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November 3, 2014

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TO: Local Agency Formation Commission
FROM: Executive Officer
Director, Legislative Research
SUBJECT: Final 2014 Legislative Status Report

This is the regular and final Legislative Update Report for 2014, intended to summarize for the Commission the activities of state legislation in the second year of the 2013-14 Legislative Session. As reported at the October Commission meeting, the Legislature adjourned on August 29th and the Governor had until September 30, 2014, to sign or allow bills to become law or to issue a veto of them. The LAFCO staff had been monitoring seven bills actively and several others as part of participation with CALAFCO. The Governor signed several of these bills and also vetoed two of them.

A final bill summary matrix on bills being tracked is provided for commission review and information. LAFCO staff gave an update on each of the bills at the October meeting. Three of the important bills are highlighted below:

SB 614 (Wolk), deals with jurisdictional changes, annexations, and infrastructure financing of disadvantaged unincorporated communities. This bill was signed into law and provides an alternative financing process for cities for infrastructure utilizing incremental property tax revenues if affected agencies can reach agreement with the proposing city. The commission approved a Watch position on the bill pending probable amendments being made in the last few weeks of the legislative session. It is not clear if this process will be effective with any city annexations in San Diego County as there are few inhabited disadvantaged unincorporated communities that may seek annexation to cities that do not have water, wastewater or fire facilities and services available.

AB 1739 (Dickinson) and SB 1168 (Pavley) are bills that deal with another issue of statewide interest, groundwater management. Both bills were processed identically to coordinate passage in the last days of the Legislative Session. The purpose is to set into structure a process that by 2019, all

groundwater basins would be categorized and a management agency identified to monitor and oversee activities within them. If no other agency is identified or formed to provide this task, either the County or the State Department of Water Resources will become responsible to monitor groundwater levels, wells, pumping and to establish projections of balanced water table level forecasts in the future. The plan implementation period of now until 2019 appears to allow a reasonable amount of time for coordination and strategy to be developed in each county and basin area.

The final major policy issue addressed by the Legislature affecting the entire state is approval of a \$7.5 billion Water Bond that was placed on the November 4, 2014 ballot as Proposition 1. Previous legislation had set it at \$11.1 billion but that legislation delayed and replaced. Several water supply agencies in San Diego County have announced their support for this bond proposal.

Commission staff has appreciated the commission's interest and input on the various legislative issues and will continue to monitor discussions concerning possible legislative proposals for 2015. Therefore, it is

RECOMMENDED: That your Commission,

Receive, discuss, and accept, as necessary, the Final 2014 Legislative Status Report.

Respectfully submitted,

MICHAEL D. OTT
Executive Officer

HARRY EHRLICH
Director, Legislative Research

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Attachment

Legislative Tracking Report

**SAN DIEGO LAFCO
FINAL LEGISLATIVE TRACKING REPORT
NOVEMBER 3, 2014**

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AB 1521 (Fox): Local government finance property tax revenue allocations and vehicle license fee adjustments

Summary: Beginning with the 2004-05 fiscal year, current 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 the 2014-15 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.

Introduced: 1/16/2014

Status: Passed by the Legislature; VETOED by the Governor

Comments: This bill would have provided for VLF funds for cities that annexed inhabited areas since 2011. CALAFCO supports this bill.

San Diego LAFCO Proposed Position: Watch

SB 69 (Roth): Local government finance: property tax revenue allocation: vehicle license fee adjustments

Summary: Would modify specified reduction and transfer provisions, for the 2013-14 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 would also modify these reduction and transfer provisions, for the 2013-14 fiscal year and for each fiscal year thereafter, by providing for a vehicle license fee adjustment amount for certain cities incorporating after a specified date, as provided.

Status: Passed by the Legislature; VETOED by the Governor

Comments: This bill would have provided VLF funds for newly incorporated cities since 2006 that lost funding in prior years. CALAFCO supports this bill. It is reported that the two above bills may be combined into a final bill later in the Legislative Session.

San Diego LAFCO Proposed Position: Watch

AB 1527 (Perea): Public Water Systems: Drinking Water

Summary: Would require the State Department of Public Health, in administering programs to fund improvements and expansions of small community water systems, and other water systems, as specified, to promote service delivery alternatives that improve efficiency and affordability of infrastructure and service delivery, as specified. This bill was proposed to address identified needs for small water systems and disadvantaged communities and is expected to be amended to focus on those issues.

