



April 10, 2019

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CAROLYN EMERY
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Policy Analyst

SUBJECT: Legislative Report (April 2019)

Since the new legislative session began on December 3, 2018, a total of 2,576 bills have been introduced in the Legislature. Many of these bills are expected to experience amendments to further define their purpose and focus. However, there are other bills that are moving swiftly through legislative committees.

Through the participation as a member of the California Association of LAFCOs (CALAFCO) Legislative Committee, staff has identified several bills of LAFCO-interest. This legislative report provides a review of those bills and the recommended positions for the Commission to consider. The next legislative report is scheduled for June 10, 2019. Should any items occur that require Commission review or action prior to the next scheduled update, staff will provide an interim report to the Commission.

PROPOSED BILLS OF LAFCO INTEREST

ASSEMBLY BILLS

AB 1822 (Assembly Local Government Omnibus Bill)

The Omnibus Bill is the annual bill used by CALAFCO to introduce technical and non-substantive changes to the Cortese-Knox-Hertzberg Reorganization Act of 2000 ("CKH Act"). The modifications assist in clarifying and providing consistency in how the CKH Act is applied throughout the State. The following are the proposed amendments:

- **Modify Definition of "Service":** Currently Government Code Section 56074 defines "service" as a "specific governmental activity established within, and as a part of, a general function of the special district as provided by regulations adopted by the commission." The

definition does not reference services provided by cities or counties. Consequently, the proposed amendment would reference a "local agency" to clarify that the definition of service applies to cities, counties, and special districts. The proposed amended definition would be "a specific governmental activity established within, and as a part of, a function of a local agency."

- **Define Service Review:** Currently the CKH Act does not provide a definition for the term "service review". The proposed amendment would define service review as "a review conducted pursuant to Government Code Section 56430."
- **Extended Service:** Currently Government Code Section 56133 (c) specifies what the Commission may do in the case of a city's or district's request to extend services outside its jurisdictional boundary and sphere of influence to respond to an existing or impending threat to the health or safety of the public. The amendment proposes to remove "if consistent with adopted policy" from this section to eliminate confusion as to what the Commission must do regarding the implementation of this section.
- **Change of Organization:** Currently Government Code Section 57077, specifies that a city incorporation or city disincorporation are subject to voter approval. The amendment would also require that a "consolidation of two or more cities" be subject to voter approval.
- **Health Care District:** Currently Government Code Section 57103 mandates that a dissolution of a Health Care District be subject to confirmation by registered voters. The proposed amendment would reference Government Code Section 57077.1(c) to provide clarification regarding the Commission's authority to dissolve health care districts.

RECOMMENDED OC LAFCO POSITION: Adopt "Support" position for AB 1822.

POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS:

Support: None Received.

Oppose: None Received.

BILL LOCATION/STATUS: Assembly Local Government Committee.

AB 213 (Reyes) - Vehicle License Fee Adjustment

This bill is the continued effort by the League of California Cities to restore funding for future annexations of inhabited areas that was previously introduced during the 2017-18 legislative session through AB 2268. Unfortunately, the bill was not successful as it failed to be introduced in the Assembly. AB 213 proposes to restore financial funding that was originally removed by SB 89, one of the budget bills of 2011. The bill seeks to restore funding for approximately 140 cities that annexed inhabited territory in reliance on previous financial incentives and offer the same incentives to future annexations of inhabited territory. In Orange County, the cities of Fullerton, La Habra, Newport Beach, and San Clemente were affected by the passage of SB 89.

RECOMMENDED OC LAFCO POSITION: Adopt “Support” position for AB 213.

POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS:

Support: CALAFCO.

Oppose: None Received.

BILL LOCATION/STATUS: Assembly Local Government Committee.

AB 818 (Cooley) Local Government Finance: Vehicle License Fee Adjustment

This bill is the continued effort by the League of California Cities to restore funding for future city incorporations that was previously introduced during the 2017-18 legislative session through AB 2491. AB 818 seeks to restore financial funding that was originally removed by SB 89 in 2011. The bill seeks to restore the same financial support that was approved in 2017 by the Legislature through SB 130 to four cities in Riverside County: City of Wildomar, City of Menifee, City of Eastvale, and City of Jurupa Valley.

