

October, 2010

Economic Survival and Innovations in Governance

A Report from the Bay Area Counties

By Lou Ann Texeira and Mona Palacios with contributions from Bay Area LAFcos

The people of California have come to expect a certain level of service provision from their local government, and are becoming increasingly disillusioned and vocal about their concerns that *the job isn't getting done*.

While economic and financial market crises have dealt a severe blow to local government finances, both on the revenues and spending sides, some agencies are "thinking outside the box" to maintain adequate services levels for their residents.

Most local governments continue to endure the fallout of the subprime mortgage crisis and foreclosures, declines in property values and sales taxes and development related revenue, downturn in economic activity and high unemployment. Further, the impact of the financial market meltdown

has severely disrupted the municipal bond market which impacts borrowing and pension benefit costs.

The general consensus is that financial recovery will be slow, with government agencies at the tail-end of recovery. Local agencies in the Bay Area are dealing with financial stress in various ways. The Bay Area is composed of nine counties (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma),

101 cities and towns, and approximately 350 special districts.

In November, Bay Area voters will be asked to consider dozens of city, school and special district bond measures, parcel and sales taxes to support declining budgets. School districts, in particular, with few outside revenue sources, are increasingly turning to voters for bonds and parcel taxes to close State funding shortages.

In addition to bond measures and taxes, Bay Area cities and special districts continue to explore other means to address fiscal challenges. Here are a few highlights:

- * **Alameda** – Discussions are underway to explore merging a city and a parks & recreation district.
- * **Contra Costa** – LAFco continues to facilitate discussions regarding fire service fiscal and governance issues. The Mt. Diablo Health Care District is considering dissolution.
- * **Marin** – The City of Sausalito is exploring annexation to a neighboring fire district and transferring fire protection responsibility to the district.
- * **Napa** – Napa County and its five cities are discussing possible consolidation of government services; public safety services are the primary area of discussion.



ANNUAL CONFERENCE ISSUE

2010 Report to the
Membership

SOI Update Brings District
and County Together

Perspective on Tomorrow's
Reality for LAFcos

Set Your Meetings APART

News from LAFcos Around
the State

The Sphere

CALAFCO Journal

October, 2010

The Sphere is a quarterly publication of the California Association of Local Agency Formation Commissions.

BOARD OF DIRECTORS

Roger Anderson PhD, Chair
Susan Vicklund Wilson, Vice Chair
Jerry Gladbach, Treasurer
Sepi Richardson, Secretary
Bill Connelly
Mary Jane Griego
Kay Hosmer
Gay Jones
George Lange
Ted Novelli
Denise Rushing
Cathy Schlottmann
Allen Settle
Stephen Souza
Chris Tooker

CALAFCO Staff

William Chiat, Executive Director
SR Jones, Executive Officer
Lou Ann Texeira, Deputy Exec. Officer
Kate McKenna, Deputy Exec. Officer
Clark Alsop, Legal Counsel

To submit articles, event announcements, comments or other materials noteworthy to LAFCo commissioners and staff, please contact the Editor at 916-442-6536 or info@calafco.org.

The contents of this newsletter do not necessarily represent the views of CALAFCO, its members, or their professional or official affiliations.

1215 K Street, Suite 1650
Sacramento, CA 95814
916-442-6536

www.calafco.org

THE CALIFORNIA ASSOCIATION OF
LOCAL AGENCY FORMATION COMMISSIONS
CALAFCO

FROM THE CHAIR

Tomorrow's Reality for LAFCoS?



Roger Anderson
Chair, CALAFCO
Board of Directors

This will be the last column that I write as Chair of CALAFCO. Although I might use this space to discuss CALAFCO's activities of the past two years, I will not because Bill Chiat has already done this in his excellent annual reports published here and for last year's annual conference. Instead I will attempt to offer some thoughts about the issues that I believe will become ever more important for LAFCoS.

There are several trends that will shape future development in California. First is continued economic stress, with its concomitant reduction in revenue for public agencies. Second is a relentless increase in the cost of energy. Third are the certainties and uncertainties of climate change, and fourth is awareness that it is important that all residents have access to health and safety services. In one page of *The Sphere* I probably cannot adequately treat such a broad range of topics, but here's a try.

1. Economic Stress. Economic stress will continue to affect economic and physical development as well as public agency funding in the State for years, and LAFCo activities will have to reflect this reality. There are likely to be more annexation proposals where the goal is to increase city or special district revenue. This will inevitably result in some or much conflict with the county or other agencies. However the large amount of vacant commercial, warehouse, and office/industrial space that is available in some localities will greatly impact development scenarios. LAFCoS will often have to act as mediators when these predictable conflicts arise.

Economic stress will also result in the bankruptcy of special districts, cities, and even counties.

Whether the financial problems are caused by bad investments, excessive debt, pension liabilities, or the fact that residents can simply not pay the requisite taxes or fees, LAFCoS may have to act as an "emergency room" where triage may result in saving or losing the patient.