Introduced: 1/17/2014

Status: Passed by the Legislature; VETOED by the Governor. The Governor directed the Department of Water Resources to administratively implement the intent of the bill.

Comments: This bill would have provided policy direction for providing funding for small water systems and disadvantaged communities and as amended gives preference for considering financial assistance to small system consolidations or for promoting water conservation programs. CALAFCO is opposed (Unless Amended) to this bill and is working to amend it to correct technical issues.

San Diego LAFCO Proposed Position: Support

AB 2156 (Achadjian R): Local Agency Formation Commissions: studies

Summary: Would include joint powers agencies and joint powers authorities among the entities from which a local agency formation commission is authorized to request land use information, studies, and plans, for purposes of conducting specified studies. The bill would specifically define “joint powers agency” and “joint powers authority” for purposes of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Introduced: 2/20/2014

Status: Signed by Governor

Comments: As proposed, this bill would authorize LAFCO’s to request information for MSR’s from Joint Power Agencies (JPA’s) not currently addressed in the Cortese-Knox-Hertzberg Local Government Reorganization Act 2000. The author’s office indicates that this is to address situations where JPA’s are increasingly providing direct services to areas and customers rather than just to member agencies. No authority over organization or operations of JPA’s is included in the proposed bill.

San Diego LAFCO Proposed Position: Support and Letter Sent

SB 1001 (Knight R): Local government

Summary: Current law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, makes certain findings and declarations relating to local government organizations, including, among other things, the encouragement of orderly growth and development, and logical formation and modification of the boundaries of local agencies, as specified. This bill would make non substantive changes to these findings and declarations.

Introduced: 2/13/2014

Status: Dead

Comments: This is a Spot Bill expected to be amended in the future. Staff will track the bill.

San Diego LAFCO Proposed Position: Watch

AB 2762: Assembly Omnibus Bill

Summary: This is the annual Omnibus Bill that makes non-controversial changes to the Cortese-Knox-Hertzberg Act or Government Code. Several sections are proposed for amendments dealing with authorizing a change of organization or reorganization to provide for, or to be made subject to, one or more terms and conditions specified in the commission's resolution making determinations, in which case, the terms and conditions imposed constitute the exclusive terms and conditions for the change of organization or reorganization.

This bill instead would provide that if a change or reorganization is made subject to terms and conditions, those terms and conditions shall prevail in the event of a conflict with other specified general provisions of law. The act defines a landowner-voter district and prescribes certain voting thresholds for landowner-voter districts for elections associated with proposals initiated by a local agency formation commission.

This bill would make non-substantive, technical changes to these and other provisions.

Introduced: 3/24/2014

Status: Signed by Governor on 7/09/2014

Comments: This is the annual omnibus bill and contains proposals prepare by LAFCO's around the state. It is intended to be noncontroversial.

San Diego LAFCO Proposed Position: Support and Letter Sent

SB 614 (Wolk): *Local government: jurisdictional changes: infrastructure financing*

Summary: This bill would require, if a proposal for a change of organization or reorganization including a disadvantaged unincorporated community (DUC) is submitted by a city to a commission, that the applicant submit a plan for providing services within the affected territory and would allow the applicant agency to enter into agreements with a local special district to provide financing of needed infrastructure. This is proposed to provide a method of financing needed infrastructure to serve disadvantaged unincorporated communities (DUC's), if needed.

Last Amended: 6/16/2014

Status: Passed by the Legislature; SIGNED by the Governor

Comments: The bill is sponsored by the League of California Cities to address the situations where annexations of areas greater than ten acres must include consideration of any DUC areas within the city sphere of influence area. LAFCO staff has looked at the potential implementation of the bill and believe that as currently drafted it will not change how an area may be annexed other than adding an opportunity for more analysis of the plan for services submitted by the applicant city.

CALAFCO has taken a Watch position on the bill and is coordinating discussions with stakeholders on possible amendments to address applicable procedural issues identified in the review of the bill. Additional amendments are expected to be introduced for consideration after the legislature returns from summer recess on August 4, 2014.

San Diego LAFCO Proposed Position: Watch