RECOMMENDED OC LAFCO POSITION: Adopt “Support” position for AB 818.

POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS:

Support: City of San Luis Obispo, League of California Cities.

Oppose: None Received.

BILL LOCATION/STATUS: Assembly Local Government Committee.

AB 1253 (Rivas) – Local Agency Formation Commission – Grant Funding

This bill is a follow-up to the 2017-18 legislative effort of CALAFCO's sponsorship of AB 2258 (Caballero), which proposed a one-time funding grant allocation of two million dollars to be administered by the Strategic Growth Council. AB 2258 was vetoed by the Governor due to its lack of funding request during the approval of the State's budget. AB 1253 proposes the same provisions as previously specified by AB 2258 with the modified request that the funding be included in the State's annual Budget.

AB 1253 proposes the following:

- Establish a one-time grant funding program, administered by the Strategic Growth Council, for a five-year pilot program to sunset on December 31, 2025 that would:
 - Provide funding for LAFCOs to address known service and governance concerns in disadvantaged communities through the study and analysis of potential changes of organization of local government agencies that may result in improved efficiencies in service delivery.
 - Provide financial reimbursement to LAFCOs for the unfunded mandate to dissolve inactive districts as identified by the State Controller's Office. An inactive district is identified by the following requirements: 1) the district does not have any financial transactions, 2) the district does not have assets or equity, 3) and the district does not have outstanding liabilities.
 - Change the protest threshold to mirror existing California Election Code: if there are less than 1,000 registered voters, the protest threshold is thirty percent; if there are less than 10,000 but at least 1,000 registered voters, the protest threshold is twenty-five percent; if there are less than 50,000 but at least 10,000 registered voters, the protest threshold is twenty percent; if there are 100,000 or more registered voters, the protest threshold is ten percent.
- Request that the proposed grant program be subject to an appropriation in the State's annual Budget.
- Require that LAFCOs have a Municipal Service Review on file with determinations indicating efficiencies that can be gained to the identified disadvantaged community by a change of organization or reorganization.

Currently, there are seven disadvantaged communities in the County of Orange located in unincorporated areas within the spheres of influence of the cities of Anaheim, Stanton,

and Westminster. The Commission previously adopted a support position on AB 2258 during the 2017-18 legislative session.

RECOMMENDED OC LAFCO POSITION: Adopt “**Support**” position for AB 1253.

POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS:

Support: CALAFCO.

Oppose: None Received.

BILL LOCATION/STATUS: Assembly Appropriations Committee.

ASSEMBLY BILLS

SB 646 (Morrell) – Extension of Utility Services

Government Code Section 56133 requires that the Commission in each county review and approve or disapprove proposals to provide new or extended services by contract or agreement outside an agency’s jurisdictional boundary, but within its sphere of influence. Additionally, the code section also specifies that the new or extended service can only be approved if there is an anticipation of a later change of organization. SB 646 proposes to amend Government Code Section 56133 by prohibiting that an approved extension of sewer service connection or water service connection as described above have a different imposed charge or fee as those service connections that are within the agency’s jurisdictional boundary.

CALAFCO, in collaboration with LAFCOs, have expressed concerns that the proposed amendment does not take into consideration the additional fees that an agency may sustain to provide the services outside its jurisdictional boundary. Currently, AB 646 is undergoing amendments to address the concerns provided to the author by CALAFCO.

RECOMMENDED OC LAFCO POSITION:

No position recommended at this time due to expected amendments to the bill.

SB 379, SB 380, SB 381 (Committee on Governance Finance) – Validating Acts of 2019

Over the past 80 years, the Legislature has adopted annual Validating Acts to cure public officials’ minor procedural errors or omissions. Authored by the Senate Governance and Finance Committee, the annual bill affects the state government, cities, counties, special districts, and LAFCOs. The Validating Acts are meant to retroactively fix typographical, grammatical, and procedural errors that might invalidate boundary changes or bond issues. The Acts do not protect against fraud, corruption, or unconstitutional actions.

