LOCAL AGENCY FORMATION COMMISSION
SPECIAL DISTRICTS ADVISORY COMMITTEE
DECEMBER 19, 2014 MEETING

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There being a quorum present, the meeting was convened at 9:30 a.m., by Chairman Tom Pocklington (Bonita-Sunnyside FPD). Attending were: **Committee Members** – Gary Arant (Valley Center MWD), Gary Croucher (Otay WD), Judy Hanson (Leucadia WWD), John Pastore (Rancho Santa Fe CSD), Augie Scalzitti (Padre Dam MWD), Janine Sarti (Palomar Health) (left at 10:40 a.m.), Dennis Shepard (North County Cemetery District), Terry Thomas (South Bay ID) and Kimberly Thorner (Olivenhain MWD). Absent were: **Committee Members:** Bill Haynor (Whispering Palms CSD), and Margarette Morgan (Vista FPD). Others Attending: Harry Ehrlich, LAFCO Consultant; Michael Ott, LAFCO Executive Officer; Tom Kennedy, General Manager, Rainbow MWD; Adriana Ochoa, Rainbow MWD Legal Counsel; and Brian Brady, General Manager, Fallbrook PUD.

Item 2
Approval of Minutes of March 21, 2014

ON MOTION of Terry Thomas, seconded by Kimberly Thorner, and approved unanimously by the Committee members present. The Committee dispensed with reading the March 21, 2014 minutes and approved said minutes.

Item 3
Consultant's Recommended Agenda Revisions

Harry Ehrlich indicated there are no revisions to the Agenda Items presented at today's meeting.

Item 4
Public Comment

There were no members of the public requesting to speak.

Item 5
Review Draft Fallbrook PUD/Rainbow MWD Reorganization Report

Harry Ehrlich indicated Michael Ott, LAFCO's Executive Officer will provide a PowerPoint presentation related to the Fallbrook Public Utilities District (PUD)/ Rainbow Municipal Water District (MWD) Reorganization Draft Report. Mr. Ott explained some of the LAFCO rules and the role of the Advisory Committee to the members/attendees. Before presenting this item, he requested any of the committee members who were present to indicate if they have are any conflicts and would like to abstain from voting on this Agenda Item. Gary Arant, Valley Center MWD, and John Pastore, Rancho Santa

Fe CSD, both members have conflicts and requested to abstain from voting on this item. Mr. Ott also requested input from the Committee after the presentation and informed them that their recommendations will be presented to the Commission.

Michael Ott presented an overview of the proposal initiated by Fallbrook PUD for a reorganization submitted to LAFCO. The reorganization involves dissolution of the Rainbow MWD; annexation of the territory within the Rainbow MWD to Fallbrook PUD; and expansion of Fallbrook PUD latent sewer powers authority to cover the Rainbow MWD's territory and associated sphere of influence and service review changes.

Mr. Ott indicated the two districts had previously operated under a prior cooperative Joint Powers Authority (JPA) in 2013. He informed the Committee that the reorganization was first initiated with LAFCO by the Fallbrook PUD's Board of Directors in March 2014 and then in April 2014 after a public hearing was held per Govt. Code Section 56824.12.

Mr. Ott summarized the LAFCO issues covered in the staff report. He stated, the LAFCO Preliminary Staff Report was distributed for extended public review until August 1, 2014, and 396 letters of opposition and 23 letters of support have been received since then. Mr. Ott informed the Committee that Rainbow MWD filed a Resolution of Objection with LAFCO.

Mr. Ott requested input from the Committee to assist LAFCO staff and the Commission in making an informed decision on whether to approve, disapprove, or modify the proposed reorganization. Mr. Ott also requested the Committee's advice on three subject areas: (1) Financial and Service Feasibility; (2) Proposed Governance Structure; and (3) Treatment of Rainbow MWD's Objections. The Committee was asked to address these three primary policy level issues and other issues deemed important.

Dr. Brian Brady, General Manager of Fallbrook PUD gave a PowerPoint presentation on the background of the joint reorganization study, JPA formed by the two agencies to reduce costs through functional consolidation and the eventual breakdown of the JPA in April 2014. Dr. Brady stressed that Fallbrook PUD was seeking to improve the service capability to the property owners and customers in the area and to reduce costs of capital and operations.

