

Journal of the  
California Association of Local Agency Formation Commissions

Item 5-ATT A

# THE SPHERE

## 2024

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Cover Photo by  
Stephanie Pratt, Napa LAFCO

# THE SPHERE

## CALAFCO Journal

October, 2024

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CALIFORNIA ASSOCIATION OF  
LOCAL AGENCY FORMATION  
COMMISSIONS

**CALAFCO**

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*The mission of CALAFCO is to promote efficient and sustainable government services based on local community values through legislative advocacy and education.*

# A Message From The Chair of **CALAFCO**



**MARGIE MOHLER**  
Chair of the Board

**A**s we approach the end of this year, many of us naturally look toward the future and anticipate what lies ahead. While the promise of tomorrow excites us, it's essential to recognize that growth springs from reflection. What did we execute well, and where did we encounter challenges? These insights will guide our path forward.

During my tenure as Chair of the Board of Directors, I heard concern from some LAFCO members: uncertainty about the organization's impact. Rather than viewing this as a fault, I see it as an opportunity. Our mission is to provide value to our members, and we achieve this through innovative ideas, active participation, and feedback. As a volunteer-driven organization, our strength lies in collaboration.

At our last strategic planning session, the Board of Directors acknowledged room for improvement in our political effectiveness.

The previous Legislative Committee encountered several challenges, including time constraints, unproductive meetings, and limited legislative influence. Over the years, CALAFCO has received numerous complaints from members about the committee's structure, composition, and inclusivity—ranging from concerns about it being too inclusive to not inclusive enough. After thoroughly considering these complaints, challenges, and our Strategic Plan goals, the Board of Directors approved the new Legislative Policy Committee.

Subsequently, the CALAFCO Board received numerous complaints regarding the establishment of the Legislative Policy Committee and held a Special Board Meeting on September 30th. At that time, they voted

to rescind the new Legislative Policy Committee and reestablish the previous Legislative Committee. However, the action was conditioned on the Board committing to again discuss the Legislative Committee structure at its strategic planning meeting in 2025,

In addition to addressing the concern about CALAFCO's political impact, we're considering discussing other challenges:

## **1. Membership Engagement:**

Ensuring offerings for all levels of LAFCO staff. Enhancing communication channels, organizing engaging events, and fostering a robust statewide network for all LAFCO professionals.

## **2. Resource Allocation:**

Efficiently allocating resources to maximize our impact. We've been exploring ways to streamline processes, reduce administrative overhead, and allocate funds strategically.

I extend my deepest gratitude to our CALAFCO Board of Directors. Your time, dedication, and ideas shape our organization to build a stronger future. On behalf of all members a heartfelt thank you to our staff, Rene LaRoche who does all the rest.

If you're passionate about promoting efficient government services, advocating for legislative change, or contributing your unique skills, consider becoming part of our CALAFCO Board of Directors. Your involvement can make a meaningful difference.



# New Laws Affecting LAFCOs

## SB 1209 (Cortese) - Indemnification

What started in the wake of a 2022 court case, concluded on September 28, 2024, when Governor Gavin Newsom signed into law SB 1209. A CALAFCO sponsored bill, SB 1209 authorizes LAFCOs to require indemnification provisions as a condition for processing a LAFCO action, which can then be triggered if a commission approval is challenged. The bill will be chaptered as Government Code Section 56383.5, and it will take effect on January 1, 2025.

The new law also requires LAFCOs to take certain actions to maintain the indemnification. These actions include promptly notifying an applicant of any claim or action against an approval, fully cooperating in the defense of the action, and getting approval from the applicant of any settlement. Since failure to do any of those three things will negate the indemnification provision, thereby leaving a commission solely responsible for costs, LAFCOs are strongly urged to update their procedures as soon as possible to incorporate those actions.

### Background

In July, 2022, the Second District Court of Appeals determined that a LAFCO, despite prevailing in the underlying court case, could not require or rely upon indemnification because it is not expressly authorized to do so in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Within months of that decision, a legislative proposal was crafted to add such authorization into law.

Due to major legislative deadlines that occur at the beginning of each year, the proposal was ushered along swiftly, and it was approved by the CALAFCO

*(Continued on page 10)*

## AB 3277 (Assembly Local Government Committee) Districts: property tax

A CALAFCO sponsored bill, AB 3277 adds language to Government Code Section 56810(a)(2) that limits the requirement to perform a financial analysis of ad valorem taxes during the formation of a district to only those times when a share of the taxes are actually being sought. Without this amendment, the financial analysis is required at all times - even when a share of the taxes is waived.

This bill takes effect on January 1, 2025.

## BROWN ACT CHANGES:

The following changes to the Brown Act take effect on January 1, 2025:

### ◆ AB 2302 (Addis D) Open meetings: local agencies: teleconferences.

This bill removes language from Government Code Section 54953 (f)(3) regarding how much members of legislative bodies may attend regularly scheduled meetings via teleconferencing, and adds in new sections to redefine the limitations.

Existing law limits teleconference attendance by members of a legislative body to three consecutive months, or 20 percent, of regular meetings within a calendar year, or more than two meetings when the legislative body meets fewer than 10 times per year. However, this bill removes that provision and redefines them based on the frequency that regular meetings are held. The new limits are:

- Two meetings per year, if the legislative body conducts regular meetings once per month, or less;

*(Continued on page 10)*



# Jerry Gladbach Water Treatment Plant Dedication

Submitted by Los Angeles LAFCO

On Thursday, June 27, 2024, the Santa Clarita Valley Water Agency (SCVWA) dedicated its on-site water treatment plant as the “E. G. ‘Jerry’ Gladbach Water Treatment Plant.” In addition to serving on the SCVWA, Jerry had been a commissioner on the Los Angeles LAFCO for twenty-one years, a CALAFCO Director from 2005 to 2013, and the 2012 CALAFCO Board Chair.

Speakers at the dedication included SCVWA Board Chair Gary Martin; City of Santa Clarita Mayor Laurene Weste; representatives of Congressman Mike Garcia, State Senator Scott Wilk, and State Assemblymember Pilar Schiavo; and Donna Gladbach (Jerry’s wife).

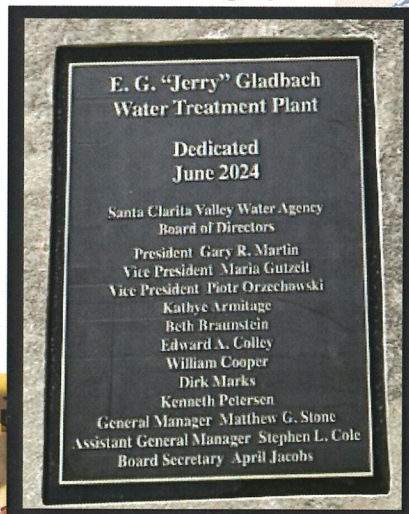
The speakers discussed Jerry’s decades-long service to SCVWA, LA LAFCO, CALAFCO, the Association of California Water Agencies (ACWA), and the National Water Resources Association.

While Jerry certainly had a positive impact on the water community, his wife noted that his true legacy was in the way that he lived, and she quoted Maya Angelou to describe Jerry’s life as not being measured by the breaths we take, but by the moments that take our breath away.

At the conclusion of the moving ceremony, a plaque



Above: Marsha McLean, Santa Clarita Councilmember (left), Donna Gladbach (center), and Laurene Weste, Santa Clarita Mayor (right)



recognizing Jerry was unveiled in front of the treatment building which will act as a permanent testament to his life of service.

Los Angeles Executive Officer Paul Novak and Deputy Executive Officer Adriana Romo attended the dedication.

WHY?

WHY?

WHY?

WHY?

WHY?

## Problem Solving With the 5 Whys

By René La Roche, CALAFCO Executive Director

The old *time is money* adage has never been truer in the office and business world than now, as everyone is being asked to do more with less. Given the expense involved in developing and implementing working solutions, it is imperative to develop proficiency in first identifying core problems. Yet, that is not always as easy as it seems because we often mis-define the symptoms of a problem as the underlying issue. To illustrate, consider sunburn for a moment.

