoman Jacob, Mike Ott said that collected data not pertaining to the nine determinations in the municipal service review guidelines would be made available to other regulatory agencies, interested members of the public or local agencies.

Chairwoman Jacob complimented LAFCO staff members for the work they have put in to the service reviews. She said that Item 9 was an information/direction item and that the working group did not have to take any action; and if any of the members had further questions after the meeting, to call LAFCO staff.

Item 9
Public Comment

Tom Monro, an employee of the Otay Water District, addressed the working group with general comments of concerns with the District.

Chairwoman Jacob thanked Mr. Monro and referred his comments and written information to the Executive Officer. She asked that if any of Mr. Monro's information pertains to LAFCO's purview, to include it in the next service review report.

There being no further business to come before the working group, the joint meeting adjourned at 11:14 a.m., which Chairwoman Jacob said that there would be a Municipal Services Review Working Group meeting following the December 1, 2003 regular LAFCO meeting, in Rooms 302-303, County Administration Center, and a joint meeting in either January or February 2004. Chairwoman Jacob also thanked everyone for attending the meeting.

TITA JACQUE MANDAPAT
Administrative Aide