

RECEIVED
AUG 29 2016



August 24, 2016

BY:

Mailing Address

P.O. Box 20895
Fountain Valley, CA 92728

Meeting Location

MWDOC/OCWD
18700 Ward Street
Fountain Valley, CA 92708

(714) 963-3058
(714) 964-5930 fax

www.mwdoc.com/isdoc

Executive Committee

President

Hon. Mike Scheafer
Costa Mesa Sanitary District

1st Vice President

Hon. Jim Fisler
Mesa Water District

2nd Vice President

Hon. Sandra Jacobs
Santa Margarita Water District

3rd Vice President

Hon. Joel Rattner
Rossmoor/Los Alamitos Area Sewer District

Secretary

Hon. Leslie Keane
Orange County Cemetery District

Treasurer

Hon. Joan C. Finnegan
Municipal Water District of Orange County

Immediate Past President

Hon. Rich Freschi
Serrano Water District

Staff Administration

Heather Baez

Municipal Water District of Orange County

RE: Election of Independent Special District of Orange County (ISDOC) Officers

Dear Member Districts,

The nomination period for Executive Committee officer positions closed on August 19th. At this time, ISDOC is conducting a vote of Regular Special District Members for the election of officers. This letter serves as official notice of the election.

The names of nominated candidates are printed on the ballot; however, any elected or appointed official from a Regular Member District has the ability to run for an officer position as a write-in candidate. If elected, a write-in candidate will need to provide a resolution supporting election to the position from its District before he/she can be seated.

The Executive Committee meets at 7:30 am on the first Tuesday of the month. Meetings are open to the public. Duties of Executive Committee members are contained in the ISDOC bylaws, which may be found at the ISDOC website - <http://www.mwdoc.com/ISDOC>.

Each Regular Member district in good standing shall be entitled to one vote. In accordance with current bylaws, the vote must be cast (signed) by the district's presiding officer or an alternate selected by the district board.

You may submit your ballot via mail or email to Heather Baez: P.O. Box 20895, Fountain Valley, CA 92728 (mail) or hbaez@mwdoc.com (email). **Ballots must be received by 5:00 p.m. on Tuesday, September 27, 2016 in order to be counted. Even if positions are uncontested, it is important to submit a ballot since a quorum of voting members is required for the election of officers.**

The names of officers elected will be announced at the September 29th quarterly meeting.

If you have any questions or wish to discuss the election process further, please contact Heather Baez (MWDOC) at hbaez@mwdoc.com or (714) 593-5012.

Sincerely,

Mike Scheafer, President
Independent Special Districts of Orange County

Enclosed: Ballot for ISDOC Election of Officers
Candidates' Statements

INDEPENDENT SPECIAL DISTRICTS OF ORANGE COUNTY ELECTION OF OFFICERS

The ISDOC Executive Committee consists of the President, First Vice President, Second Vice President, Third Vice President, Secretary, Treasurer and Immediate Past President. Officers are elected in September of even numbered years for two year terms. Please vote for one candidate per seat or you may elect to write in another individual. If elected, however, write in candidates will need to provide a resolution from their Board supporting their election before they can be seated.

The ISDOC bylaws indicate, "At the end of the nominating period if only one candidate is nominated for a vacant seat, that candidate shall be deemed selected." This is the case for the Secretary and Treasurer positions, therefore they are not on the ballot. Leslie Keane of the Orange County Cemetery District and Joan Finnegan from the Municipal Water District of Orange County, respectfully, have been selected to these seats.

Cast your Vote: Please cast your vote for the remaining seats by placing an "X" on the line next to the individual for which you wish to vote in each position. If you are writing in a candidate, please include their district affiliation and position. **THE SIGNATURE PAGE IS ON THE REVERSE SIDE OF THE BALLOT. IT MUST BE SIGNED BY YOUR VOTING REPRESENTATIVE IN ORDER TO BE COUNTED.**

President

_____ Michael Scheafer, President
Costa Mesa Sanitary District

or

_____ James R. Fisler, Director
Mesa Water District

First Vice President (Programs)

_____ Sandra F. Jacobs, Director
Santa Margarita Water District

or

_____ Arlene Schafer, Assistant Secretary
Costa Mesa Sanitary District

Second Vice President (Membership)

_____ Doug Davert, President
East Orange County Water District

or

_____ Mark Monin, Director
El Toro Water District

Third Vice President (Legislation)

_____ Mary Aileen Matheis, President
Irvine Ranch Water District

or

_____ Dr. Allan Bernstein, President
Orange County Mosquito & Vector Control District

DISTRICT NAME

SIGNATURE OF VOTING REPRESENTATIVE

Ballots must be received no later than 5 p.m. September 27, 2016.

You may return your ballot by mail or email to:

Heather Baez
P.O. Box 20895
Fountain Valley, CA 92728
Attention: ISDOC Executive Committee Election
OR Email: hbaez@mwdoc.com

It has been my honor to serve the member Districts of ISDOC, the Independent Special Districts of Orange County, as President for the past two years. During the past two years we have experienced unparalleled success in bringing ISDOC into a prominent position in California Special Districts.

Under my leadership, ISDOC received the prestigious California Special Districts Association (CSDA) Chapter of the Year for 2015. We have enhanced the social media presence of ISDOC with our Facebook and newsletter. We continue to work hard for our members in the area of State Special District legislative issues.

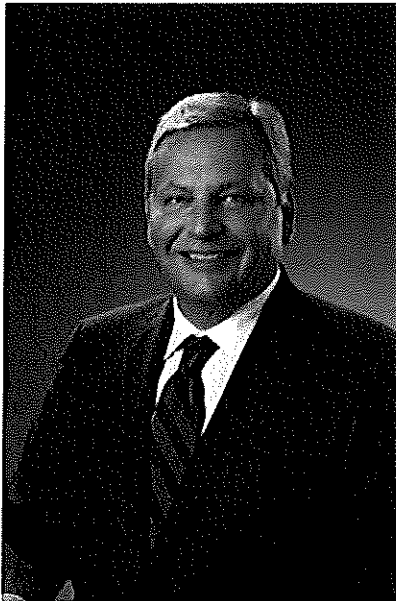
Personally I currently serve as the President of the Costa Mesa Sanitary District. I am a board member for the Special Districts Risk Management Authority and serve on its Legislative Committee. I also serve on two CSDA committees involving membership and education. Working with these two organizations has given me a broad perspective of how various types of Special Districts work and the challenges they individually face. I enjoy being a voice for Orange County Special Districts on the state level.

I humbly ask for your support to re-elect me as President of ISDOC. I will continue to represent you, the Independent Special Districts of Orange County in the way you deserve. I look forward to continuing my service.

MIKE SCHAEFER

Elect James R. Fisler ISDOC President

James R. Fisler – Director, Mesa Water District



With a passion for public policy and public service, Director Fisler would be honored to receive your vote to serve as President of the Independent Special Districts of Orange County (ISDOC). He currently serves as ISDOC 1st Vice President.

Director Fisler is committed to representing the mutual interests of ISDOC's members, including 26 independent special districts that serve the needs of Orange County's water, wastewater, sanitary, cemetery, vector control, library, recreation and parks, and other districts that provide specialized services within their communities.

If elected ISDOC President, Director Fisler pledges to facilitate information sharing about current issues and trends related to special districts, and to advocate for the shared interests of ISDOC members. Please consider voting for Director Fisler as ISDOC President.

James (Jim) R. Fisler was appointed to the Mesa Water District Board of Directors in August 2009, elected in 2010 and re-elected in 2012. He served as Mesa Water's Board President from 2012-2014, which included service on the District's Executive Committee.

Since 2014, Director Fisler has served as 2nd Vice President and subsequently as 1st Vice President of ISDOC. He was also elected in 2011, and re-elected in 2014, as an Alternate Commissioner to the Local Agency Formation Commission of Orange County (OC LAFCO) to represent the Special Districts of Orange County.

Additionally, Director Fisler is serving as a member of the Local Government Committee of the Association of California Water Agencies (ACWA), and he has served as a Mesa Water® representative at California Special Districts Association (CSDA) activities.