Sunburn has always been a problem for me. In fact, in my younger years I considered it my arch-nemesis because my skin would turn lobster red long before anyone else among my friends. One particularly bad instance ended with my shoulders covered in one-inch-long blisters, which I later learned was a sign of a second-degree burn. Yes, sunburn was a huge problem for me. Or was it?

Like most people, I defined the problem as the thing that was immediately impacting me - in this case a sunburn. Since sunburns hurt, they made outings unpleasant, ergo, sunburns were the problem. But as I matured, I realized that the problem was that I had chosen to spend too much time in the sun for my skin tone, and that I had compounded the negative effects of that choice by not using the proper strength of

sunscreen and by choosing not to wear a hat or any other kind of protective sun covering. Reframed in that way, it becomes easier to see that sunburn was not the problem but, rather, a consequence of some poor choices. Changing the choices created a different result.

However, it took many years and, unfortunately, many sunburns before I realized the mistake I was making. It is extremely difficult to identify core problems when in the midst of them. So, what can we do to help identify them? The best thing to do is to ask questions. But, as Elon Musk has noted, "...a lot of times the question is harder than the answer." This is where the 5 Whys can help.

### The 5 Whys

With roots in Lean Manufacturing, the 5 Whys is a simple method to peel open a problem like an onion to uncover its core issue.<sup>ii & iii</sup> Its beauty is that it does not require special training, math, or any particular skill or tool other than being able to channel one's inner toddler to repeatedly ask why something is a problem.

So, what does that look like? Consider, for example, an oft-repeated example from Taiichi

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# Understanding AI for LAFCO Agencies: Navigating the Future of Technology

By Amanda Ross, CEO, South Fork Consulting LLC (with some help from an AI LLM)

## What is AI and How Does it Work?

First, let's demystify what is meant by "AI." In simple terms, AI refers to computer systems designed to perform tasks that typically require human intelligence. Large Language Models, a type of AI, are systems trained on vast amounts of text data, allowing them to understand and generate human-like responses. You might be surprised to learn that you're likely already interacting with AI in your daily life, perhaps through your smartphone's voice assistant or your email's spam filter or predictive text appearing as you are typing in your word document or email. While I have not applied AI to work produced by South Fork Consulting, I have played around with its applications and found that, while it can introduce errors, there are opportunities for AI to help LAFCOs and their staff.

## Possibilities of AI in LAFCO Work

In the context of LAFCO work, AI and LLMs could assist with tasks such as document review, data analysis, and report generation. For instance, these systems could help summarize lengthy municipal service reviews or sphere of influence studies, potentially saving time in the review process. They might also aid in analyzing historical data on population growth, service demands, and land use patterns to provide more accurate projections for boundary reviews and service planning. This can lead to more informed decisions about annexations, sphere of influence updates, and special district formations or dissolutions. The possibilities for AI as it continues to learn could potentially be endless.

As these LLMs advance, they can be trained to be better at producing documents that meet the needs of each LAFCO agency. They will likely allow LAFCOs to automate report generation, provide service demand forecasting for agencies, and project population growth more accurately through incorporation of multiple data sources (census data, local economic indicators, known and potential development projects, etc.) And while this is an exciting new chapter in humanity's quest for ever expanding technology, it's crucial to approach these possibilities with caution.

## AI Challenges and Risks

While AI can process information quickly, it lacks the nuanced understanding and local knowledge that LAFCO officers, staff, and commissioners have within their agencies. The complexity of boundary reviews, service planning, and community dynamics requires human judgment that cannot be replicated by AI. Transparency and explainability pose additional challenges. Many AI systems, especially complex ones like LLMs, operate as "black

*“While AI can process information quickly, it lacks the nuanced understanding and local knowledge that LAFCO officers, staff, and commissioners have within their agencies.”*

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# CALAFCO Partners with Assura to Develop LAFCO Software Solution

By Assura Software

**N**avigating the complex twists and turns of the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (CKH) is a challenge all LAFCO practitioners are familiar with. Whether a LAFCO considers a few dozen or only a few applications per year, making sure the application is processed properly requires a focused effort to ensure the Commission's ultimate action can withstand any possible challenge.

For decades, LAFCO staff have devised methods to make sure they don't miss any subtle statutory requirements using sticky notes, whiteboards, spreadsheets, and home grown checklists to manage the process.

Yes, over the past 40 years, the software industry has developed tailored applications to meet the needs of virtually every other type of organization. The catchphrase "there's an app for that" has brought the power of information systems to bear for others, while LAFCOs were forced to improvise on their own, using administrative methods that would be familiar to our grandparents. Until now.

## Specialized Software for LAFCOs

This year, CALAFCO partnered with Assura Software, a technology company from New Zealand and CALAFCO Associate member, and Kennedy Water Consulting, another CALAFCO Associate member based in California, to develop the first ever workflow software specifically designed to assist LAFCO staff when processing applications. The software, which is a secure cloud-based application that runs on ordinary web browsers and includes a mobile app, has been built to "understand"

some of the complex rules in CKH.

For instance, if a LAFCO is processing a landowner initiated application, the information collected and workflow process will be different than if it were initiated by the vote of a board of directors. As LAFCO practitioners know, CKH has a variety of deadlines for notifications and other processes and these have been built into the software. The software automatically calculates the dates for these notifications and prompts users as the deadline nears.

## From Large to Small

The larger LAFCOs were eager to get started with San Diego LAFCO "going live" on the Assura platform in the summer of 2024. Since implementation, the new software has revolutionized their processes.



San Diego LAFCO's Executive Team, EO Keene Simonds (right) and AEO Priscilla Mumpower (left)

Assistant Executive Officer Priscilla Mumpower reports that "the Assura team has assisted LAFCO staff in creating a tailored platform that streamlines proposal management and keeps the executive team updated on all ongoing proposals." Now, all team members can see the

*(Continued on page 11)*



# From Vision to Action: Crafting a Strategic Plan that Reflects your Unique Perspective

By CV Strategies

For many agencies, a strong foundation and individual talents aren't enough to ensure continued success. Leveraging strategic planning to align your organization on both short- and long-term goals not only encourages employee adoption but also helps to mitigate financial risk.

Every successful project should begin with an audit of the organization's strengths and weaknesses – both internal and external – as well as an analysis of opportunities and threats. It's important to take the time to listen to and truly understand your staff, the public agencies you support and your commissioners. Through a deep partnership, your team can capture the big picture while also exploring every angle for a successful, multifaceted strategic plan.

By examining these factors and building a criteria framework, your organization can strategically allocate resources that leverage employee strengths and build toward common goals. This process empowers individuals and fosters creativity, which allows for more meaningful inter-department collaboration. Success can be measured throughout the strategic planning process by clearly communicating and tracking key performance indicators.

However, these plans aren't set in stone. Organizations must monitor internal and external feedback closely and adjust accordingly. It's best to revisit your strategic plan regularly, adapting to current market conditions and anticipating new threats that may be on the horizon. By continuing to evolve, you can ensure long-term success for your county's LAFCO.



## TRACKS AROUND THE STATE



### **TYLER SALCIDO, Imperial LAFCO Executive Officer**

On August 26, 2024, Tyler Salcido took the helm as the new Executive Officer for Imperial LAFCO. He comes to Imperial LAFCO after previously serving as the City Manager for the City of Brawley. Tyler is new to the LAFCO world but is excited for this new journey.

### **AIMEE DIAZ, Orange LAFCO Policy Analyst I**

A recent graduate of UC Irvine's Master of Public Policy Program with a focus on Social Inequity Policy, Aimee is the new Policy Analyst I in the OC. She came to LAFCO from the City of Lake Forest, where she made significant contributions through her work with the Economic Development Division. Aimee is eager to advance her talent at OC LAFCO and is already managing her first district annexation!