Tom Kennedy, General Manager of Rainbow MWD introduced Adriana Ochoa, Legal Counsel to Rainbow MWD who gave a short presentation of concerns for the process of reorganization and possible voter representation if the at-large election method were to be utilized. Mr. Kennedy then gave a PowerPoint presentation stressing local governance, representation and that no local government agency should be forced by another to be dissolved or taken over without its concurrence (the Rainbow MWD Board opposes the reorganization proposal). Mr. Kennedy agreed that the Fallbrook PUD Reorganization is financially feasible but indicated he could not identify what the extent of the savings would be from the analysis in LAFCO staff report.

Subsequent to the staff presentations, the Committee discussion was opened and on each of the three policy questions, comments taken:

1. a. Service summary and financial discussion, is the reorganization feasible? Dennis Shepard felt the reorganization is financially feasible; Kimberly Thorner and Gary Croucher concurred. Terry Thomas stated she has concerns whether all financial issues had been identified?

   b. Are there further financial issues that require further review? Other than Ms. Thomas' concern, none were identified.

2. a. If reorganization is approved, would a governing board of four elected by territory and three at-large be appropriate?

A majority of the committee stated support for a large board, probably seven or even nine, as a PUD with as many possible to be elected by territory area. Kimberly Thorner asked if it were possible for an alternative governance structure to be considered that would allow all members of the Board to be elected by territory area (division). Staff advised that this would be researched.

3. a. Regarding Rainbow MWD's objections, which have merit?

Most of the committee stated that the fundamental issues of operating cost savings and efficiency were valid and Rainbow MWD objections regarding costs were not substantiated. Dennis Shepard and Kimberly Thorner believed the analysis showed potential ongoing savings. Gary Croucher referred to prior efforts and savings of the JPA. Most felt that with more time, added savings areas might be identified.

   b. If majority of Rainbow's objections have merit, should LAFCO deny the proposal? None of the committee stated support for this concern. Terry Thomas stated concern that not just voters but "stakeholders" such as businesses and conservation groups be encouraged to review and give input to the proposal.

c. & d. Should the reorganization still be denied due to Rainbow's strong objections?

The majority of the committee stated support for the two organizations to continue discussions of their interests and concerns to see if a solution could be found benefitting both organizations. If savings can be verified this should be continued to be considered.

   e. If approved by LAFCO and a protest is submitted, should LAFCO require the election be held in both Fallbrook PUD and Rainbow areas, and counted separately or in the combined areas?

A majority of the committee stated support for the election to be held in both areas if the protest were in both areas; in one area if only a protest there. Several committee

members asked that this issue be further discussed and clarified if a solution to the objection is not identified.

f. If LAFCO approves the reorganization and a protest election is ordered, should the Fallbrook PUD be required to pay the related election costs? A majority of the committee stated support that the proponent, Fallbrook PUD, should pay all election costs. One committee member, Augie Scalzitti, asked that this issue be further clarified in the staff analysis.

At the close of the discussion, a strong majority of the committee stated their hope and expectation that the parties, including LAFCO, continue to hold discussions on possible alternatives and solutions to the proposal and objections.

It was stated by LAFCO staff that this issue may be brought back to the SDAC for an update, probably on February 20, 2015. Executive Officer, Michael Ott offered to convene a meeting of the Fallbrook PUD and Rainbow MWD to facilitate a compromise between the two districts.

The members present voted unanimously to concur with the comments made during the discussion on this item and for LAFCO to receive them.

Item 6
Selection of Chair and Vice Chair for 2015

The members present nominated Kimberly Thorner as the Committee Chair and Judy Hanson as the Vice Chair for 2015.

On motion by Gary Croucher and seconded by Dennis Shepard, and carried unanimously to approve the appointments of Kimberly Thorner as the Committee Chairperson and Judy Hanson as the Vice Chairperson for 2015.

Item 7
Consider Action to Nominate Two Persons to fill Vacancies for 2015

Harry Ehrlich informed the committee members that currently there are four vacancies that need to be filled. The Committee approved the establishment of a subcommittee: Tom Pocklington; Judy Hansen; and Augie Scalzitti to review and make recommendations to fill the existing vacancies. Gary Croucher requested consideration of the two existing alternate candidates.

There being no further business to come before the Special Districts Advisory Committee, it was noted that the next meeting is tentatively planned for February 20, 2015, if a meeting is to be held. The meeting was adjourned at 11:49 a.m.

Ruth Arellano
Administrative Assistant