Currently for Mesa Water®, Director Fisler is Chairman of the District's Legislative & Public Affairs Committee, Vice Chairman of the Engineering & Operations Committee, and he serves as an Alternate on Mesa Water's Finance Committee. He is also on the Costa Mesa Chamber of Commerce Board of Directors, and he Chairs the City of Costa Mesa's Finance Advisory Committee.

Previously, Director Fisler served as a Board member of the Friends of the Costa Mesa Libraries, and of the Costa Mesa Senior Center. He also served as Vice Chair of the City of Costa Mesa's Planning Commission, and as a Parks and Recreation Commissioner for the City; he is also a graduate of the Costa Mesa Citizens Police Academy. Additionally, he was a member of the City of Costa Mesa's Residential Rehabilitation and Redevelopment Committee for more than a decade, serving in many capacities including as an alternate, full member, or liaison from the Planning Commission; he also volunteered in the City's Neighbors for Neighbors program for over 10 years.

From March 2010 to December 2012, Director Fisler served as President of the Mesa Water District Improvement Corporation, a California nonprofit public benefit corporation formed to assist Mesa Water® in financing certain improvements to the District's water system.



MesaWater
DISTRICT®

*Dedicated to
Satisfying our Community's
Water Needs*

BOARD OF DIRECTORS

Shawn Dewane
*President
Division V*

Ethan Temianka
*Vice President
Division III*

Jim Atkinson
*Director
Division IV*

Fred R. Bockmiller, Jr., P.E.
*Director
Division I*

James R. Fisler
*Director
Division II*

Paul E. Shoenberger, P.E.
General Manager

Phil Lauri, P.E.
Assistant General Manager

Coleen L. Monteleone
*Assistant General Manager
District Secretary*

Andrew N. Hamilton
District Treasurer

**Bowle, Arneson,
Wiles & Giannone**
Legal Counsel

1965 Placentia Avenue
Costa Mesa, CA 92627
tel 949.631.1200
fax 949.574.1036
Info@MesaWater.org
MesaWater.org

September 7, 2016

Placentia Library District Board of Trustees
c/o Jeanette Contreras Library Director
411 E Chapman Avenue
Placentia, CA 92870

Re. - Support for James R. Fisler as ISDOC President

Dear Board of Trustees,

I am writing on behalf of Mesa Water District to request your organization's consideration of James (Jim) R. Fisler, a Mesa Water® Board member since 2009, for the position of President of the Executive Committee for the Independent Special Districts of Orange County (ISDOC).

Enclosed with this letter is Director Fisler's Statement of Qualifications. Listed below are a few highlights of his recent government and leadership experience relevant to potentially serving as ISDOC's President:

- Currently serves as ISDOC 1st Vice President
- Previously served as ISDOC 2nd Vice President (elected in 2014)
- Elected in 2011, and re-elected in 2014, by ISDOC member agencies as an Alternate Commissioner to the Local Agency Formation Commission of Orange County (OC LAFCO) to represent the Special Districts of Orange County
- Served as Mesa Water® Board President from 2012-2014

I am confident that, if elected ISDOC President, Director Fisler will be committed to facilitating collaboration, coordination, cooperation and communications among ISDOC's 26 member agencies. I am also confident that Director Fisler will represent ISDOC members well on important issues that are of interest to special districts.

If you have any questions or requests for more information, please contact Mesa Water's External Affairs Manager, Stacy Taylor, at 714.791.0848 or StacyT@MesaWater.org.

Thank you for your time and consideration of this matter.

Sincerely,


Shawn Dewane, Mesa Water Board President

c: Mesa Water Board of Directors
Paul E. Shoenberger, P.E., Mesa Water General Manager

Encl.

I am seeking your vote and support for the position of ISDOC 1st Vice President. I have decades of experience, knowledge, strong leadership, and a sincere desire represent you as ISDOC as Program Chairman and 1st Vice President. My dedication to public service is evident by positions that I have held such as the City of Costa Mesa's former Mayor, Councilmember, and Planning Commissioner, Costa Mesa Sanitary District Board President, Vice President, Secretary, Assistant Secretary (currently) & Director, LAFCO Chair and Commissioner, Costa Mesa Chamber of Commerce Chair, Harbor-Mesa Lions Club President, CSDA President, Vice President, and Secretary, CSDA Finance and Membership Committees.

My vision for ISDOC is to achieve partnerships for different services and keep costs down while staying on top. I believe I am the best qualified candidate for this position and would be honored to have your vote. I will serve you well.

Arlene Schafer
Assistant Secretary
Costa Mesa Sanitary District

I have had the privilege of serving for the past 14 years as a special district official and as a city council member and mayor. Serving in this capacity has allowed me to see from different perspectives how local governments work and the important roles they play as service providers to their communities. It is this perspective and my experience as a special district and city official that I wish to contribute as ISDOC 2nd Vice President.

Special districts continue to defend against public policy threats and other challenges in Sacramento and here at home. Keeping our districts informed and engaged as members of ISDOC and CSDA is critically important as we work to remain the closest, most accessible form of government to the people. I will make this a priority as ISDOC 2nd Vice President in addition to being an advocate in our communities and with our lawmakers, the media, and others, so they come to understand and value the unique role that special districts play.

Thank you for your consideration of my candidacy for ISDOC 2nd Vice President.

Douglass Davert
President
East Orange County Water District
(714) 318-9550
dougdavert@ca.rr.com



El Toro Water District

"A District of Distinction"

Serving the Public - Respecting the Environment

Board of Directors

M. Scoff Goldman
William H. Kahn
Jose F. Vergara
Frederick J. Adjarian
Mark L. Monin

General Manager

Robert R. Hill

September 1, 2016

Placentia Library District
Attention: Board of Trustees
411 East Chapman Ave.
Placentia, CA 92870

Re: Mark Monin for ISDOC 2nd Vice President

Dear Board of Trustees,

I would be honored to serve as 2nd Vice President for the Independent Special Districts of Orange County and would love to speak with your District. I am a Director on the El Toro Water District Board and Vice Chairman / Commissioner of the Orange County Airport Land Use Commission. I was also a PCF Fire Fighter with the Orange County Fire Authority. I have proven to be a fiscally responsible individual with a "think out of the box mentality" and I look forward to working with the other ISDOC Board members to achieve greatness. I love Orange County and want to work hard here and in Sacramento to help Special Districts progress into the future.

Since first becoming involved with ISDOC I have been attending the Executive Committee meetings on a regular basis which is important because I know the issues that have affected ISDOC in the past and what is important to propel this fine organization in the future.

My qualifications for this position include:

- > EXPERIENCED LEADER
- > COMMITTED TO SPECIAL DISTRICTS
- > FISCALLY RESPONSIBLE
- > DEDICATED

As you know ISDOC is a membership association that was formed more than 30 years ago to serve the needs of Orange County's independent special districts. I want to build on that fine tradition, work hard with others to achieve a higher degree of member satisfaction and make ISDOC even stronger. I feel we can do more with the membership, continue to provide valuable information and presentations on issues that affect your district which can help you with important discussions in the future.

I am very active in Orange County and my community. Please see the accompanying resume outlining my experience and education. I would love to hear your thoughts on how we can make ISDOC even better and please contact me with your input, ideas or questions on my experience or platform. I can be reached at (949) 939-6612 or markmonin@msn.com.

Sincerely,

EL TORO WATER DISTRICT

Mark Monin, Director

MARK MONIN – 2nd Vice President (Membership)

As an El Toro Water District (ETWD) Director, it has been my pleasure to regularly attend and participate at the ISDOC monthly Executive Committee meetings and Quarterly Luncheons. As the affiliated county chapter to the California Special Districts Association (CSDA), it is important that our chapter membership remain strong and active to ensure our voice is heard in Sacramento.

I am a staunch advocate, representing ETWD and County-wide interests with elected officials in Sacramento and as a member of the Association of California Water Agencies, California Association of Sanitation Agencies, CSDA, the Orange County Water Association and ISDOC.

