MEMORANDUM

TO: Local Agency Formation Commission

FROM: Stephen Lucas, Executive Officer

SUBJECT: Agenda Item 6.1 - Executive Officer’s Report

DATE: July 25, 2017 for the meeting of August 3, 2017

ADMINISTRATION:

1. The Special District election saga continues. While the vacated (Duncan) "regular" Enterprise special district seat was filled in the initial election by Steve Onken (LOAPUD), the other two special district terms (Lando, McGreehan) ending May 2017 remain in election limbo (commissioners are permitted to serve until a successor is appointed).

   The Election process was initiated on February 1, 2017, when the Executive Officer requested and received nominations for the "regular" Enterprise district seat and three nominations for the regular enterprise and alternate district seats (Tom Lando-CARPD, Scott Fowler-FRPRD, Al McGreehan-PRPD). The first election period opened for 60 days from March 19 to May 19, 2017 with only 12 districts submitting ballots, which does not represent a quorum (21 of 41) of districts. Therefore pursuant to GC56332(f)(6), the Executive Officer extended the election period by 60 days until July 21, 2017 which generated an additional 4 ballots bringing the total ballot count to 17, or 4 short of a quorum. The Executive Officer has again extended the election period for 60 more days in hopes of garnering a quorum of district ballots.

   This is not the first time the special districts failed to meet the quorum requirements. The Butte County Special Districts Association does not meet regularly and has not acted in the capacity of the Butte County Independent Special District Selection Committee for many years. In its absence, the LAFCO Executive Officer has been conducting elections for LAFCO members. This will also be an issue with respect to future special district appointees to the yet to be formed Countywide Redevelopment Agency Oversight Board (H&SC 34179), which must be completed by July 1, 2018. At present, the LAFCO Executive Officer will need to conduct this vital appointment process, otherwise, it is possible the Butte County special districts will not be represented which may have fiscal consequences to these districts. The Executive Officer believes the Butte County special districts should meet and discuss its role in local agency matters and consider developing a coordinated approach among special districts to reconstitute an independent special districts selection committee.

2. As discussed in June, the Butte County Grand Jury publicly released the 2016/2017 Interim Report discussing vector control services in the County by the three (3) Mosquito Abatement Districts (Butte County, Durham and Oroville). The Grand Jury has expressed its opinion that vector control services in Butte County as a whole would be improved if the three districts were consolidated for a number of fiscal and operational reasons. The Grand Jury also recommends that "pending the results of the 2017 MSR (in progress), LAFCO initiate the process of consolidating OMAD (Oroville) and DMAD (Durham) under BCMVCD (Butte County)."

   As a requested respondent, Butte LAFCO has 90 days (September 19, 2017) to respond to the Grand Jury recommendations. An actionable item will be placed on the Commission's future agenda for formal action to respond to the Grand Jury.
**PROJECT NOTES:**

1. Staff has met with the County Administration concerning the possible formation of a countywide fire protection district. The County has been exploring multiple options to control the ever increasing costs of delivering fire protection services to the unincorporated community. The County BOS is expected to continue this discussion at its August meeting.

2. The Oroville Region Water Study is progressing. Staff has met with stakeholders and a draft Request for Proposals is being reviewed for circulation to perspective consultants.

**CALAFCO:**

1. The Board of Directors will meet on August 18, 2017. The attached July 2017 CALAFCO Quarterly Report (Attachment 1) describes current issues and events related to the organization.

2. The Little Hoover Commission continues its efforts to review local government practices, especially related to special district transparency and LAFCO regulations and powers. CALAFCO has been actively engaged in all aspects of the LHC process and Commissioner Connelly and the Executive Officer are on the CALAFCO special LHC advisory committee. The attached letter from CALAFCO (Attachment 2) outlines the various issues and proposals that are currently under consideration.

**LEGISLATION:**

1. **AB 464** (Gallagher) - CALAFCO SUPPORT - The bill was signed by the Governor and is chaptered into law. Staff submitted a letter of support to the Governor's Office (Attachment 2) and a letter of appreciation to Assemblyman Gallagher (Attachment 3).

