FINAL MINUTES

LAFCO REGULAR MEETING
Wednesday, May 9, 2007, 9:00 a.m.
Planning Commission Hearing Room, Hall of Administration
10 Civic Center Plaza
Santa Ana, CA

(Any member of the public may request to speak on any agenda item at the time that item is being considered by the Commission.)

1. CALL TO ORDER

Chair Bill Campbell called the regular meeting of the Local Agency Formation Commission (LAFCO) to order at 9:00 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner Susan Wilson led the pledge of allegiance.

3. ROLL CALL

The following commissioners and alternates were present:

- **Commissioner Bill Campbell**
- **Commissioner Bob Bouer**
- **Commissioner Peter Herzog**
- **Commissioner John Moorlach**
- **Commissioner Arlene Schafer**
- **Commissioner Susan Wilson**
- **Commissioner John Withers**
- **Alternate Commissioner Rhonda McCune**
- **Alternate Commissioner Charley Wilson**

The following commissioners were absent at roll call:

- **Alternate Commissioner Pat Bates**
- **Alternate Commissioner Patsy Marshall**

The following LAFCO staff members were present:

- Legal Counsel Clark Alsop
- Executive Officer Joyce Crosthwaite
- Assistant Executive Officer Bob Aldrich
- Senior Project Manager Carolyn Emery

- Intern Christian Pape
- Administrative Support Marion Jasieniecki

4. APPROVAL OF MINUTES

March 14, 2007 – Regular Commission Meeting Minutes

Chair Campbell called for any changes and approval of the March 14th meeting minutes. Commissioner Schafer called for revision to minutes to reflect presence of Commissioner Bates.

MOTION:	**Approve May 9, 2007 meeting minutes with revision (Arlene Schafer)**
SECOND:	**Bob Bouer**
FOR:	**Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers**
AGAINST:	**None**
ABSTAIN:	**None**

MOTION PASSED

5. PUBLIC COMMENT

Chair Campbell requested public comments on any non-agenda item. Receiving no comments, he then closed the public comment agenda item.

6. CONSENT CALENDAR

a.) Rue Annexation to Orange County Sanitation District (DA 06-36)

MOTION:	**Approve consent calendar (Peter Herzog)**
SECOND:	**Arlene Schafer**
FOR:	**Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers**
AGAINST:	**None**
ABSTAIN:	**None**

MOTION PASSED

7. CONTINUED PUBLIC HEARING

Item 7a. & 7b.– West Santa Ana Heights Reorganization to the City of Newport Beach and Banning Ranch Sphere of Influence to the City of Costa Mesa (RO 06-25 & SOI 06-20)
Chair Campbell first asked **Commissioner Moorlach** if he wanted to make any comments before the staff presentation since he has been very involved in the project. **Commissioner Moorlach** responded that he would like to defer his comments until after staff's presentation.

Assistant Executive Officer Bob Aldrich stated that the proposed West Santa Ana Heights Reorganization project had been continued from the November 2006 regular meeting. He summarized the pending proposed applications for the area and provided a history of the actions the Commission had taken for adjacent areas. Assistant Executive Aldrich presented the three options, as indicated in the staff report, for which staff is seeking direction from the Commission. He stated that staff be directed to return next month with the appropriate resolutions to implement that option.

Commissioner Moorlach presented his recent activities and summarized his progress on the reorganization and related projects. He stated that he has met with the leaders of the Cities of Newport Beach and Costa Mesa. He added that he has been working mainly with the City Manager of Newport Beach, Allan Roeder, Assistant City Manager of Newport Beach, Dave Kiff and Barbara Venezia from the Santa Ana Heights Project Advisory Committee (PAC). He stated that the objective of the meetings was a global resolution for the area.

Commissioner Moorlach summarized his office's activities and proposed actions for the area. He stated that in a more recent meeting, the City of Costa Mesa has requested to annex the northeast portion of Banning Ranch for access between 18th and 19th streets. **Commissioner Moorlach** stated that he did not get strong pushback from the staff of Newport Beach on this request; however in the last couple of days, city council members from Newport Beach have expressed concern regarding the request from Costa Mesa. He concluded that he would like the Commission to postpone their decision today regarding the West Santa Ana Heights annexation to next month. As the June's regular meeting is expected to be a full month, **Commissioner Moorlach** added that he is also open to the moving the item until the July meeting.

Chair Campbell asked if the Commissioners had any questions.

Commissioner Schafer stated that continuing the item to the July meeting seemed more realistic because of the June agenda and the difficulty of getting people together to meet and discuss the issues further.

