

IMPLEMENTING AB 1335: Do LAFCOs Need a Nudge to Reorganize Special Districts?

JANUARY 1997

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SPECIAL DISTRICTS?**

A Revised Background Report for the
Informational Hearing of the
Senate Local Government Committee
January 29, 1997, 10:00 a.m. to Noon
State Capitol, Room 112

TABLE OF CONTENTS

Hearing Summary.....	1
Hearing Agenda.....	5
Revised Background Report.....	6
Submitted Testimony.....	19

**IMPLEMENTING AB 1335:
DO LAFCOS NEED A NUDGE TO REORGANIZE SPECIAL DISTRICTS**

On Wednesday, January 29, 1997, the Senate Committee on Local Government held an informational hearing at the State Capitol on the implementation of Assembly Bill 1335 (Chapter 1307 of the Statutes of 1993). The Committee's Chairman, Senator William A. Craven, presided over the hearing. Joining Senator Craven were Senators Ayala, Kopp, Rainey, and Watson, and Assemblyman Pringle.

This staff summary of the informational hearing reports who spoke and summarizes their views. For a more detailed account of the hearing testimony, readers may wish to refer to witnesses' own prepared statement which are reprinted in the back of this report.

Nine witnesses spoke as part of the hearing's formal agenda. Six members of the public also testified. Three of the witnesses submitted written testimony which is included in the back of this report.

Mike Gotch, *Former Assemblyman and author of AB 1335*
Elaine Rominger, *CALAFCO*
Dana Smith, *Orange County LAFCO*
Clay Brown, *Ralph Andersen & Associates*
Bob Reeb, *Association of California Water Agencies*
Ralph Heim, *California Special District Association*
Mike Dillon, *California Association of Sanitation Agencies*
Supervisor Tom Stallard, *Yolo County*
Ernie Silva, *League of California Cities*

The following is an overview of the testimony provided and issues identified at the Committee hearing.

Author's intent

Former Assemblyman and AB 1335 author *Mike Gotch* begin the hearing by outlining his specific goals in introducing AB 1335:

- To broaden LAFCO membership to include special district representatives.
- To better integrate land use planning by requiring special districts to give up their "latent powers" in order to be represented on LAFCO.
- To place responsibility for district consolidations and dissolutions with the most impartial body --- LAFCO.

In speculating why so many LAFCOS have not enthusiastically responded to their new initiatory powers, Mr. Gotch noted that many times special districts are the most cost-effective way to provide services. He also noted that LAFCOs must provide special district studies and that studies cost money. He said that in addition to the county funds LAFCOs receive under current law, additional financing, such as through property tax revenues, would help them perform their tasks. He also advocated for

clear policy direction and criteria from the Legislature to direct LAFCO-initiated proposals.

LAFCO Perspective

Elaine Rominger, Chair of CALAFCO, discussed the history and structure of LAFCOs. In examining the Association's data on the number of district consolidations initiated before and after AB 1335, she concluded that the bill had triggered movement toward district consolidations.

Ms. Rominger said that state policy is vague and doesn't illuminate the ideal number of special districts. She said that the state should provide guidelines for appropriate consolidations. She also noted that the Legislature has provided some "mixed messages" by passing legislation to both promote and inhibit district consolidation.

Ms. Rominger explained that boundary change studies can cost between \$15,000 to over \$100,000 dollars, with a typical two agency proposal costing around \$35,000. She noted that these figures could represent over 25% of a LAFCO's total annual budget. Another source of funding, she argued, might help spur local action.

Dana Smith, executive officer of the Orange County LAFCO, said that Orange County LAFCO has received a "shove" rather than a "nudge" from the Legislature in the form of legislation to consolidate multiple special districts in the County.

Ms. Smith said that after the 1994 Orange County Bankruptcy, LAFCO saw a window of opportunity for action and adopted a mission statement pledging to work with others to initiate and study local control and self-determination. She discussed LAFCOs formation of a special district advisory committee to help create a long-term vision of local service delivery. She said that this group has identified 16 reorganization options. She noted, however, that consolidations sometimes result in additional ratepayer costs, so they're focusing on the provision of services, not the number of providers.

Clay Brown, with Ralph Andersen & Associates, explained that his organization performs the kinds of studies that LAFCOs need before they change local boundaries. He noted that special districts are complex organizations that require careful analysis before anyone can determine whether consolidation will be beneficial. He said that it's very important to have participation by districts in the studies and that a facilitated negotiation process, as LAFCO provides, can be very helpful.

Special Districts Speak Out

Bob Reeb, legislative director for the Association of California Water Agencies (ACWA), told the Committee that special districts have been initiating boundary change proposals for years. He cited an ACWA study that found that 2/3 of all consolidation studies in 1995 and 1996 were initiated by districts. He said that this fact shows that districts aren't an impediment to consolidation.

In response to the hearing background paper, Mr. Reeb agreed that it is difficult for elected officials to abolish the offices of other elected officials, but that adding busy legislators as LAFCO commissioners wasn't a good solution. Instead, he said that additional public members might be helpful, perhaps appointed in categories like members of regional water quality control boards. He said that additional state goals, policies, and revenues would help LAFCOs to reorganize local agencies, but that local property tax revenues are not a good source of revenue for LAFCO funding.

Ralph Heim, representing the California Special District Association (CSDA), noted that CSDA supported AB 1335. He said that special district representatives on LAFCOs had been beneficial because they provide information on the proposals' potential effects. Moreover, he noted that districts can't block proposals because they only have two vote on a seven-member LAFCO.

Mr. Heim said that there has been a bias towards eliminating districts, but that districts want a process with adequate safeguards and individual evaluations before conclusions about district boundaries are reached. He also suggested that LAFCOs evaluate the growth of dependent districts.

He noted that AB 1335 has caused districts to look more seriously at reorganization, but so have state-imposed property tax shifts. He said, however, that studies aren't cheap and LAFCOs need money (maybe property tax money) to perform them. He also thinks that LAFCOs should be made more independent of counties. He said that a state task force might also be helpful to consider criteria for district consolidations.

Mike Dillon, representing the California Association of Sanitation Agencies (CASA) noted that lots of consolidation has occurred in the wastewater industry. He said that districts have expedited this process, not slowed it. He said that both the Gotch and Pringle bills have provided "nudges" to LAFCOs and districts, and that more would likely follow.

Local Agencies' Views

Tom Stallard, Yolo County Supervisor, said that district consolidation was primarily an urban problem. He said that LAFCOs don't have the money they need to initiate studies, but that local property tax revenues were not an appropriate source of money for this purpose.

Ernie Silva, legislative representative for the League of California Cities, testified that money is the biggest stumbling block to LAFCO-initiated district consolidations. He said that the Legislature should encourage cities and districts to help fund LAFCOs, but that it shouldn't mandate shared funding.

Public Comment

Several members of the public testified that AB 1335 hadn't proved as effective a tool as had been hoped. They said that special district members on LAFCOs delay and derail district consolidation proposals. Another witness, however, argued that district representation is very helpful.

One witness argued that the 10% protest threshold for LAFCO-initiated district reorganizations almost shuts the door to these proposals.

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An Informational Hearing of the
Senate Local Government Committee
January 29, 1997, 10:00 am to 12:15 pm
State Capitol, Room 112

AGENDA

- 10:00 - 10:10 **Welcome and Introduction**
Senator William A. Craven, *Chairman*
- 10:10 - 10:20 **AB 1335: Author's Intent and Expectations**
Mike Gotch, *Former Assemblyman and author of AB 1335*
- 10:20 - 11:00 **Local Agency Formation Commission Perspective**
Elaine Rominger, *CALAFCO*
John Withers, *CALAFCO*
Clay Brown, Ralph Andersen & Associates
- 11:00 - 11:30 **Special Districts Speak Out**
Bob Reeb, *Association of California Water Agencies*
Ralph Heim, *California Special District Association*
Mike Dillon, *California Association of Sanitation Agencies*
- 11:30 - 11:50 **Local Agencies' Views**
Supervisor Tom Stallard, *Yolo County*
Ernie Silva, *League of California Cities*
- 11:50 - 12:15 **Public Comment**

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INTRODUCTION

The Legislature and the Governor created a Local Agency Formation Commission (LAFCO) in each county as a watchdog over local boundary changes. State law tells LAFCOs to encourage the orderly formation of local agencies and to discourage urban sprawl.

For over three decades, LAFCOs have governed city and special district formation and boundary changes initiated by voters, landowners, and other local agencies. In 1993, the Legislature gave LAFCOs authority to initiate the consolidation, dissolution, and reorganization of special districts. But in the two and one-half years that LAFCOs have had the power to initiate special districts proposals, only a single, very modest LAFCO-initiated proposal has been successfully implemented.

Legislative interest in special district reorganization, coupled with the lack of LAFCO-initiated successes, have led to statutory attempts to reduce the number of special districts. Though the Legislature has not yet enacted a local district reorganization plan, Senators, Assembly Members, and other policy makers have expressed great interest (and lots of support) for the concept. Moreover, several legislators have already announced plans to introduce their own special district reorganization plans in the 1997-98 legislative session.

Legislative proposals for local district reorganization are challenging for Senators and Assembly Members to judge. Because it's difficult for Sacramento to legislate optimal service delivery models for local communities, many observers would prefer special district reorganization to occur at the local level.

The Senate Local Government Committee's informational hearing on January 29, 1997 will explore the challenges of implementing AB 1335 (Chapter 1307, 1993) to better understand why LAFCOs are reluctant to use their initiatory powers over district reorganization. In addition, the hearing will propose legislative options for improving the likelihood of LAFCO-initiated proposals.

A BRIEF HISTORY OF LAFCOS

A Local Agency Formation Commission (LAFCO) exists in each county (except San Francisco) as an independent regulatory body that governs city and special district formation and boundary changes. LAFCOs are not a county department but a state agency with local appointees that make legislative and quasi-legislative regulatory and planning decisions, but can't exercise direct land use control.

Following World War II, California experienced rapid population growth. Responding to increasing service demands, cities and special districts were hastily and haphazardly created to provide services. The poor planning that resulted caused expensive and inefficient service delivery.

In 1963, the Legislature passed the *Knox-Nisbet Act* creating a LAFCO in each county, except San Francisco. Under the Act, LAFCOs regulated the formation and boundaries

of cities and most special districts, discouraged urban sprawl, and promoted logical growth.

Several years later, the Legislature revised boundary procedures by passing the *District Reorganization Act* (1967) and the *Municipal Organization Act* (1977). In 1985, the Legislature passed the *Cortese-Knox Local Government Reorganization Act*. The Cortese-Knox Act consolidated all the local boundary change laws.

Most LAFCOs have five commissioners: two county supervisors, two city council members, and a public member. Twenty-two LAFCOs have two additional commissioners representing special districts within the county. Several LAFCOs, such as those in the counties of Los Angeles, San Diego, Santa Clara, and Sacramento, have additional members specified in state statute. Each LAFCO commissioner serves a four-year term.

Counties fund LAFCOs' operations and pay for staff, but LAFCOs can also impose fees for processing proposals. In addition, LAFCOs can modify the proposals they review to recoup any costs from the affected agencies upon the proposal's completion.

LAFCOs review and approve or disapprove proposals for city and special district formations, annexations, detachments, and dissolutions. For special districts, LAFCOs govern *consolidations* (combining two districts of the same type), *dissolutions* (eliminating districts), *mergers* (converting a district into a city department), *subsidiary districts* (making the city council the district's governing board), and *reorganizations* (a mix of boundary changes).

Historically, LAFCOs could only act on special district boundary proposals initiated in one of two ways: by a petition of local voters or landowners or by a resolution of a local agency whose boundaries would contain the affected territory. After receiving a petition or resolution, LAFCO reviews it, and can deny the proposal or approve it, with or without conditions.

If LAFCO approves a proposal, it names a "*conducting authority*" (the county, city, or special district which will be affected by the boundary change) to complete the boundary change. The conducting authority cannot alter the proposal that LAFCO approved, but must hold a public hearing on the proposal to measure voter or landowner protests. The number of written protests determines whether a confirmation election will be required or if the proposal must be abandoned.

If a significant number of protests exist (usually 25%), most boundary changes require the conducting authority to adopt the proposal, subject to voter approval. If a majority protest exists, the conducting authority must abandon the proposal.

AB 1335: HISTORY AND OVERVIEW

In 1993, Assemblyman Mike Gotch (D-San Diego) introduced Assembly Bill 1335 to give LAFCOs the power to consolidate, merge, and dissolve special districts and to create subsidiary districts or reorganize districts with multiple boundary changes. Assemblyman Gotch, with 20 years of LAFCO experience, argued that LAFCOs were the best equipped and most impartial body to initiate special district studies and, if warranted, district reorganization.