Newest San Diego LAFCO Employee, Jack Sellen.  
"Hired" March 2024

## NEW LAWS AFFECTING LAFCOs - SB 1209 (Cortese)

(Continued from page 4)

Board of Directors at a Special Meeting held on January 19, 2023. The bill was submitted to Legislative Counsel but immediately encountered resistance from a sister entity. That created concerns among potential authors and resulted in the bill not being introduced by the February 17, 2023, deadline. Not to be deterred, CALAFCO used the months that followed to prepare a Fact Sheet, and then to communicate extensively with stakeholders, including CSDA, CSAC, RCRC, and the League of Cities.

By the end of summer 2023, with the sister entities now comfortable with the proposal, CALAFCO's advocate, Jean Hurst, again began searching for an author. However, her efforts bumped into the holidays when key legislative staff were unavailable. On February, 2024, CALAFCO received confirmation that Senator Dave Cortese would be carrying the bill. The Senator introduced the bill on February 15, 2024, as SB 1209, and it was scheduled for hearing before the Senate Local Government Committee on March 20, 2024. However, soon after the bill's introduction, the California Building Industry Association (CBIA) notified the Senator of its intent to oppose the bill.

In a preliminary listening session, CBIA advised the Senator's staff and CALAFCO that its primary concern involved indemnification for applications that are denied. With the Author's office indicating a desire to resolve CBIA's concerns, CALAFCO committed to working towards compromise language. Based on that commitment, SB 1209 was heard before the Senate Local Government Committee as scheduled. During that hearing, the Author noted not only CBIA's concerns, but also his commitment to address them. With that contingency, the bill passed out of committee with a vote of 6-0 and no formal opposition on record.

Negotiations between the CALAFCO team and CBIA would extend over the next four months in search of language acceptable to both parties. Satisfactory language was finally crafted and SB 1209 was officially amended into its final form on June 11, 2024, and scheduled before the Assembly Local Government Committee (ALGC) on June 19, 2024. With a unanimous vote of 9 to 0, the ALGC approved the amended bill, with 32 LAFCOs, Los Angeles County, and CALAFCO in support, and the California Association of Resource Conservation Districts the only opposition.

With both local government policy committees approving, the bill passed quickly out of the Assembly with a 60 to 0 vote, and through Senate Concurrence with a 39-0 vote.

### The Team

CALAFCO wishes to extend its sincere thanks to negotiating team members Paul Novak (Los Angeles LAFCO), René LaRoche (CALAFCO), David Ruderman (Colantuono Highsmith and Whatley, LLP), and Jean Hurst (Hurst Brooks and Espinosa); to Paul Novak, Steve Lucas (Butte LAFCO) and Scott Browne (P. Scott Browne, Attorney) for co-authoring the bill proposal and for reviewing amended language; and to all of the LAFCOs who sent in letters of support.

### **BROWN ACT CHANGES**

(Continued from page 4)

- Five meetings per year, if the legislative body conducts regular meetings twice per month; or
- Seven meetings per year, if the legislative body conducts regular meetings three or more times per month.

For purposes of this provision, the bill also requires any meetings begun on the same calendar day to be counted as separate meetings.

- ◆ AB 2715 (Boerner) Ralph M. Brown Act: closed

### **sessions**

Currently, Government Code Section 54957 allows closed session discussions regarding threats to the security of public buildings, essential public services, and the public's right of access to public services or public facilities.

This bill expands the list of permissible closed session topics to cybersecurity threats by adding threats to critical infrastructure controls (defined as networks and systems controlling assets that are so vital to the local agency that their incapacity or destruction would have a debilitating impact on public health, safety, or economic security.), and threats to critical infrastructure information.

## LAFCO SOFTWARE SOLUTION

(Continued from page 8)

K Proposal No. 2024-01 - Anytown Annexation of Development A

**Proposal** Save Save & Close Undo Changes Hide all

0. PRE-ADMINISTRATIVE REVIEW 1. ADMINISTRATIVE REVIEW 2. PRE-COMMISSION MEETING 3. APPROVED - PENDING 4. PROTEST HEARING

**Overview** Hide section

State	5. Post Commission Action	ID	14
Lodged By	Kennedy, Tom	Date Lodged	16-Feb-2024 11:55 AM
Last Changed By	Whitelock, Samella	Date Changed	13-Aug-2024 5:25 PM
Start Date	16-Feb-2024 11:51 AM	Category	Planning

**Proposal Details** Hide section

Date Received	16-Feb-2024
Proposal Type *	Reorganization
Proposal Number *	2024-01
Proposal Source *	Board Resolution
Proposal Name *	Anytown Annexation of Development A
OPR Title	
State Clearing House Number	

exact status of any proposal from anywhere - including their phone - without having to track down the analyst or find their notes or checklist. Executive Officer Keene Simonds adds “the new norm out of the pandemic of regular teleworking practices means greater importance in technology to help bridge the

communication gaps that exist when employees are not in the same place; among other benefits, Assura is San Diego LAFCO’s investment in bridging the communication gap to help ensure proposals are proceeding as intended.”

Additionally, the Assura system automatically develops a detailed, complete administrative record that documents each step of the application process. While no LAFCO wants to experience a challenge to their process, using the Assura system will save time and legal costs should that happen. Assura can also incorporate local county policies into the workflows as the software is highly configurable to meet specific needs.

### What About Smaller LAFCOs?

Understanding that smaller LAFCOs have limited budgets, Assura partnered with CALAFCO over the summer to develop a shared system tailored specifically to smaller LAFCOs. From a call seeking volunteers, four LAFCOs generously provided personnel to work on the project. The group, composed of Shiva Frentzen (El Dorado LAFCO), Krystle Heaney (Shasta LAFCO), JD Hightower (San Joaquin LAFCO), Mitzi Stites (San Joaquin LAFCO), and Jeren Seibel (Marin LAFCO), brought diverse experience and great insight to the effort. They met several times to review software capabilities and were able to develop a basic version that will bring the benefits of a customized installation to a shared system - at an affordable cost.

“ Assura partnered with CALAFCO over the summer to develop a shared system tailored specifically to smaller LAFCOs.”

This shared system features user level account security, which means that a LAFCO’s staff members can only see the data of their LAFCO - and no other LAFCOs. Since it is a shared server, the CALAFCO workgroup also identified workflow processes that would be of use to all participants. Through this collaboration, the system that was developed features all the tools most LAFCOs will need. This system is expected to be a boon for part time EOs who process very few applications, as the Assura system will guide them through the process and make sure that nothing is missed.

### Why Assura Software?

**a. User Experience:** Assura’s intuitive interface ensures that users of all skill levels can navigate and utilize Assura Software effectively. With a focus on user-centric design, users experience a smooth transition and immediate productivity gains because it looks like the normal process.

**b. Flexibility and Accessibility:** Available on both web and mobile platforms, Assura Software provides the flexibility to manage tasks from anywhere. This cross-platform compatibility is ideal for teams and individuals who need consistent access and functionality across devices.

**c. Security and Scalability:** Assura Software invests in the security of their platform to ensure it is as robust as possible. The Assura Software solution also scales as user needs evolve, ensuring long-term value and adaptability.



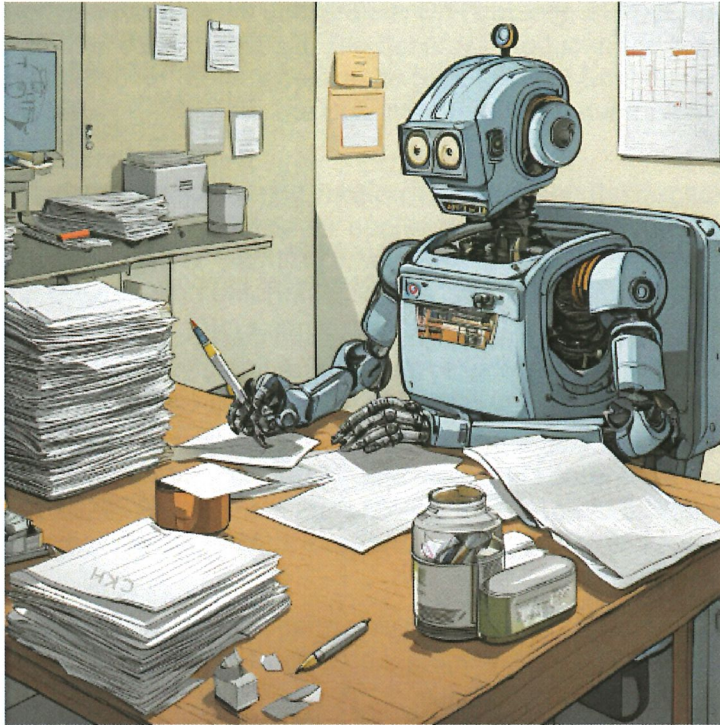
More information on the Assura solution can be found online at <https://www.assurasoftware.com/LAFCO>.

