



Local Agency Formation Commission of Napa County
Subdivision of the State of California

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We Manage Local Government Boundaries, Evaluate Municipal Services, and Protect Agriculture

Agenda Item 7d (Action)

TO: Local Agency Formation Commission
PREPARED BY: Brendon Freeman, Executive Officer
MEETING DATE: August 7, 2017
SUBJECT: Legislative Report

RECOMMENDATION

It is recommended the Commission approve a support position for Senate Bill 448 and authorize the Executive Officer to submit a letter of support to the author.

BACKGROUND

The California Association of LAFCOs or “CALAFCO” was established in 1971 to assist all 58 commissions in fulfilling their prescribed regulatory and planning duties. This includes serving as an advocacy resource in proposing and/or reviewing new legislation and facilitated through an appointed Legislative Committee. The Committee reviews, discusses, and offers recommendations to the CALAFCO Board of Directors with regard to new legislation that would have either a direct impact on LAFCO law or laws LAFCO helps to administer. Committee actions are guided by the Board’s adopted policies, which are annually reviewed and amended to reflect current year priorities.

SUMMARY

This year marks the first year of a two-year legislative session in Sacramento. Presently, CALAFCO is sponsoring three bills and tracking a number of other bills that have direct or indirect impacts on LAFCOs. A review of all active bills identifies 20 proposals that directly or indirectly impact LAFCOs and are briefly identified in the CALAFCO Legislative Report included as Attachment One. The Commission will receive a verbal report from staff and consider taking formal positions on specific items. A summary of proposed legislation that is particularly relevant to Napa LAFCO follows.

Assembly Bill 464 (Gallagher): Annexing Lands Already Served

This bill was sponsored by CALAFCO and makes corrections to California Government Code Section 56653 relating to boundary change proposals. At its June 5th meeting, the Commission considered taking a formal support position for this bill. The Commission requested more information about the positions of local State Legislators prior to taking a formal position. Staff has confirmed Assemblymember Aguiar-Curry and Senator Dodd both voted in support of this bill. This bill was signed by the Governor on July 10th.

Juliana Inman, Commissioner
Councilmember, City of Napa

Margie Mohler, Commissioner
Councilmember, Town of Yountville

Kenneth Leary, Alternate Commissioner
Councilmember, City of American Canyon

Brad Wagenknecht, Chair
County of Napa Supervisor, 1st District

Diane Dillon, Commissioner
County of Napa Supervisor, 3rd District

Ryan Gregory, Alternate Commissioner
County of Napa Supervisor, 2nd District

Brian J. Kelly, Vice Chair
Representative of the General Public

Gregory Rodeno, Alternate Commissioner
Representative of the General Public

Brendon Freeman
Executive Officer

Senate Bill 448 (Wieckowski): Inactive Special Districts

This bill requires the State Controller to publish a comprehensive list of special districts on or before July 1, 2019, and to annually update that list. The bill also requires special districts to file their annual audits with the LAFCO for each county that the district is located within. Further, the bill establishes a definition for the term “inactive district” and requires LAFCOs to dissolve inactive districts while waiving protest proceedings by holding one public hearing without conducting a special study.

At its June 5th meeting, the Commission considered taking a formal position on this bill. The Commission took no formal position due to the timing of several significant bill amendments. CALAFCO previously had several concerns with the processes identified in the bill, the proposed code section being used to address these new LAFCO powers, and several other technical issues. The bill was further amended to address CALAFCO’s concerns and CALAFCO is now requesting each LAFCO submit a letter of support.

On May 31st, the bill passed out of the Senate and was ordered to the Assembly. On July 17th, the bill was amended and re-referred to the Assembly Committee on Appropriations. Staff has confirmed Assemblymember Aguiar-Curry and Senator Dodd both voted in support of this bill. The bill text for Senate Bill 448 is included as Attachment Two. Staff recommends the Commission approve a support position for Senate Bill 448 and authorize the Executive Officer to submit a letter of support to the author.

Little Hoover Commission Update

Legislation is expected during the current two-year session to address pending findings from the Little Hoover Commission (LHC) in step with their ongoing review of special districts and oversight provided by LAFCOs. Initial hearings were held in late 2016 and included testimony provided by CALAFCO. The LHC held their final roundtable discussion on LAFCOs and special districts on June 22nd. The LHC’s proposed recommendations that were discussed on June 22nd are included as Attachment Three. CALAFCO’s final letter to the LHC is included as Attachment Four. The next hearing on this topic is scheduled for August 24th, at which time the LHC is expected to adopt final recommendations. No formal action relating to this item is requested of the Commission.

ATTACHMENTS

- 1) CALAFCO Legislative Report (July 31, 2017)
- 2) Senate Bill 448
- 3) Little Hoover Commission Proposed Recommendations (June 22, 2017)
- 4) CALAFCO Letter to the Little Hoover Commission (July 20, 2017)

CALAFCO Daily Legislative Report as of Monday, July 31, 2017

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[AB 464](#) ([Gallagher R](#)) Local government reorganization.
Current Text: Chaptered: 7/10/2017 [Text](#)
Introduced: 2/13/2017

Last Amended: 3/14/2017

Status: 7/10/2017-Approved by the Governor. Chaptered by Secretary of State - Chapter 43, Statutes of 2017.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, current law requires that an applicant seeking a change of organization or reorganization submit a plan for providing services within the affected territory that includes, among other requirements, an enumeration and description of the services to be extended to the affected territory and an indication of when those services can feasibly be extended. This bill would specify that the plan is required to also include specific information regarding services currently provided to the affected territory, as applicable, and make related changes.

Attachments:
[CALAFCO Letter Requesting Governor Signature](#)
[CALAFCO Letter of Support April 2017](#)
Position: Sponsor

Subject: Annexation Proceedings

CALAFCO Comments: This bill makes a fix to Gov. Code Sec. 56653 based on the court finding in the case of The City of Patterson v. Turlock Irrigation District. The court found that because the services were already being provided via an out of area service agreement, the application for annexation was deemed incomplete because it was not a new service to be provided. By making the fix in statute, any pending/future annexation for a territory that is already receiving services via an out of area service agreement will not be in jeopardy.

As amended, corrections were made to: 56653(b)(3) reading "proposed" rather than "provided", and in Government Code Section 56857 an exemption added pursuant to Public Utilities Code Section 9608 for territory already receiving electrical service under a service area agreement approved by the Public Utilities Commission pursuant to Public Utilities Code Section 9608.

[AB 979](#) ([Lackey R](#)) Local agency formation commissions: district representation.
Current Text: Amended: 5/15/2017 [Text](#)
Introduced: 2/16/2017

Last Amended: 5/15/2017

Status: 7/11/2017-Read second time. Ordered to third reading.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 provides for the selection of representatives of independent special districts on each local agency formation commission by an independent special district selection committee pursuant

Attachment One

to a nomination and election process. This bill would additionally require the executive officer to call and hold a meeting of the special district selection committee upon the adoption of a resolution of intention by the committee relating to proceedings for representation of independent special districts upon the commission pursuant to specified law.

Attachments:

[CALAFCO Sponsor/Support Letter April 2017](#)

Position: Sponsor

Subject: CKH General Procedures

CALAFCO Comments: This bill is co-sponsored by CALAFCO and CSDA. As amended, the bill amends code Sec. 56332.5 to streamline the process of seating special districts on LAFCo by mirroring current statute 56332 (the process for electing special district representatives into the special district seats). Keeping the process voluntary, it allows for voting by mail whether or not the district wants to have special districts represented on LAFCo. Further, it will allow for the consolidation of that question with the independent special district selection committee appointment to a countywide redevelopment agency oversight board pursuant to Health and Safety Code 34179 (j) (3).