Commissioner Susan Wilson asked if the cities take on the responsibility of maintaining regional parks, would that be an added expense for the city. She also asked what is the additional leverage being used in exploring alternatives for a global resolution. **Commissioner Moorlach** responded that the cities may experience additional expenses; however, he added that Costa Mesa is already managing Fairview Park and if there are any additional costs, they may be minimal. **Commissioner Moorlach** added that in regards to additional leverage that there are many moving parts that provide incentives towards a global solution. **Commissioner Susan Wilson** asked if the decision recently made by the Board of Supervisors regarding the redevelopment project area could have served as an incentive for the cities to work together. **Commissioner Moorlach** responded that it might have but the redevelopment project for this area was nearing the end of its life and under legal direction, the County was advised to move forward on closing the redevelopment activities.

Commissioner Withers added that the boundary issues between Costa Mesa and Newport Beach have been before the Commission for several years and he supports a global solution for the area. He commended **Commissioner Moorlach** for his leadership on the progress made. He added that he supported Commission postponement of its decision.

Commissioner Susan Wilson asked what areas, if any, Costa Mesa can develop in Banning Ranch. **Commissioner Moorlach** responded that this is the reason why Costa Mesa is requesting access from 18th and 19th streets. He added that this is the sticking point in current discussions.

Chair Campbell opened the public hearing for the item.

Reed Robinson, a resident of West Santa Ana Heights, thanked everyone involved for their hard work on the proposed annexation of West Santa Ana Heights. He asked for clarification on the proposed boundaries for the area as indicated by **Commissioner Moorlach**. Mr. Robinson added that the community has been held hostage by the project for some time and is concerned how the area is being divided up. He further expressed that if the area continues to be divided and annexed to both cities at various times, that the residents would eventually lose their opportunity to vote on future Commission actions.

The Executive Officer addressed Mr. Robinson's concern. She clarified that the community would have the right to protest.

Commissioner Moorlach clarified the proposed boundaries for Mr. Robinson.

MOTION:	**Continue the West Santa Ana Heights proposed reorganization and Banning Ranch Sphere of Influence Amendment applications to July 18th LAFCO Regular Meeting (John Moorlach)**
SECOND:	**Arlene Schafer**
FOR:	**Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers**
AGAINST:	**None**
ABSTAIN:	**None**

MOTION PASSED

Commissioner Withers requested that staff update the Commission on the progress of project at the June regular meeting. Staff responded that it would agendize an update for next month.

Commissioner Herzog thanked both cities for hard work and continued dialogue towards a global solution for the area. He added that he is looking forward to a solution embraced by both cities.

Chair Campbell stated that he would not be supportive of the Emerson tract being a contingency of this project.

8. PUBLIC HEARING

Item 8a. – Adoption of Proposed LAFCO Budget for Fiscal Year 2007-2008
Assistant Executive Officer Bob Aldrich presented staff recommendations for adoption of the final budget for FY 2007-2008. He reminded the Commission that this is the second step in the process and that the Commission approved the proposed budget in March. Following the first reading, staff distributed the proposed budget to the County, cities and special districts and received no comments. He concluded that staff recommended that the Commission adopt the final budget for FY 2007-2008 as shown in the staff report.

MOTION: **John Withers**
SECOND: **Arlene Schafer**
FOR: **Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers**
AGAINST: **None**
ABSTAIN: **None**
MOTION PASSED

Item 8b. – Municipal Service Review and Sphere of Influence for Orange County Sanitation District (MSR 06-54 & SOI 07-03)
Senior Project Manager Carolyn Emery summarized the findings from the Municipal Service Review and Sphere of Influence review for the Orange County Sanitation District.
Municipal Service Review (MSR). She stated that the MSR for the district was conducted through the stakeholder driven process and only involved a review of the district's services. She added that a consultant, Mr. Frank Dryden, was hired to provide the needed technical expertise for the MSR and to assist in the writing of the report. Senior Project Manager Emery stated that a draft of the MSR report was distributed to the district and member agencies for comment. No comments were received from the member agencies. She added that for eight of the nine determinations staff did not identify any significant issues. She summarized the governance structure options that were identified during the service review. Senior Project Manager summarized the findings of the district's sphere of influence review. She noted that the sphere map shown and included in the staff report would be amended to reflect the territory annexed to the district as a result of the Irvine Ranch Water District and Santiago County Water District consolidation approved by the Commission in 2006. **Commissioner Susan Wilson** requested that staff point out this area on the map shown.