RECOMMENDED OC LAFCO POSITION: Adopt "**Support**" position for SB 379, SB 380, SB 381.

POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS:

Support: California State Association of Counties, East Bay Municipal Utility District, Rural County Representatives of California.

Oppose: None Received.

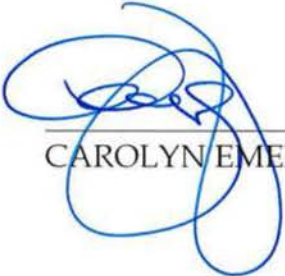
BILL LOCATION/STATUS: Senate.

RECOMMENDATIONS

Staff recommends that the Commission:

1. Receive and file the April 10, 2019 Legislative Report.
2. Adopt recommended positions on the following bills:
 - A. AB 213 (Support)
 - B. AB 818 (Support)
 - C. AB 1253 (Support)
 - D. SB 379, SB 380, SB 381 (Support)
 - E. AB 1822 (Support)
3. Direct staff to submit letters of support (Attachments A-E).

Respectfully Submitted,



CAROLYN EMERY

LUIS TAPIA



April 10, 2019

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CAROLYN EMERY
Executive Officer

Assembly Member Eloise Gomez Reyes
California State Assembly
State Capitol, Room 2175
Sacramento, CA 95814

RE: *Support* - AB 213: Vehicle License Fee Adjustments

Dear Assembly Member Reyes:

The Orange County Local Agency Formation Commission ("OC LAFCO") supports Assembly Bill 213. This bill would restore funding to approximately 140 cities that annexed inhabited territory in reliance on previous financial incentives, then suffered significant fiscal harm when those funds were eliminated due to the passage of SB 89 (2011). AB 213 also offers similar incentives to support future annexations of inhabited territory to improve services to affected residents consistent with state and local LAFCO policies.

The VLF gap created by SB 89, one of the 2011 budget bills, created a financial disincentive for future city incorporations and annexations of inhabited territory. Further, it created severe fiscal penalties for those cities which chose to annex inhabited territories, particularly unincorporated islands. In several previous legislative acts, the Legislature has directed LAFCOs to work with cities to annex unincorporated inhabited islands. However, the loss of financial incentive to assist in this effort has made it difficult for LAFCOs to follow this legislative directive.

Reinstating revenues for annexations is consistent with statewide LAFCO legislative policies of providing communities with local governance and efficient service delivery options, including the ability to annex. The inability to do so generates a tremendous detriment to the creation of logical development boundaries. AB 213 reinstates a critical funding component for cities that intend to annex inhabited territory in the future, and Orange LAFCO supports this bill.

We appreciate your effort in carrying this important legislation.

Respectfully,

Cheryl Brothers
Chair

cc: Pamela Miller, Executive Director, CALAFCO
Dan Carrigg, Deputy Executive and Legislative Director, League of Ca Cities



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CAROLYN EMERY
Executive Officer

Assembly Member Ken Cooley
California State Assembly
State Capitol Room 3013
Sacramento, CA 95814

RE: *Support* -AB 818: Local Government Finance

Dear Assembly Member Cooley:

The Orange County Local Agency Formation Commission ("OC LAFCO") is pleased to support Assembly Bill 818. AB 818 would restore the financial funding for city incorporations that was removed by SB 89 in 2011. This bill would allow communities considering incorporation to have the same opportunity to incorporate as other California cities had in the past. Given the growing population in our state and the need for orderly growth and adequate service provision, restoring financial funding can assist with future city incorporations.

In 2017, the Legislature addressed the financial harm caused by SB 89 to four recently incorporated cities in Riverside County via the passage of SB 130. SB 130 provides the Legislature a template to address the fiscal viability of future incorporations. AB 818 adopts the template provided by SB 130 and reinstates a critical funding component to cities that incorporated after 2017.

We appreciate your effort in carrying this important legislation.