Also I expect that LAFCoS will have to assume some role in the activities of redevelopment agencies within the next five years. There was an attempt to assign RDA oversight to LAFCo this past year. Although no bill passed the legislature, the lack of oversight of RDA activities remains an issue.

2. Growth and Transportation

The price of oil has increased by about a factor of four (in nominal dollars) in the past 11 years. Since the annual global oil production has been essentially flat for the past five years and hopefully will remain at least flat for more years, the increasing global demand (yes even in this weak economy) will produce continued increases in energy prices. Why will this affect LAFCo? There are several reasons: Commutes will become more expensive, so homes far from jobs or services will be less desirable. In the less densely populated regions of the State, large regional stores or shopping centers will lose their advantage over more local competitors. There are likely to be more applications to LAFCoS for "planned" or smart growth communities where housing, commercial and employment opportunities are tied together with

continued on next page

Tomorrow's Reality

Continued from page 2

effective public and private transit. Internet shopping will increase which will complicate development choices. Also with electricity price increases, homes in the warmer regions of the state will become much more expensive to keep cool in the summer. The increase in oil prices will also greatly favor communities with high speed train service over communities that must rely on airplane transportation. I see this as a real stimulus to development in the rural parts of the State that will be served by fast train service. Communities that are presently fighting the high speed train routes are likely to lose out to communities that welcome the new trains.

3. Climate Change. Climate change will also influence LAFCo activities. Although the precise influence of climate change on water supplies is not known, there will be effects. However there is no doubt that warming of the earth is increasing the rate of glacial ice melt. This will increase sea level over the next 50-100 years to levels that cannot be ignored. This effect of climate change will force LAFCOs in coastal and the Sacramento River delta to become aware of the problems. Inundation of built up coastal regions, as well as submerged of river levees, will have significant impacts on LAFCo decisions.

4. Health and Safety. The importance of the health and safety of all Californians will also affect LAFCo decisions. More and more annexations will be configured to find ways to offer adequate services to less advantaged neighborhoods. The recent Tulare LAFCo work to annex the Metheny Tract south of the city of Tulare is an inspiring example.

Thank you for the opportunity to serve as CALAFCO Board Chair.

FROM THE EXECUTIVE DIRECTOR

Set Your Meetings APART

Five Simple Strategies

In their book *Better Business Meetings*, Robert Nelson and Peter Economy report that professionals in the United States spend about 61.8 hours per month in meetings, and their research indicates that 50% of that meeting time is wasted. That's 31 hours per month in unproductive meetings, almost four days! A *New York Times* study found that 75% of the respondents reported that their meetings could be more productive.

Meetings are a fact of work life ... and can be an important tool to get work done. It's possible to set your meetings APART by employing five key elements of effective meetings. Whether a staff meeting, meeting among agencies, or a public meeting, I have found that using these five strategies will ensure the time spent in the meeting is productive and effective.

1. Agenda. Always prepare an agenda. The more specific, the more likely people will focus on the task at hand. Include: 1) specific topics to be discussed and, if needed, a one-sentence description; 2) objective or outcome expected (i.e. decision, plan, list of options, shared understanding); 3) who is responsible to prepare and present each agenda item; and 4) amount of time allocated for each item.

2. Purpose. Meetings should have a clear purpose that requires face-to-face interaction of those participating: making a decision, evaluating options, problem solving, creating a plan, resolving conflicts and so on. Simple information sharing or activity updates rarely contribute toward meeting productivity. Consider using e-mail or other written



Bill Chiat
Executive Director

dissemination of this type of information and cut it from the agenda. Use meetings to take advantage of the wonderful resources of those gathered to advance the group towards its goals. If there isn't a clear purpose or expected outcome to the meeting, maybe it should be cancelled. Don't hold a meeting just because it's on the calendar. And if "updates" are necessary, distribute them in a written form or at the very least put them at the end of the agenda.

3. Attendees. Make sure the right people are invited and have confirmed they will attend. If a decision is expected, make sure the decision-makers are there along with those who will be affected by the decision. If

Agenda

Purpose

Attendees

Record

Timely

information will be discussed, make sure those with the data are there and they are prepared to present the information.

A lot of meeting time is wasted when a group must repeat the meeting because the required people were not there or the right material was not available. It's often better to reschedule a meeting than hold it without the right people.

4. Record. A study done by the *Seattle Post Intelligencer* found that 59% of the respondents said no minutes were taken of their meetings, and 56% said the action items were not documented. How often have you participated in a meeting where no one could remember a previous decision or who was responsible for an action? The

Continued on page 11



TRACKS Around the State

News and Best Practice Tips

Formation of the Coalition of California LAFCos

A new organization known as the Coalition of California LAFCos (CCL) was formed on June 18, 2010, to foster collaboration among commissioners and staff – and to provide an educational, legislative, technical, and training resource tailored to the needs of the Southern California region. After meeting on an informal basis for several years, the organization decided to formalize its existence by adopting bylaws and establishing a regular meeting schedule. The Coalition represents the interests of the six LAFCos comprising Los Angeles, San Bernardino, Riverside, Orange, San Diego, and Imperial counties.