2. **AB1361** (Garcia) - CALAFCO OPPOSE - This bill was a last minute gut and amend piece of legislation intending to allow local agencies to avoid the local LAFCO process when considering water service extensions to Indian tribes. This was a fast moving bill from initial language to a Assembly Local Government Committee hearing in a matter of days. Staff consulted with CALAFCO who opposed the bill (Attachment 4) and submitted a letter of opposition from Butte LAFCO (Attachment 5).

3. The latest CALAFCO Daily Legislative Report is provided as **Attachment 6**.

**GENERAL NOTES:** None

**APPLICATION ACTIVITY**
# APPLICATION ACTIVITY

**Project Status As of July 25, 2017**

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**Attachments:**

1. July 2017 CALAFCO Quarterly Report
2. July 20, 2017 CALAFCO letter to LHC
3. June 27, 2017 letter to Governor Brown requesting support for AB464
5. July 12, 2017 CALAFCO Oppose Letter - AB1361
6. July 17, 2017 Butte LAFCo Oppose Letter - AB1361
7. CALAFCO Daily Legislative Report - May 23, 2017
News from the Board of Directors
CALAFCO QUARTERLY
July 2017

CALAFCO Board Adopts Association’s 2017-18 Strategic Plan
During their May 5 meeting, the CALAFCO Board of Directors considered the Association’s two-year strategic plan for 2017-18. The draft strategic plan was presented to the Board for consideration as a follow-up to their day-long strategic planning retreat session in January. The discussion, both in January and in May focused on current and emerging LAFCo and CALAFCO issues, what puts our members and the Association at risk and current CALAFCO commitments. The Board also carefully considered available resources to fulfill objectives and deliver the highest quality support to our members.

Ultimately the Board approved three strategic areas: (1) Serve as an educational resource to member LAFCo Commissioners, LAFCo staff, Associate members and stakeholders; (2) Focus efforts on Association member development and communication; and (3) Serve as an information resource to all Association members, work as a legislative and policy advocate for LAFCo issues and provide information to the Legislature and other stakeholders. Within those three areas are objectives that address the identified needs of creating value-added educational and networking opportunities, building stronger member LAFCo and a resilient Association, generating ourselves in new ways as an information resource, and continuing our work as a legislative resource.

The 2017-18 Strategic Plan was unanimously adopted by the CALAFCO Board during their May 5 meeting. The adopted plan has been distributed to the membership and can be found on the CALAFCO website.

Additional CALAFCO Board Actions
During the May 5 meeting the Board addressed several administrative issues and took a number of other actions:

- Reviewed and adopted the Association’s FY 2017-18 annual budget.
- Received and filed the quarterly financial reports. The budget is on track for the year with no changes anticipated.
- Received a full legislative update.
- Received other status updates from CALAFCO staff.
- Directed staff to plan for an in-depth discussion at their August Board meeting on the long-term financial state of the Association.

Conferences and Workshops Update
2017 STAFF WORKSHOP
The 2017 Staff Workshop was held April 5-7 at the Doubletree by Hilton in downtown Fresno. Our host for this workshop was Fresno LAFCo. The Program Planning Committee did a great job in planning a diverse program of topics and interesting speaker line up. The Workshop received a rating of 5.3 out of 6.0 and was a financial success with all revenues and expenses meeting budget expectations. CALAFCO wishes to thank our host, Fresno LAFCo, and in particular Executive Officer David Fey. Thanks also to the Program Planning Committee Chair, Kris Berry, and all who worked to plan another great Workshop.

2017 ANNUAL CONFERENCE
Mark your calendars for the 2017 Annual Conference on October 25-27. We will be in Mission Bay, San Diego at the Bahia Hotel. Registration is open so make your hotel reservations early and be sure to send in your Conference registration and payment before August 31 to receive the early bird registration rate. A very special mobile workshop is being planned that will include a tour of the Claude “Bud” Lewis desalination plant, the largest in the nation. We will also be touring the adjacent Encina Power Station. The Program Planning Committee, under the leadership of Carolyn Emery (Orange), is busy putting together a fabulous program. For details, visit the CALAFCO website.