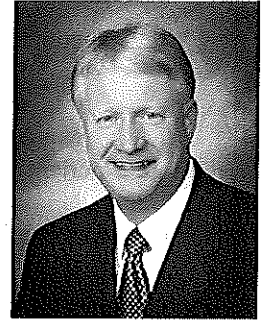
My fiscal responsibility spans over 35 years in the investment management industry. I received my Bachelor's degree from Canisius College and my MBA from Pepperdine University.

I am interested in serving in the Second Vice President position to achieve even a higher degree of membership satisfaction. I understand the duties and responsibilities of the Second Vice President position and stand ready to commit my time, energy and skills to serve, promote and advance the overarching goals and objectives of ISDOC and its members.

I respectfully ask for your vote,

Mark Monin, Director
El Toro Water District

Mark L. Monin
3371 Punta Alta Unit 3E
Laguna Woods, CA 92637
(949) 939-6612
markmonin@msn.com



Mark Monin serves as a Director with the El Toro Water District and Vice Chairman of the Orange County Airport Land Use Commission. He is also has over 35 years in the securities industry, most recently with Raymond James, specializing in executive services, 401k, endowments, foundations, high level financial planning and asset management. Mark is also a former PCF Fire Fighter with Orange County Fire Authority and has pilot FAA Licenses private, commercial, instrument and multi engine. Mark also has over 28 years of real estate experience mostly in Orange County California.

Professional Experience

Boards/Committees/Community Involvement

- El Toro Water District, Board of Directors 2015 – Present
- Vice Chairman of the Orange County Airport Land Use Commission 2015 – Present
- Finance Committee of The Association of California Water Agencies and its Education Subcommittee, Investment Subcommittee 2015 – Present
- South Orange County Watershed Management Area Executive Committee
- Independent Special Districts of Orange County (ISDOC)
- South Orange County Agencies
- Water Advisory Committee of Orange County (WACO)
- Orange County Water Association (OCWA)
- City of Laguna Woods Public Safety Committee Chairman 2012-2015 Past Chairman
- City of Laguna Woods Landscape Committee, Past Member
- Newport Beach Chamber of Commerce, Past Member
- Irvine Chamber of Commerce, Past Member

Financial Investment/Securities Industry (35 Years)

- Raymond James Financial Services, Newport Beach 2009-current
- Oppenheimer & Co. Newport Beach, California 2005-2009
- Morgan Stanley, Sales Manager / Financial Advisor, Los Angeles / Orange County 1998 - 2005
- Merrill Lynch, Manager / Financial Advisor , Los Angeles / Orange County 1994 - 1998
- Prudential Securities, Assistant Manager, Anaheim 1991 – 1994

Aviation Experience / Aviation Organizations

- Pilot Data & FAA Licenses
 - Private
 - Commercial
 - Instrument
 - Multi Engine
- Vice Chairman of the Orange County Airport Commission (Land Use) 2015-present
- Adjunct Professor at California Baptist University, Riverside, CA 2015- Present
 - Teaches Aviation Law and Aviation Finance
- Civil Air Patrol (Auxiliary United States Air Force) from 1992-1996
 - *Aerial and ground search & rescue,*
- *Civil Air Patrol Aerial Disaster inspection, Orange County, CA*
 - *DEA and Customs assistance in aerial surveillance, air transport from 1992-1996*
- Flying Samaritans/ Liga
 - Free medical clinics; fly physicians/medical professionals to Mexico 1995-present
- Angel Flight Pilot
 - Provides transportation to medical treatment for those who cannot afford/tolerate public transportation, 1998-present
- Southern California Pilots Association

- To provide a collective voice for General Aviation at our So CA Airports.
- Develop a positive working relationship with the airport administration.
- Foster camaraderie amongst So CA Pilots with aviation related
- Enhance safety and education in the So CA Pilot community.
- Orange County Pilots Association (OCPA)
 - OCPA is an association of aviation enthusiasts with the purpose of promoting aviation at the Orange County Airport
- Experimental Aviation Association (EAA)
 - Experimental Aircraft Association based in Oshkosh, Wisconsin, encourages and supports recreational aviation.

Real Estate Experience (28 Years)

- California Department of Real Estate, 1988 – Present (28 Years)
- Real Estate Consultant
- California Department of Real Estate Continuing Education

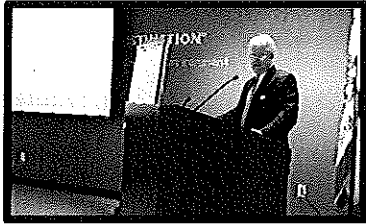
Firefighter Experience

- Orange County Fire Authority
 - PCF/ Firefighter/Engineer/ search & rescue/ medical training (first responder) 1988-1995
- Twin District Fire Department, Lancaster, NY
 - Firefighter/ Engineer/ search & rescue/ medical training (first responder) 2005-2006
- Lancaster Fire Department, Lancaster, NY
 - Firefighter/ Engineer/ search & rescue/ medical training (first responder) 1982-1984
- Egypt Fire Department, Rochester/Perrington, NY
 - Firefighter/ Engineer/ search & rescue/ medical training (first responder) 1985-1987

Education/Licensure

- Pepperdine University, Malibu California, Masters in Business Administration, 2002
- The Wharton School, University Of Pennsylvania, Senior Financial Advisor
- The Wharton School, University Of Pennsylvania, Management Training Program
- Institute of Investment Management Consulting, Investment Management Consultant
- The Institute of Business & Finance: Certified Annuity & Fund Specialist
- Board Certified in Asset Allocation
- Canisius College, Buffalo New York, BS/Finance, 1981
- University of Buffalo, Aeronautical Engineering, 1978
- Federal Aviation Administration, Multi Engine, 2000
- New York Stock Exchange, Series 8, Branch Manager, 1990
- National Association of Securities Dealers, Series 65, Financial Planning, since 1989
- California Department of Real Estate, since 1988
- National Association of Securities Dealers, Series 3, Futures, since 1988
- National Association of Securities Dealers, Series, Options Principal, since 1983
- National Association of Securities Dealers, Series 24, Principal Supervisor, since 1983
- National Association of Securities Dealers, Series 63, State Licensing, since 1981
- Securities Licensed in California, Colorado, Connecticut, Delaware, Georgia, Iowa, Illinois, Indiana, Louisiana, Maryland, New Jersey, New York, Ohio, Pennsylvania
- National Association of Securities Dealers, Series 7, 1981, Financial Advisor
- Federal Aviation Administration, Commercial, 1979
- Federal Aviation Administration, Instrument, 1978
- Federal Aviation Administration, Private, 1977

Elect Mark Monin 2ND Vice President To ISDOC Executive Committee



DEDICATE TO SPECIAL DISTRICTS

My enthusiasm, commitment and comprehensive knowledge of special districts bring years of experience to the ISDOC Executive Committee. It would be an honor to serve the Districts that are members of ISDOC. I want our members to continue to work together to achieve greatness.

- ✓ EXPERIENCED LEADER
 - ✓ COMMITTED TO SPECIAL DISTRICTS
 - ✓ FISCALLY RESPONSIBLE
 - ✓ DEDICATED

LEADERSHIP EXPERIENCE

- ❖ Board of Directors – El Toro Water District
- ❖ Commissioner – Vice Chairman, Orange County Airport Commission
- ❖ Committee Member - South Orange County Watershed Management Area Executive Committee
- ❖ Committee Member - ACWA, Finance Committee and Education Committees
- ❖ Chairman, Laguna Woods Public Safety and Landscape Committees

COMMUNITY INVOLVEMENT

- ❖ Past PCF Fire Fighter, Orange County Fire Authority
- ❖ Independent Special Districts of Orange County (ISDOC)
- ❖ South Orange County Agencies'
- ❖ Water Advisory Committee of Orange County (WACO)
- ❖ Orange County Water Association (OCWA)

BUSINESS EXPERIENCE

- ❖ Financial Executive for 35 years with such firms as Raymond James, Merrill Lynch and Morgan Stanley

EDUCATION

- ❖ Canisius College, Buffalo New York, BS/Finance,
- ❖ Pepperdine University, Malibu California, MBA
- ❖ The Wharton School, University Of Pennsylvania

August 25, 2016

I am seeking the office of 3rd Vice President of Independent Special District of Orange County (ISDOC) at the suggestion of other ISDOC colleagues. Several years ago I was privileged to serve as President of ISDOC. Since my term ended I continued to attend ISDOC meetings on a monthly basis and participate in discussion re ACWA, legislative issues, and local activities.