After several modifications, the Legislature passed and Governor Wilson signed AB 1335 as Chapter 1307 of the Statutes of 1993. AB 1335 gave LAFCOs the power to initiate proposals affecting California's approximately 3,500 special districts. Since its July 1, 1994 effective date, AB 1335 made the following changes to the Cortese-Knox Local Government Reorganization Act:

LAFCO-initiated proposals. Prior to 1994, LAFCOs could only act on special district boundary change proposals initiated by a resolution adopted by a local agency or by a petition signed by voters or landowners. **Assembly Bill 1335** allowed LAFCOs to initiate district consolidations, dissolutions, mergers, and creation of subsidiary districts after July 1, 1994 if LAFCO found that the proposal would:

- Cost the same or less than alternatives.
- Promote public access and accountability.
- Be consistent with the recommendations or conclusions of a LAFCO study.
- Be discussed at a public meeting within each affected district's territory.

Assembly Bill 1335 permitted LAFCOs to adopt standards and procedures for initiating district proposals and encouraged LAFCOs to use a committee to review multi-district proposals. AB 1335 also required LAFCOs to consider any conflicting proposals within 60 days.

Under the Cortese-Knox Act, special district proposals initiated by a local agency, landowners, or voters don't require voter approval unless 25% of the affected voters or landowners object to the proposal. Under **Assembly Bill 1335**, LAFCO-initiated proposals require voter approval if 10% of the affected territory's landowners or voters protest.

LAFCO membership. LAFCOs include one public member appointed by the other LAFCO commissioners. **Assembly Bill 1335** prohibited a LAFCO public member from being an officer or employee of the county or of a city or special district within the county. The bill also required LAFCOs to adopt a resolution to add two special district members if a majority of the county's independent special districts asked for special district representation.

State-mandated costs. **Assembly Bill 1335** specified that any new costs associated with LAFCOs' implementation of the bill could be recouped through LAFCO fees and charges.

AB 1335 & LAFCO RESPONSE

A December 1996 survey by the California Association of Local Agency Formation Commissions (CALAFCO) found that only 18 of the of the 67 district reorganization studies undertaken since AB 1335's passage have been initiated by LAFCOs. Moreover, while LAFCOs have initiated a modest number of district reorganization studies, only one LAFCO-initiated proposal has actually led to the elimination of a special district. [For a more detailed summary of CALAFCO's survey, turn to page 13.]

In 1996, the Contra Costa LAFCO staff identified two county service areas (CSAs) designated to provide "miscellaneous services," but which had been inactive for several years. In July, the LAFCO Board initiated a study to address a proposed dissolution of the CSA M11 and CSA M19. After completing its in-house study in August, LAFCO found that the dissolution would be cost-effective and enhance public accountability. That month, LAFCO voted to approve the reorganization dissolving the special districts. Subsequently, the county board of supervisors, acting as the conducting authority, approved the districts' dissolution.

Though LAFCOs can only point to one AB 1335 success story, they say that this meager statistic doesn't tell the whole story. LAFCOs note that even though there hasn't been a flurry of LAFCO-initiated district proposals, AB 1335 prompted special districts to initiate their own reorganization proposals in order to avoid LAFCO actions. LAFCOs believe that some of the 67 special district reorganization studies initiated by groups other than LAFCO would not have occurred without AB 1335. Moreover, they note that special district reorganizations have increased by 15% in the last two years. LAFCOs argue that their power to initiate district reorganizations, regardless of its use, has encouraged districts to reorganize themselves as a pre-emptive strategy. In this way, LAFCOs argue that AB 1335's is working effectively, albeit indirectly.

LAFCOs also note that they promote district consolidation, dissolutions, and reorganization as they process other boundary change proposals. Specifically, LAFCOs point to the district consolidations, dissolutions, and reorganizations that they added to city and district annexation, incorporation, and other proposals that they process. When LAFCOs modify other boundary change proposals to include special district changes or reorganizations, these actions aren't technically LAFCO-initiated proposals and therefore are not included in the AB 1335 implementation statistics.

AB 1335 IMPLEMENTATION: HURDLES & OPTIONS

According to legislative analyses of Assembly Bill 1335, the legislation authorizing LAFCO-initiated district proposals was "a major departure from tradition" and a means to "strengthen the LAFCO process."

Legislators and others wonder why LAFCOs haven't taken advantage of their new district reorganization powers. LAFCO practitioners and other observers argue that LAFCOs' composition, organization, financing, and other factors contribute to this lackluster response.

To explain LAFCOs' underwhelming response to AB 1335, legislators need to explore the possible disincentives for LAFCO-initiated actions and to contemplate possible remedies to increase the number of LAFCO-initiated proposals.

I. Politics and Governance. Some policy-makers point to LAFCO commissioners and the general political environment as reasons why there have been few LAFCO-initiated special district proposals.

Elected official vs. elected officials. LAFCOs candidly point out that it's very difficult to motivate one elected office-holder to eliminate the job of another. Because elected city, county, and special district officials sit on LAFCOs, the commissions are extremely sensitive to local political pressure. LAFCO staff who explore district reorganization often find that the diffuse benefits engender little community support while the concentrated costs (to the subject districts and their local officials) enflame intense and vocal opposition. When political offices and public turf is at stake, LAFCOs find that the overwhelming opposition from a few stake-holders can easily defeat the general public interest.

The political dynamics against LAFCO-initiated reorganization are so strong that some LAFCO staff says that no matter what reforms the Legislature enacts, LAFCOs will never sincerely seek to eliminate and consolidate districts. Special districts believe that LAFCOs' inherent reluctance to eliminate and reorganize districts is desirable and that LAFCOs should initiate proposals only when clear and convincing evidence supports the proposal.

Legislative option: To overcome local politics, the Legislature could consider adding state legislators to LAFCOs. State legislators, with their wider government perspective, could provide leadership and help LAFCOs move beyond local politics. The inclusion of state legislators on LAFCO could also ensure that LAFCOs carry out the Legislature's will for local boundary changes.

Special district representatives. AB 1335 required LAFCOs to add two special district representatives if a majority of the county's independent special districts requested membership. This provision of the bill intended to ensure that LAFCOs' new initiatory powers were exercised without bias against special districts. Before AB 1335, approximately seven LAFCOs included special district commissioners. Currently 22 LAFCOs have special have added special district representatives.

Some observers argue that special district representation on LAFCO makes LAFCO-initiated special districts proposals nearly impossible. They say that rather than helping LAFCOs better evaluate LAFCO-initiated district proposals, special districts work to defeat district-related plans. Special districts, however, argue that if districts aren't included in the decisions that affect them, city and county representatives could be tempted to initiate district proposals based on the potential financial and political gains to cities and counties.

Legislative option. To encourage more LAFCO-initiated district proposals, the Legislature could remove AB 1335's requirement that LAFCOs must add special district representatives if the districts request representation. Alternately, the Legislature could remove all special districts from LAFCOs.

Public members. Prior to 1994, anyone could serve as a LAFCO public member. In many cases, LAFCO public members were current or former public officials. AB 1335 required public members to be truly "public," and not just another local agency vote, by prohibiting them from being an officer or employee of the county or any city or special district in the county.

Some observers argue that because local agency representatives dominate LAFCOs and appoint the public member, LAFCOs execute the public agencies' agenda, and not the citizens' interest. They argue that elected officeholders often think about institutions (e.g., city and county governments) and not issues, such as housing, water supply, and recreation. These observers speculate that more public members, especially public members that were not appointed by LAFCO, could help ensure that LAFCOs serve the citizens' interest, and not the interests of public agencies.

Legislative option: To make LAFCOs more accountable to citizens, the Legislature could require each LAFCO to have additional public members or a majority of public members. In addition, rather than having LAFCO commissioners appoint the public's representative, the Legislature could provide another mechanism, such as voter-approval or community-group appointment, for the public member's selection.

II. Goals & Policies. State law's policy direction to LAFCOs is vague, ambiguously directing them to provide "planned, well-ordered, efficient urban development." As introduced, AB 1335 would have required LAFCOs to pursue specific goals and policies including:

- Providing for the efficient extension of local government services.
- Discouraging the premature expansion of local government boundaries.
- Promoting proposals that result in cost savings and/or service improvements.
- Preventing the formation of a new local agency on top of existing local agencies.
- Including full-service developed areas in a single general purpose local agency.
- Preventing the premature and unnecessary conversion of farm and open-space land.

The Senate Local Government Committee, however, deleted the AB 1335's legislative intent language when the building industry objected to the language on the grounds that it could be used by no-growth groups to "thwart normal land use decisions."

Some LAFCO staff say that without a clear statement of the Legislature's intent, LAFCOs won't take bold action on district reorganization.

Legislative option: If the Legislature wants LAFCOs to be more assertive in reorganizing districts, it could amend the law to include a strong explicit statement of its intent and goals for LAFCOs action.

Prioritizing proposals. Some LAFCOs respond to criticism that they don't act aggressively enough to eliminate and reorganize special districts by noting that not all proposals make sense. LAFCOs point out that just because local boundary lines on a map show agency overlap or duplication, it doesn't necessarily mean that there's a problem to fix. Sometimes agencies work efficiently and cooperatively despite a messy organizational chart.

In addition, LAFCOs explain that some constituents, voters, and taxpayers are quite fond of the special districts that serve them. In rural areas, a water, fire, or community services district may be the only local government that citizens encounter. Where districts serve as people's only link to local government, citizens don't necessarily want a LAFCO-initiated reorganization just to streamline the county's organizational chart. And even in cases where district elimination or reorganization might provide some benefits, constituents may prefer to sacrifice a small degree of efficiency or overlap to maintain their familiarity they have with the districts they rely upon.

Legislative option: Rather than a blanket encouragement for LAFCOs to reorganize districts, the Legislature may want to direct certain proposals for LAFCO review and, if warranted, action. For example, the Legislature could require LAFCOs to study and/or eliminate districts based on any of the following criteria:

- *Type of agency* (e.g., reduce the number of single-purpose park districts in favor of multi-purpose community services districts).
- *Powers exercised* (e.g., reduce the number of fire districts that exist only to monitor the contracts they've made with other fire protection providers).
- *Geographical circumstances* (e.g., eliminate water districts that exist wholly or partially within another water district's boundaries).

Alternately, the Legislature could form a task force of professionals and practitioners to help establish criteria that trigger LAFCO review and/or action. A coordinated effort by experts from across the state might provide useful guidelines for LAFCO and the Legislature.

III. Funding. State law requires counties to pay for LAFCOs and supply them with supplies, equipment, and quarters. In 1993-94, counties spent over \$5 million for LAFCO operations, with wide variations among counties. For example, in 1993-94, Lassen County spent only \$9 for its LAFCO while Monterey County spent over

\$620,000 on its LAFCO. Some counties, such as Marin and Sacramento, don't spend any county general fund money on LAFCO. In these counties, LAFCOs are self-supporting by generating revenue through fees and other sources.

LAFCOs can impose fees to recoup the costs of processing local agency formation, dissolution, and other boundary proposals. LAFCO fees cannot, however, exceed the costs of the service provided. LAFCO fees vary between counties, but some LAFCOs subsidize their processing fees so that citizens and local agencies won't be discouraged from offering proposals. In addition to processing fees, LAFCOs can modify the terms and conditions of the proposals they approve to recoup the costs of their work.

LAFCOs say that the revenues they generate from county appropriations, fees, and other sources are insufficient to allow them to initiate their own district reorganization plans. And even if LAFCOs wanted to initiate proposals, they need their resources to keep up with their regular work. LAFCOs argue that if the Legislature was really serious about having LAFCOs initiate district reorganization proposals, the Legislature would have given them the resources to accomplish that task.

Legislative option: If the Legislature wants LAFCOs to initiate more district proposals, it could provide LAFCOs with a new stream of revenue to accomplish that goal. For example, Assemblyman Granlund introduced a bill in 1995 to require the county and all cities and districts within a county to contribute a proportionate share of their property tax revenues to fund the LAFCO (AB 49xx, Granlund, 1995). AB 49xx died on the Assembly Floor after the Assembly failed to analyze or hear the measure.

Instead of requiring cities and special districts to divert property tax revenues to LAFCOs, the Legislature could dedicate State General Fund appropriations, institute state or local sales tax sharing, or provide for other revenue pooling. If desired, the Legislature could also provide a mechanism for refunding any surplus revenues or any contributions to agencies that did not benefit from LAFCO services. The Legislature should consider, however, how local agencies and their constituents will react when revenues are diverted from front-line services for a program which may or may not provide citizens, taxpayers, and voters with an actual benefit.