[AB 1361](#) ([Garcia, Eduardo D](#)) **Municipal water districts: water service: Indian tribes.**

Current Text: Amended: 6/28/2017 [Text](#)

Introduced: 2/17/2017

Last Amended: 6/28/2017

Status: 7/19/2017-VOTE: Do pass as amended

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Municipal Water District Law of 1911 provides for the formation of municipal water districts and grants to those districts specified powers. Current law permits a district to acquire, control, distribute, store, spread, sink, treat, purify, recycle, recapture, and salvage any water for the beneficial use of the district, its inhabitants, or the owners of rights to water in the district. Current law, upon the request of certain Indian tribes and the satisfaction of certain conditions, requires a district to provide service of water at substantially the same terms applicable to the customers of the district to the Indian tribe's lands that are not within a district, as prescribed. This bill would additionally authorize a district to provide this service of water to an Indian tribe's lands that are not within the district if the Indian tribe's lands are owned by the tribe.

Attachments:

[CALAFCO Oppose letter 07 12 17](#)

Position: Oppose

Subject: Water

CALAFCO Comments: As amended, this bill allows water districts to provide service to an Indian tribe's lands that are not within the district boundaries without going through the current statutory process of approval by the local agency formation commission (LAFCo). Amendments were taken by the author during the Senate Governance and Finance Committee hearing July 19 that include LAFCo's ability to apply certain terms and conditions to the application by the water agency and limits the land to be served to lands in trust. However, CALAFCO still has a number of concerns and will continue to work with the author and sponsor.

[AB 1725](#) ([Committee on Local Government](#)) **Local agency formation.**

Current Text: Amended: 7/20/2017 [Text](#)

Introduced: 3/20/2017

Last Amended: 7/20/2017

Attachment One

Status: 7/20/2017-Read third time and amended. Ordered to second reading.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 provides the exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts, as specified. The act defines various terms for these purposes, including the term "contiguous," which the act defines as territory adjacent to territory within the local agency. This bill would instead define "contiguous" as territory that abuts or shares a common boundary with territory within a local agency.

Attachments:

[CALAFCO Letter of Support April 2017](#)

Position: Sponsor

Subject: CKH General Procedures

CALAFCO Comments: This is the annual Omnibus bill. The bill makes only minor, non-substantive technical changes to CKH.

[SB 37](#) (Roth D) Local government finance: property tax revenue allocations: vehicle license fee adjustments.

Current Text: Introduced: 12/5/2016 [Text](#)

Introduced: 12/5/2016

Status: 5/26/2017-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 5/25/2017)(May be acted upon Jan 2018)

Desk	Policy	2 year	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Beginning with the 2004–05 fiscal year and for each fiscal year thereafter, existing law requires that each city, county, and city and county receive additional property tax revenues in the form of a vehicle license fee adjustment amount, as defined, from a Vehicle License Fee Property Tax Compensation Fund that exists in each county treasury. Current law requires that these additional allocations be funded from ad valorem property tax revenues otherwise required to be allocated to educational entities. This bill would modify these reduction and transfer provisions for a city incorporating after January 1, 2004, and on or before January 1, 2012, for the 2017–18 fiscal year and for each fiscal year thereafter, by providing for a vehicle license fee adjustment amount calculated on the basis of changes in assessed valuation.

Attachments:

[CALAFCO Support Letter Feb 2017](#)

Position: Support

Subject: Financial Viability of Agencies, Tax Allocation

CALAFCO Comments: This bill is identical to SB 817 (Roth, 2016), SB 25 (Roth, 2015) and SB 69 (Roth, 2014) with the exception of the chaptering out language included in the 2016 version (which addressed the companion bill AB 2277 (Melendez, 2016)). The bill calls for reinstatement of the VLF through ERAF for cities that incorporated between January 1, 2004 and January 1, 2012. There are no provisions for back payments for lost revenue, but the bill does reinstate future payments beginning in the 2017/18 year for cities that incorporated between 1-1-2004 and 1-1-2012.

[SB 448](#) (Wieckowski D) Local government: organization: districts.

Current Text: Amended: 7/17/2017 [Text](#)

Introduced: 2/15/2017

Last Amended: 7/17/2017

Attachment One

Status: 7/17/2017-Read second time and amended. Re-referred to Com. on APPR.
(Amended 7/17/2017)

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law requires a report of an audit of a special district's accounts and records made by a certified public accountant or public accountant to be filed with the Controller and the county auditor of the county in which the special district is located within 12 months of the end of the fiscal year or years under examination. This bill would instead require special districts defined by a specified provision to file those audit reports with the Controller and special districts defined by another specified provision to file those audit reports with the Controller and with the local agency formation commission of either the county in which the special district is located or, if the special district is located in 2 or more counties, with each local agency formation commission within each county in which the district is located.

Attachments:

[CALAFCO Support Letter July 2017](#)

[CALAFCO Oppose Unless Amended Letter](#)

Position: Support

Subject: CKH General Procedures

CALAFCO Comments: As amended on July 17, this bill authorizes LAFCo to dissolve inactive districts (after determining they meet the criteria set forth in the statute) by holding one hearing, without conducting a special study and with the waiver of protest proceedings. The State Controller is required to notify LAFCo when a district is inactive. LAFCo then has 90 days to initiate dissolution, and another 90 days in which to hold the hearing to dissolve. Should the LAFCo determine the district does not meet the criteria, no dissolution occurs and LAFCo notifies the Controller the district is not inactive. Should the LAFCo determine the district does meet the criteria then it is ordered to be dissolved. The bill also requires a district to provide LAFCo with their audits at the same time they provide them to the Controller.

All of our issues have been resolved with the current version and as a result our position has been changed from Oppose Unless Amended to Support.

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[AB 267](#) ([Waldron R](#)) **Community services districts.**

Current Text: Introduced: 2/1/2017 [Text](#)

Introduced: 2/1/2017

Status: 5/12/2017-Failed Deadline pursuant to Rule 61(a)(3). (Last location was PRINT on 2/1/2017)(May be acted upon Jan 2018)

2 year	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law provides for the organization and powers of community services districts, including the continuation of any community services district, improvement district of a community services district, or zone of a community services district, that was in existence on January 1, 2006. This bill would make nonsubstantive changes to these provisions.

Position: Watch

CALAFCO Comments: According to the author's office this is a spot bill.

[AB 548](#) ([Steinorth R](#)) **Omnitrans Transit District.**

Attachment One

Current Text: Amended: 4/4/2017 [Text](#)

Introduced: 2/14/2017

Last Amended: 4/4/2017

Status: 4/28/2017-Failed Deadline pursuant to Rule 61(a)(2). (Last location was TRANS. on 3/23/2017)(May be acted upon Jan 2018)

Desk	2 year	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would create the Omnitrans Transit District in the County of San Bernardino. The bill would provide that the jurisdiction of the district would initially include the Cities of Chino, Chino Hills, Colton, Fontana, Grand Terrace, Highland, Loma Linda, Montclair, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Upland, and Yucaipa, and unspecified portions of the unincorporated areas of the County of San Bernardino. The bill would authorize other cities in the County of San Bernardino to subsequently join the district.

Position: None at this time

CALAFCO Comments: This bill, as amended, appears to dissolve the Omnitrans JPA and form a new independent special district to be known as the Omnitrans Transit District. The formation process does not include LAFCo. CALAFCO is reaching out to the author's office for more details.

[AB 577](#) (Caballero D) Disadvantaged communities.

Current Text: Amended: 3/9/2017 [Text](#)

Introduced: 2/14/2017

Last Amended: 3/9/2017

Status: 4/28/2017-Failed Deadline pursuant to Rule 61(a)(2). (Last location was E.S. & T.M. on 2/27/2017)(May be acted upon Jan 2018)

Desk	2 year	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law defines a disadvantaged community as a community with an annual median household income that is less than 80% of the statewide annual median household income for various purposes, that include, but are not limited to, the Water Quality, Supply, and Infrastructure Improvement Act of 2014, eligibility for certain entities to apply for funds from the State Water Pollution Cleanup and Abatement Account, and authorization for a community revitalization and investment authority to carry out a community revitalization plan. This bill would expand the definition of a disadvantaged community to include a community with an annual per capita income that is less than 80% of the statewide annual per capita income.

Position: Watch

Subject: Disadvantaged Communities

CALAFCO Comments: Sponsored by the Environmental Justice Coalition for Water, this bill is intended to expand the definition of disadvantaged communities to include multi-family households. According to the author's office this will be a two-year bill. CALAFCO will retain a Watch position until any amendments are in print.