CALAFCO White Papers and Other Publications
In partnership with the American Farmland Trust (AFT), we are currently working on a White Paper on Ag Policies. Work on this project is anticipated to be completed by the end of summer. A huge thank you to Serena Unger of the AFT, and to Executive Officers Christine Crawford (Yolo), Neelima Palacherla (Santa Clara), David Fey (Fresno), and Associate Member Elliot Mulberg for their work on the paper.

CALAFCO Legislative Update
A busy legislative year to be sure. CALAFCO is sponsoring three bills, tracking 20 bills and has formal positions on 13 bills. A full legislative update including the bills CALAFCO is tracking can be found on the CALAFCO website. The report is updated weekly via Capitol Track.
Sponsored bills this year include:

- **AB 464** (Callaghan) which makes changes addressing the issue of annexations of areas receiving services via an out of area service agreement. The bill was signed into law by the Governor on July 10.
- **AB 979** (Lackey) (co-sponsored with CSDA) which streamlines the process of seating special districts on LAFCo. The bill passed Assembly and is now on the Senate floor for passage.
- **AB 1725** (Omnibus) contains several technical, non-substantive changes to OKH. The bill is on the Senate floor awaiting passage.

Other bills of notice include:

- **AB 1361** (E. Garcia) CALAFCO Oppose - This bill was recently gut and amended. As amended, it 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 LAFCo. Amendments were taken by the author during the SG&FC 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.
- **SB 448** (Wecowski) – CALAFCO Support - The bill requires the State Controller to: (1) identify independent special districts separately on their website (from the other thousands of districts); (2) notify LAFCo when a special district becomes inactive (based on the new criteria in statute); and (3) remove the district from the inactive list if it is deemed active or upon dissolution. The bill requires LAFCo to: (1) initiate dissolution within 90 days of notification by the Controller; (2) hold a noticed public hearing for dissolution within 90 days of initiating the process; and (3) determine if the district meets the inactive criteria (and if so then order the dissolution) and if not, notify the Controller. The dissolution process requires only one noticed public hearing and no protest process, special study or MSR. Finally the bill requires a special district to file their audits with the LAFCo at the same time they file with the Controller. CALAFCO has been working extensively with the author and other stakeholders over many months on obtaining a host of amendments.

**Little Hoover Commission Update**

The LHC held their final roundtable discussion on LAFCos and special districts on June 22. A host of draft recommendations were discussed in detail by the Commission and stakeholders. The next hearing on this topic, at which they are scheduled to adopt the final recommendations, is set for August 24.

**Tracks Around the State**

**San Diego LAFCo**

Submitted by Escondido Mayor Sam Abed, Chairman of the San Diego LAFCo

On May 1, 2017, long time San Diego LAFCo Executive Officer Mike Ott announced his retirement, effective August 31, 2017. Some of Mike’s good friends and co-workers have also announced their retirement from the San Diego LAFCo. Joining him in retirement this summer will be Chief Local Governmental Analyst Ingrid Hansen, who has been working part-time as a retired worker for the past ten years. She originally started with the San Diego LAFCo in 1981. And Harry Ehrlich, who serves as Legislative Director, also announced that he will be retiring to spend more time with his wife and family. Harry was recently elected to the Borrego Water District and will be able to devote more of his time to this desert water agency in north eastern San Diego County, plus his consulting firm.

Over the past 25 years, Mike was at the helm of the San Diego LAFCo during a time of tremendous change. Among the more difficult projects he oversaw were seven different incorporations – not all of which were successful; one failed special reorganization proposal (La Jolla Secessione); one unsuccessful disincorporation attempt (Imperial Beach); and an effort that he discouraged that would have resulted in the formation of a municipal utility district to replace the San Diego Gas and Electric Company. Perhaps, most important were his government streamlining efforts. He was responsible for streamlining government services in a diverse county of over 3.2 million people occupying 4,500 square miles through consolidating 90 special districts. Of particular note is the agency’s work with fire agencies. Over one million acres of unincorporated San Diego County are now within a structural fire protection and emergency medical service provider. This has improved life safety for San Diego County residents and millions of tourists that visit the County each year.