I am ready to assume the duties of the office of 3rd Vice President because of my lifelong interest in legislation and my ability to keep aware of state and local legislation bi-weekly updates by IRWD staff.

I also participate in the Southern California Legislative Task force in its by-weekly tele-conferences. I have found the meetings innovative and rewarding not only as to content, but also the inter-change of ideas from the many attendees. I ask for your support.

Mary Aileen Matheis
IRWD Board

Jeanette Contreras

From: Tawnia Pett <TPett@ocvcd.org>
Sent: Tuesday, September 06, 2016 3:11 PM
To: 'Noelani Middenway'; adam@probolskyresearch.com; Arlene Schafer; bhill@etwd.com; bill622@aol.com; blueskyhb@aol.com; cemery@oclafco.org; danf@smwd.com; dsimpson@octa.net; dbailey@ci.cypress.ca.us; dreinhart@rceconsult.com; drew@threearchbay.org; drussell@capobay.org; EMandich@tcwd.ca.gov; etorres@ocwd.com; frank@frankcobo.com; gmelton@roadrunner.com; hruiz@tcwd.ca.gov; htaboada@rossmoor-csd.org; 'James Ferryman'; Jeanette Contreras; jerryvilander@gmail.com; jim@jimfisler.com; JHaselton@tcwd.ca.gov; jdreed@cox.net; jlopez@mnwd.com; JNRattner@aol.com; tanchofish@gmail.com; jmcdivitt@scwd.org; john@casunbelt.com; jwithers@calstrat.com; john@lewisgroupplc.net; kseckel@mwdoc.com; krobbins@mcsandst.com; kerieuberroth@gmail.com; LDick@mwdoc.com; larry.mckenney@gmail.com; BONKOWSL@irwd.com; dwaiha@aol.com; lohlund@eocwd.com; mgoldsby@mwdoc.com; matheis@irwd.com; marymac@buenapark.lib.ca.us; matthew.richardson@bbklaw.com; mdunbar@ebservicedistrict.com; mike@agentmike.biz; mmarkus@ocwd.com; mmaynard@rossmoor-csd.org; parks@smrpd.org; cook@irwd.com; anthony2125@roadrunner.com; pwelsch@etwd.com; Robin Hamers; raf333@att.net; RHunter@mwdoc.com; rowens@pacificbanksolutions.com; ron.shepston@smrpd.org; Russell.Behrens@bbklaw.com; sjacobs@sfconsultants.com; Savedra@irwd.com; Scott Carroll; sdewane@ocwd.com; sewerdistrict@aol.com; SDopudja@tcwd.ca.gov; skonclin@ylwd.com; t.deutsch@orccd.com; tfmlee@msn.com; wrayfield@mac.com; wrickerl@aol.com; msalamone@aalrr.com; mbaker@aalrr.com; Lisa.Bartlett@ocgov.com; Michelle.Steel@ocgov.com; Todd.Spitzer@ocgov.com; Audra.Fishel@ocgov.com; mmonin@etwd.com; jvergara@etwd.com; markmonin@msn.com; crisp@csda.net; paul.walters@ocgov.com; info@mcandst.com; Mike Hearst; ldeering@rossmoor-csd.org; contact-us@smrpd.org; info@sunsetbeachsd.org; adunkin@ocwd.com; Administration; Rick Howard
Cc: 'Allan Bernstein'; Rick Howard
Subject: Dr. Bernstein ISDOC Election Candidate Statements
Attachments: Dr. Bernstein ISDOC Candidate Statement.pdf

To Whom It May Concern: Attached is the candidate statement for Orange County Mosquito and Vector Control District Board of Trustees President Dr. Allan Bernstein. Dr. Bernstein is running for the office of Third Vice President. Please contact me if you have any problems with the attachment.

Thank you,

Tawnia Pett, MBA, QAL, SDG

Executive Assistant/Clerk of the Board
Orange County Mosquito and Vector Control District
13001 Garden Grove Blvd.
Garden Grove, CA 92843
Phone: (714) 971-2421 x 166
Fax: (714) 971-3940
Serving Orange County Since 1947

Gentlepersons,

I trust this note finds you and yours in good health.

I am writing to submit my nomination/letter of interest for the Third Vice President position on the ISDOC Executive Committee.

My experiences on the OCMVCD Board of Trustees as President, Chair of the ACC-OC Water Committee, Tustin Representative to WACO, Vice Chair of the OCLAFCO, member of the Newport Bay Watershed Executive Committee, and Mayor ProTem of Tustin have afforded me the opportunity of interacting with a variety of officials and address a myriad of issues germane to Special Districts.

I would greatly appreciate your support and consideration for the office of Third Vice-President and pledge to represent the interests of Special Districts with passion and be a powerful advocate for Orange County.

Thank you for all considerations.

Have a great day.

Allan Bernstein DPM MBA



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PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees
FROM: Jeanette Contreras, Library Director
SUBJECT: Little Hoover Commission Report on Special Districts
DATE: September 26, 2016

BACKGROUND

Board Secretary Martin will provide background information on the 2000 report and an update from the August 25, 2016 Commission meeting.

Attachment A is the 2000 Little Hoover Commission Report and August 25, 2016 Agenda.

RECOMMENDATION

Actions to be determined by the Library Board of Trustees

Search

SEARCH

Little Hoover Commission

[Home](#) | [Contact Us](#) | [Site Map](#)925 L Street, Suite 805
Sacramento, CA 95814
(916) 445-2125[Reports](#) [Research in Progress](#) [Meetings](#) [Legislation](#) [Reorganization](#) [About Us](#)

[Commission Reports](#)

Study

[Study Schedule](#)

Agendas

[August 25, 2016](#)

AGENDA

Public Hearing on Special Districts
Thursday, August 25, 2016
1020 N Street, Room 100
SacramentoThe hearing is available to view on the Commission's YouTube page [here](#).*Written testimony is linked below.*

Public Hearing: 9:30 a.m.

Opening Remarks

Celebrated and Cussed: An Overview of Special Districts in California

- Kyle Packham, Advocacy and Public Affairs Director, California Special Districts Association

Missions for Changing Times: Healthcare and Fire Protection Districts

- Amber King, Senior Legislative Advocate, Association of California Health Care Districts
- Michael Schwartz, Fire Chief, North Tahoe Fire Protection District

Who's in Charge Here? Local Agency Formation Commissions

- Pamela Miller, Executive Director, California Association of Local Agency Formation Commissions
- John Leopold, Chair, California Association of Local Agency Formation Commissions, Santa Cruz County District 1 Supervisor and Santa Cruz County Local Agency Formation Commission member
- Stephen Lucas, Executive Officer, California Local Agency Formation Commission and Butte County Local Agency Formation Commission

Defing "Prudent:" What's a Fair Share of Property Taxes and Reserves?

- Michael Coleman, Principal, CaliforniaCityFinance.com
- Jon Coupal, President, Howard Jarvis Taxpayers Association

Comments Submitted by Members of the Public

- Carpinteria Sanitary District
- Central Contra Costa Sanitary District
- City of San Leandro
- Leland Frayseth
- Mariene King

BUSINESS MEETING AGENDA

Thursday, August 25, 2016
925 L Street, Lower Level
Sacramento

(The Commission will consider agenda items I-IV at approximately 12:30 p.m. The precise time will vary depending upon the testimony of witnesses and will be determined at the discretion of the chair).