[AB 645](#) (Quirk D) Local government: organization: dissolution.

Current Text: Introduced: 2/14/2017 [Text](#)

Introduced: 2/14/2017

Status: 5/12/2017-Failed Deadline pursuant to Rule 61(a)(3). (Last location was L. GOV. on 3/2/2017)(May be acted upon Jan 2018)

Desk	2 year	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Attachment One

Summary:

Under current law, if a change of organization consists of a dissolution, the commission is required to order the dissolution subject to confirmation of voters if, among other things, the proposal was not initiated by the commission and if a subject agency has not objected to the proposal, the commission has found that, for an inhabited territory protests have been signed by either 25% of the number of landowners within the affected territory who own at least 25% of the assessed value of land within the territory or 25% of the voters entitled to vote as a result of residing or owning land within the affected territory. This bill would decrease that threshold to 10% of the number of landowners within the affected territory who own at least 25% of the assessed value of land within the territory or 10% of the voters entitled to vote as a result of residing or owning land within the affected territory.

Position: Watch

Subject: CKH General Procedures, Disincorporation/dissolution, Special District Consolidations

CALAFCO Comments: According to the author's office this is a spot bill pending the outcome of the Alameda LAFCo special study on Eden Healthcare District. Update: The author's office indicates they will hold off moving this bill. CALAFCO will continue to Watch.

[AB 892](#) ([Waldron R](#)) **Municipal water districts: water service: Indian tribes.**

Current Text: Amended: 3/23/2017 [Text](#)

Introduced: 2/16/2017

Last Amended: 3/23/2017

Status: 5/12/2017-Failed Deadline pursuant to Rule 61(a)(3). (Last location was L. GOV. on 3/23/2017)(May be acted upon Jan 2018)

Desk	2 year	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law, upon the request of certain Indian tribes and the satisfaction of certain conditions, requires a district to provide service of water at substantially the same terms applicable to the customers of the district to the Indian tribe's lands that are not within a district, as prescribed. This bill would authorize, rather than require, a district to provide this service of water. The bill would apply this authorization to all Indian tribes whose lands are owned by the tribe.

Position: Watch

Subject: Water

CALAFCO Comments: According to the author's office, this may very well become a two-year bill. The intent of the bill was to make it permissive for an Indian tribe to negotiate directly with a water provider to obtain water services. This would circumvent LAFCo. This bill expands on last year's bill by Gonzalez-Fletcher, AB 2470. The author's office has indicated the bill will not move forward in it's current version. They understand CALAFCO's concerns. CALAFCO will continue to monitor the bill for any amendments and will consider a position if/when amendments are in print.

[AB 1479](#) ([Bonta D](#)) **Public records: custodian of records: civil penalties.**

Current Text: Amended: 7/18/2017 [Text](#)

Introduced: 2/17/2017

Last Amended: 7/18/2017

Status: 7/18/2017-Read second time and amended. Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

8/21/2017 10 a.m. - John L. Burton Hearing Room (4203)
SENATE APPROPRIATIONS, LARA, Chair

Summary:

Would, until January 1, 2023, require public agencies to designate a person or persons, or office or offices to act as the agency's custodian of records who is responsible for responding to any request made pursuant to the California Public Records Act and any inquiry from the public about a decision by the agency to deny a request for records. The bill also would make other conforming changes. Because the bill would require local agencies to perform additional duties, the bill would impose a state-mandated local program.

Position: Oppose

Subject: Public Records Act

CALAFCO Comments: As amended this bill requires any public agency to designate a person/office to act as the agency's custodian of records who will be responsible for responding to all public records requests and to respond to an inquiries as to why the agency denied the request for records. Further the bill adds a failure to respond for records or an improperly assessed fee can be considered a civil penalty and allows the courts to issue fines ranging from \$1000 - \$5000.

AB 1728 (Committee on Local Government) Health care districts: board of directors.

Current Text: Introduced: 3/22/2017 [Text](#)

Introduced: 3/22/2017

Status: 7/12/2017-From committee: Do pass and re-refer to Com. on APPR. with recommendation: To Consent Calendar. (Ayes 7. Noes 0.) (July 12). Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

8/21/2017 10 a.m. - John L. Burton Hearing Room (4203)
SENATE APPROPRIATIONS, LARA, Chair

Summary:

Each health care district has a board of directors with specific duties and powers respecting the creation, administration, and maintenance of the district, including purchasing, receiving, having, taking, holding, leasing, using, and enjoying property. This bill would require the board of directors to adopt an annual budget in a public meeting, on or before September 1 of each year, that conforms to generally accepted accounting and budgeting procedures for special districts, establish and maintain an Internet Web site that lists contact information for the district, and adopt annual policies for providing assistance or grant funding, if the district provides assistance or grants.

Attachments:

[AB 1728 CALAFCO Letter of Support](#)

Position: Support

Subject: Other

CALAFCO Comments: As introduced, this bill requires healthcare districts to adopt annual budgets, establish and maintain a website (and prescribes the required site content), and adopt policies for grant funding.

SB 206 (Committee on Governance and Finance) Validations.

Current Text: Chaptered: 7/10/2017 [Text](#)

Introduced: 2/1/2017

Status: 7/10/2017-Approved by the Governor. Chaptered by Secretary of State. Chapter 57, Statutes of 2017.

Attachment One

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

This bill would enact the First Validating Act of 2017, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities. This bill contains other related provisions.

Attachments:

[CALAFCO Letter Requesting Governor Signature 06 26 17](#)

[CALAFCO Support Feb 2017](#)

Position: Support

Subject: LAFCo Administration

CALAFCO Comments: One of three annual acts which validate the boundaries of all local agencies.

[SB 207](#) (Committee on Governance and Finance) Validations.

Current Text: Chaptered: 7/10/2017 [Text](#)

Introduced: 2/1/2017

Status: 7/10/2017-Approved by the Governor. Chaptered by Secretary of State. Chapter 58, Statutes of 2017.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

This bill would enact the Second Validating Act of 2017, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities. This bill contains other related provisions.

Attachments:

[CALAFCO Letter Requesting Governor Signature 06 26 17](#)

[CALAFCO Support Feb 2017](#)

Position: Support

Subject: LAFCo Administration

CALAFCO Comments: One of three annual acts which validate the boundaries of all local agencies.

[SB 208](#) (Committee on Governance and Finance) Validations.

Current Text: Chaptered: 7/10/2017 [Text](#)

Introduced: 2/1/2017

Status: 7/10/2017-Approved by the Governor. Chaptered by Secretary of State. Chapter 59, Statutes of 2017.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

This bill would enact the Third Validating Act of 2017, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

Attachments:

[CALAFCO Letter Requesting Governor Signature 06 26 17](#)

[CALAFCO Support Letter Feb 2017](#)

Position: Support

Subject: LAFCo Administration

CALAFCO Comments: One of three annual acts which validate the boundaries of all local agencies.

[SB 365](#) (Dodd D) Regional park and open-space districts: County of Solano.

Attachment One

Current Text: Amended: 7/13/2017 [Text](#)

Introduced: 2/14/2017

Last Amended: 7/13/2017

Status: 7/18/2017-In Senate. Concurrence in Assembly amendments pending.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law authorizes proceedings for the formation of a regional park and open-space or regional open-space district in specified counties in the state to be initiated by resolution of the county board of supervisors adopted after a noticed hearing, and specifies the contents of the resolution. This bill, in addition, would authorize the formation of a regional district in the County of Solano to be initiated by resolution of the county board of supervisors after a noticed hearing. The bill would specify the contents of the resolution, including the calling of an election, as prescribed.

Attachments:

[SB 365 CALAFCO Letter of Oppose 03 28 17](#)

Position: Oppose

Subject: LAFCo Administration

CALAFCO Comments: This bill calls for the formation of a regional park and open space district which will circumvent the LAFCo formation process.

[SB 435](#) (Dodd D) Williamson Act: payments to local governments.