IV. Non-Uniform Procedures. When voters, landowners, or local agencies initiate district proposals, LAFCOs and conducting authorities can usually act without voter approval unless 25% of the voters or landowners protest. However, at the insistence of the Association of California Water Agencies, AB 1335 required LAFCOs to hold an election on LAFCO-initiated proposals if it receives protests from only 10% of the voters or landowners. Moreover, whereas protests for other district reorganization proposals are measured throughout the entire area affected by the proposal, AB 1335 requires protests to LAFCO-initiated district proposals to be measured in each affected district.

In addition to the lower protest and election thresholds, LAFCO-initiated proposals also require other steps that proposals initiated by other sources don't need, including a special study and hearings in the territory of each affected districts. Also, only LAFCO-

initiated proposals require findings that the proposal will result in the same or less costs and will increase public accountability.

Some LAFCOs argue that the extra hurdles associated with LAFCO-initiated proposals are too burdensome, expensive, and labor-intensive for LAFCO to pursue them. Special districts, however, see the additional requirements for LAFCO-initiated proposals as safeguards, not hurdles. They want LAFCOs to exercise greater caution when proceeding on district elimination and reorganization when LAFCOs act without the prompting of voters, landowners, or other local agencies.

Legislative option: If the Legislature wants LAFCOs to initiate more special district proposals, it could eliminate the additional procedural requirements that it imposed on LAFCO-initiated actions. Specifically, the Legislature could repeal AB 1335's additional or unique procedural requirements for LAFCO-initiated proposals, and simply require LAFCO-initiated plans follow the same procedures as all other proposals.

Cities too? California's 471 cities provide water, fire protection, recreation, and other services and facilities that special districts provide. Some cities, like Sand City (Monterey County) and Vernon (Los Angeles County) have small populations (under 200) and are totally surrounded by other cities that could provide municipal services. Though some cities are as unnecessary or duplicative as some special districts, LAFCOs are not empowered to initiate *city* reorganization proposals.

Legislative option: If the Legislature wants LAFCOs to reorganize local agencies, it could allow LAFCOs to initiate proposals to dissolve, combine, or otherwise reorganize cities. Giving LAFCO the ability to initiate city reorganization proposals would make the Cortese-Knox Act more consistent and send LAFCOs a clearer message about their role.

V. Mixed Messages. When the Legislature passed AB 1335, it encouraged LAFCOs to more actively reorganize government. However, at the same time that the Legislature and the Governor were encouraging LAFCOs to reorganize districts, they also passed measures which made it harder to eliminate and reorganize local agencies. These contradictory proposals from lawmakers include:

Broadmoor Police Protection District. In 1995, the Legislature passed and the Governor signed a bill that made it harder to detach territory from the Broadmoor Police Protection District (PPD) in San Mateo County (SB 862, Kopp, 1995). The Broadmoor PPD serves 6,000 residents in two and one-half square miles of unincorporated territories by the Cities of Daly City and Colma. SB 862 allowed the PPD's governing board to call an election on the proposed detachment throughout the entire district (instead of just the affected territory). By permitting the PPD board to require elections in a broader area and regardless of the number of protests, the bill made it harder to detach District territory.

San Diego County Water Districts. In 1996, the Legislature passed and the Governor signed a bill that made it harder to reorganize specified water districts in San Diego County (SB 1434, Kelley, 1996). San Diego County is home to a wholesale and retail

water district whose boundaries encompass two smaller retail agencies. One of the retail districts worried that LAFCO, or another local agency, would propose a district reorganization plan that did not require each district's voters to confirm the plan.

Senate Bill 1434 required an election for a reorganization proposal affecting these three districts and allowed any of the districts proposed for dissolution or another change to defeat the plan or opt out. By requiring elections regardless of the level of protest, and by allowing small districts to veto or opt out of regional reorganization plans, the bill could hinder rational, efficient local government reorganization.

Legislative option: If the Legislature wants to send a clear message that LAFCOs should actively reorganize special districts, it could cease passing bills that make it harder for LAFCOs to make local boundary changes and reorganize agencies. A more consistent message might convince LAFCOs that AB 1335 is the rule, and not the exception.

LEGISLATIVE PROPOSALS FOR DISTRICT REORGANIZATION

Because LAFCOs have not embraced AB 1335's power to reorganize special districts, and because legislators want special districts reorganized, Senators and Assembly Members have introduced several statutory special district reorganization plans. While none of these proposals have become law, legislators seem committed to reorganizing special district from Sacramento if LAFCOs and local agencies fail to act at the local level. The following are the most prominent, recent statutory special district reorganization proposals.

Alameda County Water/Sanitary Districts. In 1995, Senator Lockyer introduced SB 1232 to combine the Union Sanitary District and the Alameda County Water District in Alameda County into a single agency. The Union Sanitary District and the Alameda County Water district provide services to overlapping regions in the southern area of Alameda County. Because the districts share territory and provide related services, Senator Lockyer wanted to combine them into a single agency, subject to the voters' approval.

In response to the bill, the two districts contracted with a private firm for a fiscal analysis of the proposed consolidation. The study determined that the minor cost-savings would be offset by short-term operational expenses and potential increased costs for personnel compensation and benefits. After considering the study's results, Senator Lockyer ceased pursuing the proposal. However, since Senator Lockyer's proposal, the two districts have begun to coordinate on operational and administrative matters.

Orange County Water Districts. In 1995, Assemblyman Pringle introduced a bill to reorganize approximately 25 water and sanitary districts currently serving Orange County. Specifically, AB 2109 would have combined the existing districts into four retail water districts, two wholesale water districts, and seven other district and/or city combinations. AB 2109 died on the Senate Appropriations Suspense File.

Orange County LAFCO agreed with Assemblyman Pringle that reorganizing water and sanitary agencies would increase public accountability and service efficiency. LAFCO did, however, note that the bill's language, timeframes, election procedures, and resulting extraterritorial service areas needed modification. Assemblyman Pringle plans to reintroduce a reorganization plan similar to AB 2109 in the 1997-98 legislative session. In the meantime, the Orange County LAFCO staff is participating in studies to craft an optimal reorganization plan.

Los Angeles County Water Districts. In 1995, Senator Polanco proposed to reorganize three water districts in Los Angeles County (SB 1251 amendments, Polanco, 1995). Under Senator Polanco's plan, two municipal water districts and a water replenishment district would become a single entity: the Southern Los Angeles County Municipal Water District. Polanco's plan called for the new District to be governed by a nine-member board appointed by the two existing municipal water districts and specified cities. Beginning in 1998, the voters would elect District board members.

The three districts, created in the 1950s and 1960s, all shared staff and facilities until this decade. In 1990, the Replenishment District broke away and retained its own 20 member staff. The municipal water districts still share facilities and a 40-person staff. Because municipal water district are authorized to provide replenishment services unless a separate replenishment districts exists, Senator Polanco wanted to reorganize the three entities into one water provider and replenishment agency. Senator Polanco's amendments were not approved in 1996, but the Senator plans to pursue a similar reorganization plan in the 1997-98 legislative session.

CONCLUSION

The Legislature empowered LAFCOs to dissolve, consolidate, and reorganize special districts. With one minor exception, LAFCOs have not taken full advantage of their initiatory powers.

Senators, Assembly Members, and other policy-makers have repeatedly indicated their desire to reduce the number of special districts in California. In recent years, legislators have also introduced proposals to eliminate, consolidate, and reorganize designated special districts. And in addition to legislators' interest, the California Constitutional Revision Commission's 1995 plan required local home rule community charters to reduce the number of local agency service providers (ACA 49, Isenberg, 1993; SCA 39, Killea, 1993). No legislative measure to reduce the number of special districts has been signed into law. But, in the absence of increased local activity, legislators are likely to continue to introduce local reorganization plans.

The Legislature can pre-empt local reorganizations because LAFCO powers are delegated by the Legislature to LAFCOs and can be taken back by the Legislature. But the more important question is whether the Legislature should pre-empt local reorganization efforts.

Statutory schemes introduced by local legislators to mandate service delivery models for a specific community are difficult to evaluate for legislators from other counties and

hundreds of miles away. Moreover, the technical details of district reorganizations, including the allocation of tax revenue and debt and the transfer of seniority and pension rights, make local reorganization plans extremely difficult to complete at the state level. In short, the Legislature's involvement may be the second best option.

Rather than acting as a "super-LAFCO" in making, overruling, and changing individual local boundary proposals, the Legislature could make some fundamental decisions about the outcomes it wants. If the Legislature wants special districts reorganized, it could help local officials and LAFCOs by:

- Explicitly stating the types of reorganizations that it wants and explaining why.
- Providing procedures that make it easier to initiate and complete reorganizations.
- Ensuring that LAFCO membership doesn't hinder local reorganization proposals.
- Dedicating the funding necessary to carry out local reorganization efforts.
- Sending consistent legislative messages to local agencies.

April Manatt prepared this background policy paper for the Committee's hearing with the valuable assistance of Peter Detwiler from the Senate Housing and Land Use Committee, Randy Pestor from the Senate Environmental Quality Committee, Kate Mannen from the Senate Local Government Committee, and Local Agency Formation Commission staff throughout the state. Information from the 1996 Senate Local Government Committee publication, *It's Time to Draw the Line: A Citizen's Guide to Local Agency Formation Commissions in California*, written by William Ihrke, is included in this report. Committee Assistant Sandy Kenyon produced these documents with the help of Senate Reprographics Staff.

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Russell W. Noack
Anne Kelly
Leslie S. Spahn
Paul J. Lunardi
John Caldwell

Testimony of Ralph A. Heim

Presented to the Senate Committee on Local Government

January 29, 1997

Mr. Chairman and Members of the Committee:

For the record, my name is Ralph A. Heim representing the California Special Districts Association. I am also speaking on behalf of the Fire Districts Association of California, California Association of Recreation and Park Districts, Mosquito and Vector Control Association of California, and the Midpeninsula Regional Open Space District. On behalf of all of the aforementioned clients, we appreciate this opportunity to provide the Committee with our thoughts relative to LAFCOs and reorganizations of special districts.

At the outset, permit me to remind the Committee that our clients supported Assembly Bill 1335 (1993) by former Assembly Member Mike Gotch. Given that special districts had opposed previous attempts to grant LAFCOs the authority to initiate special district reorganizations, support for AB 1335 was a major change in our policy. Special districts supported AB 1335 for a number of reasons, not the least of which was the allowing of special districts to gain representation on LAFCO, if a majority of the special districts in a county pass resolutions requesting seating. As you know, prior to the enactment of AB 1335, LAFCOs could deny seating of special districts for virtually any reason.

Testimony of Ralph A. Heim
Presented to the Senate Committee on Local Government
January 29, 1997
Page 2

We also supported AB 1335 because the bill contained a number of procedural "safeguards," provisions which require LAFCOs to include a cost-benefit analysis of the proposed reorganization. We believe these procedural provisions are critical to the LAFCO process to ensure that the residents served by the special districts subject to the reorganization will have sufficient cost-benefit data, thereby enabling them to decide if the reorganization will provide the same or higher level of service at the same or lessor cost.

With respect to the question: Do LAFCOs Need a Nudge to Reorganize Special Districts, permit me to offer the following comments. Our clients have, and never will, oppose a special district reorganization when the study thereto concludes said reorganization would result in better efficiency relative to service delivery at the same or lessor costs. We have and will continue to oppose reorganizations of special districts for the sake of simply reducing their numbers.

In 1996, LAFCOs reported that some 67 special district studies were initiated. Of these, 44 were initiated by special districts. Some would argue that the "threat" of AB 1335 was the primary reason for the 44 special district-initiated reorganization studies; and, while we do not dismiss this argument, we would suggest that the property tax shifts of 1992-93 and 1993-94 were also a major contributing factor.

As members of the Committee know, reorganization studies can be very costly to both LAFCOs and special districts. We would encourage the

Testimony of Ralph A. Heim
Presented to the Senate Committee on Local Government
January 29, 1997
Page 3

Committee to consider the establishment of a fund, which would be available to LAFCOs and special districts for reorganization studies. Some have suggested that a small portion of the ERAF could be utilized for this purpose and, while we do not have a formal position on this funding source, we would encourage the Committee to use extreme caution relative to utilizing the ERAF for any purpose other than returning this property tax revenue back to cities, counties and special districts.

In conclusion, Mr. Chairman and Members, we believe that reorganization of special districts and the LAFCO process is a local process, and we would encourage the Legislature, should you choose to amend AB 1335, not to inhibit the ability of local officials to resolve what are clearly issues of local governance.

On behalf of our clients, I thank you again for this opportunity to participate in this important hearing, and I would be most happy to respond to any questions Members may have.