## AI FOR LAFCO AGENCIES

(Continued from page 7)

boxes," making it difficult to understand how they arrive at their conclusions. This lack of transparency can be particularly problematic for government agencies like LAFCOs, which are required to provide clear justifications for their decisions to the public and stakeholders.

It is also crucial to understand that AI can sound intelligent or correct without actually being accurate. These systems are designed to generate plausible-sounding text based on patterns in their training data, but they don't truly understand the content in the way humans do. They can make mistakes, present outdated information, or even generate entirely fictitious "facts" that sound convincing. As an example, consider the case of a lawyer who



recently used an LLM to generate an argument for court and submitted the brief without a review. Several of the cases used for the legal precedents in the argument weren't real, the LLM misidentified judges, and it included companies that didn't exist. The incident made headlines and the law firm was fined. This phenomenon, sometimes called "AI delusion," underscores the need for rigorous human oversight and verification of any AI-generated content.

If LAFCOs do consider integrating AI into their operations, it should be done with caution and through a carefully planned approach. This might include starting with small, low-risk projects, ensuring full transparency about AI use, maintaining strong human oversight, and investing in comprehensive training for staff. For example, a LAFCO agency could start with tasking an LLM to summarize long documents or review an application for completeness. Any use of AI would need to be checked for biases, errors, or incorrect information.

### The Future is Already Here

Today, right now, consultants can use AI for summarization, data processing, document creation, and idea generation. Even if LAFCOs themselves don't directly implement AI systems, they may interact with AI through their consultants' work. LAFCOs should consider adding clauses to consultant contracts requiring disclosure of any AI use in their work for LAFCOs. Just as subcontractors are required to be listed in contracts, AI should too. This transparency can help ensure that LAFCOs are fully aware of how AI might be influencing the information and recommendations.

No one knows what the future will hold. Major advancements in technology are always met with concern and skepticism. While it's important to embrace the future, the use of AI in LAFCO operations requires careful consideration and a cautious approach for now. Collaboration will be key in navigating this new technology. Engaging with other LAFCOs and government agencies to share experiences, best practices, and lessons learned in AI implementation can help us all navigate this complex and somewhat exciting new chapter of the human experience.

### UPCOMING CALAFCO EVENTS

#### 2025 Staff Workshop

April 30 – May 2

Temecula Creek Inn, Temecula, California

Hosted by Riverside LAFCO

#### 2025 Annual Conference

October 22 – 24

Wyndham Bayside Hotel, San Diego, California

#### 2026 Staff Workshop

Spring, 2026

Location: TBD

## THE 5 WHYS

(Continued from page 6)

Ohno's 1988 analysis of Toyota's Production in which a machine stops. Using the 5 Whys method, questions and answers might look something like:

1. *Why did the machine stop?*  
*There was an overload and the fuse blew.*
2. *Why was there an overload?*  
*The bearing was not sufficiently lubricated.*
3. *Why was it not lubricated sufficiently?*  
*The lubrication pump was not pumping sufficiently.*
4. *Why was it not pumping sufficiently?*  
*The shaft of the pump was worn and rattling.*
5. *Why was the shaft worn out?*  
*There was no strainer attached and metal scrap got in.<sup>iv</sup>*

As you can see, the underlying problem was much more serious than a fuse. Without engaging in this exercise, the machine operator would have been doomed to making repeated, and increasingly more serious, repairs in the future.

While the above is a simplistic example, Toyota applied this method to larger scale questions that compared their operations to those of other companies. Some of their greatest transformations came from asking questions like: "Why can one person at Toyota Motor Company operate only one machine, while at the Toyoda textile plant one young woman oversees 40 to 50 automatic looms?" Starting with this inquiry and engaging in the iterative questioning process, Toyota found that Toyoda's looms stopped when weaving was complete. Based on that discovery, Toyota changed its machines so that they stopped when machining was finished. That led to broad-scale manufacturing innovations through the development and application of automation.<sup>v</sup>

Engaging in the 5 Whys recognizes that problem solving is complicated and provides a way to differentiate between what is cause and what is effect. In fact, the technique is so effective that it is now a core exercise in the Analyze phase of Lean Six Sigma - a method taught and used extensively to improve an organization's operations through the elimination of waste and unnecessary steps.

So, the next time a problem comes your way, pause, take a breath, and go through the 5 Whys exercise. You may find that hats and SPF 100 sunscreen are your solution.

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### REFERENCES:

- i. Margaret Ward. "Elon Musk says reading this science-fiction classic changed his life". CNBC. June 6, 2017. <https://www.cnbc.com/2017/06/06/elon-musk-says-this-science-fiction-classic-changed-his-life.html>
- ii. "5 Whys". Lean Enterprise Institute. <https://www.lean.org/lexicon-terms/5-whys/>
- iii. "Determine the Root Cause: 5 Whys". iSixSigma. <https://www.isixsigma.com/cause-effect/determine-root-cause-5-whys/>
- iv. Taiichi Ohno. *Toyota Production System: Beyond Large-Scale Production*. CRC Press, Taylor and Francis Group. Boca Raton, Florida. 1988. Page 42.
- v. Ibid. Page 43.