The group holds monthly board meetings throughout Southern California. CALAFCO Executive Director Bill Chiat and board members Roger Anderson (Santa Cruz LAFCo) and Susan Vicklund-Wilson (Santa Clara LAFCo) met with CCL members in Los Angeles earlier this year to welcome the new organization and to discuss CALAFCO's recent mail ballot initiative. Both the ballot proposal and the visit from CALAFCO officials were warmly received by CCL members.

CCL has been very active in commissioner and staff development in 2010. Staff workshops devoted to proposal processing,

records management, Geographic Information Systems, local agency finance and budgeting have been held within the past year. CCL also held a first ever summit from June 17-18 at the Lake Arrowhead Resort. It was at the Summit where bylaws and the formal launching of the organization took place. The Summit featured guest speakers and presentations geared for commissioners and staff.

Current CCL officers include Andy Vanderlaan, Chairman (San Diego LAFCo); James Curatalo, Vice Chairman (San Bernardino LAFCo); Peter Herzog, Secretary (Orange LAFCo); Stephen Tomanelli, Treasurer (Riverside LAFCo). Staff responsibilities rotate among member LAFCos. The outgoing CCL Executive Officer is Kathy Rollings-McDonald and the incoming staff are Mike Ott (San Diego LAFCo), George Spiliotis (Riverside LAFCo), and Harry Ehrlich (San Diego LAFCo).

Submitted by Mike Ott, San Diego LAFCo

Ventura LAFCo Selects Special District Member

Ventura LAFCo is pleased to announce that **Elaine Freeman** was selected by the Ventura County Special District Selection Committee to serve as a special district member of LAFCo beginning July 2010.

Ms. Freeman is the chair of the Rancho Simi Recreation and Park District and has served on the District's board of directors since 2003.

Submitted by Kim Uhlich, Ventura LAFCo

Promotion, Court Decision and Special Recognition Highlights at San Diego LAFCo

On September 13, 2010, **Shirley Anderson** was promoted to Assistant Executive Officer of the San Diego LAFCo. Shirley joins a small group of staff that previously served in this capacity, including Peter Detwiler, Mike Gotch, and Mike Ott. Prior to the promotion, she served as the Commission's Chief of Policy Research.

Another recent action taken by the San Diego LAFCo involves its decision to file a petition with the California Supreme Court appealing the Fourth District Appellate Court's decision on a controversial city annexation proposal. The Appellate Court reversed a Trial Court decision that sanctioned the San Diego LAFCo's decision to deny an annexation to the City of El Cajon. **Holly O. Whatley** of Colantuono and Levin, PC has been representing the San Diego LAFCo on this case since 2006.

The case also received the attention of CALAFCO earlier this year, causing CALAFCO to file an Amicus Curiae brief on behalf and in support of the San Diego LAFCo.

Other news in San Diego involves its Special Legal Counsel, **Michael Colantuono**, who was named the California State Bar's 2010 Ronald M. George Public Lawyer of the Year. Colantuono has served as the San Diego LAFCo's Special Counsel for five years.

Submitted by Mike Ott, San Diego LAFCo

OC LAFCo Takes It to the Streets

2010 Strategic Plan: For the 15th consecutive year, OC LAFCo conducted its annual Strategic Planning session in August to allow the Commission and staff an opportunity to jointly develop its work plan and project priorities for FY 2010-11. This year's theme was "*The New Normal*" and focused on how dire economic times have forced counties, cities, special districts and LAFCo to do more with less.

LAFCo's focus in the next year is to serve as a resource for our member agencies through three initiatives: 1) communication, 2) shared services/resources and 3) leadership. A large component of this year's strategic plan was based on a series of video interviews conducted by LAFCo staff of local and state leaders on our current economic crisis and LAFCo's ability to make a difference. You can view them on our website: www.oclafco.org. Click the 'About LAFCo' link, 'Strategic Plan' and '2010 Video Interviews.' We are particularly proud of our Public Participation video which takes LAFCo *to the streets* to get the public's impression of OC LAFCo.

Best Practices: In November of 2008 OC LAFCo reaffirmed the Municipal Service Reviews and Sphere of Influence updates for the cities and districts in Orange County. While these do not need to be revisited until 2013, Orange County LAFCo has continued to support the intent behind the MSR mandate. In the Commission's effort to continue moving forward with innovative approaches to service provision, staff was directed to regularly highlight specific best practices used by Orange County agencies. The "Best Practices" updates soon became a component of Orange LAFCo's MSR program which complements the Commission's traditional stakeholder driven process. During FY 2009-10 OC

LAFCo received four best practices updates: energy efficiency audits, school district boundary reports, demographic projections and city and special district financial indicators.