CALAFCO TESTIMONY FOR
JANUARY 29TH SENATE LOCAL GOVERNMENT COMMITTEE HEARING

The California Association of LAFCOs (CALAFCO) was established in 1971 to provide a statewide information-sharing network for the 57 LAFCOs and to represent the LAFCOs with the Legislature and other bodies. The association is governed by an executive board which consists of a cross-section of LAFCO commissioners from throughout the state. CALAFCO has prepared these comments and will send several representatives to the Senate Local Government Committee hearing on January 29, 1997, concerning consolidation of local governments.

LAFCOs were created by the legislature in the 1960's to address problems that occurred during the post World War II development boom. These problems may be generalized as "urban sprawl". Premature and unplanned development led to the creation of inefficient, expensive systems of delivering public services using various uncoordinated units of local government. Competition between cities and districts led to leap-frog development, often prematurely transferring large tracts of agricultural land to urban use.

The Legislature established a LAFCO in each county to carry out the state's policy on creation, dissolution, and change of district and city boundaries. Though the legislature has the constitutional power to control city and special district boundaries by itself, it has delegated these powers to the local LAFCO because they are "closer to the people." The legislature established each LAFCO as an independent agency, with a commission that balances the interests of cities, counties, the public and (in many cases) the special districts. Commissions have two members appointed from the county board of supervisors, two members appointed from the city councils in the county, and a public member who is not an elected official and is appointed by the other commissioners. The law also provides for special districts to seat 2 members on LAFCO. As of December 1, 1996, 22 LAFCOs have special district commissioners (representing three-fourths of the states population). The law also specifies a somewhat different commission configuration in counties with fewer than two incorporated cities and in four urban counties (Los Angeles, Sacramento, Santa Clara, and San Diego).

The law sets out a detailed set of rules governing the boundary change process. These procedures specify who may initiate proposals (affected agencies & and affected landowners or voters), public notice and participation, and the issues that each commission must consider when taking action. Additionally, the law establishes a procedure for property owners and voters to protest a commission decision, and to call an election. Although the LAFCO in each county operates as an agent of the state, it makes its own decisions based upon local circumstances and the policies in state law. In order to allow for the consideration of unique local circumstances, the

CALAFCO Testimony
January 29, 1997
Page 2

Legislative policies are very general in calling for orderly growth and development (Government Code Section 56001). A specific policy directs LAFCO to steer development away from prime agricultural lands where feasible.

District Consolidations

Effective in 1994, the legislature passed and the Governor signed AB 1335 (Gotch), which provided an opportunity for LAFCOs to initiate the consolidation, dissolution, or merger of special districts. We understand that the Committee is concerned that there are many special districts and that the high number is viewed as symptomatic of inefficiency in the overall operations of local government. We also understand that a purpose of the hearing is to address the Committee's concern that the rate of local government consolidations has not increased significantly since the effective date of AB 1335. Both before and after AB 1335, most consolidation proposals have been initiated by the boards of the affected districts. CALAFCO surveyed the 27 most active LAFCOs in November 1996. In these counties 67 consolidation studies had been initiated since January 1, 1994, the effective date of AB 1335. 44 (66%) were initiated by districts, 18 (27%) were initiated by LAFCOs, and 4 (6%) were initiated by other agencies. The arguments, real or imagined, against consolidation include a loss of local control, accountability, and community identity. Typically consolidations are triggered by either a crisis such as when Proposition 13 caused a decrease in tax revenues or by an opportunity for significant improvement in service or operating efficiencies. When these situations do not exist, there is usually not adequate motive to overcome the arguments for the status quo.

In the two years preceding January 1, 1994, the number of completed consolidations in 41 counties that responded to a CALAFCO survey was 60. In the subsequent two year period (1994-1995), 69 consolidations occurred. The rate of consolidations has increased following the effective date of AB 1335. We believe that one cause of the increase is that the threat of LAFCO initiating consolidations has caused districts to study and implement consolidations. Districts have wanted to maintain leadership and control of the process rather than allow LAFCO or another agency to do so. From the LAFCO perspective this is a good approach because it means that the elected leaders of affected agencies have "ownership" of the proposal rather than it being forced. As a result, such a proposal usually enjoys greater support at the local level and, hence, a greater opportunity for success.

Conclusion: AB 1335 has triggered movement in district consolidation and we believe more will follow.

Need for Clearly-Defined Goals

State law does not contain any clear policies as to the appropriate number of special districts. The very generalized state policy can be found in Government Code Section 56001:

"The Legislature recognizes that urban population densities and intensive residential, commercial, and industrial development necessitate a

CALAFCO Testimony
January 29, 1997
Page 3

broad spectrum and high level of community services and controls. The Legislature also recognizes that when areas become urbanized to the extent that they need the full range of community services, priorities are required to be established by weighing the total community service needs against the total financial resources available for community services; and that those community service priorities are required to reflect local circumstances, conditions, and limited financial resources. The Legislature finds and declares that a single governmental agency, rather than several limited purpose agencies, is in many cases better able to assess and be accountable for community service needs and financial resources and, therefore, is the best mechanism for establishing community service priorities."

If the Legislature wants to increase the number of local government consolidations, it should revise this statement of policy being as specific as possible to provide LAFCOs with criteria establishing when consolidation is appropriate. Also, the clearer policy could then be reflected in sections of the law concerning the process.

The Legislature has sent mixed messages to LAFCOs and local governments concerning consolidations. In 1995-96, SB 1232 (Lockyer) and AB 2109 (Pringle) moved through the Legislature, but were not ultimately passed. These bills would have initiated consolidations for specific districts in Alameda and Orange Counties.

SB 862 (Kopp) was passed and signed by the Governor. This statute actually makes it harder to consolidate the Broadmoor Police Protection District through annexations to the City of Daly City. It allows the district board to call an election of the entire district on whether an area can be detached from the district and annexed to the city.

SB 1434 (Kelley), which was also passed by the Legislature and signed by the Governor, makes it harder to consolidate three water districts in San Diego County by lowering the amount of protest that would trigger and defeat a consolidation election.

Recommendation: Enact clear state policy on district consolidations.

Funding for Studies

LAFCOs work with limited budgets and staffing. The ten most urban counties average 2-2.5 professional staff members. The next thirteen "developing" counties average 1.25 professional staff members. The other 34 counties average less than 0.5 professional staff members; this is often a county staffer with other planning or administrative duties. A typical mid-sized LAFCO having a budget in the \$100,000-200,000 range supports the mandated work load of annexations and incorporations. LAFCOs' funding sources are the county general fund and application fees. The LAFCOs have maintained modest operations so as not to charge high application fees or use county general funds for which there is great demand.

Consolidation studies, done by a qualified consulting firm or in-house by LAFCO staff, range in cost from \$15,000 for a simple study to over \$100,000 for a complicated study. The cost of a typical two-agency consolidation

CALAFCO Testimony
January 29, 1997
Page 4

study would run at least \$35,000. There are also miscellaneous expenses (elections, legal review and documents, etc.) associated with the consolidation process. In the case of a LAFCO initiated consolidation effort, there is no applicant to charge for these expenses, and the LAFCO would have to have sufficient funds in its budget for this work. The CALAFCO survey of 27 LAFCOs revealed that LAFCO budgets have had little or no increase since the adoption of AB 1335.

One way to encourage additional consolidation efforts by the LAFCOs would be to set up a state pool of grant funding to allow a LAFCO individually, or collectively with other local agencies, to conduct consolidation studies and implement recommended changes. One possible source would be using a small part of any ERAF (Educational Revenue Augmentation Fund) monies that are returned to the local agencies.

Recommendation: District consolidation would be promoted by providing a funding source.

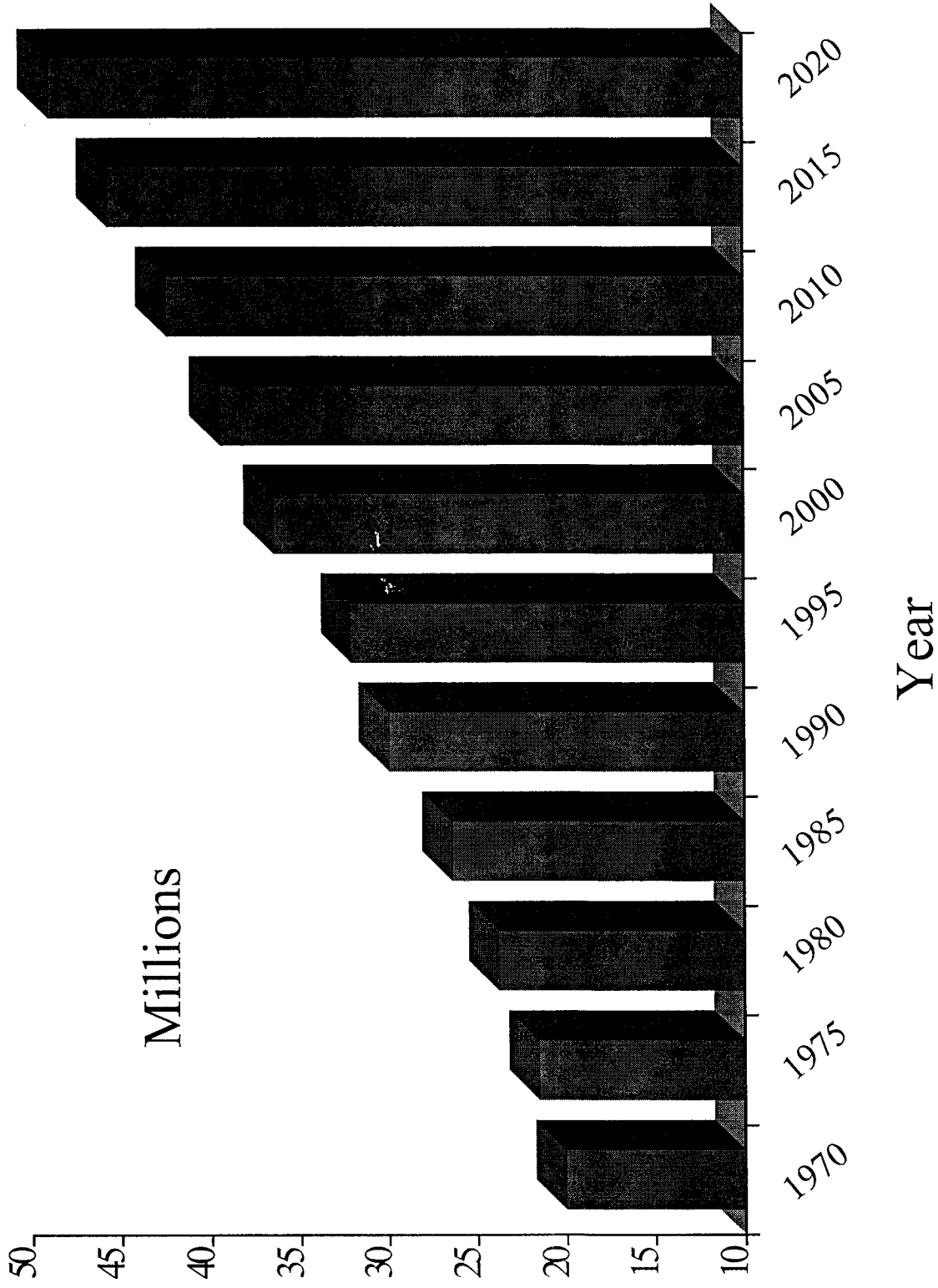
LAFCO Successes

Any discussion of LAFCOs' role in facilitating better local governmental services should take into account the types of functions in which LAFCOs have been generally successful over the last 30+ years. LAFCOs have adjudicated annexations, incorporations, and other boundary issues based upon local needs and priorities. In general, city and district boundaries are more logical and occur in a more timely fashion than before LAFCOs existed. Also, services and infrastructure have been coordinated better on a regional level. Each of these improvements have occurred through fair and public processes within the affected communities.

Summary

Public interest in local government consolidation seems limited to a few areas experiencing management problems or crises, such as Orange County. If the Legislature wants to increase consolidation activity in the state, CALAFCO would be keenly interested in working with the Senate Local Government Committee, local government associations, and other interested parties in drafting legislation. It would be helpful to LAFCOs if the law contained a clearer policy statement regarding State priorities for local service provision.

Population of California, 1970-2020





**Testimony of
Robert J. Reeb, State Legislative Director
Association of California Water Agencies**

before the

**Local Government Committee
California State Senate**

**January 29, 1997
Sacramento, California**

**“Implementing AB 1335:
Do LAFCOs Need a Nudge to Reorganize Special Districts?”**

Good morning, my name is Bob Reeb and I'm the State Legislative Director for the Association of California Water Agencies. Let me first say that the Association appreciates the interest of the Senate Local Government Committee in the subject area of special district reorganizations. ACWA supported AB 1335 in 1993, and in particular, former Assemblyman Gotch's desire to give LAFCOs the authority to initiate the consolidation, dissolution and reorganization of special districts.