California Association of  
Local Agency Formation Commissions

**CALAFCO**

SUPPORTING SUSTAINABLE  
COMMUNITY GROWTH

# ANNUAL REPORT

FISCAL YEAR 2023-2024

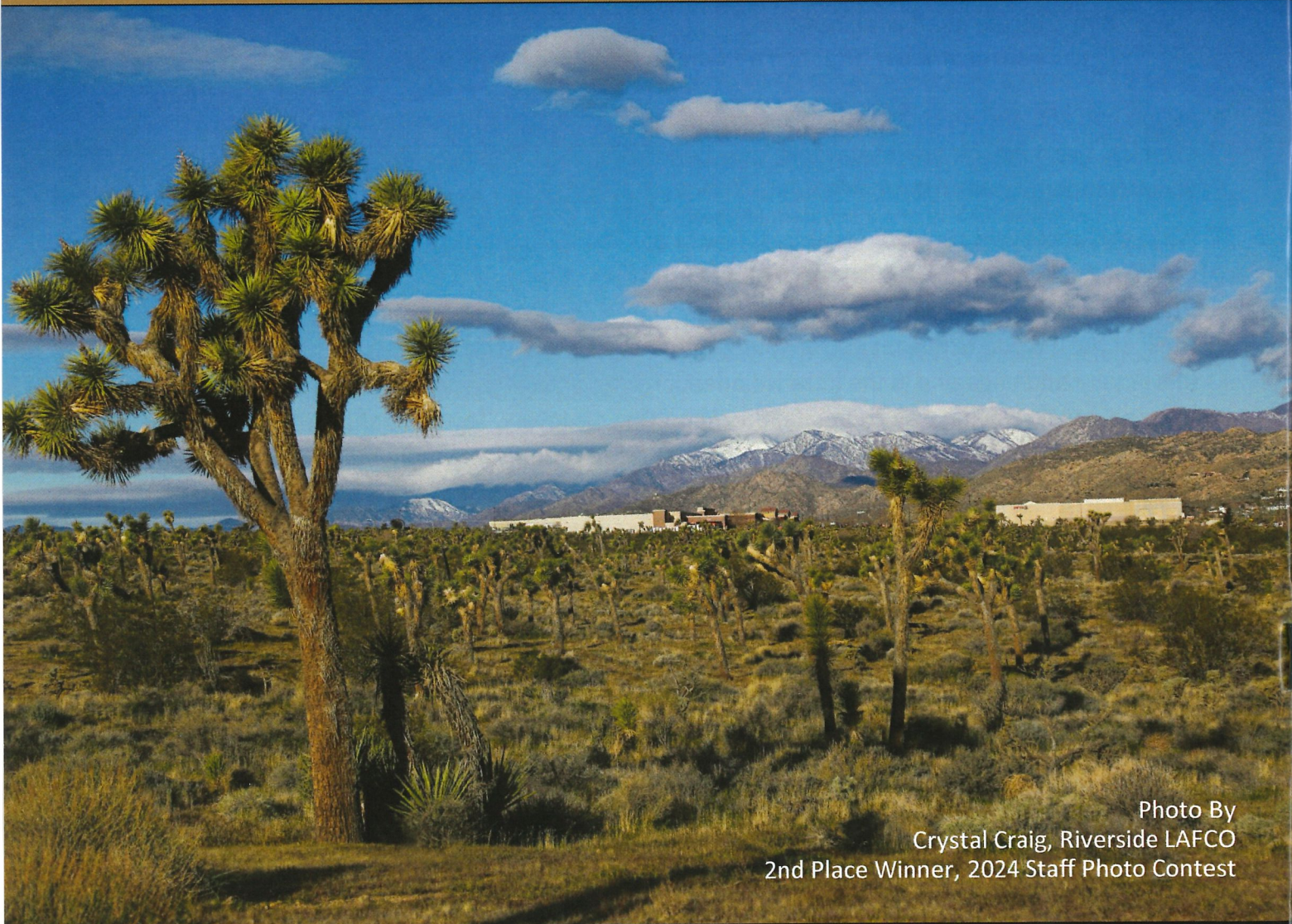


Photo By  
Crystal Craig, Riverside LAFCO  
2nd Place Winner, 2024 Staff Photo Contest

**CALAFCO**

1451 River Park Drive, Suite 185, Sacramento, California 95815  
(916) 442-6536

# CALAFCO LEADERSHIP

June 30, 2024

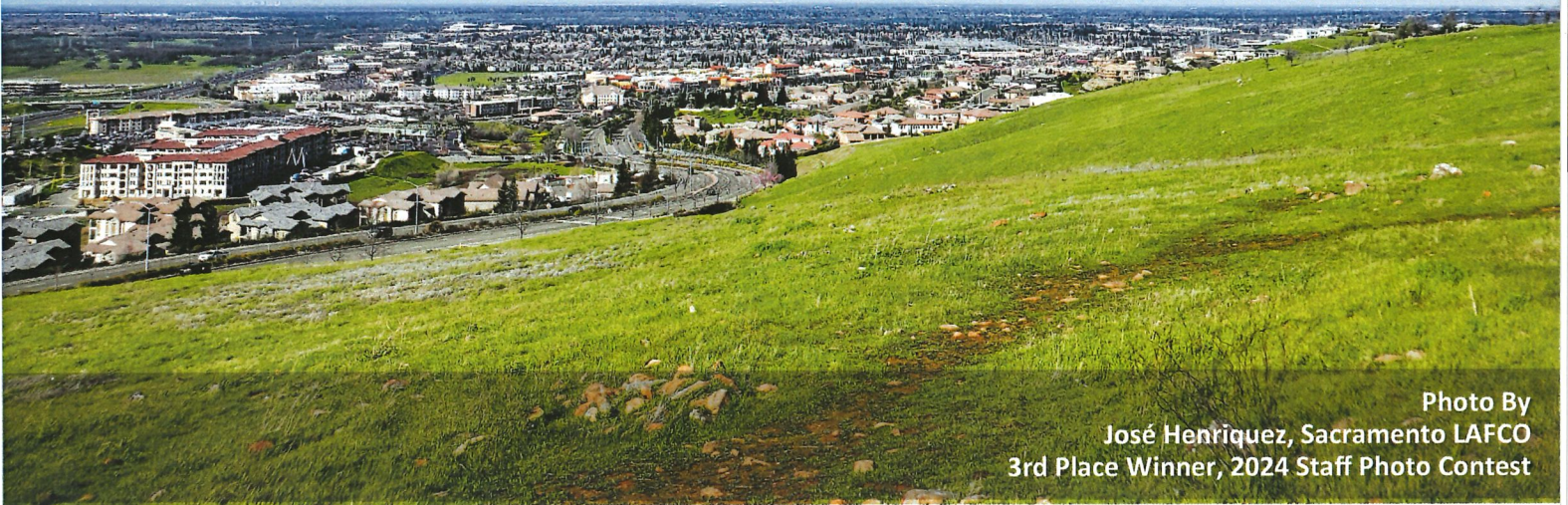


Photo By  
José Henríquez, Sacramento LAFCO  
3rd Place Winner, 2024 Staff Photo Contest

## BOARD OF DIRECTORS

Margie Mohler (*Napa - City*), *Chair*  
Acquane. a Warren (*San Bernardino - City*), *Vice-Chair*  
Gay Jones (*Sacramento - District*), *Treasurer*  
Blake Inscore (*Del Norte - City*), *Secretary*

Bill Connelly (*Butte - County*)  
Kimberly Cox (*San Bernardino - District*)  
Rodrigo Espinosa (*Merced - County*)  
Yxstian Guitierrez (*Riverside - County*)  
Kenneth Leary (*Napa - Public*)  
Gordon Mangel (*Nevada - District*)

Michael McGill (*Contra Costa - District*)  
Derek McGregor (*Orange - Public*)  
Anita Paque (*Calaveras - Public*)  
Wendy Root Askew (*Monterey - County*)  
Josh Susman (*Nevada - Public*)  
Tamara Wallace (*El Dorado - City*)

## STAFF

René LaRoche, *Executive Director*  
Clark Alsop, *Legal Counsel*  
Brandon Dante, *Accountant*  
Jeni Tickler, *Administrator*

Steve Lucas, *Executive Officer*  
José Henríquez, *Deputy Executive Officer*  
Dawn Mittleman Longoria, *Deputy Executive Officer*  
Gary Thompson, *Deputy Executive Officer*