Building the Team at OC LAFCo

South County Governance Study: The southern portion of Orange County contains four developed unincorporated communities (Coto de Caza, Las Flores, Wagon Wheel and Stonecliffe) and is one of the last areas not located within a designated city SOI. All four receive services from the County. Service levels for police, traffic patrol and code enforcement are generally below the levels provided by surrounding cities. Concerns from residents and the County Supervisor (and LAFCo commissioner) representing this area – **Patricia Bates** – prompted LAFCo to direct staff to form a Working Group and conduct a governance study for this area to identify viable, long-term governance options for these communities. A consultant-prepared fiscal study determined projected revenues and expenditures for three governance options: 1) status quo, 2) annexation to the adjacent City of Rancho Santa Margarita, and 3) continuing under County governance but enhancing services by establishing a County Service Area or Community Services District. This project represented a significant success because the process allowed for all affected parties to talk together, better understand each other's perspectives, and plant seeds for ongoing discussion of governance issues in this area. It

also laid the groundwork for ongoing discussions between the City of Rancho Santa Margarita and the County regarding the possibility of contracting for specific services as an interim step to improve service levels for the residents in this area.

Sunset Beach: A sleepy, picturesque unincorporated beachfront community with lots of character nestled between the Cities of Huntington Beach and Seal Beach. Paradise, right? Well, for the last 105 years Sunset Beach has indeed been a hidden jewel for its passionate, long-time residents. The County's costs of providing services to this area, however, have skyrocketed in recent years making it necessary to consider alternative long-term governance options. Residents filed an incorporation application to form their own city of 1,400 and protect their unique identity and history; the adjacent City of Huntington Beach has filed a competing application to annex the area and make it part of "Surf City." The swords have been crossed; the players have staked out their positions. As of this writing it looks like annexation has the edge but, as you know, nothing is final until the C of C is signed. Stay tuned.

Broadway/Thistle: The unincorporated Broadway/Thistle area is part of a much larger southwest Anaheim unincorporated island (496 acres). In 2005, the City of Anaheim initiated an annexation of the entire island which was subsequently approved by OC LAFCo but later terminated by a majority protest (55%) of registered voters. Many residents later contacted LAFCo with continued interest in annexation. Over the last two years, LAFCo staff, the City of Anaheim and the County have formed an annexation team to assist interested residents in the annexation of individual parcels. As a result of this effort, over 100 residents have filed annexation applications with LAFCo.

Submitted by Bob Aldrich



Dear CALAFCO Members:

The CALAFCO Board of Directors is proud to report on the progress of the Association over the last year. 2010 was a watershed year for CALAFCO. Beyond the continued level of services to member LAFCoS, the year was highlighted with the overwhelming support for the amendments to the Bylaws to improve how members are elected to the Board of Directors. The year was also marked by successful efforts in the legislature, well-received annual conference and staff workshop, and a continued solid financial footing. We are also pleased to report that all 57 member LAFCoS renewed their membership for 2010-11. In this report we highlight the activities of the last year and look a bit into the future.

Our achievements are the result of the dedicated efforts of the many volunteer LAFCo staff from around the state who contribute their time and expertise. The Board is grateful to the Commissions who support their staff as they serve in the CALAFCO educational and legislative roles on behalf of all LAFCoS.

MEMBER EDUCATIONAL SERVICES

Staff Workshop and Annual Conference

CALAFCO continued its tradition of quality, educational programs with the 2010 staff workshop in Santa Rosa in April and the annual conference in Palm Springs. The workshop was hosted by *Sonoma LAFCo* and the staff created an exceptional program for the 91 people who attended. From the mobile workshop which focused on sustainable practices in agriculture and open space to sessions on fringe communities,

CEQA, budgeting and accounting, and the property tax exchange process – the workshop had sessions for all staff.



General Session at the 2010 Staff Workshop in Santa Rosa

Riverside LAFCo is the host of the 2010 Annual Conference in Palm Springs. Over 250 LAFCo commissioners and staff are expected at this annual meeting and educational seminar. The Riverside staff along with LAFCo staff from around the state created a program that highlights LAFCo’s role in assuring effective municipal services, effective LAFCo procedures,

legislative issues, and provides valuable networking opportunities for commissioners and staff.

The Association has worked to avoid increasing registration fees and to negotiate favorable hotel rates to keep CALAFCO educational activities as economical as possible. Registration fees have remained the same for five years. CALAFCO is also able to offer professional certification credit hours for planners and attorneys at little or no cost to the individual or LAFCo.

CALAFCO University

CALAFCO U continues to provide courses to meet the continuing education needs of LAFCo staff and commissioners. Recent courses included:

- ◆ *Local Government Finance* (Los Angeles)
- ◆ *Fire Service Challenges and Cooperative Solutions* (Santa Rosa)

Eighty four individuals attended the courses. The Fire Service course is in high demand. We have already offered it twice, and a third session is



planned for Modesto on 5 November, 2010. Courses were attended by LAFCo staff and commissioners, CALAFCO associate members, and staff from local agencies; particularly fire agencies.

All classes provide important information and opportunities for dialogue on critical LAFCo issues. Course fees not only offset the costs of the classes but help fund other educational activities of the Association. For members unable to attend the courses, materials for many classes are made available on the website. CALAFCO U is accredited to provide AICP continuing education credits for certified planners.