- Business Meeting Minutes from June 23, 2016
- Subcommittee Reports and Project Selection
 - Mental Health Services Act
 - Occupational Licensing
- Implementation
- Reports from California State Auditor's Office

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State of California

LITTLE HOOVER COMMISSION

May 3, 2000

The Honorable Gray Davis
Governor of California

The Honorable John Burton
President pro Tempore of the Senate
and members of the Senate

The Honorable James Brulte
Senate Minority Leader

The Honorable Robert Hertzberg
Speaker of the Assembly
and members of the Assembly

The Honorable Scott Baugh
Assembly Minority Leader

Dear Governor and Members of the Legislature:

Serious attention is being given to how California organizes and funds local governments. In this report, the Commission examines a number of issues involving more than 2,200 independent special districts that provide important services to virtually every community in the state.

Ironically, these governments that are physically closest to their communities are oftentimes unknown to the people they serve. And in the absence of community involvement, the mechanisms for public accountability are dulled and the value of public scrutiny is lost.

It also is ironic that when they were created, these districts were tailored to the needs of their communities. But as those communities have grown and changed, the districts themselves have been slow to change their boundaries, functions and governance to reflect their communities.

When we began this study, we found that many people had a story about special districts – some praised them, while others reviled them. But few had good information with which to assess fairly and accurately their contribution to California. Recognizing that need, the Commission gathered data that had not been pulled together before to provide a clearer picture of these districts and their attributes.

The picture reveals areas of concern and areas of promise.

Most districts provide modest compensation packages to board members. But the taxpayers and ratepayers in some districts pay for significantly higher meeting stipends and health and life insurance benefits.

The Commission found that many independent special districts have accumulated significant reserves. In addition, some of the well-heeled districts – and particularly those that charge customers fees for the services they provide – continue to receive property tax revenues. Because of the diversity of districts, it is difficult to generalize how these resources are being used. And based on the Commission's inquiry, much of these revenues are committed in the short term, either legally or by time-honored practice. But these funds are a public resource, that over the long term should be scrutinized like all public resources to determine if they are being put to the highest and best use.

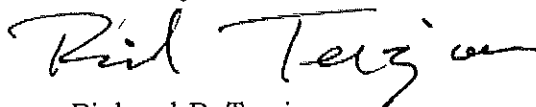
Unlike the special districts they are supposed to scrutinize, many of the Local Agency Formation Commissions (LAFCOs) do not have the resources to be the catalysts for improvement that state policy-makers envisioned. LAFCOs are often unwilling or unable to challenge the status quo, even when it is clear that with a little pushing special districts could be reorganized in ways that lower costs or improve the quality of service.

In some cases, consolidating small districts that offer the same service or large districts offering similar services could be expected to yield efficiencies and other improvements. In other cases, communities might find that special districts have the resources and expertise to meet needs that were not identified when the districts were formed. In all cases, local officials need technical assistance, proven methodologies and the facilitation skills to overcome the barriers to change.

In this examination, the Commission did not judge the performance of individual special districts. One of the Commission's early discoveries was that the districts are very diverse – in what they do and how well they do it. Rather, the Commission hopes its examination of the overarching issues – along with the implementation of its recommendations – will encourage and enable community leaders, voters and customers to judge the performance of their districts for themselves.

With scrutiny, will come improvement. Where districts need more resources, let the community decide. Where districts have too many resources, let the community decide.

Sincerely,

A handwritten signature in black ink that reads "Richard R. Terzian". The signature is written in a cursive, flowing style.

Richard R. Terzian
Chairman

Special Districts:

Relics of the Past or Resources for the Future?

May 2000

Table of Contents

Executive Summary	i
Introduction	1
Background	5
Toward Visibility and Accountability	17
Strengthening LAFCOs	29
To Provide Information and Training	43
Understanding Special District Reserves	53
Property Tax Allocations to Enterprise Districts	67
Conclusion	79
Appendices & Notes	81
Appendix A: Little Hoover Commission Public Hearing Witnesses.....	83
Appendix B: Special Districts Survey Questionnaire.....	85
Appendix C: Health Care Districts Survey Questionnaire.....	89
Appendix D: Enterprise Districts with the Largest Retained Earnings.....	93
Notes.....	95

Table of Sidebars

Independent Special Districts.....	7
Independent Special Districts in Sacramento & Contra Costa Counties in 1998.....	19
Public Meetings on the Internet.....	22
Public Notice is Inadequate.....	23
Riverside County Special District Meeting Times.....	23
American River Fire Protection District.....	24
San Diego Citizen's Budget.....	25
A LAFCO Executive Officer's "Other Hats".....	29
As LAFCOs Become Involved, Public Disclosure is Needed.....	33
Special Districts Survey.....	34
Smart Growth.....	45
School/Law Enforcement Partnership.....	46
Lake County.....	47
Ailing Health Care Districts.....	48
How Districts Report Reserves.....	54
Water District Retained Earnings.....	57
Coachella Valley County Water District.....	58
GFOA Fund Balance Guideline.....	62
International City Managers Assn.....	63
How Districts Use the Property Tax.....	70
Property Tax Allocation Policy Questions.....	75

Table of Charts & Graphs

Annual Compensation to Board Members.....	vi
Property Tax Allocated to Independent Enterprise Districts.....	xi
Number of Special Districts in Each County.....	6
The Majority of Special Districts are Independent.....	8
Special District Revenue & Expenditures.....	9
Local Governments per 100,000 Population.....	11
Seats Filled Through Contested Elections.....	20
Candidates per Seat.....	20
Incumbency Patterns: Seats Contested by Incumbents.....	21
Incumbency Patterns: Incumbents Beginning As Appointees.....	21
Average Voter Participation.....	22
Independent & Dependent LAFCOs: Map.....	30
LAFCO Budget Ranges.....	30
Percent of Budgets Returned Through Fees.....	31
Board Members Who Receive Benefits & Compensation.....	35
Board Member Compensation, by District and Benefit Type.....	35
Annual Compensation Per Board Member: Community Services Districts.....	36
Annual Compensation Per Board Member: Fire Protection Districts.....	36
Annual Compensation Per Board Member: Park & Recreation Districts.....	37
Annual Compensation Per Board Member: Sanitary Districts.....	37
Annual Compensation Per Board Member: Water Districts.....	37
Annual Compensation Per Board Member: Community Services Districts.....	36
Enterprise Retained Earnings.....	56
Non-Enterprise Fund Balances.....	56
Property Tax Allocations, 1997-1998.....	67
Property Tax Allocated to Independent Enterprise Districts.....	68
15 Districts are in the "Top 25" for Both Retained Earnings & Property Tax Revenue.....	71

Executive Summary

Turn the tap and the water flows. On Thursdays the garbage gets collected. When it gets dark, the streetlights go on.

In many communities these are government services that are taken for granted. But democratic government is not designed to function in obscurity or anonymity. Absent citizen involvement, government agencies of all sizes are prone to inefficiencies and public resources are vulnerable to abuse.

The Little Hoover Commission found that independent special districts often lack the kind of oversight and citizen involvement necessary to promote their efficient operation and evolution. And without robust mechanisms of public accountability, inefficiency can become routine and the occasional scandal inevitable. Some examples:

- ❑ Independent special districts, according to the most recent information available, have \$19.4 billion in reserves – nearly 2½ times their annual gross revenues. Yet in many cases, community and state leaders do not know the size of these reserves and why they are being held – and as a result, these resources are often not integrated into regional and statewide plans for fortifying the State’s infrastructure.¹
- ❑ Twenty-four health care districts in California no longer operate hospitals. Most continue to receive property taxes, which might be better spent on other community needs. Some provide services that could be administered by other agencies. Most of the districts report that they have not considered dissolution.
- ❑ Consolidations, even when they make sense, are hard to accomplish. It took five years of intense pressure from the Orange County Local Agency Formation Commission to merge three small water purveyors into one. The reorganization, within three to five years, is expected to save more than \$1 million a year. Similar opportunities for savings can be found throughout the state, but are lost because the mechanisms for reform are thwarted by the power of the status quo.

California has 58 counties, 474 cities – and more than 3,800 special districts. About two-fifths of those districts are considered “dependent” because they are governed by a larger entity, such as a county board of supervisors. But more than 2,200 of these districts are “independent,”

LITTLE HOOVER COMMISSION

governed by their own elected bodies, including park districts, water districts, hospital districts and sanitation districts.

