



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-20

June 8, 1993

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

Report

On May 25, 1993, the Board Executive Committee adopted recommendations by the Board Special Committee on Legislation on Revised Board Letter 8-10, State Budget Policy Principles, exclusive of the special district consolidation issue. Members of the Board Special Committee on Legislation requested that this issue return to them for further discussion at their next committee meeting.

Supplemental background information on this issue will be provided to committee members at the meeting.

Background

There are approximately 1,780 independent special districts in California - - 866 of which are water-related special districts. Procedures for establishing and revising local government boundaries are set forth in the California Constitution and codes of law. Generally, LAFCO proceedings occur first and include actions taken from the filing of an application for a boundary change proposal through final action on the application. If a LAFCO approves a proposal, proceedings are conducted by a city, county or special district whose boundaries would be changed or by the county for city incorporations and certain reorganizations.

State Treasurer Kathleen Brown has publicly recommended that the Legislature examine local government consolidation to promote greater efficiencies while including financial incentives to encourage local governments to achieve more streamlined and efficient operations.

The Legislative Analyst has strongly recommended in her budget analysis that there be a fundamental restructuring of state and local government although acknowledging that a fundamental restructuring will take time and will not solve the

State's fiscal problems overnight. The Legislative Analyst feels quite strongly that the Legislature should make governmental restructuring one of their highest priorities. A key part of her recommendation includes giving local governments a larger share of property tax revenues while allowing the State to keep sales tax revenues now distributed to local governments.

The battle cry from legislators for special district consolidation has been answered this legislative session by Assemblyman Sam Farr (D-Carmel) and Assemblyman Mike Gotch (D-San Diego).

AB 491 by Assemblyman Farr would allow LAFCOs to initiate proposals for consolidation of districts, dissolution, merger or establishment of a subsidiary district. The author has convened a working group of special district representatives and LAFCO representatives to address concerns relating to LAFCO-initiated district reorganizations. ACWA and the California Special Districts Association are active participants in this working group.

AB 1335 by Assemblyman Gotch requires LAFCOs to adopt "development and conservation tiers" for each urban area by January 1, 1995, and prohibits certain financing mechanisms outside these tiers without LAFCO approval. The bill also allows LAFCOs to initiate proposals relating to special district consolidation, dissolution, merger, or establishment of a subsidiary district. The bill requires a LAFCO to order these actions without an election, except when a 25 percent protest exists.

Policy Options:

a. Do not oppose legislative efforts to simplify and facilitate special district consolidations but ensure that legislation provides mechanisms to identify the most efficient and economical path to provide better service to the public without duplication of services. Coordinate advocacy efforts through local government coalitions and associations to ensure:

- * Special district representation on LAFCOs;
- * Adequate conflict resolution procedures;

- * That LAFCO consider better intergovernmental coordination mechanisms rather than immediate consolidation as one alternative in the consolidation analysis, particularly between local governments and special districts;
 - * That LAFCO consider economic and service delivery impacts under proposed consolidation;
 - * An equitable manner to allocate costs associated with LAFCO-initiated proposals;
 - * Financial incentives for reorganization and restructuring;
 - * Exemptions for multi-county special districts; and
 - * Consolidations of only "like" districts.
- b. Oppose legislation which would facilitate special district consolidations.
- c. Monitor legislation on special district consolidation but take no "official" position on the issue.

Board Committee Assignments:

This letter is referred for action 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

That the Board adopt Policy Option "a".


General Manager