Current Text: Amended: 5/2/2017 [Text](#)

Introduced: 2/15/2017

Last Amended: 5/2/2017

Status: 5/25/2017-May 25 hearing: Held in committee and under submission.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would, under the Williamson act, reduce the amount per acre paid to a city, county, or city and county under these provisions to \$2.50 for prime agricultural land, \$0.50 for all other land devoted to open-space uses of statewide significance, and, for counties that have adopted farmland security zones, \$4 for land that is within, or within 3 miles of the sphere of influence of, each incorporated city.

Attachments:

[CALAFCO Support Letter May 2017](#)

Position: Support

Subject: Ag Preservation - Williamson

CALAFCO Comments: This bill renews partial subvention funding for the Williamson Act as a fiscal incentive to lift contract moratoria, implements solar use easements and Farmland Security Zone Contracts, and increases subvention funding for counties that adopt conservation planning strategies for agriculturally zoned property that further our state's sustainable community goals.

[SB 634](#) (Wilk R) Santa Clarita Valley Water District.

Current Text: Amended: 7/12/2017 [Text](#)

Introduced: 2/17/2017

Last Amended: 7/12/2017

Status: 7/12/2017-Read second time and amended. Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law, the Castaic Lake Water Agency Law, created the Castaic Lake Water Agency and authorizes the agency to acquire water and water rights, including water

Attachment One

from the State Water Project, and to provide, sell, and deliver water at wholesale for municipal, industrial, domestic, and other purposes. This bill would repeal the Castaic Lake Water Agency Law.

Attachments:

[CALAFCO Letter Removing Opposition 06 26 17](#)

[CALAFCO Letter Oppose Unless Amended 03 27 17](#)

Position: Neutral

Subject: Special District Consolidations

CALAFCO Comments: As amended, this bill consolidates two independent water districts in Los Angeles. The bill was amended to include LAFCo in the process via an application for binding conditions. As statute does not allow the local LAFCo to deny the application when both district boards have adopted resolutions of support, the amendments of May 26 address all of CALAFCO's concerns. As a result CALAFCO has removed our opposition and now is neutral on the bill.

[SB 693](#) ([Mendoza D](#)) Lower San Gabriel River Recreation and Park District.

Current Text: Amended: 7/3/2017 [Text](#)

Introduced: 2/17/2017

Last Amended: 7/3/2017

Status: 7/11/2017-From committee: Do pass and re-refer to Com. on APPR. (Ayes 10. Noes 4.) (July 11). Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would specifically authorize the establishment of the Lower San Gabriel River Recreation and Park District, by petition or resolution submitted to the Los Angeles County Local Agency Formation Commission before January 1, 2020, subject to specified existing laws governing recreation and park districts, including their formation, except as provided. The bill would authorize specified city councils and the Los Angeles County Board of Supervisors to appoint members to, and the executive officer of the conservancy to serve as a member on, the initial board of directors of the district.

Position: Watch

Subject: LAFCo Administration

CALAFCO Comments: This bill forms the Lower San Gabriel River Recreation and Park District while leaving a majority of the LAFCo process intact. CALAFCO will keep watching to ensure it stays that way.

Total Measures: 20

Total Tracking Forms: 20

7/31/2017 8:00:45 AM

AMENDED IN ASSEMBLY JULY 17, 2017

AMENDED IN ASSEMBLY JULY 3, 2017

AMENDED IN SENATE MAY 26, 2017

AMENDED IN SENATE MAY 2, 2017

AMENDED IN SENATE APRIL 18, 2017

AMENDED IN SENATE APRIL 4, 2017

SENATE BILL

No. 448

Introduced by Senator Wieckowski

February 15, 2017

An act to amend Sections ~~26909~~ 26909, 56073.1, and 56375 of, to add Sections 12463.4 and 56042 to, and to add Article 6 (commencing with Section 56879) to Chapter 5 of Part 3 of Division 3 of Title 5 of, the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

SB 448, as amended, Wieckowski. Local government: organization: districts.

(1) Existing law requires the officer of each local agency, as defined, who has charge of the financial records of the local agency, to furnish to the Controller a report of all the financial transactions of the local agency during the next preceding fiscal year within 7 months after the close of each fiscal year. Existing law also requires a report of an audit of a special district's accounts and records made by a certified public accountant or public accountant to be filed with the Controller and the county auditor of the county in which the special district is located

within 12 months of the end of the fiscal year or years under examination.

This bill would instead require special districts defined by a specified provision to file those audit reports with the Controller and special districts defined by another specified provision to file those audit reports with the Controller and with the local agency formation commission of either the county in which the special district is located or, if the special district is located in 2 or more counties, with each local agency formation commission within each county in which the district is located. The bill would also require the Controller to publish on the Controller's Internet Web site a comprehensive list of special districts on or before July 1, 2019, and to annually update that list.

(2) The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 provides the exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts, as specified.

This bill would require the Controller to create a list of special districts that are inactive, as provided. The bill would also require the Controller to publish this list and to notify a local agency formation commission in the county or counties in which the special district is located if the Controller has included the special district in this list. The bill would require a local agency formation commission to initiate proceedings for the dissolution of any special district that is an inactive district and to dissolve those districts. The bill would define the term "inactive district" for these purposes. This bill would also make conforming changes. By increasing the duties of local officials, this bill would impose a state-mandated local program.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 12463.4 is added to the Government
2 Code, to read:

1 12463.4. On or before July 1, 2019, the Controller shall publish
2 on the Controller’s Internet Web site a comprehensive list of special
3 districts. The Controller shall update the list every year thereafter.
4 For purposes of this section, the term “special district” means an
5 “independent district” or “independent special district” as those
6 terms are defined in Section 56044.

7 SEC. 2. Section 26909 of the Government Code, as amended
8 by Section 1 of Chapter 164 of the Statutes of 2016, is amended
9 to read:

10 26909. (a) (1) The county auditor shall either make or contract
11 with a certified public accountant or public accountant to make an
12 annual audit of the accounts and records of every special district
13 within the county for which an audit by a certified public
14 accountant or public accountant is not otherwise provided. In each
15 case, the minimum requirements of the audit shall be prescribed
16 by the Controller and shall conform to generally accepted auditing
17 standards.

18 (2) (A) If an audit of a special district’s accounts and records
19 is made by a certified public accountant or public accountant, the
20 minimum requirements of the audit shall be prescribed by the
21 Controller and shall conform to generally accepted auditing
22 standards.

23 (B) A report of the audit required pursuant to subparagraph (A)
24 shall be filed within 12 months of the end of the fiscal year or years
25 under examination as follows:

26 (i) For a special district defined in paragraph (2) of subdivision
27 (d) of Section 12463, with the Controller.

28 (ii) For a special district defined in Section 56036, with the
29 Controller and with the local agency formation commission of the
30 county in which the special district is located, unless the special
31 district is located in two or more counties, then with each local
32 agency formation commission within each county in which the
33 district is located.

34 (3) Any costs incurred by the county auditor, including contracts
35 with, or employment of, certified public accountants or public
36 accountants, in making an audit of every special district pursuant
37 to this section shall be borne by the special district and shall be a
38 charge against any unencumbered funds of the district available
39 for the purpose.

1 (4) For a special district that is located in two or more counties,
2 this subdivision shall apply to the auditor of the county in which
3 the treasury is located.

4 (5) The county controller, or ex officio county controller, shall
5 effect this section in those counties having a county controller or
6 ex officio county controller.

7 (b) A special district may, by unanimous request of the
8 governing board of the special district and with unanimous
9 approval of the board of supervisors, replace the annual audit
10 required by this section with one of the following, performed in
11 accordance with professional standards, as determined by the
12 county auditor:

13 (1) A biennial audit covering a two-year period.

14 (2) An audit covering a five-year period if the special district's
15 annual revenues do not exceed an amount specified by the board
16 of supervisors.

17 (3) An audit conducted at specific intervals, as recommended
18 by the county auditor, that shall be completed at least once every
19 five years.

20 (c) (1) A special district may, by unanimous request of the
21 governing board of the special district and with unanimous
22 approval of the board of supervisors, replace the annual audit
23 required by this section with a financial review, or an agreed-upon
24 procedures engagement, in accordance with the appropriate
25 professional standards, as determined by the county auditor, if the
26 following conditions are met:

27 (A) All of the special district's revenues and expenditures are
28 transacted through the county's financial system.