The San Diego LAFCo has been honored with sixteen statewide awards for its professional excellence and innovation during the past 25 years that Mike Ott led LAFCo. The agency was recognized by CALAFCO in 1998, 2002 and 2004 as the “Most Effective Commission” in the
State. Mike previously served as the first Deputy Executive Officer of CALAFCO and wrote the groundbreaking 1989 report that resulted in the reorganization of CALAFCO. During his time with the San Diego LAFCo, Mike also completed the first ever LAFCo-initiated district consolidation in California. He served on the Governor’s Office of Planning and Research’s Incorporation Task Force and Municipal Service Review Working Group between 1999 and 2001. Mike, Ingrid, and Harry Ehrl is are all previous recipients of CALAFCO’s Outstanding LAFCo Professional award.

In 2018, the San Diego LAFCo will begin a major update to its Spheres of Influence, Municipal Service Reviews, Disadvantaged Community Program, and launching an Unincorporated Island Program. These programs will affect 18 municipalities and 80 special districts. The San Diego LAFCo is accordingly seeking a talented and experienced leader to manage these programs after Mike Ott retires. The Commission will also be recruiting for several new analysts in the upcoming months.

According to Mike, “Having headed the San Diego LAFCo for twenty-five years, I can say unequivocally it is an excellent organization and this is an exceptional career opportunity for an experienced and creative leader interested in helping to shape the future of San Diego County. San Diego LAFCo is fortunate that it will continue to be staffed by brilliant LAFCo attorney, Mike Colantuono and a talented workforce consisting of Robert Barry, Joe Serrano, Tammy Luckett, Ruth Arellano, Erica Blom, and Dieu Ngu, plus an incredible group of experienced consultants.”

Los Angeles LAFCo
LA LAFCo is pleased to announce the hiring of Adriana Romo as Deputy Executive Officer, who recently assumed the office. Adriana recently served as Local Government Analyst III with Riverside LAFCo, where she worked since 2002.

Vector Control Services in LA County
Given the public health challenges associated with preventing the spread of diseases (chikungunya, dengue, encephalitis, West Nile virus, yellow fever, and Zika), LA LAFCo continues its proactive efforts to annex a handful of unincorporated areas and cities into existing vector control districts. The Commission annexed unincorporated La Crescenta-Montrose and the City of La Cañada Flintridge into the Greater Los Angeles Vector Control District (GLAVCD) in 2015. Tentatively scheduled for the Commission’s July 12th meeting is the proposed annexation of the cities of Baldwin Park and Pasadena into the San Gabriel Valley Mosquito and Vector Control District. Within the next few months, the GLAVCD intends to file an out-of-agency service extension request to serve the City of Vernon on an interim basis (ideally leading to a future annexation). With the exception of the City of Long Beach (which has its own robust in-house vector control program), the City of Vernon is the sole remaining city in Los Angeles County not served by a vector control district. In the face of increasing health risks, the proactive collaboration amongst several parties (LA LAFCo, vector control districts, the County of Los Angeles, and the involved cities) are yielding positive results for the benefit of the public.

Sonoma LAFCo
Sonoma LAFCo is pleased to report the receipt of an application from the City of Santa Rosa for annexation of five unincorporated islands, including the community of Roseland in west Santa Rosa. The Commission will adjudicate the proposal at its August meeting. Assuming approval and eventual ratification of the application, the annexation will resolve a decades-long exclusion of a large community of approximately 6,500 residents from the City.

Solano LAFCo
Solano LAFCo announces the hiring of a new Executive Officer, Richard J. Seithel, who will begin on August 9, 2017. Richard is a resident of Antioch and currently serves as the Chief of Annexations and Economic Stimulus Programs for Contra Costa County. He has served Contra Costa County in the County Administrator’s Office for the past nineteen years as a deputy county administrator. Richard will be a permanent full-time employee of the commission. Since 2013, the Solano LAFCO Executive Officer position has been filled by contractors working only part time. The move to a permanent full-time executive officer will ensure greater availability and service to the county, cities, districts and the public.