It is important this morning that we do not focus too narrowly on the issue of LAFCO-initiated consolidations to the point we forget special districts, in general, and water districts, in particular, have engaged in consolidations and reorganizations for many decades now. The Association conducted a survey of the 57 LAFCOs in California and I am pleased to provide you a copy of the results of that survey today. One of the key findings is that special districts initiated two-thirds of the 61 consolidation or reorganization proposals over a 2-year period ending December 1996. Although respondents cited three proposals initiated by LAFCOs in that period, nearly half of the proposals received the assistance and support of LAFCO staffs. Support included assistance with documents, partial fee waivers and the facilitation of discussions. Recent ACWA member initiated reorganizations include the consolidation of Capistrano Beach Sanitary District and Capistrano Beach Water District; the dissolution of Summerland Water District and the annexation of its service area to Montecito Water District; and the dissolution of Fallbrook Sanitary District and the transfer of responsibilities to Fallbrook Public Utility District. At this time, there are a number of reorganization studies underway throughout the state.

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Two examples of consolidations that occurred long before consolidations recently became a hot button issue, for example, involved Mesa Consolidated Water District and Santa Clara Valley Water District. The Mesa district is the result of four separate agencies that served the Mesa area in Orange County in the early 1900's [Fairview County Water District, Costa Mesa City Water Department, Newport Mesa County Water District and Newport Heights Irrigation District]. All four merged on January 1, 1960 to form the Costa Mesa County Water District, later named Mesa Consolidated Water District. The successor district today serves a population of 100,000 in an area of 18 square miles including the city of Costa Mesa, part of Newport Beach, the John Wayne Airport and an unincorporated area of Orange County. I have provided your committee a timeline of the evolution of the Santa Clara Valley Water District prepared by the district's Public Information Office. The timeline shows several special districts were formed over 30 years by voter approval and then, beginning in the 1960's, a number of dissolutions, mergers and annexations occurred to the point where the Santa Clara Valley Water District today controls all county dams, reservoirs and percolation facilities enabling releases from reservoirs to be coordinated for maximum benefit. Duplication of administrative overhead has been eliminated.

There is a widely held view in some quarters that there are too many local governmental agencies in California; that the number of agencies lends itself to duplication of services, overlapping boundaries, and confusion in the delivery of services. ACWA believes such a premise is simplistic at best and ignores the many complex issues involved in consolidating local agencies. We believe the consolidation of special districts is best left to the LAFCOs and the local agencies themselves as opposed to special district reorganization legislation initiated in Sacramento. The Association supported AB 1335 because it provides an objective process that includes standards which, following an appropriate study, results in a new district that provides services at a similar or cheaper cost and which promotes public access and accountability at a similar or higher level. This is in contrast to recent legislative proposals to reduce the numbers of special districts in the belief that fewer is better.

Your committee staff has identified a number of hurdles along with options to increase the number of LAFCO initiated proposals. The first hurdle noted is elected officials versus appointed officials. The consultant notes that the political dynamics against LAFCO initiated reorganization are so strong that some LAFCO staff say that no matter what reform the legislature enacts LAFCOs will never sincerely seek to eliminate or consolidate districts. The option identified is to consider adding state legislators to LAFCOs. State legislators, the consultant argues, could provide leadership based on their wider government perspective and help LAFCOs move beyond local politics. I personally believe the consultant is correct in identifying the expansion of LAFCO membership as a potential option. However, I do not believe adding legislators is the answer, particularly, given their busy schedule both in Sacramento and in their districts. One option as an alternative, however, would be to add more public member representatives to give the public a greater voice on LAFCOs.

The second hurdle noted by the consultant is special district representation on LAFCOs. She notes that some observers argue special district representation on LAFCO makes

LAFCO-initiated special district proposals nearly impossible. I disagree with their observation. As I noted earlier, our survey found that the vast majority of reorganization proposals today are initiated by special districts themselves. Special district representatives do not form the majority of LAFCO commissioners; and, in fact, only 22 LAFCOs statewide have added special district representatives since January 1994. Although I do not have access to any data, I believe the number of consolidations that occurred prior to the implementation of AB 1335 is similar to the number that has occurred since its implementation. The addition of special district representatives to LAFCO is not the problem. I believe it is the lack of an independent funding base for LAFCOs to enable the independent pursuit of consolidations. AB 1335 requires LAFCO to complete a study on its initiated proposals to consolidate, dissolve or merge special districts. There simply is not the funding available to do that today and I think this is the primary roadblock as opposed to special district member representation on LAFCO.

The consultant next notes that because local agency representatives dominate LAFCOs and appoint public members, LAFCOs execute the public agency's agenda and not the citizen's interest. The consultant suggests that rather than having LAFCO commissioners appoint the public representative, the legislature could provide another mechanism such as voter approval or community group appointment for the public member selection. I hesitate to concur with the suggestion that public members run for office. However, the idea of changing the manner in which public members are selected has merit. I would suggest looking at the model for the manner in which the governor appoints members of regional water quality control boards or the State Water Resources Control Board. In both cases, the appointments are identified by class; for example, an attorney, civil engineer, a scientist or some similar professional affiliation. This process might make sense for LAFCOs.

Next the committee consultant identifies the lack of a clear statement of legislators intent for district reorganization and the role of LAFCO as an additional hurdle to LAFCO-initiated consolidation. If the legislature wants LAFCOs to be more assertive in reorganizing districts, the consultant suggests amending existing law to include a strong explicit statement of its intent and goals for LAFCO action. ACWA welcomes such intent language being put into law, particularly if it includes criteria by which reorganizations are to be judged and / or initiated. The Association concurs with the criteria shared with the committee this morning by the Ralph Anderson consultants which falls under areas of governance, finance, organizational structure, territory and customer services.

In conclusion, if the legislature wants LAFCOs to initiate more district proposals, then it has to provide LAFCOs with a revenue stream to accomplish that goal. We would oppose taking property tax revenues from local agencies for this purpose. As you are aware ACWA and other local governmental organizations have seeking to return property tax that was shifted from local governmental agencies to schools in the 1992-93 and 1993-94 fiscal years. An additional shift of that revenue base to LAFCOs would compound the problems caused by the tax shift. However, ACWA welcomes the opportunity to work with this committee to identify other revenues that could provided to LAFCOs. Thank you for affording me the opportunity to address your committee today on this important topic.

Special District Reorganizations

Findings of a Survey of LAFCO Executive Officers

SURVEY HIGHLIGHTS ***February 1997***

The Association of California Water Agencies (ACWA) surveyed executive officers of 57 Local Agency Formation Commissions (LAFCOs) to determine how many reorganizations of independent special districts have been studied or completed since January 1994. Forty LAFCOs answered the survey, a response rate of 69%.

Key Finding — Special Districts Initiate Most Reorganizations

- 61 special district reorganizations or other organizational changes were proposed to California LAFCOs between January 1994 and December 1996.
- Two-thirds of the reorganizations (66%) were initiated by one or more of the special districts involved.
- 12 of the reorganizations (20%) were initiated by citizen petition.
- Though only 3 (5%) of the reorganizations were initiated by LAFCOs, nearly half (30) received the assistance and support of LAFCO staffs. Some respondents said lack of funds limited their role in studying and completing reorganizations.
- 17 of the reorganizations involved mergers or consolidations of districts. 13 involved dissolutions. 10 new districts were formed.
- 39 of the reorganizations or other organizational changes have been completed.
- The responding counties' total number of independent special districts decreased by 19 between January 1994 and December 1996.

Many Reorganization Studies Launched and Funded by Special Districts

- 60 studies of possible reorganizations were initiated between January 1994 and December 1996.
- Counties reporting the highest number of studies include Orange County (14), San Diego County (12) and Santa Barbara (10).
- Over half of the studies were funded by the affected districts, either solely or jointly with LAFCOs.



Association of California Water Agencies'

LAFCO SURVEY SUMMARY (1996)

The Association of California Water Agencies (ACWA), a statewide association representing 430 public water agencies, with the support and cooperation of CALAFCO, a statewide association representing the 57 Local Agency Formation Commissions (LAFCO), conducted a survey of LAFCO executive officers to determine the number of reorganizations of independent special districts that have been studied, and how many reorganizations have occurred since 1994. Information was also gathered on the extent to which special districts and other local agencies were initiating and funding studies, the types of special districts studied for reorganization purposes, LAFCO's role in the initiation and funding of reorganizations, and problems faced by LAFCOs and agencies wishing to reorganize.

All fifty seven LAFCOs received a survey; 40 LAFCOs responded (70%). The following pages contain a tabulation of the results with narrative responses attached.

Please contact Nancy Egger to receive a copy of this summary. Contact Dana Wisehart if you have a question regarding the preparation of the survey and this summary. Both individuals can be reached at ACWA at (916) 441-4545.

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ACWA LAFCO SURVEY SUMMARY (1996)

Number of changes of organization or reorganization proposals filed with LAFCOs that were not processed due to lack of funds.	2
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The most prevalent suggestion to generate more funding for LAFCOs is to require cities and districts with seats on the LAFCO to contribute funding. *See narrative responses: Appendix A.1.*

Cumulative number of independent special districts in responding counties.	1,570
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The highest number of special districts per county were found in rural counties. San Joaquin County has the most with 99, Alpine County the least with 3. Counties with large urban areas also show a high number of special districts, ranging between 34 in Santa Barbara County and 65 in San Diego County. These counts were done in 1996 in most cases.

Change in number of special districts since January 1994	<u>New</u> 13	<u>Dissolved</u> 32	<u>Net Decrease</u> 19
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The largest increase was three for Inyo and Calaveras counties followed by two each for Orange, Riverside, Shasta and Santa Barbara counties. In most cases, the number remained the same.

Number of studies since January 1994 relating to possible change of organization or reorganization affecting one or more special districts.	60
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Orange County conducted the most with 14, followed by San Diego with 12 and Santa Barbara with 10. Twenty two counties reported no studies.

Studies performed by:	<u>LAFCO</u> 31	<u>Affected Agencies</u> 32	<u>Local Grand Jury</u> 1
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Of the 29 LAFCO-sponsored studies, 15 were conducted jointly with one or more of the affected agencies. The Santa Barbara County LAFCO conducted the most studies (8) followed by San Diego (7) and Orange (4).

Studies funded by:	<u>LAFCO</u> 24	<u>Affected Agencies</u> 36	<u>Local Grand Jury</u> 2
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Fifteen of the studies funded by LAFCO were jointly funded by other affected agencies.

Number of study recommendations that have been implemented	24
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The main reasons for not implementing include: Study still in progress (13), rejected by voters (6), study recommended against change (4).

ACWA LAFCO SURVEY SUMMARY (1996)

Number of evaluations of resulting changes:	6
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Evaluations in all cases have shown the changes have been without problems and in most cases have been beneficial to the public interest.

Appendix A-2 describes the name of the study, study recommendations, reasons the recommendations were or were not implemented, and evaluation results is attached.

Number of changes of organization or reorganization affecting an independent special district proposed to LAFCO since January 1994:	61
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Proceeding initiated by:	
One subject agency	21
All subject agencies	18
Some, but not all, subject agencies	1
LAFCO	3
Citizen petition	12

Proceedings not initiated by LAFCO that were encouraged by LAFCO	30
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Facilitation of discussions, assistance with preparation of documents, and partial fee waivers were predominant methods of encouragement.

Appendix A.3. describes the methods used by LAFCO to encourage changes of organization or reorganization.

Types of proceedings used:

Merger	3
Consolidation	14
Annexation	8
Dissolution	13
Detachment	2
Formation of a new district	10
Establishment of a subsidiary district	0
A reorganization involving the above	9

Number of proceedings concluded	39
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ACWA LAFCO SURVEY SUMMARY (1996)

Outcomes of proceedings:

Approved at an election	7
Approved by the conducting authority without election	29
Rejected by LAFCO or the conducting authority	1
Rejected at an election	1

A preponderance of subject agencies involved in changes are water districts, followed by fire protection districts, county service areas and community services districts.

Successor agencies are generally the same type of agency as the subject agency, but there are a number of instances where a city, a city and county, or a public utility district have become successors to special districts.

Appendix A.4. describes the reorganizations, the principal acts of the subject district and the principal acts of the successor agency.

Four respondents described complications in the process that might be addressed by the legislature, and two others suggested legislation without mentioning complications. *Appendix A.5. describes the responses and suggested legislation.*

Problems faced:

- Although all parties recognized the need to consider reorganization possibilities, there was no dedicated source of funding available to move forward on LAFCO initiated proceedings.
- A formation resulted in a lawsuit over California Environmental Quality Act CEQA compliance.
- A dissolving district was uncooperative and hindered a smooth transition. The district extended a contract at its last meeting which will cause the successor agency additional effort to administer.