Many independent districts also are “enterprise” districts, like water and sewer agencies, which directly charge customers fees for the services they provide. Others, such as library and park districts, are “non-enterprise” districts, which rely mostly on property tax revenues to serve their communities.

The Commission focused on independent districts – both fee-based enterprise districts and tax-dependent non-enterprise districts.

Many of these independent special districts were created to extend public services – such as drinking water or parks – to rural and slowly developing communities that were beyond the reach of incorporated cities. But many, such as the water districts in Orange County, survive as separate government agencies even after urbanization has paved over the economic or geographic reasons for their independence.

Some districts have evolved in ways that cities and counties cannot – to manage consolidated fire protection services and regional parklands. Others, such as the health care districts, were created to provide a unique service, but persist after that service is provided by another public or private organization. Very few districts close their doors on their own initiative.

If no news is good news, the vast majority of districts are successful, and clearly many are. But most Californians would be hard pressed to identify the providers of some of their most basic services or to assess whether the fees are appropriate and the quality is what it should be.

The essential lesson of the last decade is that successful enterprises – public or private – are those that understand the needs of their customers and continuously strive to improve the services they offer. Similarly, successful organizations evolve to capture efficiencies and to align their core competencies with customer needs. Bigger is not always better, and sometimes smaller is.

But most special districts were formed when California looked different than it does today. Nothing ensures that these districts evolve to whatever size, shape and governance structure makes the most sense – given contemporary technologies, economics and social considerations. Local Agency Formation Commissions (LAFCOs) were created to be the venue for these discussions and catalysts for change. If strengthened, LAFCOs hold the best promise for individual communities to shape their government.

EXECUTIVE SUMMARY

The Commission believes its reforms would yield improvements in three areas:

- ❑ **Improved public involvement and scrutiny.** The complexity and pace of modern life has diminished the electoral process as a mechanism for ensuring that government – and special districts in particular – provide greater value with fewer resources. Special districts need to be more visible to the public they serve and to community and business leaders who can influence decisions.

- ❑ **The efficient evolution of independent special districts.** Fiscal and political pressures have brought about some consolidations and reorganizations of small special districts that collectively serve large urban areas. But Local Agency Formation Commissions can be fortified to more effectively facilitate prudent changes.

- ❑ **More vigorous review of public resources.** Some 195 independent enterprise districts have reserves greater than five times their 1996-97 gross revenue. But these resources are often not incorporated into community and statewide discussions about how to improve infrastructure or reduce the cost of living and doing business in California. Similarly, nearly 600 enterprise districts continue to receive more than \$400 million in property tax revenue, while many other districts providing the same services rely solely on fees. State and community leaders need to openly reconsider how these resources are being used.

To accomplish these reforms, special districts need to be more visible and Local Agency Formation Commissions need to become advocates for improvement. To challenge the status quo, policy-makers need a better understanding of the potential benefits of reorganizing special districts. State and community leaders need to know more about the assets held by special districts, and they must reassess the lingering reliance of some enterprise districts on property taxes.

Many of the Commission's recommendations for special districts should become standards for all governments – making themselves more understood and relevant to their constituents. The recommendations in this report concern independent special districts because that was the focus of the Commission's study – not because other local governments and state agencies are immune to inefficiency.

These recommendations are offered to state policy-makers for formal consideration and some would require state direction and support. But many of these practices could be voluntarily adopted by independent

LITTLE HOOVER COMMISSION

special districts and Local Agency Formation Commissions working with civic and business leaders in their communities.

A fundamental question facing California is how it will be governed in the 21st Century. The government closest to the people is often times a special district. Sorting out the problems and the potential of these districts will help state and community leaders in what should be a continuous pursuit of improved services at lower costs. In that spirit the Commission finds and recommends the following:

Finding 1: Special districts are often invisible to the public and policy-makers, compromising oversight and accountability.

In contrast to general-purpose local governments, special districts often operate in relative obscurity, hidden from the scrutiny of the public they were created to serve. The accountability mechanisms that do exist – financial information filed with the State Controller and the electoral process – are often inadequate. Districts submit financial information to the State Controller that is not easily accessed or understood by the public or policy-makers.

Research conducted by the Commission found that in Sacramento and Contra Costa counties the electoral process for special districts is less vigorous than for city council elections. It found that fewer races were competitive, more seats were filled with appointments and fewer voters participated in special district elections than other local elections. Sacramento County did increase participation in special district elections when it consolidated those elections in even years – but not even that effort brought special district elections in line with city councils.

Equally important, the media, interest groups and active citizens who frequently observe the actions of city and county governments understandably do not participate at the same level in special district governance. The city manager of a small Southern California coastal city, speaking in support of a city takeover of a water district, compared an average turnout of 75 people at city council meetings to no citizen attendance at water district meetings.¹

For this and other reasons, when problems or abuses do occur, they often do not come to the attention of the public or policy-makers until they are egregious and the remedies drastic. In the controversy involving the Water Replenishment District of Southern California, officials from the cities served by the district were shocked to learn the size of the district's reserve funds that took several years to amass. Relationships

EXECUTIVE SUMMARY

with other local governments, as well as broad citizen participation, would enhance the visibility and accountability of special districts.

Recommendation 1: The Governor and Legislature should enact legislation that would make special districts more visible and accountable. Specifically, the legislation should:

- **Require special districts to actively make their activities visible to the public.** To help the public – as citizens, consumers and voters – to participate effectively, independent special districts should annually develop and publicize the following information, stated in easily understood terms:
 - ✓ District mission and purpose
 - ✓ Summary financial information presented in a standard format and simple language, including reserve funds and their purpose
 - ✓ District policy on the accumulation and use of reserves
 - ✓ Plans for the future, including anticipated revenues, expenditures, reserves and trends in user rates
 - ✓ Per capita tax contributions of property owners
 - ✓ Performance and quality of service indicators
 - ✓ Board member benefits and compensation

Financial information should be posted on Web sites, provided in property tax bills, customer billing statements, and be available from cities, counties and libraries. Districts should be required to publicly notice all meetings in local newspapers, invite coverage by local cable television and conduct annual mailings to district residents.

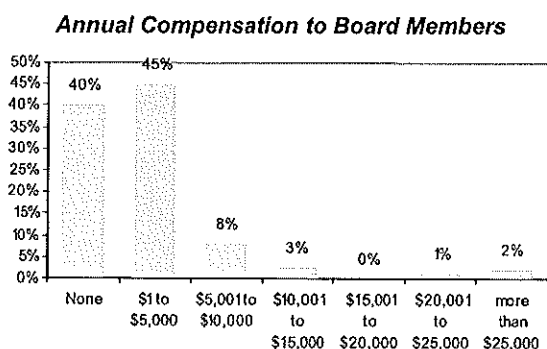
- **Require special districts to submit information to other local governments.** Independent special districts also should annually and publicly present financial information to county boards of supervisors and city councils, which represent the broader community of interests. Districts also should submit budgets and financial audits to their Local Agency Formation Commission, which could then determine which districts warrant closer scrutiny.
- **Encourage special district elections to be held as part of even year general elections.** To increase voter participation in special district elections, counties should be encouraged to consolidate special district elections in even-year general elections.

LITTLE HOOVER COMMISSION

Finding 2: Local Agency Formation Commissions, by not aggressively scrutinizing the organization of special districts, have failed to promote the efficient and effective evolution of independent special districts.

The State created LAFCOs in counties and charged them with fostering the rational and orderly evolution of local government. It subsequently gave them the authority to initiate special district consolidations. But LAFCOs often lack the technical skills or political will to make change. LAFCO officials report that the commissions are often ineffective because they lack independence, clear direction from the State and funds to conduct studies. Another longstanding concern is that compensation paid to board members discourages them from giving up their seats in the name of efficiency. The Commission found evidence that this could be the case in some districts.

These problems are exemplified by California's 24 health care districts that no longer operate hospitals. Having sold, leased or closed their hospitals, the districts endure. Nearly half of them pay meeting stipends or benefits to elected board members. But LAFCOs consistently fail to examine these districts to determine whether they should be eliminated.