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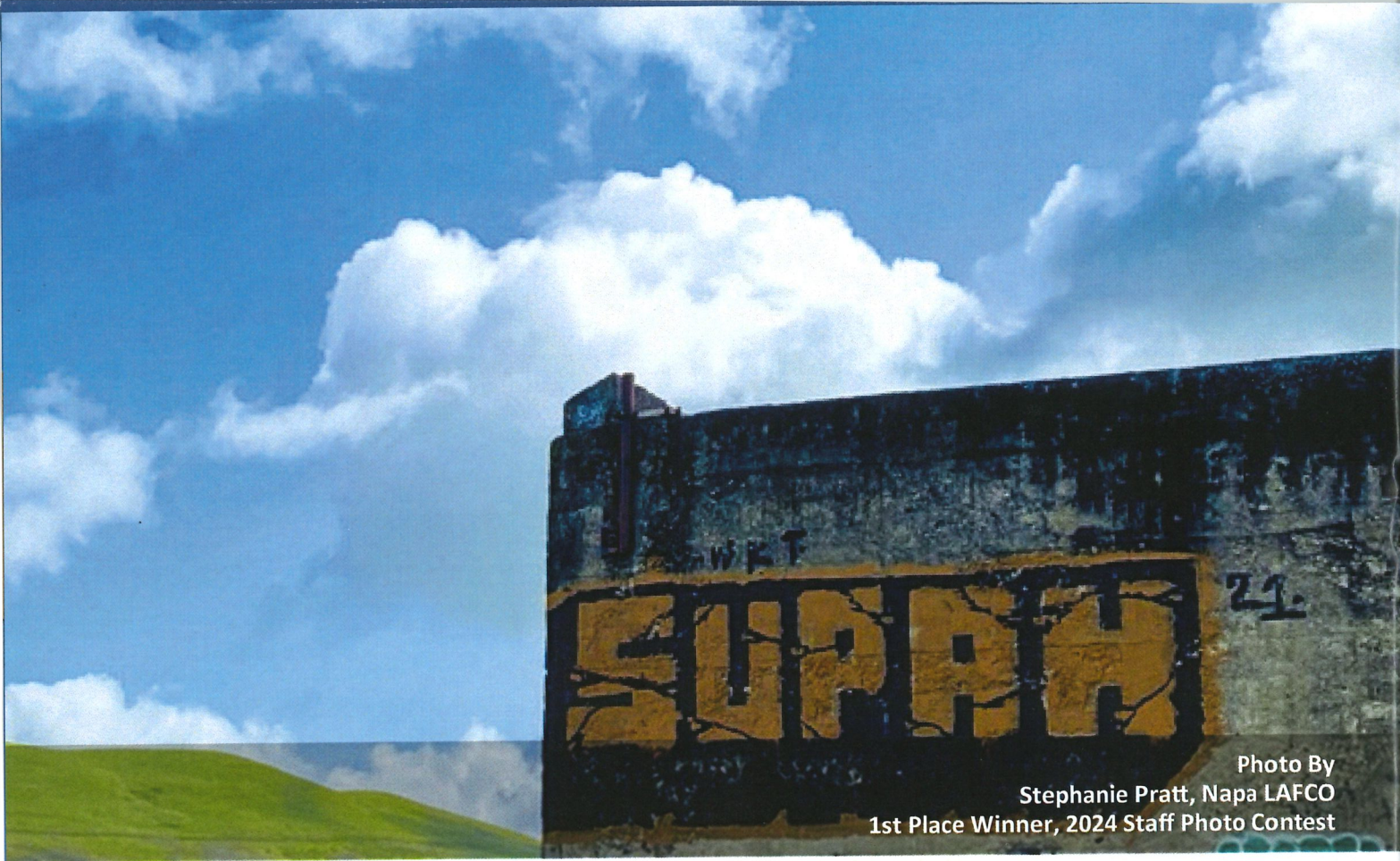


Photo By  
Stephanie Pratt, Napa LAFCO  
1st Place Winner, 2024 Staff Photo Contest

## ASSOCIATION MANAGEMENT

The past year has been a banner year of change for CALAFCO. Guided by the 2023-2026 Strategic Plan, concerted effort has been focused on modernizing the Association. Included among those efforts was a move to a new office space, transitioning our bookkeeping system to a cloud system, building a new website on an association management platform to provide a one-stop shop format for members, and more. Together, the changes helped to create a more sustainable organization by creating new efficiencies and reducing costs.

While efficiency and sustainability are worthy goals unto themselves, the changes are expected to also help position CALAFCO for future growth, new offerings, and increased political effectiveness and relevance. Of more importance for this report, however, is that the changes, combined with higher revenues, also resulted in FY 23-24 enjoying record-breaking Net Revenues and our highest ever Net Asset Balance.

Of course, every success stands on the back of another and so, too, with this. Kudos must be extended to previous Boards and staff who did the hard work to get us to where CALAFCO has structurally balanced budgets that fully fund operations from member dues. By making that shift previously, the Association is now seeing the benefits as event returns translate directly into the Association's Net Revenue, with that net amount being further amplified through placement in interest-bearing accounts and certificates of

*(Continued on page 17)*

deposit.

### Correction

While the transition to the new cloud bookkeeping system in July, 2023, has provided many new financial tools and reports, it was not a smooth process because of the age of our former system. While we were finally able to transfer over all of our data, we had not immediately noticed that the salary that was paid on July 5, 2024, and which was attributable to the last quarter of FY 23-24 under accrual accounting rules, had not posted correctly. The mis-posting was discovered later in the year and the journal adjusted accordingly; however, that correction results in a change from last year's reported data. Specifically, the FY 23-24 Net Assets that were reported as \$235,066 on previous year end Balance Sheets, were actually \$227,053 as shown in the Statement of Financial Position comparison in this year's report.

### Financial Picture

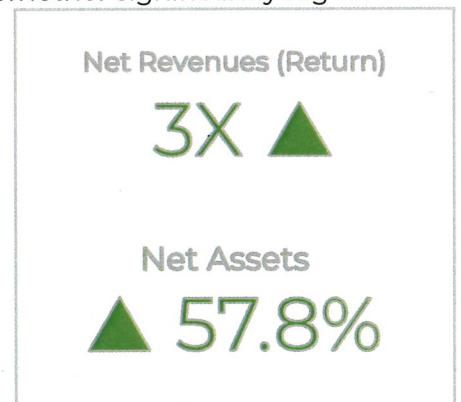
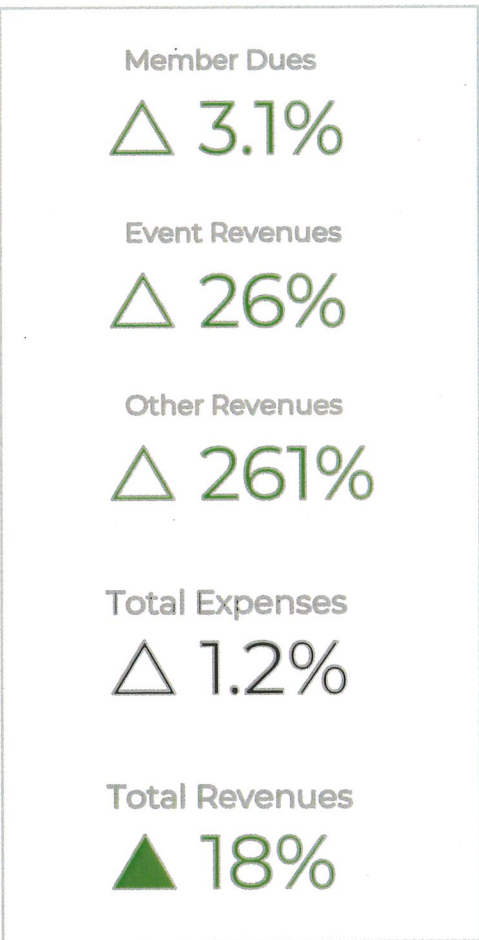
Overall, CALAFCO finished Fiscal Year 2023-2024 in a strong financial position. Revenues increased and expenses were relatively flat, which resulted in healthy returns.

Total revenues increased by 18% due to:

- A 26.3% increase in event revenues due to significantly higher attendance;
- A 3.1% CPI increase of member dues, and
- Other Revenues posting a 261% increase due to higher interest rates on financial accounts.

With the pandemic behind us, we are again offering our full calendar of events and, as evidenced by the attendance at the 2023 annual conference, they seem to be enjoying a great deal of energy and interest. Unfortunately, the smaller size of the 2024 conference facility prevents a determination of whether significantly higher attendance is the new trend.

Taken together, the increased revenues along with total expenses that were held to a mere 1.2% increase, had a synergistic effect that returned an Annual Net



Revenue of \$131,281, which is nearly three times the FY 22-23 Net Revenues of \$44,473.

Higher Net Revenues, in turn, boosted the Association's Net Assets, which posted a 57.8% increase over the prior year (\$358,334 compared to \$227,053.)

(Continued on page 18)

More impressively, however, is that a full 79% of revenues was spent on the delivery of CALAFCO's mission-driven programs, while only 17% went to operational administrative expenses, and 4% went to Board support and regional officer stipends.

## Conclusion

As can be seen in the financial statements that follow, adhering to the actions defined in the 2023-2024 Strategic Plan have brought CALAFCO a successful year with increased revenues and nearly flat expenses. The cumulative effect for the Association is that Net Assets at fiscal year-end are higher than the Association has ever enjoyed. However, given that most of the cost cutting actions have now occurred, repeating this performance will rely heavily on the attendance numbers of future events.