29 (B) The special district's annual revenues do not exceed one
30 hundred fifty thousand dollars (\$150,000).

31 (C) The special district shall pay for any costs incurred by the
32 county auditor in performing an agreed-upon procedures
33 engagement. Those costs shall be charged against any
34 unencumbered funds of the district available for that purpose.

35 (2) If the board of supervisors is the governing board of the
36 special district, it may, upon unanimous approval, replace the
37 annual audit of the special district required by this section with a
38 financial review, or an agreed-upon procedures engagement, in
39 accordance with the appropriate professional standards, as

1 determined by the county auditor, if the special district satisfies
2 the requirements of subparagraphs (A) and (B) of paragraph (1).

3 (d) (1) A special district may, by annual unanimous request of
4 the governing board of the special district and with annual
5 unanimous approval of the board of supervisors, replace the annual
6 audit required by this section with an annual financial compilation
7 of the special district to be performed by the county auditor in
8 accordance with professional standards, if all of the following
9 conditions are met:

10 (A) All of the special district's revenues and expenditures are
11 transacted through the county's financial system.

12 (B) The special district's annual revenues do not exceed one
13 hundred fifty thousand dollars (\$150,000).

14 (C) The special district shall pay for any costs incurred by the
15 county auditor in performing a financial compilation. Those costs
16 shall be a charge against any unencumbered funds of the district
17 available for that purpose.

18 (2) A special district shall not replace an annual audit required
19 by this section with an annual financial compilation of the special
20 district pursuant to paragraph (1) for more than five consecutive
21 years, after which a special district shall comply with subdivision
22 (a).

23 (e) Notwithstanding this section, a special district shall be
24 exempt from the requirement of an annual audit if the financial
25 statements are audited by the Controller to satisfy federal audit
26 requirements.

27 (f) Upon receipt of the financial review, agreed-upon procedures
28 engagement, or financial compilation, the county auditor shall
29 have the right to appoint, pursuant to subdivision (a), a certified
30 public accountant or a public accountant to conduct an audit of
31 the special district, with proper notice to the governing board of
32 the special district and board of supervisors.

33 (g) This section shall remain in effect only until January 1, 2027,
34 and as of that date is repealed.

35 SEC. 3. Section 26909 of the Government Code, as added by
36 Section 2 of Chapter 164 of the Statutes of 2016, is amended to
37 read:

38 26909. (a) (1) The county auditor shall either make or contract
39 with a certified public accountant or public accountant to make an
40 annual audit of the accounts and records of every special district

1 within the county for which an audit by a certified public
2 accountant or public accountant is not otherwise provided. In each
3 case, the minimum requirements of the audit shall be prescribed
4 by the Controller and shall conform to generally accepted auditing
5 standards.

6 (2) (A) If an audit of a special district's accounts and records
7 is made by a certified public accountant or public accountant, the
8 minimum requirements of the audit shall be prescribed by the
9 Controller and shall conform to generally accepted auditing
10 standards.

11 (B) A report of the audit required pursuant to subparagraph (A)
12 shall be filed within 12 months of the end of the fiscal year or years
13 under examination as follows:

14 (i) For a special district defined in paragraph (2) of subdivision
15 (d) of Section 12463, with the Controller.

16 (ii) For a special district defined in Section 56036, with the
17 Controller and with the local agency formation commission of the
18 county in which the special district is located, unless the special
19 district is located in two or more counties, then with each local
20 agency formation commission within each county in which the
21 district is located.

22 (3) Any costs incurred by the county auditor, including contracts
23 with, or employment of, certified public accountants or public
24 accountants, in making an audit of every special district pursuant
25 to this section shall be borne by the special district and shall be a
26 charge against any unencumbered funds of the district available
27 for the purpose.

28 (4) For a special district that is located in two or more counties,
29 this subdivision shall apply to the auditor of the county in which
30 the treasury is located.

31 (5) The county controller, or ex officio county controller, shall
32 effect this section in those counties having a county controller or
33 ex officio county controller.

34 (b) A special district may, by unanimous request of the
35 governing board of the special district and with unanimous
36 approval of the board of supervisors, replace the annual audit
37 required by this section with one of the following, performed in
38 accordance with professional standards, as determined by the
39 county auditor:

40 (1) A biennial audit covering a two-year period.

1 (2) An audit covering a five-year period if the special district's
2 annual revenues do not exceed an amount specified by the board
3 of supervisors.

4 (3) An audit conducted at specific intervals, as recommended
5 by the county auditor, that shall be completed at least once every
6 five years.

7 (c) (1) A special district may, by unanimous request of the
8 governing board of the special district and with unanimous
9 approval of the board of supervisors, replace the annual audit
10 required by this section with a financial review, in accordance with
11 the appropriate professional standards, as determined by the county
12 auditor, if the following conditions are met:

13 (A) All of the special district's revenues and expenditures are
14 transacted through the county's financial system.

15 (B) The special district's annual revenues do not exceed one
16 hundred fifty thousand dollars (\$150,000).

17 (2) If the board of supervisors is the governing board of the
18 special district, it may, upon unanimous approval, replace the
19 annual audit of the special district required by this section with a
20 financial review in accordance with the appropriate professional
21 standards, as determined by the county auditor, if the special district
22 satisfies the requirements of subparagraphs (A) and (B) of
23 paragraph (1).

24 (d) Notwithstanding this section, a special district shall be
25 exempt from the requirement of an annual audit if the financial
26 statements are audited by the Controller to satisfy federal audit
27 requirements.

28 (e) This section shall become operative on January 1, 2027.

29 SEC. 4. Section 56042 is added to the Government Code, to
30 read:

31 56042. "Inactive district" means a special district that meets
32 all of the following:

33 (a) The special district is as defined in Section 56036.

34 (b) The special district has had no financial transactions in the
35 previous fiscal year.

36 (c) The special district has no ~~assets~~: *assets and liabilities*.

37 ~~(d) The special district has no fund equity.~~

38 (e)

1 (d) The special district has no outstanding debts, judgments,
2 litigation, contracts, liens, ~~claims, or postemployment liabilities.~~
3 *or claims.*

4 *SEC. 5. Section 56073.1 of the Government Code is amended*
5 *to read:*

6 56073.1. “Resolution of application” means the document
7 adopted by a local agency or school district initiating a change of
8 organization or reorganization pursuant to Section ~~56654.~~ 56654
9 *or the document adopted by a commission pursuant to paragraph*
10 *(2) of subdivision (a) of Section 56375 or by subdivision (c) of*
11 *Section 56879.*

12 ~~SEC. 5.~~

13 *SEC. 6.* Section 56375 of the Government Code is amended
14 to read:

15 56375. The commission shall have all of the following powers
16 and duties subject to any limitations upon its jurisdiction set forth
17 in this part:

18 (a) (1) To review and approve with or without amendment,
19 wholly, partially, or conditionally, or disapprove proposals for
20 changes of organization or reorganization, consistent with written
21 policies, procedures, and guidelines adopted by the commission.

22 (2) The commission may initiate proposals by resolution of
23 application for any of the following:

24 (A) The consolidation of a district, as defined in Section 56036.

25 (B) The dissolution of a district.

26 (C) A merger.

27 (D) The establishment of a subsidiary district.

28 (E) The formation of a new district or districts.

29 (F) A reorganization that includes any of the changes specified
30 in subparagraph (A), (B), (C), (D), or (E).

31 (G) The dissolution of an inactive district pursuant to Section
32 56879.

33 (3) A commission may initiate a proposal described in paragraph
34 (2) only if that change of organization or reorganization is
35 consistent with a recommendation or conclusion of a study
36 prepared pursuant to Section 56378, 56425, or 56430, and the
37 commission makes the determinations specified in subdivision (b)
38 of Section 56881.

1 (4) A commission shall not disapprove an annexation to a city,
2 initiated by resolution, of contiguous territory that the commission
3 finds is any of the following:

4 (A) Surrounded or substantially surrounded by the city to which
5 the annexation is proposed or by that city and a county boundary
6 or the Pacific Ocean if the territory to be annexed is substantially
7 developed or developing, is not prime agricultural land as defined
8 in Section 56064, is designated for urban growth by the general
9 plan of the annexing city, and is not within the sphere of influence
10 of another city.