The CALAFCO Board of Directors and Staff wish all of you a wonderful summer!
CALAFCO Associate Members’ Corner
This section highlights our Associate Members. The information below is provided to CALAFCO by the Associate member upon joining the Association. All Associate member information can be found in the CALAFCO Member Directory.

CALAFCO is pleased to welcome our newest Silver Associate Member, Peckham & McKenney. Peckham & McKenney, Inc. provides executive search services to local government agencies throughout the Western United States and is headquartered in Roseville, California. The firm was established as a partnership in 2004 by Bobbi Peckham and Phil McKenney, who serve as the firm’s Recruiters and bring over 50 years’ combined experience in local government and executive search. To learn more about them, visit them at www.peckhamandmckenney.com, or call them at 866-912-1919.

Upcoming CALAFCO Conferences and Workshops

2017 ANNUAL CONFERENCE
October 25 – 27
Bahia Mission Bay
San Diego, CA
Hosted by CALAFCO

2018 STAFF WORKSHOP
April 11 – 13
Four Points Sheraton
San Rafael, CA
Hosted by Marin LAFCo

2018 ANNUAL CONFERENCE
October 3-5
Tenaya Lodge
Yosemite, CA
Hosted by CALAFCO

Mark Your Calendars For These Upcoming CALAFCO Events
- CALAFCO Board of Directors meeting, August 18, San Diego
- CALAFCO Legislative Committee meeting, August 25, conference call
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 (LAFCos). 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.
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
June 27, 2017

The Honorable Governor Edmund G. Brown, Jr.
State of California
State Capitol Building
Sacramento, CA 95814

RE: Request to Sign AB 464 (Gallagher) Local Government Reorganization

Dear Governor Brown:

The Butte Local Agency Formation Commission (LAFCo) respectfully requests that you sign Assembly Bill 464 (Gallagher). AB 464 makes necessary technical changes to existing LAFCo law to solidify the current practice of LAFCos approving annexations of areas already being served by a local agency through an out of area service agreement (Government Code Section 56133).

As a result of a 2014 court decision (City of Patterson v. Turlock Irrigation District), future annexations of an area receiving services through a LAFCO approved out of area service agreement will not be valid. Initially a local issue, it has become a statewide concern. This bill will remedy the problem by ensuring LAFCOs can continue to process annexation applications which include areas currently receiving services provided under an out of area service agreement and promote logical boundary alignments. In short, it removes a road block from fully implementing state law (CKH) as intended. By allowing the annexation of these areas, AB 464 also ensures the people paying for and receiving the services, can fully participate in all constituent functions of the service provider.

It is important to note that this bill does not change the current rights of a city or district to oppose an annexation, nor does it change any protest provisions in current law. It simply ensures the ability for LAFCOs to continue the practice of common sense boundary oversight for service providers. As there are many pending annexations throughout the state that are associated with previously approved out of area service extensions, this legislation is critical to the successful annexation of these areas.

The bill has had unanimous support in both the Assembly and Senate and makes necessary corrections to existing law to allow for the ongoing annexation of areas that may already be receiving services. As AB 464 is good public policy, we respectfully urge you to sign AB 464.

Yours sincerely,

Steve Lucas
Stephen Lucas,
Executive Officer

cc: Honorable James Gallagher, Assembly member
    Tom Dyer, Chief Deputy Legislative Secretary to the Governor
    Pamela Miller, California Association of Local Agency Formation Commissions
July 11, 2017

Assemblymember James Gallagher  
California State Assembly  
State Capital Room 2158  
Sacramento, CA 95814

Subject: Governors Signing - AB 464

Dear Assemblymember Gallagher:

On behalf of the Butte Local Agency Formation Commission (LAFCo), we thank you and your staff for agreeing to author AB464 (Local Government Reorganization 56663 and 56857) and shepherding the bill through the legislative process to the Governors' desk for approval on July 10, 2017.

This bill was a high priority for the sponsor, the California Association of Local Agency Formation Commissions (CALAFCO), and of particular and critical interest to the Butte LAFCo. The bill made technical changes to existing LAFCo law to solidify the current practice of LAFCo's approving annexations of areas already being served by a local agency through an out of area service agreement (GC §56133). Further, it allows for common sense boundary alignments and more predictable growth planning going forward.