Thank you to *Joyce Crosthwaite* (Orange LAFCo) and *Kate McKenna* (Monterey LAFCo) for organizing these courses. We also appreciate the LAFCo staff, associate members and other experts who share their expertise by serving as instructors.

The Website

The CALAFCO web site (www.calafco.org) provides a rich resource to members and others interested in LAFCo issues. The site continues to receive over 6,700 visits per week with visitors looking at a wide range of materials. Most popular items include the Cortese-Knox-Hertzberg Act text, legislative reports, various



reports on the resources page, and materials from past conferences and workshops.

Other popular destinations include LAFCo-related court decisions and attorney general opinions, Association documents, and the Forms Library that was established last year. Because of the high demand for the site and the extensive information it contains, CALAFCO has embarked on a project to redesign and upgrade the web site. A search feature, easier to use drop-down menus, new graphics and a better organization will be features of the new site.

The List-Serves for staff, clerks and counsel discussions remain popular and serve to foster the sharing of information and resources.

LEGISLATIVE SERVICES

Legislative Agenda and Committee

The Board reviewed and revised the Legislative Policies in 2010 which guide the Association's Legislative Committee. The Committee met regularly during the session to propose and review legislation which affects LAFCos. The Committee advanced a broad legislative agenda in 2010 and brought success to all of the legislative efforts sponsored or supported by CALAFCO.



Due to our efforts to help solve problems and resolve issues constructively, CALAFCO continues to be a sought-after resource to legislative committees, members and staff, and to state agencies. Those activities included working diligently on AB 853 (Arambula) to craft a bill that was more aligned

and consistent with LAFCo processes. While ultimately CALAFCO did not support the bill, our efforts significantly improved it and resulted in having most of the concerns we raised addressed in the legislation.

2011 begins a new two-year session and we anticipate significant legislative activity next year that will demand CALAFCO's continuing attention. The Legislative Committee has identified a number of legislative projects it has already begun to address in anticipation of the new session. Among the projects are:

- ◆ Review, update and expand the definitions in Cortese-Knox-Hertzberg
- ◆ Modification of the sphere of influence process and timing based on current practice and needs for regional transportation plans
- ◆ Follow up on the white paper on protest provisions with a legislative proposal to consolidate and simplify protest provisions in CKH and bring greater consistency to the provisions
- ◆ Examine potential for expanding §56133 out-of-agency service authority

The positive results of the Committee's efforts in producing new legislation and avoiding bad legislation would have been impossible without the leadership of Committee Chair *Bill Chiat* and Vice Chair *Harry Ehrlich* (San Diego LAFCo) along with the volunteer efforts of the 20 LAFCo staff, counsel and board members who serve on the Committee and who have been critical in crafting legislation, providing recommendations to the Board on legislative issues and supporting the legislative process.

ASSOCIATION MANAGEMENT

CALAFCO Board Election Process Improved

For over a year the Board worked through a process to find a more representative and balanced method to elect the Board of Directors. The goal was to ensure a more balanced Board that reflects the diversity of interests and viewpoints from around the state. In May the Board sent a recommendation to the membership for its consideration.



CALAFCO Regions for Board Elections

The membership overwhelmingly approved the set of recommended Bylaw amendments. Board members will now be elected from four regions rather than at-large. The Board size was also increased by one seat to 16 members. Each region will elect a city, county, district and public member to the Board. It is hoped this will result in a stronger Board that better represents the diverse interests and needs around the state. The new process will take effect at the CALAFCO Annual Meeting during the 2010 Annual Conference in Palm Springs. The Board agreed to place all sixteen seats up for election. In order



to create staggered terms, half will initially be one-year terms and half will have initial two-year terms. Subsequent terms will all be two years.

Financial Management and Policies

The Association continues to stand on a strong financial base and is in compliance with all state and federal rules which govern not-for-profit organizations. The Board continues to maintain policies and current filings to meet all federal and state requirements for 501(c)(3) organizations. The CALAFCO Policies Manual, IRS Form 990 and other key association documents are available in the members section of the web site. The Association also maintains its records with the national non-profit reporting organization GuideStar (www.guidestar.com). In 2010 CALAFCO earned the GuideStar Exchange seal in recognition for its transparency in documentation.

2010-11 Budget

The Board has managed the financial resources of the Association closely. For the second year in a row the Board voted not to increase member dues as allowed in the Association Bylaws.

The CALAFCO adopted budget for 2010-11 had only minor changes from 2009-10. The budget shows total income of \$380,171, about 2% more than the prior year. This is due primarily to a higher carryover in funds. Total expenses for 2010-11 are \$357,762 or about 3% less than the previous year budget. The budget includes expenses for upgrading the CALAFCO web site and funds for research white papers to be conducted during the year. The budget is balanced and does not tap any of the reserve funds; in fact it added additional funds to the reserve. These additional funds

resulted in large part because of the sponsorships at the conference and workshop, and careful management of conference and workshop expenses. Because of this, the Board has been able to maintain and enhance member services without a dues increase for the past two years.

