



Chairman

Bill Horn
County Board of
Supervisors

November 2, 2015

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Vice Chairman

Sam Abed
Mayor
City of Escondido

TO: Local Agency Formation Commission
FROM: Executive Officer
Director, Legislative Research

Members

Dianne Jacob
County Board of
Supervisors

SUBJECT: Legislative Status Report

Andrew Vanderlaan
Public Member

This is the final monthly Legislative update report for 2015, intended to provide the Commission the status of the activities of state legislation. As previously reported, the LAFCO staff have been monitoring several bills actively with CALAFCO.

Lorie Zapf
Councilmember
City of San Diego

LAFCO staff are continuing to track eleven bills for taking positions on and the following updates are provided in the following:

Lorraine Wood
Councilmember
City of Carlsbad

AB 851 (Mayes R) Local government: organization: disincorporations.

Jo MacKenzie
Vista Irrigation District

This bill rewrites the codes that address situations involving applications to propose the disincorporation of a city and how the functions and services will be redirected. The bill was signed by the Governor on September 21, 2015.

Vacant
Special District

Alternate Members

SB 239 (Hertzberg D) Cities and districts: extended fire services.

Greg Cox
County Board of
Supervisors

This bill adds requirements to have the applicant prepare a detailed plan of services and financial study for the proposed agreement. It will also require that labor groups representing the involved employees of the involved agencies be notified of the proposed agreement prior to it being approved by the applicant agency.

Chris Cate
Councilmember
City of San Diego

Racquel Vasquez
Councilmember
City of Lemon Grove

A letter requesting a veto was mailed to the Governor, however the bill was signed by the Governor on October 10, 2015. LAFCO staff will be reviewing the details of the legislation and expect to bring some issues of concern to the Commission for policy guidance in the next months.

Ed Sprague
Olivenhain Municipal
Water District

AB 3 (Williams) The Isla Vista Community Services District Formation.

Harry Mathis
Public Member

This bill authorizes the County of Santa Barbara to make application to the Santa Barbara LAFCO to form the Isla Vista CSD with specified powers and subject to an election for formation and for establishing a Utility Users Tax.

Executive Officer

Michael D. Ott

Legal Counsel

Michael G. Colantuono

Santa Barbara LAFCO would not be able to refuse to form the district but could establish certain conditions of approval specified in the proposed legislation.

AB 402 (Dodd): Localagency services: contracts and out of area service extensions

This bill establishes a pilot program in Napa and San Bernardino counties to allow a commission to authorize a city or special district to provide new or extended services outside its boundary subject to a publicly noticed hearing. The program is to be in place for five years and sunsets unless extended by the Legislature. The Governor signed AB 402 on October 2, 2015.

LAFCO staff has updated the balance of other tracked bills on the attached Tracking Report. Staff will continue to monitor legislative activity for the 2015-16 Legislative Session which reconvenes in January 2016. Therefore, it is

RECOMMENDED: That your Commission,

Receive, discuss, and provide direction, as necessary, on the attached Legislative Tracking Report.

Respectfully submitted,

MICHAEL D. OTT
Executive Officer

HARRY EHRLICH
Director, Legislative Research

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Attachment

Legislative Tracking Report: October 14, 2015

**SAN DIEGO LAFCO
LEGISLATION TRACKING REPORT
OCTOBER 14, 2015**

Budget Trailer Bill SB 88: Authorize Consolidation of Small Water Systems

Status: Passed by the Legislature and signed by Governor Brown on June 24, 2015.

Summary: This budget trailer bill provided authorization for the State Water Resources Control Board to make findings, hold public hearings and take action to consolidate small water systems of any type to other entities to resolve failure of water systems, violations of water quality and to address needs of disadvantaged communities being impacted by the current four year drought. The proposal establishes new powers and authority within the Water Resources Control Board to initiate consolidation of water systems and bypass the Cortese-Knox-Hertzberg Act process via a commission within each affected county area.

