



LOCAL AGENCY FORMATION COMMISSION
FOR LOS ANGELES COUNTY

MINUTES OF THE MEETING OF THE LOCAL AGENCY
FORMATION COMMISSION FOR LOS ANGELES COUNTY

JANUARY 9, 2002

HENRI F. PELLISSIER
CHAIRMAN

YVONNE BRATHWAITE-BURKE
LARRY CONNELLY
JAMES DIGIUSEPPE
CAROL HERRERA
CINDY MISCIKOWSKI
BEATRICE PROO
WILLIAM WENTWORTH
ZEV YAROSLAVSKY

ALTERNATE MEMBERS
HAL BERNSON
KENNETH I. CHAPPELL
RICHARD H. CLOSE
CRISTINA CRUZ-MADRID
DON KNABE
JERRY GLADBACH

STAFF
LARRY J. CALEMINE
EXECUTIVE OFFICER

SANDOR L. WINGER
DEPUTY EXECUTIVE OFFICER

JUNE D. SAYALA
EXECUTIVE ASSISTANT

Present: Henri Pellissier, Chairman
Yvonne Brathwaite-Burke
Larry Connelly
James DiGiuseppe
Beatrice Proo, Vice Chairman
Carol Herrera
Cindy Miscikowski
William Wentworth
Zev Yaroslavsky

Hal Bernson, Alternate
Kenneth I. Chappell, Alternate
Richard Close, Alternate
Jerry E. Gladbach, Alternate
Donald Knabe, Alternate
Cristina Cruz-Madrid, Alternate

Larry J. Calemine, Executive Officer
John Krattli, Legal Counsel

Absent:

The meeting was called to order at 9:00 a.m.

Pledge of Allegiance led by Commissioner Pellissier

Persons who made a contribution of more than \$250 to any member of the Commission during the preceding 12 months were asked to come forward and state for the record the Commissioner to whom such contribution was made and the item of their involvement. (None)

1 through 5

On motion of Commissioner DiGiuseppe, unanimously carried (Commissioners Burke and Yaroslavsky being absent), the Commission made a finding that there were no protests recorded against the proceedings, and took the following actions:

1. Adopt resolutions approving and ordering the following annexations:
 - a. Annexation Nos. 269 and 271 to County Sanitation District No. 14
 - b. Annexation No. 693 to County Sanitation District No. 21
 - c. Annexation Nos. 316 and 320 to County Sanitation District No. 26
2. Pursuant to Government Code Section 56886(b), order that the territory so annexed shall be subject to the payment of service charges, assessments or taxes as the County Sanitation Districts may impose.

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Public Financial Management Inc. represented by Mr. Craig Hoshijima, presented the Final Comprehensive Fiscal Analysis of the San Fernando Valley and Harbor Special Reorganization Areas.

[Commissioner Yaroslavsky in at 9:20 a.m.]

Commissioner Bernson questioned PFM whether the issue of a reverse alimony payment, from the City of Los Angeles to areas which had been paying out more in taxes than was received in services. Would the City be required to pay reverse alimony to the Harbor area? PFM deferred the question to County Counsel, who then responded that Cortese-Knox-Hertzberg does not sanction by law any payment from the City to subsidize an area that otherwise wouldn't be economically viable, nor does it provide for reverse alimony. County Counsel further clarified what is meant by revenue neutrality and why the reverse situation is not true. Commissioner Miscikowski inquired as to whether PFM had an opportunity to view a report, submitted by the City of Los Angeles to LAFCO,

[Commissioner Burke in at 9:28 a.m.]

detailing the "Stranded Costs" of the city and if these stranded costs taken into consideration in the Final Comprehensive Analysis. Mr. Hoshijima responded, while they had seen the report, it did not provide enough detail to do any analysis. There was no back up data detailing or providing a rationale as to how these costs would occur. Commissioner Miscikowski also asked if PFM done any projections beyond the three year transition period. Mr. Hoshijima replied, no they had not done any projections beyond the three years, as required by the government code. Commissioner Miscikowski pointed out that there were a lot of assumptions in the final comprehensive fiscal analysis regarding the viability of the special reorganization areas, with the Harbor being most at risk. The Executive Officer pointed out that there seemed to be some confusion.