Respectfully,

Cheryl Brothers
Chair

cc: Pamela Miller, Executive Director, CALAFCO



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CAROLYN EMERY
Executive Officer

The Honorable Robert Rivas
California State Assembly
State Capitol, Room 5158
Sacramento, CA 95814

RE: Support - AB 1253: Local Agency Formation Commission - Grant Funding

Dear Assembly Member Rivas:

The Orange County Local Agency Formation Commission ("OC LAFCO") supports Assembly Bill 1253. This bill establishes a five-year pilot program to provide grants to LAFCOs to address known service and governance concerns in disadvantaged communities. This program provides grants to LAFCOs for conducting special in-depth studies and analyses of local government agencies and services for the purposes of creating efficiencies in the delivery of local government services and completing the dissolution of inactive special districts. The grant program would be administered by the Strategic Growth Council and would sunset on December 31, 2025.

The Legislature established LAFCOs in 1963 to encourage the orderly formation of local government agencies. Since that time, the regulatory role and responsibilities of LAFCOs has substantially increased without additional funding. Operating in all 58 California counties, LAFCOs are responsible for meeting important statutory directives to maintain orderly boundaries and seek greater efficiencies in delivering local services, and yet these directives, at times, cannot be met under current funding mechanisms.

In August 2017, the Little Hoover Commission published a report on special districts and their oversight by LAFCOs, which contained several recommendations directly related to LAFCO. One recommendation was for the Legislature to provide one-time grant funding to pay for specified LAFCO activities, particularly to incentivize LAFCOs or smaller special districts to develop and

AB 1253 – Local Agency Formation Commission – Grant Funding

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implement dissolution or consolidation plans with timelines for expected outcomes. By establishing this one-time grant funding, AB 1253 provides an additional tool for LAFCOs to address known service and governance concerns in disadvantaged communities by conducting detailed studies and potentially implementing greater efficiencies in delivering local services based on local circumstances and conditions. For these reasons, OC LAFCO supports AB 1253.

We appreciate your effort in carrying this important legislation.

Respectfully,

Cheryl Brothers
Chair

cc: Senator Robert Hertzberg, Co-Author
Senator Ana Caballero, Co-Author
Pamela Miller, Executive Director, CALAFCO



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CAROLYN EMERY
Executive Officer

Honorable Mike McGuire, Chair
Senate Governance and Finance Committee
State Capitol, Room 408
Sacramento, CA 95814

RE: *Support* - Validating Acts of 2019 (SB 379, SB 380, and SB 381)

Dear Chair McGuire:

The Orange County Local Agency Formation Commission ("OC LAFCO") is pleased to support SB 379, SB 380, and SB 381, authored by the Senate Governance and Finance Committee. Known as the "Validating Acts of 2019", these bills help all public agencies because they protect investors from minor errors that might otherwise threaten our boundary changes, bonds, and other official acts. As in past years, the passage of the Validating Acts of 2019 will ensure that municipal bonds receive the highest possible rating, resulting in the lowest possible borrowing costs, which help insure the taxpayers receive low-cost quality municipal services.

We appreciate your efforts in carrying this important legislation.

Respectfully

Cheryl Brothers
Chair

cc: Pamela Miller, Executive Director, CALAFCO



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Executive Officer

Honorable Cecilia Aguiar-Curry, Chair
Assembly Local Government Committee
California State Assembly
State Capitol, Room 5144
Sacramento, CA 95814

RE: *Support* -AB 1822: Committee on Local Government Omnibus Bill

Dear Chair Aguiar-Curry:

The Orange County Local Agency Formation Commission ("OC LAFCO") is pleased to support the Assembly Committee on Local Government Omnibus Bill AB 1288, which makes technical, non-substantive changes to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("the Act"). These changes promote greater clarity and efficiency in LAFCO's ability to fulfill its role in facilitating and encouraging the efficient delivery of municipal services.

AB 1288 helps to ensure that the Act remains a vital and practical law that is consistently applied throughout the State. We appreciate your Committee's authorship of this bill and support of LAFCO's mission.

Respectfully,

Cheryl Brothers
Chair

cc: Pamela Miller, Executive Director, CALAFCO