Appendix A.6. provides details of problems faced.

Number of efforts to consolidate or reorganize outside of Cortese-Knox process.	9
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Number of efforts to privatize public entity services	7
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See Appendix A.7. for details of efforts to go outside the Cortese-Knox process and privatization efforts.

ACWA LAFCO SURVEY

A P P E N D I X A

Narrative Responses to Survey Questions

APPENDIX A.1

LAFCO SURVEY RESPONSES (Narrative)

1. b. Ideas on methods to generate funding for LAFCOs.

<u>COUNTY</u>	<u>RESPONSE</u>
Alameda	Amend statute to spread costs of operation proportionally to cities/counties/special districts (by population, percent of budget).
Amador	Required city/district budgeting to augment county funding (based on per capita).
Butte	LAFCo funding should be shared by the county, cities, and special districts. For the two dissolutions now being processed LAFCO will use the districts' remaining property tax.
Colusa	The required application fee is adequate to cover the actual cost of processing.
Fresno	LAFCO should receive a portion of property tax revenue for reorganization studies. This way, cost would be borne by all local agencies.
Mendocino	Cities and districts should contribute - One man, one vote = one seat you pay. Budget for LAFCO should be funded equally by participating membership, i.e. county, city, special districts.
Orange	It seems that urban counties have a higher number of complex issues than rural and suburban counties do not face. Perhaps a formula based on population and/or the number of agencies subject to LAFCO could be used to allow for automatic increases in LAFCO's budgets.
San Diego	As a state mandated agency responsible for implementing California legislative policy, greater effort should be made for the state to fund all or at least the net cost of each of the 58 LAFCOs. Various other funding options (e.g., allocation of property taxes to LAFCO) have merit but seem to lack unanimity among affected agencies with respect to fairness. Requiring LAFCO funding from affected agencies may also be viewed as precedent setting in terms of forcing local government to pay for additional state programs.
San Luis Obispo	Contributions from cities and special districts. State funding. Portion of the tax rate to LAFCOs.

APPENDIX A.1

Santa Barbara	Permit greater flexibility for LAFCOs to adopt budgets which include funds to undertake and complete special studies of local agencies. The current, "this year's budget plus CPI" is too limiting to do realistic studies.
Sonoma	Cities and districts share in funding LAFCO with counties.

APPENDIX A.2

LAFCO SURVEY RESPONSES (Narrative) Reorganization Studies

3. (a) Name of Study - (d) Study recommendation - (e) Why or why not implemented, (f) Evaluation conclusions.

<u>COUNTY</u>	<u>RESPONSES</u>
Alameda	Fairview Fire District Study , performed by a consultant hired by the LAFCO and funded by the LAFCO and a citizens group and special districts, recommended dissolution of the district. The recommendation was not implemented because when the issue was put to an advisory vote in the fire district, the citizens rejected the idea of dissolution.
Alameda	Union Sanitary/Alameda Water District Study , performed and funded by the affected agencies, recommended keeping the two districts separate but with some functional consolidations. This recommendation has been implemented. Evaluation shows that the functional areas have generally worked well.
Amador	Water Agency/County of Amador Consolidation study, performed and funded by the affected agencies, recommended no consolidation. An advisory vote on the issue was on the November 1996 ballot and the citizenry rejected the consolidation proposal (40%-60%).
Calaveras	Calaveras County Fire Master Plan , performed and funded by the county, recommended a reorganization to include consolidation of districts. The study was rejected by the Board of Supervisors as inadequate. The study did not sufficiently address the relationship of county fire to the districts.
Colusa	A Resource Conservation District Merger study performed and funded by the affected agencies recommended merging two existing districts. The recommendations have been implemented but resulting change has not been evaluated.
Imperial	Winterhaven Water/Fire District Consolidation study, performed and funded by the LAFCO, is in progress.
Imperial	Bombay Beach Community Service District study, performed and funded by the LAFCO, is in progress.

APPENDIX A.2

- Imperial **Hefferman Hospital District** study, performed and funded by the LAFCO, recommended dissolution or merger with another district. The recommendation was not implemented due to bankruptcy litigation orders.
- Kings **Kings River/Excelsior Resources Conservation District** study, performed and funded by the affected agencies, recommended consolidation. The recommendation has been implemented. No evaluation has been done.
- Mendocino **Master Service Element Plan/Sphere of Influence Plan**, a study to assess the county's capacity to serve from 5- to 20-year growth periods, is being performed by the LAFCO but not funded in their budget. Each district is being separately studied. They are still in the information gathering stage, but have found about eight districts that could be consolidated.
- Napa **Los Carneros Water District**, study performed and funded by the local grand jury, recommended the dissolution of the district. The recommendation was not implemented because the LAFCO response is to update the district's sphere of influence which will include the findings and recommendations of the grand jury.
- Napa **Congress Valley Water District**, study performed and funded by the local grand jury, recommended dissolution of the district. The recommendation was not implemented because the LAFCO response is to update the district's sphere of influence which will include the findings and recommendations of the grand jury.
- Orange **Capistrano Beach Sanitary District/Capistrano Beach Water District Consolidation** study performed and funded by the affected agencies recommended the dissolution of Capistrano Beach Sanitary District and named the Capistrano Beach Water District as the successor agency; sphere amendments for both districts; and authorization to the water district to exercise latent powers to provide sewer (sanitation) service. The recommendations have been implemented but no evaluation has been done.
- Orange **Tri-Cities Dissolution/Consolidation** study performed by the LAFCO and the affected agencies, and funded by the affected agencies, is currently in progress and no recommendations are yet available. Probable outcome, if all parties agree will be dissolution of Tri-Cities with several agencies acting as successor.

APPENDIX A.2

- Orange **California-American Water Company (Cal-Am) privatization of the Santa Margarita Water District (SMWD)** study performed by the LAFCO and funded by the private company concluded that there would be no apparent financial or service benefit to ratepayers; no assurances of a quality and level of service commensurate with SMWD; the purchase price offered by Cal-Am would not be adequate; and there would be a high level of uncertainty as to the CPUC's action regarding Cal-Am's application for a CPCN and uncertainty as to what the rates authorized by the CPUC might be. The recommendation was "no privatization," and that recommendation was accepted.
- Orange **Garden Grove Reorganization** study performed and funded jointly by the LAFCO and the affected agencies, recommended establishment of Garden Grove Sanitary District as a subsidiary district; detachment of 1,564 acres from Midway Sanitary District and annexation of same to Garden Grove Sanitary District/successor agency; annexation of 641 acres of territory previously served by GGSD to MCSD; annexation of a 74 acre unincorporated island to City of Garden Grove; and annexation of approximately 7 acres of unincorporated island.
- The recommendation has not yet been implemented because the conducting authority hearing was scheduled for December 10, 1996 - after the survey deadline. The effective date of implementation is dependent upon completion of terms and conditions set by LAFCO.
- Orange **South Coast Water District/Laguna Beach Water District** study performed and funded by the affected agencies concluded that consolidation will provide for increased economies of scale. Consolidation soon will be initiated by resolution of both districts.
- Orange **Orange County Sanitation Districts Consolidation** study performed by the affected agencies and a contract consultant to the agency and funded by the affected agency, recommended consolidation to achieve better governance structure. The recommended consolidation has not yet been initiated because issues of board composition and rate equalization has stalled movement on initiation.
- Orange **Capistrano Valley Water District/Subsidiary District Merger (San Juan Capistrano)** study, performed and funded by the affected agencies, is in progress. Application has been filed and will go to LAFCO hearing in February 1997.

APPENDIX A.2

- Orange **Serrano Water District/East Orange** study, performed and funded by the affected agencies, recommendations are unknown because the study has not been released.
- Orange **City of Dana Point/Dana Point Sanitary District and Capistrano Beach Water District Reorganization** study, performed and funded by the affected agencies, is currently in progress.
- Orange **South County Issues Group Consolidation Study**, performed and funded by the affected agencies, which affects possibly 8 to 12 districts and many cities, second phase of study is in progress.
- Orange **Municipal Water District of Orange County/Coastal Municipal Water District Consolidation** study, performed and funded by the affected agencies, is currently in progress.
- Orange **Grand Jury Report on Consolidation of Water Districts**, performed and funded by the local grand jury, concluded that consolidation actions are needed to improve operational efficiency, save tax and user dollars, and assure a reliable source of water for Orange County into the next century. Some recommendations are being pursued at this time; others have not been implemented.
- Orange **Irvine Ranch Water District/Santa Ana Heights Mutual Water Company Merger** study, performed and funded by the affected agencies, is currently in progress.
- Placer **North Tahoe/Tahoe City Public Utility Districts Consolidation** study, performed and funded by the affected agencies, recommended consolidation. The recommendation was not implemented because the proposal to consolidate was defeated in an advisory vote.
- Placer **North Lake Tahoe Incorporation Study**, performed by the LAFCO with assistance from a consultant, and funded jointly by the LAFCO, the affected agencies and the board of supervisors, found that incorporation was not financially feasible without loss of service and/or consolidation or merger of special districts with the city. The advisory vote that occurred as a result of the studies of North Tahoe and Tahoe City Public Utility Districts indicated that district consolidation was not acceptable. The recommendation was to not pursue incorporation because it was not financially feasible. That recommendation was accepted.

APPENDIX A.2

- Placer **Martis Basin Study**, performed and funded by the LAFCO, looked at various reorganizational options for 10 agencies. Numerous boundary changes were encouraged but it was recognized that more information would be necessary before major reorganizational changes could occur. Specific reorganization proposals have been postponed until the completion of the community plan for the valley.
- Riverside **Interim Report of Feasibility of Consolidating Hill Area Water Districts - March 1996**, performed and funded by two of three water districts located in the San Jacinto Mountain Communities (the third declined to participate), recommended (1) not to pursue consolidation at this time, (2) invite the third district to participate in a discussion of how to work cooperatively to improve services. The recommendations, which were very general and designed to bring all parties to the table, have been implemented.
- Riverside **Water District Consolidation: A win-win combination for the Hill Community - October 1996**, performed by the local property owners without any expenditures, recommended consolidation of the three area water districts. Recommendations have not been implemented because (1) the report was just issued; (2) there is very little analysis or documentation; (3) much of the identified savings is based on an extrapolation of a study of consolidation of two districts (water and sanitary) in a different county.
- Riverside **Jurupa Area Special Districts Organization Task Force** study, performed by the LAFCO and the task force and funded by technical assistance being “donated” by two impartial districts outside the study area, is currently in progress.
- Sacramento **Baseline Study of Services and Costs for the Rio Linda Water District and Northridge Water District** study, performed and funded by the LAFCO, yielded no recommendations.
- San Benito **Water District** study performed and funded by LAFCO did not yield a recommendation because the study was not conclusive.
- San Diego **Consolidation of Bostonia and Crest Fire Protection Districts** study, performed and funded jointly by the LAFCO and the affected agencies, recommended consolidation to eliminate service overlap and reduce administrative overhead costs. Successor agency was a new consolidated fire district. The recommendation has been implemented. No evaluation has been performed.

APPENDIX A.2

- San Diego **Consolidation of Greater Mountain Empire and Central San Diego Resource Conservation Districts** study, performed and funded jointly by the LAFCO and the affected agencies, recommended consolidation to reduce overhead/administrative costs and improve watershed/habitat needs of region. Successor agency was a new consolidated RCD. The recommendation has been implemented. No evaluation has been performed.
- San Diego **Dissolution of Fallbrook Sanitary District** study, performed and funded jointly by the LAFCO and the affected agencies, recommended dissolution to achieve cost savings and efficiencies. Successor agency was an existing PUD. The recommendation has been implemented. No evaluation has been performed.
- San Diego **Encinitas Municipal Services Reorganization** study, performed and funded by the LAFCO and the affected agencies, recommended a city reorganization to merge three subsidiary districts (water, sewer, and fire). The successor agency is the city. Recommendations were implemented. No evaluation has been done.
- San Diego **CSA 108 (Rancho Canada) Dissolution** study, performed and funded jointly by the LAFCO and the affected agencies, recommended dissolution or road/groundwater maintenance CSA because conditions of formation were not met. The county was the successor agency. The recommendation was implemented.
- San Diego **CSA 118 (Potrero) Dissolution** study, performed and funded jointly by the LAFCO and the affected agencies, recommended dissolution of road maintenance and drainage district because the district's purpose had been fulfilled. The county was the successor agency. Recommendation was implemented.
- San Diego **CSA 120 (Brookhollow) Dissolution** study, performed and funded jointly by the LAFCO and the affected agencies, recommended dissolution of road maintenance district because conditions of development approval were not met. The county was the successor agency. Recommendation was implemented.