Restricted Fund Reserve

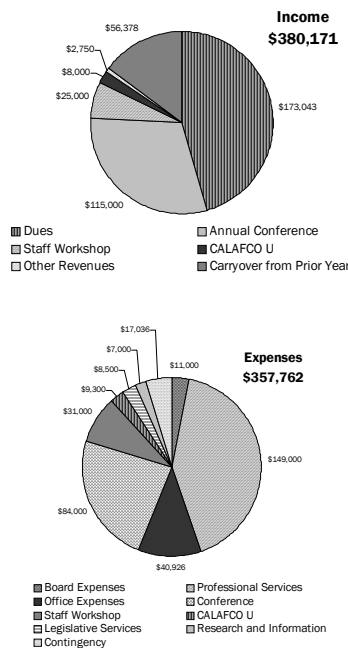
Since 2005 the Board has had a goal to grow and maintain a fund reserve, which will support member services in uncertain economic times and avoid the need to tap members for additional funds as the Association has had to do in the past. With an initial goal of 35% of non-conference operating expenses, the reserve is currently at \$100,754, about 44% of the annual operations budget outside of the conference and workshop. The increases resulted from financially successful conferences and prudent management of the Association's resources.

The fund reserve is not part of the annual budget and requires a vote of the Board for use of any of its funds. The Association has not used the fund reserve since the early 2000s. The Association maintains much of its funds with the Local Agency Investment Fund (LAIF). While the interest rate has remained low this year, the Association has not lost any of the principle in its savings or investments.

All financial records are reviewed quarterly by an outside CPA with reports to the Board. The Board reviews the annual IRS Form 990 tax filing at its last meeting of the calendar year.

Finally we want to recognize the outstanding leadership of executive director **Bill Chiat** and executive officer **SR Jones** (Nevada LAFCo). Added to that is our appreciation for all the contributions of executive assistant **Jamie Szutowicz** in the CALAFCO office, deputy executive officers **Lou Ann Texeira** (Contra Costa LAFCo) and **Kate McKenna** (Monterey LAFCo), and Legal Counsel **Clark Alsop** (BB&K). These people, along with many other volunteers, associate members, and the members of the Board have all worked together this year to bring many achievements and a strong organization to you and the Association.

Sincerely Yours,
The CALAFCO Board of Directors



Economic Survival and Innovations in Governance

Continued from cover

- * **San Francisco** – LAFCo is working with the San Francisco Public Utilities Commission to create a community choice aggregation electricity program to provide more local control and a greener mix of energy to residents than what the current provider is able to offer.
- * **San Mateo** – The City of Half Moon Bay is exploring governance options including bankruptcy and disincorporation. The City of San Carlos recently voted to dissolve its police force and begin the steps to outsource law enforcement services to the San Mateo County sheriff's office.
- * **Santa Clara** – LAFCo recently published a countywide fire service review which contains several ideas for how various functions in a fire service delivery model may be consolidated. South County agencies are actively looking into ways to consolidate fire services. The region is currently served by one city fire department, one fire district and another fire district contracting with CalFire for service – each relying on automatic aid to fully meet their service goals. With city budgets taking a big hit, there is interest and incentive for considering more efficient models.
- * **Solano** – Several governments are looking at gaining efficiencies through partnerships.
- * **Sonoma** – The City of Sonoma contracts with the County sheriff for police services, and the City of

Sonoma and the Valley of the Moon Fire Protection District approved a joint powers agreement for fire services known as the Sonoma Valley Fire and Rescue Authority. The City and District are considering forming a Special District and a study is under way.

It is anticipated that local agencies will continue to operate in a financially distressed environment for the next several years. In response to these financial challenges, some local agencies are looking to the voters for new revenue; some are implementing strategies to make better use of existing resources; and others are looking at alternatives to traditional service models.



The LAFCo Municipal Service Review (MSR) process provides an opportunity to identify different service models. As some LAFCos conduct their second round MSRs, alternative service models, such as inter-agency contracts, joint powers agreements, public-private coalitions, consolidations and mergers, may prove to be desirable governance options.

While LAFCos cannot solve the fiscal challenges, we can promote efficiencies and facilitate cooperation and coordination among local agencies.

Lou Ann Texeira is Executive Officer of Contra Costa LAFCo and CALAFCO Deputy Executive Officer. Mona Polacios is Executive Officer of Alameda LAFCo.

CALAFCO TRIVIA Think Outside the Box

- *What does “think outside the box” mean? Think creatively, unimpeded by orthodox or conventional constraints.*
- *When did the phrase originate? In the USA in the late 1960s/early 1970s. Various authors from the world of management consultancy claim to have introduced it. We thought it was Michael Colantuono, but he’s too young.*
- *So, what’s this box? Turns out that rather than being metaphorical, the reference was to a specific box - in the form of a two-dimensional square. Sam Loyd’s Cyclopedia of 5000 Puzzles, Tricks, and Conundrums (With Answers), 1914, included a puzzle, known as the ‘Nine Dots Puzzle.’ The 60/70s management gurus who exhorted trainees to ‘think outside the box’ made their point by resurrecting the old ‘Nine Dots Puzzle’ as a test. Those of you who are familiar with the puzzle’s solution will see why.*

If you can't solve it, see Mona or Lou Ann for the answer.