Where consolidations have occurred, particularly in urbanizing communities, services have been improved and costs reduced. Water and sanitary districts in Orange County reduced administrative

overhead by eliminating two general managers, cut the number of board members from 17 to five, improved customer service and integrated infrastructure as a result of consolidation. Over time, they expect to save \$1 million annually.

Following a decades-long trend toward a regional fire service, districts in Sacramento County merged to create an agency that will cover nearly 400 square miles and serve 600,000 people. They will save money through lower overhead costs, a reduction in the number of management positions, economies of scale in purchasing equipment and supplies, and a reduction in the number of elected officials.

The Little Hoover Commission believes that decisions about the form and function of independent special districts in California are best made locally. But it finds that LAFCOs often do not have the capacity or will to make informed and economically sound decisions, particularly regarding independent special districts.

EXECUTIVE SUMMARY

Recommendation 2: The State should provide LAFCOs with the direction and resources necessary to make them a catalyst for the effective and efficient evolution of independent special districts. Specifically, the Governor and Legislature should:

- ❑ **Require periodic and specific reviews of independent special districts.** The State should require LAFCOs in urbanizing counties, in cooperation with special districts and other local governments, to periodically review services provided by special districts. The reviews should identify areas of duplication and overlap and assess whether services are being provided in the most efficient and cost-effective manner. Where duplication, overlap and inefficiency are identified, LAFCOs should be required to initiate a study. Specific triggers could be established, such as when the fundamental mission of a district changes or reserves exceed defined limits.
- ❑ **Enhance the independence of LAFCOs.** The State should encourage LAFCOs in urban counties to appoint their own executive officer and legal counsel, thereby establishing employment relationships free of the real and perceived conflicts that occur when county employees hold those positions.
- ❑ **Require shared funding of LAFCOs.** To increase the resources available to LAFCOs, enhance their independence and increase their effectiveness, the State should require counties, cities and special districts to jointly fund LAFCOs. Special districts should contribute whether or not they have opted to sit on a LAFCO.
- ❑ **Identify funds for studies.** The State should require special districts that are the subject of a required LAFCO study to fund the study. For financial hardship cases, the State should provide grants or loans, which could be repaid from savings accrued as a result of reorganizations.

Finding 3: Policy-makers and community leaders lack the analytical tools necessary to assess the benefits of consolidation, impeding their ability to advocate effectively for change and overcome the tenacity of the status quo.

Reliable information is needed to aggressively and assertively fuel the evolution and optimize the use of special districts. These tools are especially important as communities strive to efficiently provide housing and transportation in growing urban areas, concepts known as “smart growth.” Research is needed that will help policy-makers and community leaders know when consolidations will achieve improved efficiency and service and identify strategies for facilitating those consolidations. Policy-makers also need guidelines, best practices and

LITTLE HOOVER COMMISSION

access to a cadre of experts who can provide technical assistance and training. Absent these resources, even if LAFCOs are independent and have the political will, resistance from board members and the momentum of the status quo will prevent the evolution of independent special districts.

The State can play an important role in building the competence necessary for effective and informed local decision-making. The California Policy Research Center (formerly the California Policy Seminar) was created at the University of California to inform California's policy-makers about the most pressing issues of the day. The resources of this center, or other private and public institutions like it, could fill the information void that in some communities works to prevent structural reforms.

Recommendation 3: To equip policy-makers and the public with the tools necessary to assess and guide the organization of independent special districts, the Governor and Legislature should establish a program at the California Policy Research Center, or similar institute, to do the following:

- Develop guidelines and protocols for special district consolidations.*** The consulting research center should conduct research to identify conditions when consolidation or reorganization of special districts will result in cost-savings, improved service and other benefits.
- Study the long-term outcomes of consolidations and reorganizations.*** The consulting research center should review and quantify the long-term outcomes of special district consolidations and reorganizations.
- Establish a cadre of trainers.*** The consulting research center should establish a cadre of experts to provide training and technical assistance to LAFCOs, enabling them to perform periodic reviews and analyze and facilitate special district consolidations. They could also be called to advise in instances where conflicts arise between special districts and their customers.
- Develop performance measures.*** The consulting research center, in cooperation with the California Association of Local Agency Formation Commissions, California Special Districts Association and Special Districts Institute, should develop and encourage special districts to establish and report performance measures as a means of building public understanding and support.

EXECUTIVE SUMMARY

Finding 4: Hundreds of independent special districts have banked multi-million dollar reserves that are not well publicized and often not considered in regional or statewide infrastructure planning.

In 1996-97, the most recent year for which data is available from the State Controller, independent special districts reported \$19.4 billion in retained earnings and fund balances. Enterprise districts, which charge fees for their services, reported \$18.2 billion in retained earnings. Non-enterprise districts, which rely on property taxes, reported \$1.2 billion in fund balances. More than 600 districts reported reserves of \$1 million or more. More than 1,300 districts have reserves in excess of their gross annual revenue.² From a state perspective little is known about these funds, including how they are invested or the purposes for which they are earmarked. State law specifies that local government agencies are to make relatively conservative investments. But there is virtually no oversight by the State or other local governments of the investment policies and practices of special districts. And there are no standards guiding the size and use of reserve funds. These issues are of concern, as evidenced by pending legislation that would require all local governments to submit their investment portfolios to the California Debt Advisory Commission in the State Treasurer's Office.

The size of special district reserves raises a number of important policy issues.

- ✓ Special district reserves represent significant public resources. Many districts have good rationales for maintaining reserves at certain levels, including providing a cushion during lean years and permitting investment in infrastructure. But the size of the reserves and how they are invested are often not understood by community leaders and district customers.
- ✓ The State and local communities are grappling with the need to fund infrastructure that will contribute to California's continued prosperity. But the resources of special districts frequently are not considered in plans to meet these needs. The resources and capacities of special districts could play a larger role in planning and financing regional and statewide infrastructure.
- ✓ There are no guidelines for accumulating or using reserves and no oversight of the investment practices of special districts. Reserve and investment policies and practices could be improved through the establishment of guidelines and enhanced scrutiny.

A number of steps should be taken to help communities understand and make the best use of special districts and their assets.

LITTLE HOOVER COMMISSION

Recommendation 4: The Governor and Legislature should enact policies that will ensure prudent management of special district reserve funds and incorporate these resources into regional and statewide infrastructure planning. Specifically, the State should require:

- **Districts to publicize their reserves.** Districts should be required to clearly identify and publicly report, in terms understandable to the public, the size and purpose of reserves and how they are invested. The information should be included in budgets and audited financial statements, highlighted on district Web sites, reported to boards of supervisors and city councils and sent to customers, as described in Recommendation 1. Special districts also should be required to adopt and publicize policies for the accumulation and use of reserves by the district.
- **Policy-makers to integrate enterprise district reserve information into infrastructure planning.** The services and assets of enterprise districts should be included in regional and statewide infrastructure planning. To this end, special districts should be required to coordinate their activities with other districts and general-purpose governments and to participate in the development of county general plans.
- **Guidelines for prudent reserves.** The Governor and Legislature should appoint a panel including experts in finance, management and government, and community representatives, to recommend guidelines for establishing and maintaining prudent reserves by special districts. The panel also should review the investment policies and practices of districts and determine if additional oversight is warranted.

Finding 5: Property tax allocations to some enterprise districts create inequities among districts and distort the true costs of services. A significant portion of the property tax allocated to all enterprise districts subsidizes districts with the highest reserves.

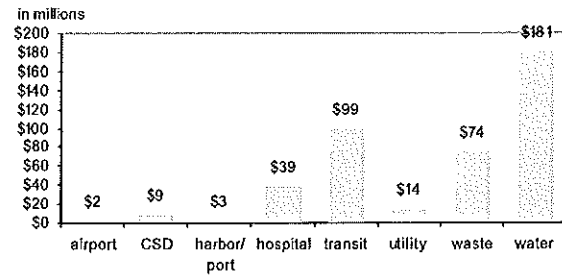
Those enterprise districts that levied property taxes prior to the 1978 passage of Proposition 13 continue to receive property tax allocations. Those districts also charge customers fees for water, sewer and other services they provide. In 1996-97, independent enterprise districts received \$421 million in property tax allocations. Water districts, which generate the highest annual revenues and maintain the largest reserves of all special districts, received 38 percent of that amount, a total of \$161 million.

