



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Supplement to 7-20

June 9, 1993

(Executive Committee--Information)
To: Board of Directors (Special Committee on Legislation--Info.)
From: General Manager
Subject: Special District Consolidation

Report

The following background information is submitted as a supplement to the special district consolidation issue raised in Revised Board Letter 8-10, State Budget Policy Principles. Members of the Board Special Committee on Legislation requested that this issue return to them for further discussion at their June 15th committee meeting.

Background: The procedures for establishing and revising local government boundaries are set forth in the constitutions and laws of the 50 states. Some alternative processes include judicial approval, special state legislation or the use of "boundary commissions" such as a Local Agency Formation Commission (LAFCO). There are fifty-eight LAFCOs in California - - one within each county.

Under current law, the formation of a special district begins when voters within a specific area apply to a county Local Agency Formation Commission. The application describes the proposed boundaries, service and financing plans. If the application is approved, a public hearing is held. After the public hearing process, the issue is then placed before the voters for approval. **Under current law, a district can be dissolved only by the district itself.**

A Local Agency Formation Commission (LAFCO) is also required to approve or disapprove proposals for changes of organization or reorganization. A conducting authority (the city, county or special district whose boundaries would be changed or the county for city incorporations and certain reorganizations) may then order the change subject to voter confirmation under certain circumstances and must order an election if a 25 percent protest exists.

Current law also requires a LAFCO to include two county representatives, two city representatives and one

general public member for a total of five members. The LAFCO may order special district representation, thereby enlarging the LAFCO by two members for a total of seven members. Upon receipt of resolutions from a majority of special districts within the county, the LAFCO must either approve or disapprove special district representation on the LAFCO.

LAFCOs have numerous powers, but those of primary concern are the power to act on local agency boundary changes and to adopt spheres of influence for those agencies.

Capitol insiders have indicated that in light of the State's multi-billion dollar deficit and continued efforts to raid local government revenues to address the State's fiscal imbalance, the more vulnerable district governments may be forced into consolidation.

PROPOSED LEGISLATION

AB 491 (Farr, D-Carmel): Because LAFCOs can only currently approve or disapprove proposals for special district changes of organization or reorganization, Assemblyman Sam Farr (D-Carmel) has introduced AB 491 which would allow LAFCOs to initiate proposals relating to special districts, that being: consolidation (uniting two districts formed under the same principal act); dissolution (termination of the existence of a district); merger (termination of the existence of a district by the merger of that district with a city); or establishment of a subsidiary district (city council serves as the ex officio district board of directors).

The author has convened a working group of special district representatives and LAFCO representatives to address concerns relating to LAFCO-initiated district reorganizations. The Association of California Water Agencies (ACWA), the California Special Districts Association (CSDA) and League of California Cities (LCC) are active participants in this working group. The author intends to amend AB 491 as consensus is reached on the issues surrounding special district representation on LAFCOs; adequate protest provisions; requirement of findings by LAFCO relating to economic and service delivery impacts; consideration of current efforts of districts to achieve greater efficiencies; who bears the costs to carry out LAFCO-initiated proposals; and the provision of financial incentives for reorganization.

On June 8 Assemblyman Farr was elected to fill the congressional seat left vacant when Leon Panetta resigned to become President Clinton's Director of Office of Management

and Budget. It is anticipated that Assemblyman Mike Gotch (D-San Diego) will take over as the lead author on the special district consolidation proposals.

AB 491 passed the Assembly on a vote of 53 - 17 and awaits a hearing before the Senate Local Government Committee.

AB 1335 (Gotch, D-San Diego): The Cortese-Knox Local Government Reorganization Act of 1985 directs that each LAFCO establish policies in a manner that encourages and provides for planned, efficient urban development patterns with consideration of preserving open space lands. A "sphere of influence" is defined in the Act as a plan for the "ultimate" physical boundaries and service area of a local agency.

AB 1335 by Assemblyman Mike Gotch (D-San Diego), as recently amended, contains legislative intent language which directs LAFCOs to provide efficient extension of services; prevent formation of new local agencies where an existing local agency can provide the necessary services; balance expanded local agency service areas; and prevent premature conversion of agricultural and valuable open space lands. In the bill, LAFCOs are also directed to encourage infill development, contribute to the balance of revenue-producing uses and higher service costs uses.

AB 1335 is sponsored by the California Association of Local Agency Formation Commissions and seeks to clarify and strengthen the LAFCO process. AB 1335 passed the Assembly on a vote of 60 - 17 and awaits assignment to a Senate policy committee.

Special District Protections: Although there appears to be general agreement in Sacramento to support the concept of greater efficiency in government, ACWA and other special district representatives have expressed concern that concentrating too much power with LAFCO could lead to abuse. To protect against abuse and to encourage consolidations or dissolutions which improve government accountability, accessibility and efficiency, ACWA has proposed that district consolidation legislation, if enacted, be crafted to include:

- * Qualifiers as to the agencies for whom LAFCO can and cannot initiate consolidations. Multi-county agencies should be excluded to avoid multi-LAFCO jurisdiction. To prevent "cherry picking" of revenue-producing agencies, only "like" types of agencies should be subject to LAFCO initiation

(e.g. independent to independent; city to city; county-dependent to county dependent). Affected agencies should be contiguous (adjacent or overlapping).

- * Limit the expanded scope of power to LAFCOs to only LAFCOs with special district representation.
- * Consideration of countywide economic and service delivery impacts for proposed consolidations. Consideration should be given to better intergovernmental coordination mechanisms rather than immediate consolidation as one alternative in the consolidation analysis. Give special districts a time period to react to consolidation study and initiate own proposals.
- * Adequate protest procedures.
- * An equitable allocation of costs associated with LAFCO-initiated proposals.
- * Financial incentives for reorganization and restructuring.

Board Committee Assignments:

This letter is referred for information to:

The Executive Committee because of its authority with regard to legislation sponsored by the District or in any way affecting the District, pursuant to Administrative Code Section 2417; and

The Special Committee on Legislation because of its authority to review proposals for state and federal legislation that may affect the District, pursuant to Administrative Code Section 2581(a).

Recommendation

For information only.


for General Manager