APPENDIX A.2

- San Joaquin **Forest Lake Fire District/Woodbridge Fire District Consolidation** study, performed and funded jointly by the LAFCO and the affected agencies, recommended dissolution of Forest Lake Fire District and annexation of territory to the Woodridge Fire District. The recommendation has been implemented and evaluation shows improved fire service.
- Santa Barbara **Goleta and Goleta West Sanitary Districts Consolidation** study, performed by one of the affected agencies and funded by the initiating district, recommended consolidation of the two districts. The recommendation was not implemented because the application was rescinded before LAFCO acted on it.
- Santa Barbara **Reorganization of the Goleta and Goleta West Sanitary Districts**, study performed by the LAFCO and the affected districts and funded by the affected districts, did not result in a clear recommendation. The study reached conclusions based on assumptions. No action was taken because the application was withdrawn by the initiating agency.
- Santa Barbara **Formation of the Santa Ynez Valley Hospital District**, study performed jointly by the LAFCO and a non-profit hospital association and funded by the association, recommended formation of a hospital district. The formation failed to receive a sufficient number of votes at a confirmation election.
- Santa Barbara **Consolidation of the Casmalia, Los Alamos and Orotti lighting districts**, study performed jointly by the LAFCO and the County of Santa Barbara Public Works Department and funded by LAFCO, the county and the affected districts, recommended consolidation of the districts. The consolidation has been implemented and evaluation shows the new district provides lighting to the affected areas without mishap or controversy and with less administrative costs and effort.
- Santa Barbara **Summerland Water District Reorganization**, study performed and funded jointly by the LAFCO and the affected agencies, recommended the dissolution of Summerland WD and the annexation of its service area to the Montecito WD. The recommendation has been implemented after an affirmative vote by the resident voters of the Summerland WD. An evaluation shows the reorganization has been achieved and integrated into the Montecito WD's operation without significant problems.

APPENDIX A.2

- Santa Barbara **Establish the Guadalupe Lighting District as a subsidiary district of the City of Guadalupe**, study performed and funded jointly by the LAFCO and the affected agencies, recommended the establishment and the recommendation has been implemented.
- Santa Barbara **Dissolution of County Service Area #40**, performed and funded by the LAFCO, recommended dissolution. The recommendation has been implemented.
- Santa Barbara **Goleta Sanitary District** -identical to the second study mentioned, except for the fact this was initiated by the Goleta Sanitary District.
- Santa Barbara **Formation of County Service Area #123 (Carpenteria Library Services)**, performed and funded jointly by the LAFCO and private proponents with some contributions from the City of Carpenteria, recommended formation of the CSA with a special assessment subject to a 2/3 voter approval. The recommendation was not implemented because the voters rejected the proposal.
- Santa Barbara **Cachuma and Lompoc resource conservation district Consolidation**, study performed and funded by the LAFCO and the affected agencies, recommended consolidation. The recommendation has been implemented and an evaluation shows successful integration of the districts' operations.
- Santa Cruz **Sphere of Influence Study, Northern Santa Cruz County Fire Protection Districts** study, performed and funded by LAFCO, recommended consolidation of four districts. The recommendations were not adopted by the LAFCO because there was no political support for consolidation and a lot of opposition.
- Santa Cruz **Branciforte (sp?) and Scott Valley Fire Protection Districts Consolidation Action Plan**, performed and funded by the affected agencies, recommended consolidation. Recommendation was not implemented because negotiations were unsuccessful.
- Santa Cruz **Scott Valley Water District Consolidation Study**, performed and funded by the affected agencies, recommendations stated consolidation was feasible (with the city) but potential cost savings and operational efficiencies were limited. Recommendation was not implemented because negotiations were unsuccessful.

APPENDIX A.2

- Stanislaus **Stanislaus County Fire District Consolidation - Project 94**, study performed and funded by the affected agencies, recommended consolidation of the three existing fire districts with Stanislaus County Fire Department. The recommendation was implemented and evaluation shows the change has resulted in increased efficiency, better coverage (personnel), and lower costs to all parties.
- Tulare **Yettem-Seville Community Services District Dissolution Study**, performed and funded by the Tulare County Board of Supervisors, recommended dissolution of the inactive CSD naming County of Tulare as successor agency. The recommendation has been implemented because the District had not served any beneficial purpose for several years.
- Ventura **Simi Valley County Sanitation District/City of Simi Valley Merger** study, performed by the LAFCO and funded by the affected agencies, recommended a merger. The recommendation has been implemented. No evaluation has been done.

APPENDIX A.3
LAFCO SURVEY RESPONSES (Narrative)
Changes of Organization/Reorganization

4. (b) How did LAFCO encourage proceeding?

<u>COUNTY</u>	<u>RESPONSE</u>
Fresno	Assisted in preparaton of application and resolution.
Imperial	Conducted several workshops, provided legal assistance, commenced an evaluation report.
Kings	Partial fee waiver.
Orange	<ol style="list-style-type: none"> 1. Took over the study that was started by a city. 2. Encouraged all agencies to study ways to increase service delivery and recommended reorganization options - including dissolution of Tri-Cities. 3. Staff has actively participated in assisting the staffs for preparation of the consolidation study. 4. Staff assisted with preparation of the application and study.
Riverside	<ol style="list-style-type: none"> 1. LAFCO had approved a similar proposal about two years earlier which had been defeated at election. Staff informally indicated it would support a resubmittal. 2. LAFCO previously reduced filing fees for dissolutions consolidations, etc. and also assisted cheif petitioner with applications materials. 3. Conducted a meeting with cities and districts in that area to discuss consolidation. Met jointly with the boards of the subject cemetery districts to discuss consolidation in 1995. Reduced fees for consolidations, dissolutions, etc.
San Diego	San Diego LAFCO policy encourages agencies to provide services cost-effectively and efficiently. Other means of encouragement include utilitizing LAFCO staff to facilitate agency meetings and resolve agency conflicts/issues.
San Joaquin	Staff facilitated all discussions leading to application filing.
San Luis Obispo	In a sphere of influence action LAFCO wrote a letter requesting initiation.
Santa Barbara	<ol style="list-style-type: none"> 1. The LAFCO staff discussed alternative procedures with the applicant district as they pertain to dissolution and annexation combined into a reorganization as contrasted to a consolidation. 2. The LAFCO staff explained the procedures to all parties and helped to mediate a solution to some of the issues.

APPENDIX A.3

- Santa Cruz LAFCO threatened to initiate a consolidation with the county fire department if the two districts did not initiate consolidation with each other.
- Stanislaus
1. Worked closely with the districts to ensure efficient processing.
 2. Worked closely with the district and city to facilitate the merger
 3. Worked closely with fire districts and county during entire process from preplanning to application submittal.
 4. Involved with initial stages, planning and meetings relating to application for consolidation of the resource conservation districts.
- Sutter
1. Worked closely with the property owners and assisted in document preparation.
 2. Handled all aspects of the process for the county board of supervisors.

APPENDIX A.4

LAFCO SURVEY RESPONSES (Narrative) Changes of Organization/Reorganization

4. c. Principal acts of subject agencies. 4. d. Describe reorganization
4. e.i. If the proceeding has concluded, the principal act of the successor agency
*(*successor agency in italics*)

<u>COUNTY</u>	<u>RESPONSES</u>
Alameda	Fire District (dissolution) - Not concluded
Alpine	General Law (annexation) - Concluded - <i>General law.</i>
Butte	<ol style="list-style-type: none">1. Park & Recreation District, Public Resources Code Section 5730-5791 (<u>reorganization</u> of boundary to more accurately reflect service area) Concluded - <i>Park & Recreation District.</i>2. California Water Code, Div. 13, Part 2 (<u>reorganization</u> of boundaries to provide primary water to agricultural land) - not concluded.
Fresno	<ol style="list-style-type: none">1. County Service Area (dissolution) - Not concluded2. Municipal Water District (dissolution) - Concluded - <i>City</i>3. California Water District (detachment) - Concluded - <i>County Water District</i>4. County Service Area (formation) - Not concluded.5. County Service Area (formation) - Concluded - <i>County Service Area</i>
Imperial	<ol style="list-style-type: none">1. Water District/Fire District (consolidation) - not concluded2. Hospital District (dissolution) - not concluded
Inyo	Fire Protection District (formation) - concluded - <i>Fire Protection District</i>
Kings	Community Services District (<u>reorganization</u> - annexation & detachment) - Concluded - <i>Community Services District</i>
Lake	<ol style="list-style-type: none">1. County Fire Protection District (detachment & annexation) Concluded - <i>County Fire Protection District.</i>2. Fire Protection District (annexation) - Not concluded.
Mendocino	Water District (dissolution) - Concluded - <i>City and County</i>

APPENDIX A.4

- Orange
1. Sanitary District & City (reorganization - annexation, detachment & establishment of a subsidiary district) - Concluded - *No change in principal acts.*
 2. California Water District & Municipal Water District (dissolution) - Not concluded
 3. Municipal Water District (consolidation) - not concluded
 4. Municipal Water District (consolidation) - not concluded
 5. County Water District (consolidation) - not concluded
 6. California Water District (dissolution) - Concluded - *County Water District*
 7. County Water Dist. & City (merger of subsidiary district with city) - not concluded
 8. County Water District and Sanitary District (reorganization - annexation and dissolution), concluded - *County Water District*
- Placer
- Mosquito Abatement District (formation) - concluded - *Mosquito Abatement District.*
- Plumas
- Cemetery District (consolidation) - concluded - *Cemetery District*
- Riverside
1. Sanitary District (dissolution) - not concluded.
 2. City, County Water District, County Service Area, Sanitary District (reorganization - annexation of a large inhabited area to a city, dissolution of a county water district serving the area, and detachments from 2 minor dependent districts) - not concluded: resolution adopted but lawsuit filed by the water district has prevented filing certificate of completion.
 3. Community Services District (dissolution) - Concluded - *County Water District*
 4. Cemetery Districts (2) (Consolidation) Concluded - *Cemetery District.*
- San Diego
1. Fire Protection Districts (consolidation) - Concluded - *Fire Protection District.*
 2. Resource Conservation District (consolidation) - Concluded - *Resource Conservation District*
 3. Sanitary District (dissolution) - Concluded - *Public Utility District*
 4. City, Water District, Sewer District & Fire Protection District (merger of three subsidiary districts with city) - Concluded - *City*
 5. County Service Areas (3) (dissolution) - Concluded - *County*

APPENDIX A.4

San Joaquin	Fire District (<u>reorganization</u> - dissolution of the Forest Lake Fire District and annexation of territory to the Woodbridge Fire District) - Concluded - <i>Fire District</i>
San Luis Obispo	Community Services District Law (annexation) - Concluded - <i>Community Services District</i>
Santa Barbara	<ol style="list-style-type: none">1. Sanitary District (consolidation) - Concluded - <i>Sanitary District</i>2. Sanitary District (<u>reorganization</u> - dissolve one district and annex its territory to another district) - Concluded - <i>Sanitary District</i>3. County Water District (<u>reorganization</u> - dissolve one district and annex its territory to another district) - Concluded - <i>County Water District</i>.4. Resource Conservation District (consolidation) - Concluded - <i>Resource Conservation District</i>
Santa Cruz	Fire Protection Districts (consolidation) - Concluded - <i>Fire Protection District</i>
Santa Clara	County Service Area (formation) - Concluded - <i>County Service Area</i>
Shasta	Fire Protection Districts (consolidation) - Concluded - <i>Fire Protection District</i>
Sonoma	<ol style="list-style-type: none">1. County Water District (formation) - Concluded - <i>County Water District</i>2. Fire Protection District (formation) - Concluded - <i>Fire Protection District</i>
Sutter	<ol style="list-style-type: none">1. Community Services District (dissolution) - Not concluded.2. California Water District Law (dissolution) - Not concluded.
Stanislaus	<ol style="list-style-type: none">1. Water Districts (consolidation) - Concluded - <i>Water District</i>2. Community Services District (merger) - Concluded - <i>City</i>3. Fire Protection Districts (consolidation) - Concluded - <i>Fire Protection District</i>4. Resource Conservation Districts (consolidation) - Concluded - <i>Resource Conservation District</i>

APPENDIX A.4

Tulare

1. Recreation & Parks District (formation) - Concluded - *Recreation. & Park District*
2. Memorial District (Reorganization - the Porterville Memorial District detached a large area. The Springville Memorial District was formed in the same location.) - Concluded - *Memorial District.*
3. Community Services District (dissolution) - Not concluded.

APPENDIX A.5

LAFCO SURVEY RESPONSES (Narrative)

4.f. Complications requiring attention by state legislature.