Proposed San Diego LAFCO Staff Position: Oppose; Letter Sent 6/18/2015

CALAFCO Position: Oppose

Subject: Consolidation of Water Systems

San Diego LAFCO Analysis: This bill proposes to provide the State Water Resources Control Board (SWRCB) and Department of Water Resources (DWR) authority to determine when and how to propose consolidation of public or private water systems that are determined by the SWRCB to be failing. The bill proposes that DWR will identify the costs to correct the conditions and compensate the receiving entity for their costs and indemnify their actions of taking over management and operations of the failing system, and to take other steps as deemed necessary. A LAFCO would be directed to cooperate to implement whatever governance changes were identified to complete the consolidation.

SB 25 (Roth D): Local government finance: property tax revenue allocation: vehicle license fee adjustments

Introduced: December 1, 2014

Status: Vetoed by Governor September 22, 2015

Summary: This bill would modify specified reduction and transfer provisions for a city incorporating after January 1, 2004, and on or before January 1, 2012, for the 2014-2015 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. This bill contains other related provisions and other existing laws.

San Diego LAFCO Position: Support Letter sent March 12, 2015

CALAFCO Position: Support

Subject: Financial Viability of Agencies

San Diego LAFCO Analysis: This bill proposes to reinstitute the VLF funds to four cities that incorporated between 2004 and 2012 and lost funding in the FY 2012 due to a change by the budget ending the VLF funds to new cities or annexed inhabited areas to cities. No backfilling of lost revenues is proposed in this bill.

CALAFCO Comments: Identical to SB 69 (Roth) from 2014, 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 2014/15 year for cities that incorporated between January 1, 2004 and January 1, 2012.

AB 3 (Williams D): The Isla Vista Community Services District Formation

Introduced: December 1, 2014

Status: Chaptered October 10, 2015

Summary: This bill requires for the Santa Barbara Board of Supervisors to place the question of establishing the District on the next countywide election ballot; establish the necessary authority for the creation of the Isla Vista Community Services District within the unincorporated area of Santa Barbara County, and would make legislative findings and declarations relating to the powers of the District.

San Diego LAFCO position: Watch

CALAFCO Position: **Oppose Unless Amended**

Subject: LAFCo Administration, Special District Powers

San Diego LAFCO Analysis: This bill would establish the Isla Vista Community Services District in Santa Barbara County to provide various services. The Santa Barbara County LAFCO is working with the author on details of the issues and proposal.

CALAFCO Comments: As amended, this bill gives legislative authority for an election to consider the creation of the Isla Vista Community Services District (CSD). This authority would completely bypass the LAFCO process in the creation of this special district. CALAFCO issued a letter of Oppose Unless Amended on April 4, 2015.

AB 168 (Maienschein R): Local government finance

Introduced: January 22, 2015

Status: Bill dead due to not passing out of committee.

Summary: Current law requires the county auditor, in the case in which a qualifying city becomes the successor agency to a special district as a result of a merger with that district as described in a specified statute, to additionally allocate to that successor qualifying city that amount of property tax revenue that otherwise would have been allocated to that special district pursuant to general allocation requirements. This bill would make nonsubstantive changes to the provision pertaining to property tax revenue allocations to a qualifying city that merges with a special district.

San Diego LAFCO Position: Watch

CALAFCO Position: Monitor

Subject: Tax Allocation

San Diego LAFCO Analysis: This is a spot bill for future consideration of legislation if needed.

AB 402 (Dodd D): Local agency services: contracts and out of area service extensions

Introduced: February 19, 2015

Status: Chaptered October 2, 2015

Summary: As amended, establishes a pilot program in two counties; Napa and San Bernardino, to allow a local agency formation commission to authorize a city or district to provide new or extended services outside its jurisdictional boundaries to support existing or planned uses involving public or private properties, subject to approval at a publicly noticed hearing where the commission makes specified determinations. The bill would also make technical and conforming changes.

Proposed San Diego LAFCO Position: Watch

CALAFCO Position: None at this Time

Subject: CKH General Procedures, LAFCO Administration, Service Reviews/Spheres

CALAFCO Comments: As written, this bill would expand the three LAFCo's existing authority to approve new and extended services beyond agencies' spheres of influence inclusive of public health and safety threats, only if LAFCo can make three findings at noticed public hearings. These findings involve determining the extension: (1) was evaluated in a municipal service review; (2) will not result in adverse impacts on open-

space and agricultural lands or growth; and (3) a later change of organization is not expected or desired based on local policies. Further, the bill clarifies LAFCo's sole authority in determining the application of the statute, and deemphasizes the approval of contracts and emphasizes the approval of service extensions. This is not a CALAFCO sponsored bill. It is reported that Sonoma LAFCO does not want to be included in the bill.