11 (B) Located within an urban service area that has been delineated
12 and adopted by a commission, which is not prime agricultural land,
13 as defined by Section 56064, and is designated for urban growth
14 by the general plan of the annexing city.

15 (C) An annexation or reorganization of unincorporated islands
16 meeting the requirements of Section 56375.3.

17 (5) As a condition to the annexation of an area that is
18 surrounded, or substantially surrounded, by the city to which the
19 annexation is proposed, the commission may require, where
20 consistent with the purposes of this division, that the annexation
21 include the entire island of surrounded, or substantially surrounded,
22 territory.

23 (6) A commission shall not impose any conditions that would
24 directly regulate land use density or intensity, property
25 development, or subdivision requirements.

26 (7) The decision of the commission with regard to a proposal
27 to annex territory to a city shall be based upon the general plan
28 and rezoning of the city. When the development purposes are not
29 made known to the annexing city, the annexation shall be reviewed
30 on the basis of the adopted plans and policies of the annexing city
31 or county. A commission shall require, as a condition to
32 annexation, that a city rezone the territory to be annexed or present
33 evidence satisfactory to the commission that the existing
34 development entitlements on the territory are vested or are already
35 at build-out, and are consistent with the city's general plan.
36 However, the commission shall not specify how, or in what
37 manner, the territory shall be rezoned.

38 (8) (A) Except for those changes of organization or
39 reorganization authorized under Section 56375.3, and except as
40 provided by subparagraph (B), a commission shall not approve an

1 annexation to a city of any territory greater than 10 acres, or as
2 determined by commission policy, where there exists a
3 disadvantaged unincorporated community that is contiguous to
4 the area of proposed annexation, unless an application to annex
5 the disadvantaged unincorporated community to the subject city
6 has been filed with the executive officer.

7 (B) An application to annex a contiguous disadvantaged
8 community shall not be required if either of the following apply:

9 (i) A prior application for annexation of the same disadvantaged
10 community has been made in the preceding five years.

11 (ii) The commission finds, based upon written evidence, that a
12 majority of the registered voters within the affected territory are
13 opposed to annexation.

14 (b) With regard to a proposal for annexation or detachment of
15 territory to, or from, a city or district or with regard to a proposal
16 for reorganization that includes annexation or detachment, to
17 determine whether territory proposed for annexation or detachment,
18 as described in its resolution approving the annexation, detachment,
19 or reorganization, is inhabited or uninhabited.

20 (c) With regard to a proposal for consolidation of two or more
21 cities or districts, to determine which city or district shall be the
22 consolidated successor city or district.

23 (d) To approve the annexation of unincorporated, noncontiguous
24 territory, subject to the limitations of Section 56742, located in the
25 same county as that in which the city is located, and that is owned
26 by a city and used for municipal purposes and to authorize the
27 annexation of the territory without notice and hearing.

28 (e) To approve the annexation of unincorporated territory
29 consistent with the planned and probable use of the property based
30 upon the review of general plan and rezoning designations. No
31 subsequent change may be made to the general plan for the annexed
32 territory or zoning that is not in conformance to the rezoning
33 designations for a period of two years after the completion of the
34 annexation, unless the legislative body for the city makes a finding
35 at a public hearing that a substantial change has occurred in
36 circumstances that necessitate a departure from the rezoning in
37 the application to the commission.

38 (f) With respect to the incorporation of a new city or the
39 formation of a new special district, to determine the number of
40 registered voters residing within the proposed city or special district

1 or, for a landowner-voter special district, the number of owners
2 of land and the assessed value of their land within the territory
3 proposed to be included in the new special district. The number
4 of registered voters shall be calculated as of the time of the last
5 report of voter registration by the county elections official to the
6 Secretary of State prior to the date the first signature was affixed
7 to the petition. The executive officer shall notify the petitioners of
8 the number of registered voters resulting from this calculation.
9 The assessed value of the land within the territory proposed to be
10 included in a new landowner-voter special district shall be
11 calculated as shown on the last equalized assessment roll.

12 (g) To adopt written procedures for the evaluation of proposals,
13 including written definitions consistent with existing state law.
14 The commission may adopt standards for any of the factors
15 enumerated in Section 56668. Any standards adopted by the
16 commission shall be written.

17 (h) To adopt standards and procedures for the evaluation of
18 service plans submitted pursuant to Section 56653 and the initiation
19 of a change of organization or reorganization pursuant to
20 subdivision (a).

21 (i) To make and enforce regulations for the orderly and fair
22 conduct of hearings by the commission.

23 (j) To incur usual and necessary expenses for the
24 accomplishment of its functions.

25 (k) To appoint and assign staff personnel and to employ or
26 contract for professional or consulting services to carry out and
27 effect the functions of the commission.

28 (l) To review the boundaries of the territory involved in any
29 proposal with respect to the definiteness and certainty of those
30 boundaries, the nonconformance of proposed boundaries with lines
31 of assessment or ownership, and other similar matters affecting
32 the proposed boundaries.

33 (m) To waive the restrictions of Section 56744 if it finds that
34 the application of the restrictions would be detrimental to the
35 orderly development of the community and that the area that would
36 be enclosed by the annexation or incorporation is so located that
37 it cannot reasonably be annexed to another city or incorporated as
38 a new city.

39 (n) To waive the application of Section 22613 of the Streets and
40 Highways Code if it finds the application would deprive an area

1 of a service needed to ensure the health, safety, or welfare of the
 2 residents of the area and if it finds that the waiver would not affect
 3 the ability of a city to provide any service. However, within 60
 4 days of the inclusion of the territory within the city, the legislative
 5 body may adopt a resolution nullifying the waiver.

6 (o) If the proposal includes the incorporation of a city, as defined
 7 in Section 56043, or the formation of a district, as defined in
 8 Section 2215 of the Revenue and Taxation Code, the commission
 9 shall determine the property tax revenue to be exchanged by the
 10 affected local agencies pursuant to Section 56810.

11 (p) To authorize a city or district to provide new or extended
 12 services outside its jurisdictional boundaries pursuant to Section
 13 56133.

14 (q) To enter into an agreement with the commission for an
 15 adjoining county for the purpose of determining procedures for
 16 the consideration of proposals that may affect the adjoining county
 17 or where the jurisdiction of an affected agency crosses the boundary
 18 of the adjoining county.

19 (r) To approve with or without amendment, wholly, partially,
 20 or conditionally, or disapprove pursuant to this section the
 21 annexation of territory served by a mutual water company formed
 22 pursuant to Part 7 (commencing with Section 14300) of Division
 23 3 of Title 1 of the Corporations Code that operates a public water
 24 system to a city or special district. Any annexation approved in
 25 accordance with this subdivision shall be subject to the state and
 26 federal constitutional prohibitions against the taking of private
 27 property without the payment of just compensation. This
 28 subdivision shall not impair the authority of a public agency or
 29 public utility to exercise eminent domain authority.

30 ~~SEC. 6.~~

31 *SEC. 7.* Article 6 (commencing with Section 56879) is added
 32 to Chapter 5 of Part 3 of Division 3 of Title 5 of the Government
 33 Code, to read:

34

35 Article 6. Inactive Special Districts

36

37 56879. (a) On or before November 1, 2018, and every year
 38 thereafter, the Controller shall create a list of special districts that
 39 are inactive, as defined in Section 56042, based upon the financial
 40 reports received by the Controller pursuant to Section 53891. The

1 Controller shall publish the list of inactive districts on the
2 Controller's Internet Web site. The Controller shall also notify the
3 commission in the county or counties in which the district is located
4 if the Controller has included the district in this list.

5 (b) The commission shall initiate dissolution of inactive districts
6 by resolution within 90 days of receiving notification from the
7 Controller pursuant to subdivision (a), unless the commission
8 determines that the district does not meet the criteria set forth in
9 Section 56042. The commission shall notify the Controller if the
10 commission determines that a district does not meet the criteria
11 set forth in Section 56042.