Senior Project Manager Emery concluded that no significant issues were raised during the district's sphere review and recommended that the Commission receive and file the MSR and sphere review report and adopt staff recommendations.

Commissioner Schafer asked what special districts are served by Orange County Sanitation District. Staff responded that the district serves the Irvine Ranch Water District, Costa Mesa Sanitary District and Midway City Sanitary District.

Chair Campbell stated that he is supportive of OCSD annexing the remaining unincorporated areas within their sphere. He added that a blanket annexation of these areas would save property owners money and would improve their lives and the environment. **Chair Campbell** stated that he was surprised about information provided in the report as it related to local sewer service provision to the North Tustin area. He stated that he was briefed by the district approximately two months ago and the district indicated that they had found a way that they could eliminate the subsidy that exists in the area and would be increasing the rate to these retail users. **Chair Campbell** asked staff to follow up on this. He further stated that he has had discussions with the district regarding its desire to not provide local sewer service and an agreement has been arranged with the Irvine Ranch Water District to provide retail service to the Orange Park Acres unincorporated area. **Chair Campbell added** that the Irvine Ranch Water District is in the process of acquiring the Orange Park Acres Mutual Water Company which currently provides the local sewer service for the area.

Chair Campbell opened the public hearing.

Bob Chenowith, Senior Engineer, with the Orange County Sanitation District stated that the district has initiated annexation of the Lemon Heights and Cowan Heights area. He stated that there may be a little opposition from the Cowan Heights area. He added that the Irvine Ranch Water District continues to have meetings regarding the Orange Park Acres area.

Chair Campbell asked if he was correct that the district has found a solution to address the subsidy issue and rate increase for the North Tustin area. Mr. Chenowith responded that the district has put out a preliminary report to attempt to get some subsidy and is proposing a local sewer fee for this issue.

Mr. Chenowith commended the Commission on the district municipal service review and added that district's comments were taken into serious consideration. Mr. Chenowith added that district would like to see the role of the County in the unincorporated areas addressed.

Commissioner Herzog asked for clarification that the district is hoping to fix the currently $1 million subsidy that exists in North Tustin. Mr. Chenowith responded that is correct.

Commissioner Herzog asked why there is opposition to annexation from the Cowan Heights area. Mr. Chenowith responded that the district has done outreach meetings in this area and the opposition is mostly from longtime residents. He added that there has been some progress and it will be sent to LAFCO once things area ironed out with the community. **Chair Campbell** added that the costs of putting in sewers in this area are also of grave concern to the residents. Mr. Chenowith added that they are also looking into additional ways to save the property owners money.

Commissioner Moorlach asked what current laws are in place that encourage the elimination of septic tanks. **Commissioner Withers** responded that the Santa Ana Regional Quality Control Board has a very aggressive program to try and phase out the use of septic

tanks. **Commissioner Herzog** stated that the failing of septic tanks was a sticking point in the report and because these areas are within County jurisdiction, this subjects the County to liability issues. He asked if there is anything that could be done to address this issue. **Chair Campbell** responded that the County is requiring if a property owner is adding more than 400 square feet to their home, they must find a way to connect to sewer.

Executive Officer Crosthwaite stated that the blanket annexations to OCSD are in progress and it is a more efficient process.

MOTION:	**Approve staff recommendations for the Orange County Sanitation District Municipal Service Review and Sphere of Influence Review (Bill Campbell)**
SECOND:	**Bob Bouer**
FOR:	**Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers**
AGAINST:	**None**
ABSTAIN:	**None**

MOTION PASSED

Item 8c. – Municipal Service Review and Sphere of Influence for Municipal Water District of Orange County (MSR 06-30 & SOI 07-04)

Executive Officer Joyce Crosthwaite stated that staff received a request from M WDOC to continue consideration of this item to June meeting. She added that the request was filed because many of the staff are attending the ACWA conference this week.

Chair Campbell opened the public hearing and there were no comments.

MOTION:	**Continue the Municipal Service Review and Sphere of Influence for the Municipal Water District of Orange County to June 2007 LAFCO regular meeting (John Moorlach)**
SECOND:	**Arlene Schafer**
FOR:	**Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers**
AGAINST:	**None**
ABSTAIN:	**None**

MOTION PASSED

Commissioner Withers recognized the presence of the district's General Manager, Kevin Hunt, and thanked him for attending. He added that he is encouraged by the movement on the related issues and that all parties have agreed to a facilitated process that will hopefully generate a good outcome for all parties.

Commissioner Susan Wilson asked if a facilitator has been identified. Executive Officer Crosthwaite responded that she and the District have had some discussions and are near a decision on the facilitator.