<u>COUNTY</u>	<u>COMPLICATION</u>	<u>LEGISLATIVE CONSIDERATION</u>
Alameda	Law is too vague to be of any value as local elected officials are reluctant to vote to dissolve another official if it is a close call.	Have state law set parameters (guidelines for consideration by commission on dissolutions).
Imperial		Provide state funding since it is unlikely that two affected districts (to be consolidated) either have the resources or the willingness to assist in the process. Provide greater power to LAFCOs with less state intervention.
Lake	The effort to consolidate will probably be abandoned because of inability to collect assessment fees as a result of passage of Proposition 218.	Repeal Proposition 13
Orange	The directors of the boards of the subject districts were reluctant to consolidate because it was difficult to remove board members to meet the limited number of seats on the newly consolidated board.	The district sponsored special legislation to achieve a larger board that would reduce in size over a number of years, allowing elected officials to hold their seats until their terms expired.
Riverside		Make dissolutions, consolidations, etc. statutorily exempt from CEQA, particularly when initiated by an affected agency.
Riverside	Lack of cooperation by district proposed to be dissolved.	Consider imitations on long-term actions of a dissolving board after conducting authority action and/or oversight by the successor agency during that time prior to the effective date.

APPENDIX A.6

LAFCO SURVEY RESPONSES (Narrative)

4.g. Successes or horror stories.

<u>COUNTY</u>	<u>RESPONSES</u>
Butte	Districts and a LAFCO realize that a major reorganization of all recreation and park districts is needed. Unfortunately neither has funding available. LAFCO's success was that the districts recognized the need for the reorganization and are willing to participate in the process when funding becomes available.
Fresno	Formation resulted in a lawsuit over compliance with CEQA, resolved favor of LAFCO. An election to approve special tax for a sheriff patrol was required.
Riverside	The dissolving district, which provided refuse collection and water, was entirely within the boundaries of a city and a county water district which provided those services, respectively. The dissolving district was uncooperative with those two agencies which was a hindrance to a smooth transition. At its final meeting, the dissolving district extended a waste hauling contract which will cause the city to expend additional effort to administer. Consistent with past actions, LAFCO allowed several months between its approval and the effective date to provide time for a smooth transition. In retrospect, this was counterproductive. For more information, contact: Tom Levy, General Manager, Coachella Valley W.D.
Santa Cruz	Up until November 1996 we had two fire stations operating 0.4 miles apart in a suburban setting. Both Stations were equipped and staffed. Consolidated district negotiated service contracts that resulted in station closure. The level of protection is equivalent or better than before closure of the station.

APPENDIX A.7

LAFCO SURVEY RESPONSES (Narrative)

5. Efforts to consolidate or reorganize outside of Cortese-Knox process.
6. Efforts to privatize.

<u>COUNTY</u>	<u>OUTSIDE CORTESE-KNOX</u>	<u>PRIVATIZE</u>
Alameda	SB 1292 (Lockyer) to merge Alameda Water and Union Sanitary Districts. This measure was held in conference committee and did not become law.	
Amador	Water agency was separated by countywide vote and concurrent legislation in 1960.	
Butte	The Oroville Union High School District and the Oroville Elementary School District is looking at consolidation.	Two water districts sold their water systems to a private company. LAFCO was not notified. This has created problems.
Colusa		Colusa County just formed a County Service Area and took over a privately owned water company.
Del Norte		Privatization of a municipal water system which serves an area greater than its incorporated area.
Fresno		A dissolved waterworks district (No. 8) has made an effort to have a private water company purchase their water system which now belongs to a city (Clovis).
Imperial	LAFCO is working with the cities and the county to evaluate consolidation of service functions, while not being a "true" consolidation, the effort would accomplish many of the same objectives.	It's our understanding that there are suggestions to privatize a portion of the Imperial ID's power service area.

APPENDIX A.7

Orange	AB 2109 (Pringle) to consolidate about 20 water and sanitation districts. The bill was held in Senate Appropriations Committee and did not become law.	The Cities of Garden Grove and Westminster are currently reviewing options for privatization.
San Benito	Fire consolidation city & county.	
Santa Clara	Santa Clara County Traffic Authority will sunset in April 1997, as per special legislation that enacted the district.	
Santa Cruz		LAFCO has proposed to dissolve Whitehouse Canyon County Services Area which maintains a road.
Sonoma		Citizens want to form a county water district or community services district to take over county sewer function.
Ventura	There was an attempt via legislation to eliminate the Ventura Regional Sanitation District. This did not succeed.	

ACWA LAFCO SURVEY

A P P E N D I X B

Survey Form Sent to LAFCOs

APPENDIX B

QUESTIONNAIRE TO LAFCO EXECUTIVE OFFICERS ON SPECIAL DISTRICT REORGANIZATIONS FOR SENATE LOCAL GOVERNMENT COMMITTEE HEARING AND OTHER PURPOSES

Please complete and FAX this questionnaire to Jennifer Persike-Becker at (916) 441-7983

County _____

Completed by: _____ Phone: _____

1. a) Have there been any special district change of organization or reorganization proposals filed with your LAFCO that you have been unable to process because of a lack of funds? Yes ___ No ___.

b. Please share any ideas you have on methods or ways by which more adequate funding could be generated for local LAFCOs (use additional pages if necessary)

2. How many **independent** special districts are there in your county?

Number: _____ Date of that count: _____

How many more or less districts is that than existed in your county on Jan. 1, 1994?

_____ more _____ less.

FOR EASE OF COMPLETION, SEPARATE PAGES ARE PROVIDED FOR QUESTIONS 3 AND 4. IN THIS WAY, YOU MAY DUPLICATE ONLY THOSE PAGES AND COMPLETE THEM FOR EACH STUDY OR REORGANIZATION.

APPENDIX B

REORGANIZATION STUDIES

County

3. How many studies are you aware of that have been conducted in your county since January 1, 1994, relating to the subject of possible changes of organization or reorganization affecting one or more special districts? Number _____

For each study, please supply the following information (please copy this page and complete (a) through (f) separately for each study):

a) the name of the study _____

b) Who performed the study? (please check all that apply)

_____ the LAFCO

_____ the affected agency(ies)

_____ the local grand jury

_____ Other (name) _____

c) Who funded the study? (please check all that apply)

_____ the LAFCO

_____ one or more of the affected agency(ies)

_____ the local grand jury

_____ Other(describe) _____

d) What did the study recommend (use additional sheets if needed): _____

e) Have the recommendations been implemented? Yes _____ No _____

Why or why not? _____

f) Has there been an evaluation of any resulting change of organization or reorganization that resulted? Yes ___ No ___. If so, please generally describe what the evaluation concluded: _____

APPENDIX B

CHANGES OF ORGANIZATION / REORGANIZATION

County

4. How many **changes of organization or reorganizations, excluding simple annexations and/or detachments**, in which at least one of the affected local agencies was an independent special district have been **proposed** to your LAFCO since January 1, 1994? _____. For **each**, please answer the following (copy this page and the next page and complete it separately for each):

a) Who initiated the proceeding? (please check all that apply)

____ one subject agency

____ all subject agencies

____ some, but not all, subject agencies

____ LAFCO

____ citizen petition

____ other (describe) _____

b) If the proceeding was initiated by an entity other than LAFCO, was it encouraged by LAFCO? Yes ____ No _____. If yes, what did the LAFCO do to encourage it?

c) What was the principal act of each subject agency? _____

d) What kind of proceeding was used? (check all that apply)

____ 1. merger

____ 2. consolidation

____ 3. annexation

____ 4. dissolution

____ 5. detachment

____ 6. formation of a new district or incorporation of a city

____ 7. establishment of a subsidiary district

____ 8. a reorganization involving the following numbers above (circle the applicable numbers) 1 2 3 4 5 6 7 (if a reorganization was used, briefly describe the nature of the proceeding)

APPENDIX B

e) Has the proceeding concluded? Yes ___ No ___

If yes,

(i) what is the principal act of the successor agency, if one _____

(ii) was the "proceeding" (please check all that apply)

approved at an election: _____

approved by the conducting authority without an election: _____

rejected by LAFCO _____ or the conducting authority _____

rejected at an election: _____

abandoned by the subject agencies because the property tax shift made it economically unfeasible: _____

other (describe) _____

If no,

approximately what date do you expect completion? _____

f) Were there any complications that could be rectified by legislation?

Yes ___ No ___ **If yes,** please describe the complication and how it could be legislatively fixed. (attach additional pages if necessary):

g) If you had any other successes or horror stories during the proceeding that would be of value to share with others, please share those here (use additional pages if necessary):

APPENDIX B

OTHER PROCEEDINGS

County

5. Are you aware of any efforts in your county to consolidate or reorganize local agencies outside of the Cortese-Knox process? Yes ____ No ____ If yes, please describe:

6. Are you personally aware of any proposals or efforts to privatize a publicly-owned water utility or other public entity's services? Yes ___ No ___. If you are, please describe it.

7. Please check here is you would like a copy of the completed study ____.

Person and address to send the completed study:

ACWA LAFCO SURVEY

A P P E N D I X C

Alphabetical List of Responding LAFCOs

APPENDIX C

ACWA LAFCO SURVEY ALPHABETICAL LIST OF RESPONDING LAFCOS

COUNTIES:

Alameda	Sacramento
Alpine	San Benito
Amador	San Diego
Butte	San Joaquin
Calaveras	San Luis Obispo
Colusa	Santa Barbara
Contra Costa (returned uncompleted survey)	Santa Clara
Del Norte	Santa Cruz
El Dorado	Shasta
Fresno	Siskiyou
Imperial	Sonoma
Inyo	Stanislaus
Kern	Sutter
Kings	Tehama
Lake	Tulare
Madera	Ventura
Mariposa	Yuba
Mendocino	
Modoc	
Mono	
Napa	
Orange	
Placer	
Plumas	
Riverside	

Timeline:

EVOLUTION OF THE SANTA CLARA VALLEY WATER DISTRICT

WCD = Water Conservation District

1929 — Santa Clara Valley WCD approved by voters (initially a special district managed by farmers who contracted with engineers; later managed by elected board).

Responsibilities: Develop and manage a reliable water supply. Constructed six reservoirs by 1936; two more by 1952.

Area: Santa Clara Valley from east to west foothills; from Adobe Creek in Palo Alto to Coyote Narrows (Metcalf Road).

1938 — South Santa Clara Valley WCD approved by voters (renamed to Gavilan Water District in 1980). Special district with elected board.

Responsibilities: Groundwater management; built Chesbro and Uvas reservoirs.

Area: Valley area between east and west foothills; from county's south boundary to Morgan Hill area.

1949 — Central Santa Clara Valley WCD approved by voters; special district with elected board.

Responsibilities: Obtain water rights on Coyote Creek and manage groundwater.

Area: Narrow valley area from Coyote Narrows to Morgan Hill.

1952 — Santa Clara County Flood Control & WCD formed under the county Board of Supervisors through act of state legislature.

Responsibilities: Flood control and management of county's drainage.

Area: Countywide. Formed five flood control zones based on the county's major drainage areas; each zone is a separate fiscal entity.

1950s — Tri-County Water Authority created by the state legislature to study and make recommendations for importing water into Santa Clara, San Benito, Alameda, Santa Cruz and Monterey counties; authority was dissolved in 1966 after identifying need to build San Felipe project.

1954 — Annexation: Santa Clara Valley WCD annexes the Central Santa Clara Valley WCD with the latter district's voter approval.

1964 — Groundwater pumping taxes begin: Santa Clara County Flood Control & WCD began construction of the Central Pipeline and began a groundwater extraction charge (pump tax). Meanwhile, Santa Clara Valley WCD began applying groundwater charges. The need for a uniform approach to groundwater charges quickly became evident.

1968 — Merger: County supervisors recognized need for specialized knowledge to oversee the construction and operation of water and flood control facilities, along with administering pumping fees. They approved merging the Santa Clara County Flood Control & WCD with the Santa Clara Valley WCD, creating today's Santa Clara Valley Water District. The new district retained Santa Clara Valley WCD's elected board and added two supervisorial appointees. The two staffs were combined, and a countywide agricultural advisory

committee and a water commission (including representatives from water retail agencies) were established. The merger:

- Enabled integrated water resource management, addressing both water supply and flood control through one agency.
- Eliminated duplication of effort.

1987 — Annexation: Santa Clara Valley Water District (SCVWD) annexed the Gavilan WCD with approval of Gavilan voters.

Benefits of annexation:

- Put all county dams, reservoirs and percolation facilities under one agency's control, enabling releases from reservoirs to be coordinated for maximum benefit.
- Duplication of administrative overhead was eliminated.
- Provided Gavilan area well owners with a lower pump tax by eliminating Gavilan's administrative costs.

Today's Santa Clara Valley Water District represents three consolidations and provides countywide integrated water resource management (both water supply and flood control).

SOURCE: Santa Clara Valley Water District
Public Information Office

2/21/95

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