AB 448 (Brown D): Local government finance: property tax revenue allocations: vehicle license fee adjustments

Introduced: February 23, 2015

Status: Passed Assembly on June 2, 2015 and in Senate referred to Appropriations Committee Suspense File.

Summary: Current property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally provides that each jurisdiction shall be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. This bill would modify these reduction and transfer provisions, for the 2015-16 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.

Proposed San Diego LAFCO Position: Support

CALAFCO Position: Support

Subject: Financial Viability of Agencies, Tax Allocation

CALAFCO Comments: As introduced, this bill is identical to AB 1521 (Fox) from last year. This bill would reinstate the VLF payment (through ERAF) and changes the way that the growth in the VLF adjustment amount (property tax in lieu of VLF) is calculated starting in FY 2015-16 to include the growth of assessed valuation, including in an annexed area, from FY 2004-05 to FY 2015-16. Beginning in FY 2016-17, the VLF adjustment amount would be the jurisdiction's annual change in the assessed valuation. This would apply to newly annexed inhabited territories to cities.

AB 851 (Mayes R): Local government: organization: disincorporations

Introduced: February 26, 2015

Status: Chaptered September 21, 2015

Summary: This bill would, in the case of a disincorporation or reorganization that includes a disincorporation, require the plan for services to include specific provisions, including, among others, an enumeration and description of the services currently provided by the city proposed for disincorporation and an outline of current retirement obligations, as specified. This bill contains other related provisions and other existing laws.

Proposed San Diego LAFCO Position: Support, Letter Sent

CALAFCO Position: Sponsor

Subject: CKH General Procedures, Disincorporation/dissolution

San Diego LAFCO Analysis: Staff has completed a preliminary analysis of the proposed disincorporation statutory changes. The proposal uses the incorporation provisions as a template to propose changes in the disincorporation process. Several of the key proposals in the bill include: (1) Clarifies the expectation for assignment of responsibility for debt that will continue in existence after disincorporation; (2) Establishes the parameters and requirements for the submission of the Plan for Service for a disincorporation proposal which outlines existing services, the proponent's plan for the future of those services, and whether or not a bankruptcy proceeding has been undertaken; (3) Establishes the responsibilities of LAFCOs in preparing a Comprehensive Fiscal Analysis for disincorporations, the determination of the transfer of property tax revenues previously received by the proposed disincorporating City, and the determination of the transfer of debt to a successor agency or agencies. The bill retains LAFCOs existing authority to impose terms and conditions on a proposed disincorporation as well as the election requirements necessary for approval of disincorporation. There is a working group of local government groups discussing the proposed bill and providing comments to CALAFCO.

CALAFCO Comments: Sponsored by CALAFCO. As amended, this bill addresses the long-outdated statutes relating to disincorporation. Although many other areas of CKH have been updated over the past 52 years, the areas pertaining to disincorporations remain in their original format as written in 1963.

AB 1532 (Committee on Local Government) Local government: omnibus bill

Introduced: March 23, 2015

Status: Amended and Passed the Legislature on July 9, 2015; signed by the Governor

Summary: The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, requires a local agency formation commission to notify specified state agencies having oversight or regulatory responsibility over, or a contractual relationship with, a local health care district when a proposal is made for any of specified changes of organization affecting that district. This bill would update obsolete references to a "hospital" district and replace outdated references to the State Department of Health Services with references to the State Department of Public Health and the State Department of Health Care Services.

Proposed San Diego LAFCO Position: **Support, Letter Sent**

CALAFCO Position: **Sponsor**

Subject: CKH General Procedures

CALAFCO Comments: This is the annual Omnibus bill for the Cortese-Knox-Hertzberg Reorganization Act of 2000. This bill makes nonsubstantive technical clean-up corrections to the Act.