Gay Jones  
Board Treasurer



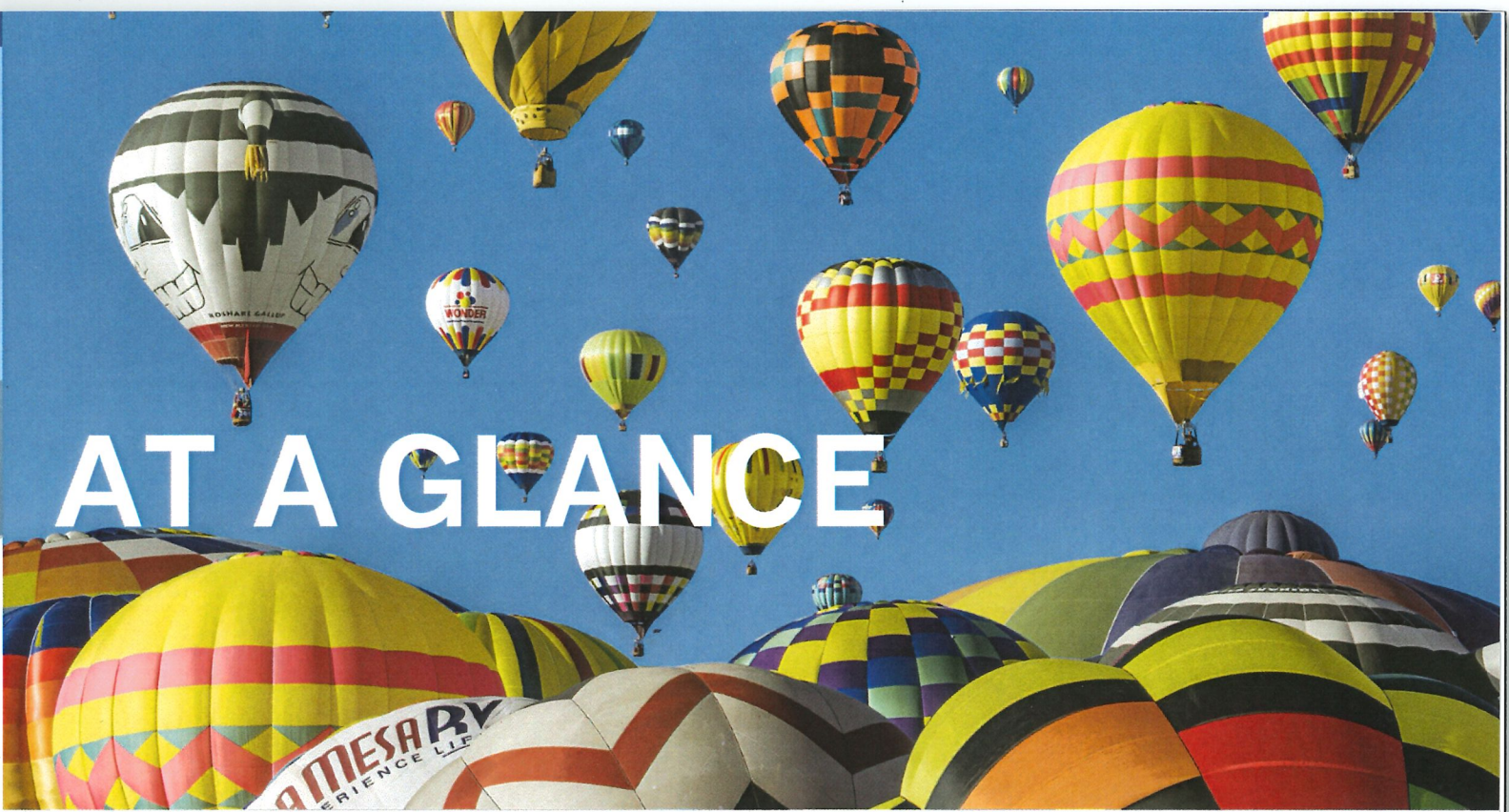
René LaRoche  
Executive Director

## The Data

The financial data that follows draws from the Association's year-end financial statements, which were prepared in accordance with Generally Accepted Accounting Principles (GAAP). This report, which incorporates data from those year-end statements, was prepared without audit from the books and records of the corporation.

CALAFCO employs multiple safeguards to guarantee that the Association's assets are safeguarded from unauthorized use, and that all transactions are scrutinized to ensure that they are authorized, executed, and recorded properly. Association bookkeeping and reconciliations are performed by Books in Balance of San Rafael, California, with the Board presented with financial reports on a quarterly basis. Annual tax filings are prepared by the Association's accountant, Brandon Dante, and reviewed and approved by the Board prior to filing.

Unabridged copies of all financial statements can be found in the Board's July 19, 2024, agenda packet or may be obtained by sending an email request to [info@calafco.org](mailto:info@calafco.org).



# AT A GLANCE

## What We Did:

- 26% Increase in Event Revenue
- 195% Increase in Net Revenue
- 56% Increase in Net Assets
- Maintained Operational Costs through Cost Reductions and New Efficiencies
  - ⇒ New Lower Cost Office Space
  - ⇒ New Accountant
  - ⇒ Association Management System with event registration and online payment processing
  - ⇒ Transitioned from Desktop to Cloud accounting software which provides better data reporting
  - ⇒ Offsite bookkeeper
- Advocacy
  - ⇒ 2,532 Bills Reviewed
  - ⇒ 2 Bills Sponsored

## How We Did It:

### Staffing:

- 1.3 Full Time Equivalent Employees
- 4 Regional Officers
- 50-60 Volunteers Assisting with Event Planning and Staffing



# PROGRAMS vs OPERATIONS SPENDING

- \$372,301 spent for programs
- \$20,070 spent for Board support & Regional Officer Stipends
- \$80,987 spent for operations

While Personnel expenses totaled \$205,214, only 10% of that . me/expense went to operational administration. The remaining 90% was used to provide the Association's exempt-purpose programs.

That means that in Fiscal Year 2023-2024, 79% of CALAFCO'S expenses went to the delivery of our mission-driven programming, 4% went to Board support and Regional Officer Stipends, and 17% went to our operating expenses and other Professional Services.

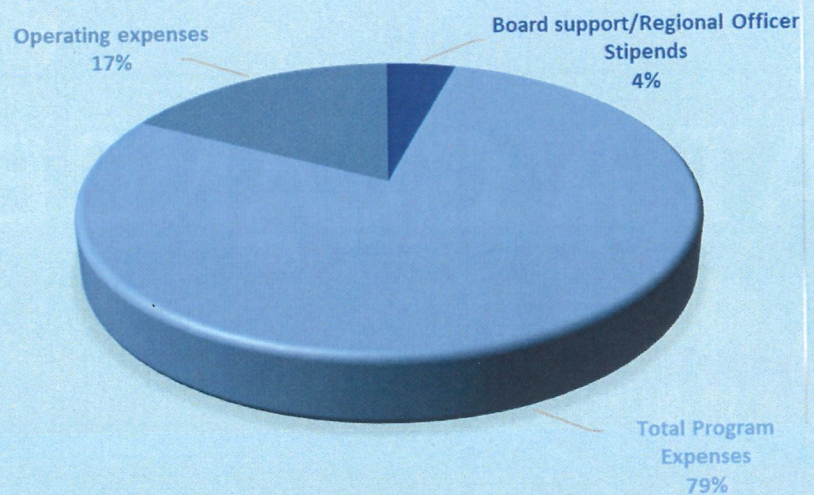
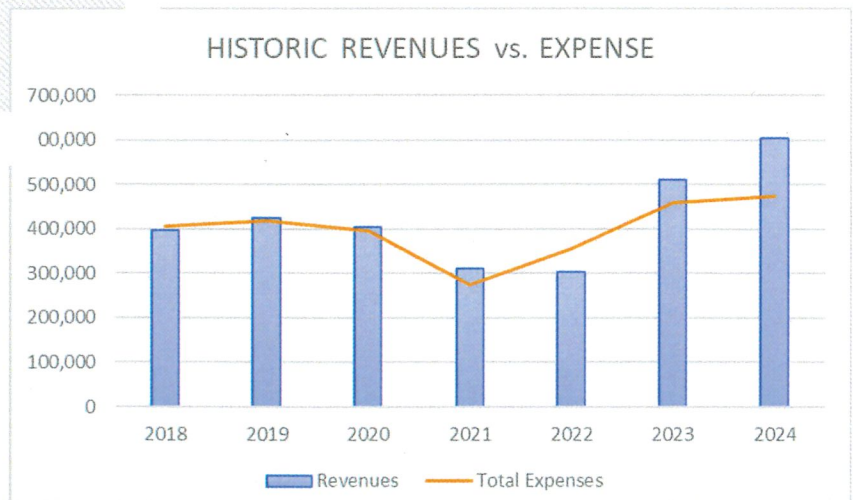
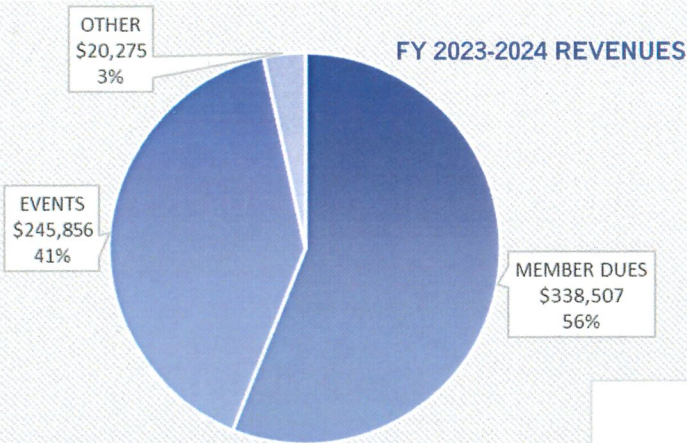


