

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

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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.

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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