Butte LAFCO and CALAFCO are pleased to have created a new relationship with your office related to issues of local governance and will continue to offer our knowledge should you address local government issues going forward. Please don't hesitate to contact us if, and when, issues arise.

Sincerely yours,

[Signature]

Stephen Lucas  
Executive Officer

Cc: Butte LAFCO Commissioners  
Pamela Miller, Executive Director, CALAFCO
July 12, 2017

Assemblymember Eduardo Garcia
California State Assembly
California State Capitol, Room 4140
Sacramento, CA 95814

RE: AB 1361 – OPPOSE (as amended June 28, 2017)

Dear Assemblymember Garcia:

The California Association of Local Agency Formation Commissions (CALAFCO) has been following your bill, AB 1361, which was recently gutted and amended to allow 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). Because this bill as amended on June 28, 2017, allows for an extension of services without annexation or even the expedited extension of service approval processes by LAFCo, CALAFCO, on behalf of the 58 LAFCos in the state, respectfully opposes AB 1361.

From our perspective, AB 1361 is a solution in search of a problem. As written, the bill is not addressing any current service provision problem. Instead, it seeks to subvert existing law by granting a special exception for any potential extension of water service by any public agency to any tribal land throughout the state.

The current decades old annexation and service extension processes are uniquely crafted by the legislature to ensure the provision of local public agency services are carefully regulated by another neutral local public body in the form of LAFCos in each county. LAFCos currently have authority over the boundaries and service extension of public agency service providers and AB 1361 gives no consideration to this existing local authority.

The bill’s sponsor indicates that LAFCOs have no authority over tribal lands. While we understand there exists a unique relationship between the State and Indian Tribes, the fact of the matter is that LAFCOs do have authority over the boundaries of the public agency service provider and not the service recipient (tribe). So, when an extension of service is sought by that service provider to an area outside the existing boundaries, the existing LAFCo process ensures that all public agency service extensions do not cause harm to either other local agencies or their constituents and are fully vetted in a local public hearing. This transparent process allows the public to have meaningful opportunities to comment and seek remedies at the local level in contrast to this bill, which allows for a blanket statewide loophole that removes all local control and cannot possibly foresee local circumstances and influences that a local LAFCo process would allow for and consider.

Further, allowing a water agency to serve tribal lands even if the LAFCo Municipal Service Review (MSR) indicates the agency has existing service issues will only serve to exacerbate service deficiencies for existing users. The existing, long standing annexation process allows for a thorough, publicly transparent evaluation of both service needs and capability before allowing such a service extension to occur. This protects everyone affected by such a decision and has proven to be good
Assemblymember Eduardo Garcia  
Re: AB 1361 Oppose  
July 12, 2017  
Page 2

public policy. In the end, it is imperative that all Californian's be treated equally under the law and especially when creating policy that involves the provision of water service. Giving any special interest an "automatic" approval to limited water supplies without local review authority is bad policy.

As CALAFCO’s legislative policies call for the opposition of any legislation that diminishes LAFCo authority as well as the opposition of legislation which grants special status to any agency to circumvent the existing LAFCo process, and for all of the reasons noted above, CALAFCO must oppose AB 1361 as currently written.

I am happy to answer any questions you may have about our concerns.

Yours sincerely,

[Signature]

Pamela Miller  
Executive Director

Cc: Committee Members, Senate Governance and Finance Committee  
Anton Favorini-Csorba, Consultant, Senate Governance and Finance Committee  
Ryan Eisberg, Senate Republican Caucus Consultant
Attachment 6

BUTTE LOCAL AGENCY FORMATION COMMISSION
1453 Downer Street, Suite C  Orovile, California 95965-4950
(530)538-7784  Fax (530)538-2847  www.buttelafco.org

July 17, 2017

Assemblymember Eduardo Garcia
California State Assembly
California State Capitol, Room 4140
Sacramento, CA 95814

RE:  AB 1361 – OPPOSE (as amended June 28, 2017)