Photo By  
Kristina Grabow, Sacramento LAFCO  
2024 Staff Photo Contest Entry

# STATEMENT OF ACTIVITY

YEAR ENDED JUNE 30, 2024

REVENUES	2024	2023
Dues	\$ 338,507	\$ 312,011
Contribu. ons	\$ 325	\$ 0
Conferences	\$ 182,096	\$ 148,388
Workshops	\$ 63,760	\$ 42,055
CALAFCO U Trainings	\$ 0	\$ 4,250
Other Revenues	\$ 19,950	\$ 5,520
<b>Total Revenues</b>	<b>\$ 604,639</b>	<b>\$ 512,224</b>
EXPENSES		
Personnel	\$ 205,214	\$ 197,116
Board Meeting Expenses and EO/DEO Stipends	\$ 20,070	\$ 23,763
Professional Services	\$ 28,606	\$ 25,768
Operating Expenses	\$ 31,860	\$ 31,844
Conference Expenses	\$ 125,325	\$ 144,866
Workshop Expenses	\$ 57,207	\$ 36,198
Legislative Services	\$ 5,076	\$ 5,196
Research & White Papers	\$ 0	\$ 3,000
<b>Total Expenses</b>	<b>\$ 473,357</b>	<b>\$ 467,751</b>
NET		
<b>Net Revenue</b>	<b>\$ 131,281</b>	<b>\$ 44,473</b>

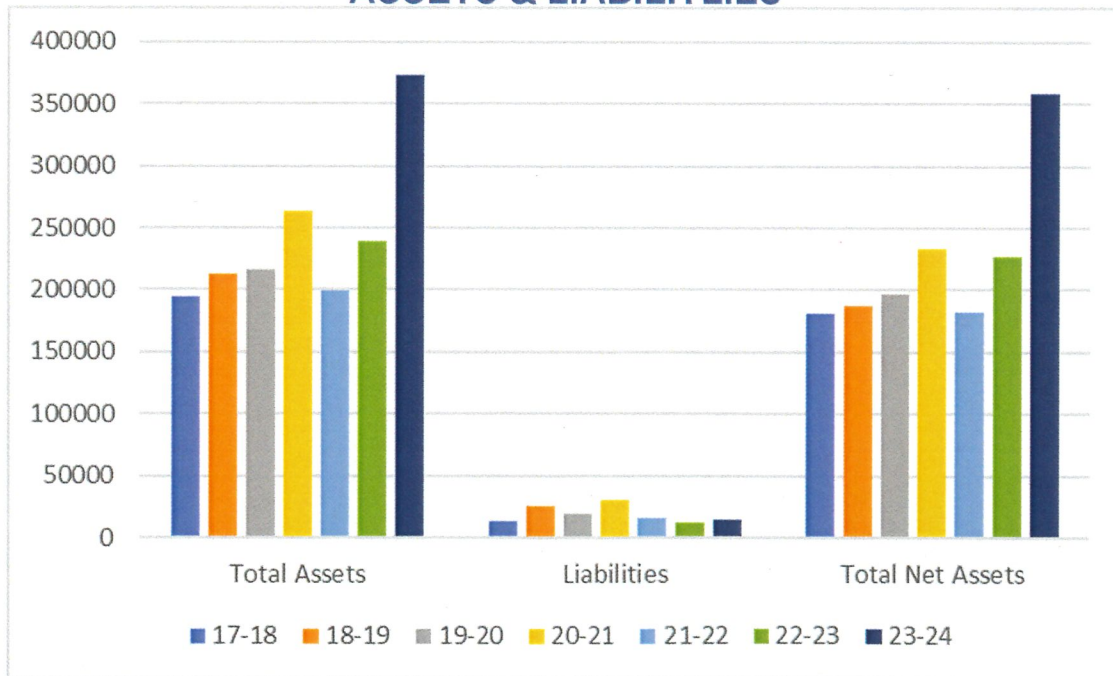


# STATEMENT OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2024

ASSETS	2024	2023
Cash and Cash Equivalents	\$ 365,055	\$ 265,119
Accounts and Other Receivables	-\$ 8,316	-\$ 28,931
Prepaid and Deferred Expenses	\$ 16,169	\$ 2,700
<b>Total Assets</b>	<b>\$ 372,907</b>	<b>\$238,888</b>
LIABILITIES		
Accounts and Other Payables	\$ 2,051	\$ 3,825
Deferred Income	\$ 2,400	\$ 0
Accrued Expenses	\$ 10,122	\$ 8,010
<b>Total Liabilities</b>	<b>\$ 14,573</b>	<b>\$ 11,835</b>
NET ASSETS		
Unrestricted	\$ 64,299	\$ 19,826
Fund Reserve	\$ 162,754	\$ 162,754
Net Surplus/Deficit	\$ 131,281	\$ 44,473
<b>Net Assets</b>	<b>\$ 358,334</b>	<b>\$ 227,053</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 372,907</b>	<b>\$ 238,888</b>

## ASSETS & LIABILITIES



# Thank You to Our Associate Members

## GOLD ASSOCIATE MEMBERS



**BBK**  
BEST BEST & KRIEGER LLP

COLANTUONO  
HIGHSMITH  
WHATLEY, PC

CV STRATEGIES

**PLANWEST**  
PARTNERS, INC. 



## SILVER ASSOCIATE MEMBERS

- Assura Software
- Berkson Associates
- Chase Design, Inc.
- City of Rancho Mirage
- County Sanitation Districts of L.A. County
- Cucamonga Valley Water District
- David Scheurich
- DTA
- E Mulberg & Associates
- Economic & Planning Systems (EPS)
- Goleta West Sanitary District
- Griffith, Masuda & Hobbs, a Professional Law Corp
- HdL Coren & Cone
- Hinman & Associates Consulting
- Holly Owen, AICP
- Kennedy Water Consulting, LLC
- LACO Associates
- Policy Consulting Associates
- P. Scott Browne
- QK
- Rancho Mission Viejo
- Sloan Sakai Yeung & Wong, LLP
- South Fork Consulting, LLC
- SWALE Inc.
- Terranomics Consulting

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**CALAFCO**

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1451 River Park Drive , Suite 185

Sacramento, California 95815

916.442.6536

[www.calafco.org](http://www.calafco.org)