HERE’S THE TEST: Link all nine dots using four straight lines (or less) without lifting the pen.



Sphere Update Brings County and CSD “Closer”

By David Church, Executive Officer, San Luis Obispo LAFCo

A Sphere of Influence Update is generally focused on the more commonplace issues of service capability and future land uses in the area. In the case of updating the Sphere for the Nipomo Community Services District, it turned out to be an excellent opportunity for the County of San Luis Obispo (the land use authority) and the District (public service provider) to clarify roles and intentions regarding the District’s Sphere of Influence.

To this end the County Board of Supervisors and District Board of Directors approved a Memorandum of Agreement (MOA) with provisions that clearly state what the Sphere of Influence means to each jurisdiction and how they would communicate in the future. Developing the agreement was important to both jurisdictions and LAFCo because the District and County showed a high level of commitment to achieve the goal of improving cooperation, and San Luis Obispo LAFCo valued the MOA as way to ensure a more cohesive and meaningful approach to the Sphere of Influence.

“The approved MOA is a great document that provides agreed upon standards and requirements but doesn’t supersede or limit the existing review authority or environmental review process of either jurisdiction.”

County Letter of Support

The Process. Developing the MOA was a process that involved numerous meetings with District, County and LAFCo staff, drafting and re-drafting the provisions of the MOA, and eventual approval by governing bodies. We started with the first MOA which was approved in 2004. This gave everyone some familiarity with the concept. San Luis Obispo LAFCo staff prepared agendas, facilitated and coordinated the meetings, and drafted and re-drafted the MOA for review by the District and County. The District and County enthusiastically provided edits and input that were discussed at meetings where the language was discussed and clarified. The result of this work was an increased ability to work together and an MOA that both jurisdictions could agree to at a staff level. The revised MOA was approved by the NCSB Board of Directors on June 23, 2010 and by the County Board of Supervisors at its July 13, 2010 meeting.

Memorandum of Agreement. The MOA more clearly articulates the commitments of both the County and District and identifies the process for evaluating future development. It is the intention of both jurisdictions that the General Plan be implemented as it currently exists. Neither jurisdiction intends for an increase in density to be caused by the Sphere of Influence. The District and County agreed the following key statements:

- ♦ Protection and management of the groundwater resource in the Nipomo Mesa Water Conservation Area is important for the future of the Nipomo community.
- ♦ Continued approval of development based on water service from mutual and private water companies does not encourage the efficient and effective management of the groundwater resource and makes management of the groundwater basin more difficult.
- ♦ Future development within the Sphere of Influence, as currently zoned in the South County Area Plan (Inland) adopted in 1994, is intended to be served by the District at such time when an adequate supplemental water supply to serve the development is available and delivered to the District’s storage and distribution system.
- ♦ The process of development within the District’s Sphere of Influence shall be accomplished in the following order: 1) the District is consulted through referrals on land use applications; 2) Land Use approvals and CEQA documentation are approved and certified by the County; and 3) Annexation application is submitted by the property owner or District for consideration and approval by LAFCo.

Outcomes. Several benefits are evident from this unique way of bringing together a CSD with public services and the County which has the land use authority:

1. The District and County will refer projects to each other on a routine basis to request input and feedback about a variety of issues and proposals.
2. Increased coordination between the District and County should led to a more solution-based decision making process that proactively addresses issues.
3. Clarifying the intentions of each jurisdiction with regard to approving future development and providing services to the Sphere of Influence. Improved working relationship that will result in a more coordinated and informed decision making process for both the District and County.

“Because of the competing interest between the District’s authority to manage water resources and the County’s Land Use authority within the SOI, developing a consensus on the boundaries and developing constraints within the SOI was no easy task.”

District Letter of Support

Continued next page

4. A Sphere of Influence that is more meaningful in terms of what annexations might entail and when those annexations might occur.

Maybe the most important outcome is the increase in the level of trust between the Nipomo Community Services District and San Luis Obispo County. If agencies can sit down and better understand each other's point of view, solutions to problems become more apparent. This type of solution-oriented relationship can help change the way jurisdictions approach each other and provide an opportunity for better decisions, less adversity and improved service to the public.

Set Your Meetings APART

Continued from Page 3

group then finds itself repeating the previous meeting. Always make a record of the meeting and distribute to all attendees within several days of the meeting. An effective record is brief and contains only the key information necessary. Typically a meeting record includes: 1) who participated; 2) brief summary of each agenda item, including key discussion points (if needed), and the outcome (decision, action items); and 3) summary of assignments (who, what, and by when).

5. Timely Start on time; end on time. If meetings start late, people come late. Make arriving on time a personal responsibility. Valuable meeting time is wasted when an earlier agenda item is repeated because someone arrived late. Update that individual after the meeting. Place most important items first on the agenda and least important items at the end. Watch the time during the meeting. Groups often designate a timekeeper to keep the meeting on track. Plan the agenda so the work can be accomplished in the timeframe allowed. It's better to drop an agenda item than let the meeting drag beyond the designated end time.