SB 239 (Hertzberg D): Cities and districts: extended fire services

Introduced: February 17, 2015

Amended: May 28, 2015

Status: Chaptered October 10, 2015

Summary: Current law requires the executive officer of a local agency formation commission, within 30 days of receipt of a request for approval by a city or district of a contract to extend services outside its jurisdictional boundary, to determine whether the request is complete and acceptable for filing, as specified. This bill would extend the period within which the executive officer is required to make that determination to 45 days. As amended this bill would require an agency making application to provide fire services via contract or agreement outside of its boundaries to prepare a Finance Plan and to make notification of a public hearing to consider the proposed contract or agreement prior to submitting the application to LAFCO.

Proposed San Diego LAFCO Position: **Letter Sent requesting Governor Veto**

CALAFCO Position: **Changed to No Position on June 5, 2015**

Subject: CKH General Procedures, Municipal Services

San Diego LAFCO Analysis: This bill as amended would add requirements to the processing of proposals to a commission for contract agreements for Fire Services including prior concurrence by labor groups with terms of the contract or a notification of a public hearing at least thirty days in advance. If a State agency, approval by the department head and Department of finance would be required. The sponsor of the bill is the Professional Firefighters Association and they have not agreed to take additional amendments requested by CALAFCO. For San Diego LAFCO staff, the basic principle of local agency authority to enter into contracts is being abridged by the additional requirements has not been resolved.

CALAFCO Comments: According to the author's office, this bill is to correct prior issues whereby contracts for services have been approved that do not fully consider the needs of and impacts upon labor members and contract costs for participating agencies. Several meetings with the sponsors have resulted in some amendments addressing concerns with the bill language but issues of concern remain.

SB 184 (Committee on Governance and Finance): Local government: omnibus bill

Introduced: February 9, 2015

Status: Chaptered September 4, 2015

Summary: The annual Senate Omnibus Bill makes non-policy type amendments or clarifications to the various government codes. Current law requires the legislative body of a local entity to annually file with the auditor a list of lots or parcels of land subject to specified fees or charges for water, sanitation, storm drainage, or sewerage system services and facilities and the amounts of the installments of the fees or charges to be entered against the affected lots or parcels of land. Current law requires the auditor to enter on the assessment roll the amounts of installments of these fees or charges. Current law defines the auditor, for the purposes of these provisions, as the financial officer of the local entity. This bill would clarify that the above-described provisions relating to the authority and duties of the auditor apply only to the county auditor. The bill would also make technical, nonsubstantive changes to these provisions.

Proposed San Diego LAFCO Position: Watch

CALAFCO Position: Watch

San Diego LAFCO Analysis: The Senate Omnibus Bill contains non-policy type amendments to the various government codes outside of the Cortese–Knox–Hertzberg Act. It is usually amended later in the legislative session to add other proposals being reviewed by stakeholders; LAFCO staff will continue to monitor the bill until it is ready for hearing to make a recommendation on it.

CALAFCO Comments: This bill is the Senate Governance & Finance Committee's annual Omnibus Bill. This bill is intended to make technical, non-substantive changes to the Government Code outside of CKH.

SB 272 (Hertzberg D): The California Public Records Act: local agencies: Catalog

Introduced: February 19, 2015

Last Amended: July 6, 2015

Status: Chaptered October 11, 2015

Summary: Requires each local agency, in implementing the California Public Records Act, to create a catalog of enterprise systems, as defined, to make the catalog publicly available upon request in the office of the clerk of the agency's legislative body, and to post the catalog on the local agency's Internet Web site, if there is one. The bill would require the catalog to disclose a list of the enterprise systems utilized by the agency, and, among other things, the current system vendor and product. Because the bill would require local agencies to perform additional duties, it would impose a state-mandated local program. This bill contains other related provisions and other existing laws.

San Diego LAFCO Proposed Position: Watch

CALAFCO Position: Watch

Subject: LAFCo Administration, Public Records Act

CALAFCO Comments: As written, this bill requires all local agencies (including LAFCo) to create a catalog of enterprise systems, as defined, to make the catalog publicly available upon request in the office of the clerk of the commission, and to post the catalog on commission's Internet Web site. This is an unfunded mandate with unknown costs to meet the intent of the bill. It is not clear how frequently the data would need to be collected and updated.