Dear Assemblymember Garcia:

The Butte Local Agency Formation Commission (LAFCO) has significant concerns with your bill, AB 1361, which was alarmingly gutted and amended late in the legislative process, leaving little time for meaningful public review and consideration. The bill to allow water districts and other local agencies to provide service to Indian owned (but not in trust) lands outside of, and even discontiguous to, the local agency/district boundaries without the benefit of local public hearing through the current statutory process of approval by the local agency formation commission (LAFCo). This is simply bad public policy and a clear disregard for the input of locally elected leaders charged with orderly development within their communities. Because this bill allows for an extension of services to privately owned, non-trust lands without annexation or even the expedited extension of service approval processes by LAFCo, Butte LAFCO respectfully opposes AB 1361.

Current law allows for a clear and transparent process for any local agency to request from LAFCO, approval for an annexation or extension of services in order to serve a new customer(s). In fact, this process is quite routine and services are successfully provided. The sponsors have offered no significant or compelling argument to grant an Indian tribe, simply by owning land, a special streamlined process to bypass the law. From our perspective, AB 1361 is a solution in search of a problem. As written, the bill is not addressing any current specific service provision problem. Instead, it seeks to subvert existing law by granting a special exception for any potential extension of water service by any public agency to any tribal owned land throughout the state.

The legislature’s current decades old annexation or service extension processes are uniquely crafted by the legislature to ensure that the provision of local public agency services are carefully regulated by another neutral local public body in the form of LAFCos in each county. LAFCo’s currently have authority over the boundaries and service extension of public agency service providers and AB 1361 gives no consideration to this existing local authority.

The bill’s sponsor indicates that LAFCos have no authority over tribal trust lands. While we understand there exists a unique relationship between the State and Indian Tribes, the fact of the matter is that LAFCos have authority over the boundaries of the public agency service provider and not the service recipient (tribe). So, when an extension of service is sought by that service provider to an area outside the existing boundaries, the existing LAFCO process ensures that all public agency service extensions do not cause harm to either other local
Agencies or their constituents and are fully vetted in a local public hearing. This transparent process allows the public to have meaningful opportunities to comment and seek remedies at the local level in contrast to this bill that allows for a blanket statewide loophole that removes all local control and cannot possibly foresee local circumstances and influences that a local LAFCo process would allow and consider.

Further, allowing a water agency to serve tribal lands even if the LAFCo Municipal Service Review (MSR) indicates the agency has existing service issues will only serve to exacerbate service deficiencies for existing users. The existing, long standing annexation process allows for a thorough, publicly transparent evaluation of both service needs and capability before allowing such a service extension to occur. This protects everyone affected by such a decision and has proven to be good public policy. In the end, it is imperative that all Californian’s be treated equally under the law and especially when creating policy that involves the provision of precisely guarded water service. Giving any special interest an “automatic” approval to limited water supplies without local review authority is plainly discriminatory and contrary to environmental justice concerns.

Butte LAFCO must oppose on public policy grounds, any legislation which grants special status to any agency to circumvent the existing LAFCo process for all of the reasons noted above. Interestingly, it cannot be overlooked that this very issue of local LAFCO control, district accountability and bills that bypass the current transparent LAFCO process are all topics of significant discussion for the Little Hoover Commission.

Yours sincerely,

Steve Lucas
Executive Officer

Cc: Committee Members, Senate Governance and Finance Committee
Anton Favorini-Csorba, Consultant, Senate Governance and Finance Committee
Ryan Eisberg, Senate Republican Caucus Consultant
Pamela Miller, CALAFCO
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.
   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.
   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 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 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.

AB 1361  (Garcia, Eduardo  D)  Municipal water districts: water service: Indian tribes.
   Introduced: 2/17/2017
   Last Amended: 6/28/2017
   Status: 7/19/2017-VOTE: Do pass as amended
   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.
**SB 37**

**Roth D**

Local government finance: property tax revenue allocations: vehicle license fee adjustments.

**Current Text:** Introduced: 12/5/2016  
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)

**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 chartering 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  
Introduced: 2/15/2017

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

**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 Amended 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.