12 (c) The commission shall dissolve inactive districts. The
13 commission shall hold one public hearing on the dissolution of an
14 inactive district pursuant to this ~~section~~. *section no more than 90*
15 *days following the adoption of the resolution initiating dissolution.*
16 The dissolution of an inactive district shall not be subject to any
17 of the following:

18 ~~(1) Sections 57008, 57077.1, and 57102.~~

19 *(1) Chapter 1 (commencing with Section 57000) to Chapter 7*
20 *(commencing with Section 57176), inclusive, of Part 4.*

21 (2) Determinations pursuant to subdivision (b) of Section 56881.

22 (3) Requirements for commission-initiated changes of
23 organization described in paragraph (3) of subdivision (a) of
24 Section 56375.

25 ~~(d) If the Controller receives substantial evidence that a district~~
26 ~~does not meet the criteria set forth in Section 56042, the Controller~~
27 ~~shall remove the district from the inactive list created pursuant to~~
28 ~~subdivision (a) and notify the commission in the county or counties~~
29 ~~in which the district is located.~~

30 56880. This article shall not apply to a special district formed
31 by special legislation ~~during the period of time in which the district~~
32 ~~is authorized to obtain funding.~~ *that is required by its enabling*
33 *statute to obtain funding within a specified period of time or be*
34 *dissolved. That district shall not be subject to this article during*
35 *that specified period of time.*

36 ~~SEC. 7.~~

37 SEC. 8. No reimbursement is required by this act pursuant to
38 Section 6 of Article XIII B of the California Constitution because
39 a local agency or school district has the authority to levy service
40 charges, fees, or assessments sufficient to pay for the program or

- 1 level of service mandated by this act, within the meaning of Section
- 2 17556 of the Government Code.

O



State of California

LITTLE HOOVER COMMISSION

Witnesses at Little Hoover Commission's August and October 2016 public hearings and participants at the November 2016 advisory committee proposed numerous recommendations for consideration. At various business meetings in 2017, the Commission discussed these and other potential recommendations. A summary of potential recommendations currently under consideration follows.

The June 22 roundtable discussion has been convened to consider if these recommendations are helpful, can be implemented or might have unintended consequences. The Commission also welcomes discussion on alternative suggestions. The primary focus of the roundtable meeting discussion will be on the recommendations related to governance and transparency, although potential recommendations focusing on climate change adaptation and healthcare districts also are included in this summary.

GOVERNANCE - POTENTIAL RECOMMENDATIONS

- The Legislature, in committee hearings and floor votes, as well as the Governor in bill signings, should curtail a growing practice of introducing bills to override LAFCO deliberative processes and decide local issues regarding special district boundaries and operations.
- The Legislature should provide one-time grant funding to pay for specified LAFCO activities, particularly to fund certain critical Municipal Service Reviews (MSRs) and to incentivize LAFCOs or smaller special districts to develop and implement dissolution or consolidation plans with timelines for expected outcomes. This grant process potentially could be overseen by the Governor's Office of Planning and Research. Funding should be tied to process completion and results, including enforcement authority for corrective action and consolidation.
- Alternatively or additionally, augment the existing LAFCO funding formula by allocating a certain percentage of local property taxes to fund LAFCOs as suggested in testimony from the California Association of Local Agency Formation Commissions (CALAFCO).
- After conducting a Municipal Service Review and finding dissolution or consolidation of special districts is warranted, provide LAFCOs the authority to initiate dissolutions or consolidations with a higher threshold for a public vote.
- Require special districts to hold a public hearing on findings and recommendations after the completion of a Municipal Service Review.
- The Legislature should provide LAFCOs the statutory authority to do reviews of inactive districts throughout California and dissolve them without the action being subject to protest and a costly election process. SB 448 (Wiekowski) would implement this recommendation. The bill was unanimously adopted by the Senate in May 2017, and currently is under consideration by the Assembly. As currently written, the bill also would require each county tax bill to list special district taxes and would require the State Controller, by 2019, to annually publish a list of all special districts in California.
- The Legislature should strengthen LAFCOs by easing a process to add special district representatives to the 28 county LAFCOs where districts have no voice.
- The Legislature should adopt legislation to give LAFCO members fixed terms, to ease political pressures in controversial votes and enhance the independence of LAFCOs.

TRANSPARENCY – POTENTIAL RECOMMENDATIONS

- Every LAFCO website should provide basic information and links to all of the special districts within each county service area, including a standardized dashboard reflecting revenues from property taxes and user fees, debt service and fund balance changes.
- Every special district should have a published policy for reserve funds, including the size and purpose of reserves and how they are invested.
- Every special district should have a website that provides the following information in an easy-to-understand format:
 - ✓ Name, location, contact data
 - ✓ Services provided
 - ✓ Governing body, including election information and the process for constituents to run for board positions
 - ✓ Compensation details – total staff compensation, including salary, pensions and benefits
 - ✓ Compensation details for the five staff with highest compensation (including salary, benefits, pensions, loans, annual leave balances, annual travel expenses)
 - ✓ Budget (including revenues and expenditures, bond debt and the source of revenues, including fees, property taxes and other assessments, as well as other revenue)
 - ✓ Reserve fund policy
 - ✓ An explanation of how the revenue sources are consistent with state law and do not constitute a permissible tax
 - ✓ Geographic area served and demographic data based on available census data
 - ✓ Average and median customer fees and other customer charges
 - ✓ Description of relationship and coordination with other local government agencies
 - ✓ Copy of most recent Municipal Service Review
 - ✓ Copy of most recent annual report provided to the State Controller’s Office
 - ✓ State and local agencies providing oversight of operations, compliance with state laws and financial reporting and audits and frequency of such reviews and links to the oversight bodies websites
- The California Special Districts Association, working with experts in public outreach and engagement, should develop best practices for independent special district outreach to the public on opportunities to serve on boards and special district elections including election results and voter participation data.
- The State Controller’s Office should disaggregate information provided by independent special districts from dependent districts, nonprofits and joint powers authorities on its By the Numbers and Employee Compensation websites. (SB 448 would require the State Controller to list all special districts on its website by 2019.)
- The State Controller’s Office should standardize definitions of special district financial reserves for state reporting purposes.
- The Secretary of State, working with county, city and special district representatives and the State Controller, should streamline or consolidate its public agency reporting requirements.

CLIMATE CHANGE ADAPTATION – POTENTIAL RECOMMENDATIONS

- The Legislature should place a requirement in statute that special districts formally include climate adaptation and climate mitigation as key operational considerations within their governing documents and missions.
- The California Special Districts Association (CSDA), in conjunction with its member districts, should document and share climate adaptation experiences with the Integrated Climate Adaptation and Resilience Program’s adaptation information clearinghouse being established within the Governor’s Office of Planning and Research (OPR). Similarly, CSDA and member districts should step up engagement in the state’s current Fourth Assessment of climate threats, a \$5 million state research project designed to support the implementation of local adaptation activities. The CSDA also should promote climate adaptation information sharing among its members to help districts with fewer resources plan for climate impacts and take actions.
- The Legislature should replicate statewide a program established by Oakland-based East Bay Municipal Utility District, in which real estate transactions trigger an inspection of sewer lines on the property and require repairs if broken. Or, as an alternative, it should commission a study of costs versus benefits – possibly by a university or the appropriate state department. Such a study would build long-term support, if feasible, for legislation.
- State regulatory agencies should explore the beginnings of a new regulatory framework and adaptive approach that incorporates moveable baselines when defining a status quo as climate impacts mount.
- The California Special Districts Association, and special districts, as some of the closest-to-the-ground local governments in California, should step up public engagement on climate adaptation, and inform and support people and businesses to take actions that increase their individual and community-wide defenses.
- The California Special Districts Association and special districts should lead efforts to seek and form regional partnerships to maximize climate adaptation resources and benefits.

HEALTHCARE DISTRICTS – POTENTIAL RECOMMENDATIONS

- The Legislature should work with the Association of California Healthcare Districts to enact proposals the association developed in 2016 to accomplish these two objectives:
 - ✓ Update the 1945 legislative “practice acts” that enabled voters to create local hospital districts, renamed healthcare districts in the early 1990s. Experts widely agree that statutory language in the acts no longer reflects rapid changes in healthcare during the past half century, especially regarding roles of healthcare districts without hospitals.
 - ✓ Make healthcare districts directly respond to local healthcare needs by conducting needs assessments every three years and demonstrate annually how they are addressing those needs. This information will be shared with the local LAFCO that oversees the district.