To clarify, the Executive Officer urged the Commission to keep in mind that fiscal viability and revenue neutrality are two separate tasks the Commission is charged with analyzing. In the case of the Harbor area, the Executive Officer pointed out that while certain assumptions have been made, based on the City of Los Angeles' budget, the government code does not require the Commission to base their decision solely on that data. In fact, based on comparative data, it could be argued that in relation to the Harbor area, the budget data provided by the City could be a worst case scenario. Alternative service providers or the new city providing its own service could do so at a lower cost. The analysis of cities similar in size to the proposed Harbor city provides the basis for that assumption. Time constraints preclude an analysis of each specific item and we have to make some general assumptions.

At this time, Commissioner Pellissier expressed his pleasure with PFM in using an alternative analysis that provided an additional option for the Harbor area (to increase its viability). Commissioner Madrid had questions regarding the source of the comparative data and whether or not, PFM controlled for bond proceeds, assessments, utilities or enterprise funds. Dan Jordan of PFM replied, that it was a straight forward, general fund to general fund comparison and what revenue sources make up the general fund varies from city to city. Thereby, making a more detailed analysis, within the time frame allowed, made controlling for revenue sources difficult. He emphasized that he was aware of the situation and compensated by doing the analysis based on major revenue items.

Commissioner Yaroslavsky inquired as to whether the assumptions regarding Harbor revenues were made based on the Harbor in the new city? Did PFM make any assumptions based on the Harbor not being in the new city? Craig Hoshijima responded yes, but they hadn't broken out what impacts were involved if the Harbor were not in the new city. Secondly, Commissioner Yaroslavsky

asked the Executive Officer to address the issue of the stranded cost report from the City of Los Angeles and whether the Commission was legally bound to take the stranded cost issue into consideration during the decision making process, or was the city's stranded cost not necessarily the concern of LAFCO.

The Executive Officer deferred to County Counsel, who then responded that it is not a requirement under Cortese-Knox-Hertzberg that each and every fiscal impact be mitigated. Commissioner Yaroslavsky wanted to know what the implications of the City's position on stranded costs were to the Revenue Neutrality agreement. County Counsel indicated that the Commission did have the opportunity to approve the proposal, in spite of the City's stranded cost issue. There was discussion regarding asset and debt allocation as it related to stranded cost.

The following members of the public addressed the commission:

Jeff Brain, Valley Vote
Andrew Mardesich, Harbor Study Foundation
Charles Brink
Jim McQuiston

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On motion of Commissioner Yaroslavsky, unanimously carried, that the contract renewal with Burr Consulting was renewed at \$80.00 per hour for a period beginning March 1, 2002 ending February 28, 2003. The Executive Officer responded that the contribution Ms. Burr has made to the team has been invaluable throughout the entire process.

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On motion of Commissioner Connelly, unanimously carried the contract renewal with Public Financial Management Inc. was renewed for the period beginning March 1, 2002 ending February 28, 2003.

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The Executive reported on the State of California Department of Finance denial of the Commission's request for \$30,000 funding to complete the Hacienda Heights Comprehensive Fiscal Analysis. Commissioner Pellissier indicated that he received a call the prior week and met with Mrs. Minardi of Hacienda Heights where a divergent view of the situation was presented. Henceforth, a meeting will take place on Friday, January 11, 2002, with all parties involved to attempt to find a resolution of this matter.

10

The Executive Officer reported on a letter from the City of Los Angeles requesting 60 days instead of 30 days to provide data regarding the special reorganization of the Hollywood area. The Executive Officer indicated that we have approached the point that if data is not forthcoming from the City of Los Angeles, then staff will have to rely on data previously received for Hollywood, the Harbor and the San Fernando Valley which would provide the basis for making reasonable assumptions regarding the Hollywood special reorganization.

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On motion of Commissioner Connelly, unanimously carried, the LAFCO December 2001 Operating Account Check Register was approved.

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On motion of Commissioner Proo, unanimously carried the minutes of December 12, 2001 were approved pending changes to indicate the absence of Commissioners Wentworth and Connelly.

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No one came forward during the period allowed for public comment.

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No new business was raised to be placed on a future agenda.

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The next meeting of the Commission was set for January 23, 2002.

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On motion of Commissioner Wentworth, unanimously carried, the Regular Meeting was adjourned at 10:20 a.m.

Respectfully submitted,

LARRY J. CALEMINE
Executive Officer