

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MARCH 28, 2018

REGULAR MEETING

TO: Shiva Frentzen, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

PREPARED BY: Erica Sanchez, Assistant Executive Officer

AGENDA ITEM #12A: OTHER BUSINESS – LEGISLATION

RECOMMENDATION

Staff recommends that the Commission receive the following summary of LAFCO-related legislation for the 2017-2018 Legislative Session. No Commission action is requested.

REASON FOR RECOMMENDED ACTION AND BACKGROUND

The State Legislature is in the second year of the current two-year legislative cycle. CALAFCO is currently tracking 26 bills, 22 of which were introduced in 2018. The following is a summary of new developments in current legislation that will have a direct impact to LAFCOs:

AB 2050 (Caballero D): Small System Water Authority Act of 2018 *Introduced 2/6/18*

AB 2050 would create the Small System Water Authority Act of 2018, authorizing the State Water Resources Control Board (SWRCB) to mandate dissolution of existing water service providers (public, private and mutual), and form a new public water system. The dissolved entities may provide service to areas that are non-contiguous. The SWRCB already has the authority to mandate consolidation of these systems, this will add the authority to mandate dissolution and formation of new public agencies.

The bill is co-sponsored by Eastern Municipal Water District and the California Municipal Utilities Association. The CALAFCO subcommittee has reviewed the Legislative Counsel's proposed amendments to AB 2050 and has submitted feedback. There are currently a lot of concerns with the bill; major concerns include how consolidation will create economies of scale for non-contiguous entities, especially relating to infrastructure, how this may impact sprawl, and how the joining of several failing systems into one will make a difference. Similar to the process in SB 88, LAFCOs do not appear to have much discretion in this process.

AB 2258 (Caballero): LAFCO Grant Funding***Introduced 2/13/18***

This is a CALAFCO sponsored bill following up on the recommendation of the Little Hoover Commission report of 2017 for the Legislature to provide LAFCOs one-time grant funding for in-depth studies of potential reorganization of local service providers.

AB 2258 would require the Strategic Growth Council (SGC), until January 1, 2024, to establish and administer a LAFCO grant program for the payment of costs associated with initiating and completing the dissolution of inactive districts, the payment of costs associated with a study of the services provided within a county by a public agency, and for other specified purposes, including the initiation of an action, based on determinations found in the study, as approved by the commission. The bill would specify application submission, reimbursement, and reporting requirements for a LAFCO to receive grants pursuant to the bill. In summary, the bill:

- Allows for a 5-year window of access to funding, beginning January 1, 2019 and sun-setting December 31, 2023.
- Allows for a LAFCO to seek reimbursement for actions to dissolve inactive districts pursuant to SB 448 (Wieckowski, 2017).
- Gives LAFCOs opportunity to seek funding for studies conducted pursuant to 56378 (not related to municipal service reviews conducted as part of a sphere of influence update).
- Gives LAFCOs opportunity to seek funding to initiate change of organization/reorganization based on determinations in the study, and to incentivize service providers to work with the LAFCO on implementing those actions.

The Strategic Growth Council has recently pushed back on the process proposed by CALAFCO and wants to first undergo a public comment input process to vet the grant application process before committing to it. CALAFCO strongly disagrees with this approach, as it has the potential to create a much lengthier application/approval process and the SGC could potentially have much more control over the process in general, which was not the original intent (the intent was for the SGC to act as the administrator of the funds only). Recognizing that the SGC may not be the best administrator of this program, CALAFCO is now in discussions with the Department of Finance and the Department of Conservation to potentially act as the grant program administrator. Any change in the proposed program administrator would need to be determined quickly, as the bill language would need to be heard in committee in the next month.

AB 2268 (Reyes D): Vehicle License Fee Adjustments – Annexations***Introduced 2/13/18***

Sponsored by the League of California Cities, AB 2268 will reinstate ERAF funding for inhabited annexations. AB 2268 is currently pending amendments, with regards to the following:

CALAFCO has learned that some counties were concerned with a potential loss of revenue based on the base year used in the current version of the bill. The League submitted FY 2005-06 as the base year, but the Legislative Counsel changed that to 2004-05. This change would inadvertently cause loss to counties (with additional harm to Orange County). The proposed amendments use normal calculations in FY 2018-19 and add additional funding which was taken away with SB 89. 140 cities would be

affected. The calculation used to determine the additional funding is the SB 89 amount multiplied by 1.17 which accounts for growth since that time. The money is not taken from the county or another city but from ERAF, which will be backfilled with general fund dollars.

The League is conducting stakeholder outreach to those counties that have expressed concern and presenting the amendments. To date, the feedback they have received (which was also confirmed by CSAC) is that the changes proposed eliminate the counties concerns. The League is committed to making sure counties remain whole and to making the necessary amendments.

On March 16, the CALAFCO Legislative Committee voted to take a SUPPORT IF AMENDED position, with a change to SUPPORT once the amendments are in print. CALAFCO has supported this legislation in the past.

AB 2491 (Cooley D): Vehicle License Fee Adjustments – New Cities
Introduced 2/13/18

Sponsored by the League of California Cities, AB 2491 will reinstate ERAF funding for incorporations. This bill would establish a separate vehicle license fee adjustment amount for a city incorporating after January 1, 2012, and for a qualified city, as defined, incorporating after January 1, 2012, would establish an additional separate vehicle license fee adjustment amount.

The CALAFCO subcommittee continued to meet for the past month to discuss the implications of the bill, but the subcommittee was not in full agreement. One concern was whether reinstating the ERAF funding would negatively impact counties. CSAC's legislative advocate has reportedly stated that although CSAC has supported this bill in the past, it will not support this bill this year, but it won't likely oppose it either.

The CALAFCO Legislative Committee voted to take a SUPPORT position on this bill, as it has done in past years. Commissioner Frentzen, who sits on the subcommittee for this bill, voted 'No' against the support position.

SB 1215 (Hertzberg D): Water systems: Consolidations
Introduced 2/18/18

SB 1215 would authorize the State Water Resources Control Board (SWRCB) to mandate the extension of wastewater service or consolidation of wastewater systems - both public and private, under certain circumstances. Sponsored by the Leadership Council for Justice and Accountability, this bill seeks to mirror the process set forth in SB 88 giving the SWRCB authority to mandate the same for drinking water systems. This bill would also authorize the SWRCB to set timeline and performance measures to facilitate completion of extension of service of drinking water.

Both CALAFCO and the SWRCB share concerns with the language in the bill, as well as the overall effectiveness of SB 88. A major concern for CALAFCO is the lack of annexation requirement for mandatory service extensions. The CALAFCO Legislative Committee voted to maintain a WATCH position at this time, and also to send a strong letter of concern to the author and sponsors.

Attachment

Attachment A: Complete CALAFCO Legislation Report