9. COMMISSION DISCUSSION AND ACTION

Item 9a. - LAFCO Audit Policies
Assistant Executive Officer Aldrich stated that at the March meeting the Commission directed staff to bring back the audit policy for further consideration by the Commission. He added that the audit policy allows the Commission to keep an auditor for five years and that the current auditor, Moreland and Associates, has been used for the past five years. Assistant Executive Officer stated that the Commission does have a contract with Moreland for a sixth year should the Commission elect to exercise that option at a fixed cost of $6K. He added that staff is recommending that the Commission approve this option based on strong performance of the firm and the fixed cost opportunity.

MOTION: **Approve staff recommendations exercising the option in LAFCO's current audit contract to use Moreland & Associates for the FY 2006-2007 LAFCO audit (Peter Herzog)**
SECOND: **John Withers**
FOR: **Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers**
AGAINST: **None**
ABSTAIN: **None**
MOTION PASSED

Item 9b. – Change in June 2007 LAFCO Meeting Date
Chair Campbell stated that the 13th and the 20th are potential dates for the meeting change in June. He added that the 13th is County's budget hearing and would prefer the 20th.

MOTION: **Change date for June LAFCO regular meeting from 13th to 20th (Bill Campbell)**
SECOND: **John Moorlach**
FOR: **Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers**
AGAINST: **None**
ABSTAIN: **None**
MOTION PASSED

Item 9c. – CALAFCO Annual Conference
Executive Officer Joyce Crosthwaite stated that the annual CALAFCO conference will be held at the end of August in Sacramento and staff needs information within the next two weeks on who will be attending to begin making travel arrangements. She added that staff also needed any Commissioner nominations for CALAFCO awards. Executive Officer Crosthwaite stated that Wednesday evening at the conference is open and she is proposing that Orange LAFCO hosts a reception for the Orange County legislative delegation. **Chair Campbell** added that this was a good suggestion and supported staff's proposal.

10. Commissioner Comments

Commissioner McCune commented on the analysis included the Commission's packet regarding completion of municipal service reviews and sphere of influence reviews by the statutory deadline. She added that Orange County LAFCO is not in trouble and we are in the forefront and inquired about how other LAFCOs are fairing. **Commissioner Herzog** responded that because many LAFCOs used the checkbox approach to MSRs that most seem to be in good shape. He added the extended deadline from the legislature to get these done was helpful.

Commissioner Charley Wilson thanked staff for doing a great job in planning and hosting of the staff workshop in Newport Beach.

Commissioner Moorlach reported on his recent activities with the Rossmoor community. He mentioned that may our Commission or the County board could prepare a proclamation to Eric Christianson for his dedication and efforts in the community. **Commissioner Moorlach** asked for an update on County boundary issues for the northwest MSR. Executive Officer Crosthwaite responded that Senior Project Manager Emery is working on the boundary report and will be bringing to Commission in July along with the remaining MSRs for the northwest cities. She added that the MSR for the remaining south county cities will be presented at the same meeting.

Commissioner Schafer asked in CALAFCO nominations had to be submitted as a Commission or individually. Executive Officer Crosthwaite responded that the Commission approves the nomination and staff prepares the packet. **Commissioner Schafer** recommended that the Commission consider the nomination of Joyce Crosthwaite as outstanding Executive Officer. The Commission responded favorably.

Commissioner Susan Wilson stated that she spoke with some residents of Garden Grove that reside in an area adjacent to the Cities of Los Alamitos and Seal Beach. The residents are displeased with the services provided by the city and would like to detach from the city. **Commissioner Wilson** asked if there is some assistance we can provide. Executive Officer Crosthwaite responded that if **Commissioner Wilson** provides the contact information, she would be happy to meet with the residents.

Commissioner Herzog stated that the CALAFCO Board will be meeting this coming Friday and the issue of the legislation for environmental justice will be considered. He added that the CALAFCO legislative committee met last week and a "support-if-amended" position was recommended by the committee. **Commissioner Herzog** stated that he is aware of the Commission's position already taken on this bill and that it is his understanding that recommending a position with an amendment does not always get to the decision makers. **Chair Campbell** responded that if you get to the detail, you will see the "if amended"; however if you look at the list of who is in support or opposition, the position gets lumped under one or the other. He added that legislators mainly get to the detail in Committees, but not on the floor.

11. Information Items & Announcements
None

13. Closed Session
None

The meeting adjourned at 10:20 am.

BILL CAMPBELL
Chair
Orange County Local Agency Formation Commission

By: _____
Carolyn Emery
Senior Project Manager