Pay attention to these five items and your meetings will stand **APART!**

END OF SESSION BRINGS FLURY OF ACTION

By Bill Chiat, CALAFCO Legislative Chair

The June issue of *The Sphere* highlighted bills which CALAFCO had an interest. As of this writing two of those remain on the Governor's desk for action (AB 853 and SB 894). Late in the session the City of Bell scandal broke and a flurry of bills were introduced which affect local agency compensation and retirement (AB 194, AB 827, AB 1987, and SB 1425). Four passed and may affect LAFcos or LAFco employees if signed into law. Also introduced late in the session was a bill to provide a short term solution to Williamson Act Subventions (AB 2530). Many bills died at the end of the session, including two that were watched by CALAFCO (AB 155 and SB 1174).

Compensation/Retirement Bills

Nine compensation and retirement bills were introduced. Several related to posting of compensation packages. The disclosure bills failed; however the State Controller issued requirements for compensation disclosure, and the Attorney General signaled his intention to introduce legislation to limit local agency compensation and benefits.

AB 194 (Torrico) – Specifies the maximum benefit paid to those retiring after 1 January 2011 shall not exceed a salary or payrate of 125% of the salary paid to the Governor effective 7 December 2009 and adjusted annually based on changes in the CPI.

AB 827 (De La Torre) – Prohibits local agency employment contracts after 1 January 2011 from including any clause that provides an automatic renewal or automatic compensation increase in excess of a cost-of-living adjustment. Requires local agencies to complete a performance review before an increase in compensation in excess of a cost-of-living adjustment may be given. It also specifies that those records and procedures conform to the requirements of law, including the Public Records and Brown acts. This bill affects LAFcos whether the executive officer is an employee or contractor.

AB 1987 (Ma) – Limits spiking of retirement benefits and double dipping effective 1 July 2011. Any change in salary or compensation for the purpose of enhancing retirement benefits may not be included in the calculation of an employee's final compensation. It limits calculation of final compensation to the average increase in compensation received in the final compensation period and two preceding years. It also provides that a person who retires after 1 January 2012 may not perform services for any employer covered by a public retirement system for a period of at least 180 days.

SB 1425 (Simitian) – Addresses retirement spiking and double dipping similar to AB 1987.

Williamson Act

The CALAFCO Board sent a letter to the Governor encouraging the continuation of the subventions to counties for WA lands, however the severe budget restrictions are making that unlikely. A broad coalition of environmental, agricultural and local government groups, including CALAFCO, created an interim solution until the state can again fund subventions. That temporary solution is contained in **AB 2530** (Nielsen) – Beginning 1 January 2011 and until 1 January 2015 it authorizes a county, in any fiscal year in which payments authorized for reimbursement for lost revenue are less than half the participating county's actual foregone general fund property tax revenue, to revise the term for new contracts and require the assessor to value the property based on the new contract. Allows a landowner to choose to non-renew and begin the cancellation process.

Bills that Failed

There were two bills that were of interest to CALAFCO and local agencies that failed in the last hours of the session:

AB 155 (Mendoza) – Local Agency Bankruptcy

SB 1174 (Wolk) – Sustainable Communities Pilot Projects

Please visit the CALAFCO website for information on these and other bills sponsored or supported by CALAFCO and signed into law.

The Sphere

CALAFCO Journal

CALIFORNIA ASSOCIATION OF LOCAL AGENCY
FORMATION COMMISSIONS

1215 K Street, Suite 1650
Sacramento, CA 95814

www.calafco.org



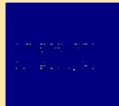
CALAFCO provides educational, information sharing and technical support for its members by serving as a resource for, and collaborating with, the public, the legislative and executive branches of state government, and other organizations for the purpose of discouraging urban sprawl, preserving open-space and prime agricultural lands, and encouraging orderly growth and development of local agencies.

Sharing Information and Resources

CALAFCO ASSOCIATE MEMBERS

We appreciate your support.

GOLD ASSOCIATE MEMBERS



SILVER ASSOCIATE MEMBERS

Baracco and Associates
Burke, Williams & Sorensen
Burr Consulting
City of Fontana
County Sanitation Districts of L.A. County
Dudek & Associates
Emergency Services Consulting, Inc.
ESA
Fresno County Fire Protection District
Incrementum
The Irvine Company
LSA Associates
Lamphier-Gregory

Christy Leighton
Michael Brandman Associates
Morgan Miller Blair
Pacific Gas & Electric
Pacific Municipal Consultants (PMC)
Policy Consulting Associates
Project Resource Specialists
City of Rancho Mirage
Rancho Mission Viejo
P. Scott Browne
Terrell Watt Planning
William D. Ross Law Offices

Mark your calendars for the **2011 CALAFCO Annual Conference**

August 31 - September 2

Silverado Resort and Spa
In the world-famous Napa Valley