- The Legislature, which has been increasingly inclined to override local LAFCO processes to press changes on healthcare districts, should defer these decisions to LAFCOs, which in statute already have that responsibility.
- The Association of California Healthcare Districts and its member districts should step up efforts to define and share best practices among themselves.

July 20, 2017

Chair Pedro Nava
Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Chair Nava:

On behalf of the California Association of Local Agency Formation Commissions (CALAFCO), I want to thank you, the Commission and your staff for the work done over the past year in reviewing special districts and local agency formation commissions (LAFCo). This letter is intended to follow up on the roundtable discussion of June 22, 2017, and offer some final comments and thoughts on potential recommendations.

Our comments are intended to clarify the suggestions made by CALAFCO and provide additional comments on several potential recommendations in the areas of governance, transparency and healthcare districts. For simplicity we will only address those potential recommendations that have an effect on LAFCo.

Governance – Potential Recommendations

1. Legislature to curtail LAFCo overrides.

CALAFCO fully supports the idea that decisions about local service providers are best made locally where they can most effectively reflect current and future community needs. Considerations of organization/reorganization, boundaries and service delivery of local providers should be kept local and local agency formation commissions (LAFCos) remain the most appropriate entities to make these decisions.

To add to this recommendation:

CALAFCO believes that authorizing LAFCo, under certain conditions, to create or approve variances of the composition of a legislative body currently authorized by the principal acts will assist in reducing the introduction of certain types of legislation. Further, we also believe authorizing LAFCo to approve other procedural or structural requirements that currently restrict a LAFCo from efficiently and constructively taking action to address a desired action will also serve to reduce the introduction of certain kinds of legislation.

2. Provide one-time funding to LAFCos for specified LAFCo activities.

While we believe that ongoing funding by the state to support LAFCo mandates is appropriate, absent that, CALAFCO fully supports the idea of a one-time infusion of \$1 to \$3 million from the General Fund for LAFCos to conduct certain activities such as the dissolution of inactive districts and more in-depth studies of service providers. These funded in-depth studies should focus on those service providers who are cause for concern (as determined by the LAFCo) or potential candidates for reorganization. CALAFCO envisions a process whereby a LAFCo would submit a request for funding upon meeting certain criteria and provide a full accounting report upon completion of the activity funded. We agree with the recommendation that the Office of Planning & Research, Strategic Growth Council or

Department of Conservation are the most appropriate partners to oversee and administer this funding.

3. Augment existing local LAFCo funding by reinstating and allocating a portion of local agency funding.

As we stated in our August 2016 testimony, we support the notion of reinstating the Educational Revenue Augmentation Fund (ERAF) funding that was previously taken away and allocating a fraction of the percentage of local agencies' portion to LAFCo. Since the local agencies have a statutory obligation to financially support LAFCo, this seems like a logical connection.

4. Gain consistency in the protest thresholds.

While noted as "increase public vote threshold" in the potential recommendation, CALAFCO would like to clarify the intent of our recommendation. LAFCo-initiated actions have a lower threshold of protest (ten percent) than non-LAFCo-initiated actions (twenty-five percent). We believe this arbitrary inconsistency is a primary factor in the lack of LAFCo-initiated actions. Further, we strongly believe the entire protest process needs a thorough review for consistency and simplification.

CALAFCO supports the idea of the Senate Governance and Finance Committee and/or the Assembly Local Government Committee taking the lead in gathering stakeholders for a full study and discussion on the protest process and how it can be streamlined and consistencies gained.

5. Require special districts to conduct a public hearing to review the Municipal Service Review (MSR) conducted.

Supporting the MSR process by requiring affected local agencies (not just special districts but all service providers) to hold a noticed public hearing (at a regularly scheduled meeting) to discuss the MSR or special study will certainly increase local public awareness and education on the type and level of service being provided. Additionally, requiring the service provider to provide written responses to any recommended actions made by LAFCo in preparing determinations will increase service provider accountability.

Giving LAFCo the authority to require the service provider to report back to the LAFCo on any determinations within a pre-determined timeline will also serve to increase awareness and accountability for service providers. A complete timeline can easily be created for the MSR process to allow for both of these recommendations. CALAFCO fully supports this recommendation.

6. Authorize LAFCo to dissolve inactive districts in a streamlined process.

CALAFCO officially supports SB 448 (Wieckowski) which allows for this to occur. It may be advantageous if the Commission would recommend passage of SB 448.

7. Strengthen LAFCo membership by streamlining the special district seating process.

CALAFCO and the California Special Districts Association (CSDA) are co-sponsoring AB 979 (Lackey) to accomplish this recommendation. It may be advantageous if the Commission would recommend passage of AB 979.

8. Fixed terms for LAFCo commissioners.

We would like to clarify the intent of our recommendation. Current statute calls for commissioners to be appointed to a four-year term. However, the statute also states the commissioner serves at the will of the appointing body and can be removed without cause. It is the “without cause” part of the statute that causes CALAFCO concern and the area we are trying to address with this recommendation. While each LAFCo can adopt local policies pertaining to terms of office, they do not control the actions of the appointing bodies. We support the idea of appointing bodies being required to also adhere to a prescribed term of appointment. This may serve to eliminate some of the political pressures felt by some commissioners.

Transparency – Potential Recommendations

1. LAFCo website requirement to post specific special district information.

CALAFCO supports the idea of each LAFCo website containing a list of each public agency service provider (not just special districts) for which they have authority, and a link to that agency’s website. As we stated during the June 22 discussion, the majority of our members currently do this.

We believe the most effective way to get at the detailed special district financial data this recommendation covers is either through the state-level entities that already collect the financial data listed in the recommendation or directly from the district’s website. A member of the public can easily gain access to the data through the link on the LAFCo website to the district’s website.

Since districts are already required to provide this kind of reporting to the state, it stands to reason that logically the state and the district would be the sites from which to obtain this data, not the LAFCo.

2. Content requirements for special district websites.

CALAFCO encourages the Commission to consider the resources required to fulfill the laundry list of prescribed content in this proposed recommendation. Additionally, we request the Commission consider the consistency with which such a mandate is administered. Special districts are not the only public agency service provider and as such we encourage the Commission to consider consistent application of any requirements across all public service providers. We believe there is an optimal point of efficiency and transparency to be found and suggest should the Commission decide to make this recommendation, some guidelines and best practices be studied for application.

3. State Controller to clearly identify districts by type on their website.

CALAFCO fully supports this recommendation. LAFCos rely on this data for certain reports and activities and having the Controller’s database streamlined will be of great help to LAFCos.

4. State and local entities streamline or consolidate public agency reporting requirements.

CALAFCO supports this recommendation. We suggest and support the idea of a group of stakeholders offering feedback on what improvements can be made to maximize efficiencies.

California Association of Local Agency Formation Commissions
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Healthcare districts – Potential Recommendations

1. Update the healthcare district (HCD) principal act.

CALAFCO fully supports this recommendation. We have been in discussions with our colleagues at CSDA and the Association of California Healthcare Districts (ACHD) on this matter. Earlier this year CALAFCO formed an internal working group to review certain issues pertaining to HCDs and LAFCos. This working group made several recommendations to CALAFCO for statewide consideration and we have been in discussions with ACHD and CSDA on these potential changes. CALAFCO looks forward to ongoing dialogue with stakeholders on how to modernize the statutes governing HCDs. Doing so will certainly create efficiencies for LAFCos.

2. Defer changes to HCDs to LAFCo rather than the State Legislature.

CALAFCO fully supports this recommendation. Decisions about local service providers are best made locally where they can most effectively reflect current and future community needs.

CALAFCO continues to make ourselves available to you and your staff as a resource. We are happy to answer any questions you may have about our comments or provide you any additional information you may need.

Sincerely,



Pamela Miller
Executive Director

CC: Carole D'Elia, Executive Director, Little Hoover Commission