EXECUTIVE SUMMARY

The allocation formulas may have made sense when they were implemented more than two decades ago. But over time the logic has faded. Significant policy questions are raised by the continuing practice of allocating property taxes to enterprise districts.

- ✓ Property taxes subsidize the cost of providing services in some districts. This practice allows some districts to rely on these revenues to keep rates low or provide a higher quality of services. Other districts offering similar services must rely solely on fees to cover those costs. The property tax subsidy also can exaggerate inequities among classes of ratepayers within a district.

Property Tax Allocated to Independent Enterprise Districts



Source: State Controller, 1996-97 Property Tax Data, on file.

- ✓ Some districts that continue to receive property tax revenues are among those that have the highest reserves. Meanwhile, non-enterprise districts such as parks and recreation and library districts have seen their revenues dwindle and their ability to provide services diminished.
- ✓ Taxpayers do not understand how their property taxes are allocated among the special districts serving them. And they do not know how these allocations affect their rates or quality of services, preventing them from providing feedback to district officials.

These issues should be explored in any discussion of property tax allocations to enterprise districts. Beyond the dollars involved, policy-makers and the public must understand the consequences of the current policy for taxpayers generally and for some customers specifically. They also need to understand consequences for districts that cannot charge fees and have seen their property tax revenues diminished.

Recommendation 5: Policy-makers should scrutinize the appropriateness of maintaining property tax allocations to enterprise districts. Among the alternatives:

- **Annually review the level of property tax support.** The Controller could annually report the property tax revenue distributed among enterprise districts with the largest reserves. With the assistance of the Legislative Analyst, and as part of the budget process, the Legislature could decide whether to continue or modify this allocation of property taxes.

LITTLE HOOVER COMMISSION

- **Examine all allocations to enterprise districts.** The Legislature could appoint a task force to examine how individual enterprise districts use property tax revenues. The task force could identify districts that should continue to receive the revenues, those that should receive smaller allocations, and those that should no longer receive property tax revenue.
- **Require a state audit of some districts.** The Legislature could require the State Auditor to examine enterprise districts that receive property taxes and also have the highest reserves. The Legislature could then take specific action to reduce or eliminate the allocations to those districts without a strong rationale for tax funding.
- **Allow counties to reclaim and reallocate property tax revenues.** The Legislature could provide a mechanism for counties, following a public review process, to reclaim property tax revenues from enterprise districts and reallocate those funds to meet contemporary community needs and priorities.
- **Enhance public understanding of property tax allocations.** Property tax bills should identify for taxpayers the independent special districts that provide services to them, along with the tax allocation, reserves and other financial information about those districts.

Introduction

Californians support and receive services from thousands of special districts. But many Californians do not know what a special district is – let alone which ones serve them.

Special districts provide the most essential of services – water and electricity, fire and flood protection. They also provide amenities that contribute to communities and culture, such as parks and libraries. But because of their sheer numbers, typically narrow focus and low public profiles many districts operate beyond the awareness and scrutiny of their customers and policy-makers. Four retail water districts serve the 80,000 residents of the city of Lake Forest in Orange County. Confused by different rate structures and unable to identify their provider, they contact the city with their complaints.

The Little Hoover Commission has a broad mandate to investigate the operations of state government and its instrumentalities, and to make recommendations for improving service and lowering costs. Special districts, the most numerous of the State's agencies, usually capture the spotlight when individual cases become controversial. The Commission undertook this study amid allegations of abuse and mismanagement in some special districts that caught the attention of state policy-makers and the public. Because controversies usually involve independent special districts – districts governed by their own elected board – those were the focus of the Commission's review.

In previous studies, the Commission has looked at state programs that are administered within California communities. In many of these instances a state agency is charged with ensuring that State goals are met. The relationship between the State and its thousands of special districts is far less clear.

On one hand, the State has given Local Agency Formation Commissions the authority to initiate special district reorganizations. But special districts can muster considerable energy to resist change, particularly when the goal is to consolidate or eliminate obsolete districts. In that regard, the State did not give LAFCOs the independence, the guidance, the analytical tools or the resources needed to get the job done. Without state assistance, and in the absence of local leadership, the goals of the LAFCOs are seldom met. And while the State has crafted and implemented laws intended to limit the proliferation of special districts in favor of cities and counties, other statutes thwart that intent.

LITTLE HOOVER COMMISSION

In initiating a study of special districts, the Commission saw an opportunity to illuminate an area that affects daily the lives of millions of Californians, and to offer recommendations for optimizing their use and guiding their evolution in the 21st Century. Specifically, the Commission asked the following questions:

- Are the activities and finances of independent special districts adequately scrutinized and understood by the communities they serve?
- Are Local Agency Formation Commissions effective catalysts for the evolution of special districts when economics, growth patterns or technologies warrant consolidation or dissolution?
- Is there a role for the State in promoting the improved operation and evolution of special districts? And if so, how should those goals be pursued?

As part of this study, the Commission held public hearings in June and August of 1999. A list of the witnesses is included in Appendix A. The Commission also consulted with special district managers and board members and individuals representing the interests of districts, cities, counties and Local Agency Formation Commissions. It reviewed the work of other groups that had studied or were reviewing state and local governance and finance issues, and talked to numerous individuals knowledgeable about the workings of local government.

To further inform its deliberations, the Commission conducted research in the following areas:

- Special district vs. city council elections.** The Commission compared special district and city council elections in Sacramento and Contra Costa counties to assess the effectiveness of the electoral process as an accountability mechanism for special districts. Four measures were reviewed: the number of candidates running, contested vs. non-contested elections, incumbency patterns, and voter participation rates.
- Characteristics of LAFCOs.** The Commission heard that with few exceptions, LAFCOs are ineffective in pursuing special district reorganizations. In-depth interviews were conducted with six LAFCO executive officers to better understand the characteristics of effective LAFCOs, identify barriers to consolidations and solicit additional recommendations for how the State could bolster their effectiveness.

INTRODUCTION

- **Benefits and compensation to board members.** The Commission heard that board member benefits are often effective deterrents to consolidations or reorganizations. A random sample survey was administered to special districts statewide to determine benefits and compensation provided to board members, including stipends for meeting attendance, health care and life insurance. The California Special Districts Association assisted the Commission to develop and administer the survey and encouraged district participation.

- **Health care districts without hospitals.** Of the 74 health care districts in California, 24 no longer operate hospitals. The Commission asked those districts to describe how their missions have changed and whether they have considered dissolution. Financial audits and business plans also were requested. The Association of California Healthcare Districts supported the Commission's efforts by helping to develop the survey questionnaire and solicit district responses.

- **Special district reserves and property tax allocations.** The Commission heard that some special districts maintain excessive reserves and that property tax allocations to enterprise districts should be reviewed. Data were gathered to quantify reserves held by enterprise and non-enterprise special districts and property tax revenues received by enterprise districts.

Based on the information gathered, the Commission concluded that special districts play a vital role in the health and prosperity of California's communities. It also concluded that these districts could improve the services, play an even more important role in building the state's future, and evolve in ways to improve the quality and reduce the costs of service. These conclusions are detailed in five findings and recommendations.

LITTLE HOOVER COMMISSION

Background

The mosaic of special districts reflects the way California developed and the ability of special districts to be tailored to community needs. When created, many districts were innovative solutions to public problems. And those that continue to evolve provide increasing value to Californians.

Prior to special districts, citizens in search of public services – particularly municipal services – formed cities or appealed to county supervisors to assume additional responsibilities. But as California developed, some service needs reached beyond the physical boundaries, the financial capacity, or the core competency of multipurpose local governments. The Legislature, through a number of general and special act laws, allowed for the creation of districts as agencies of the State to provide a local service.³

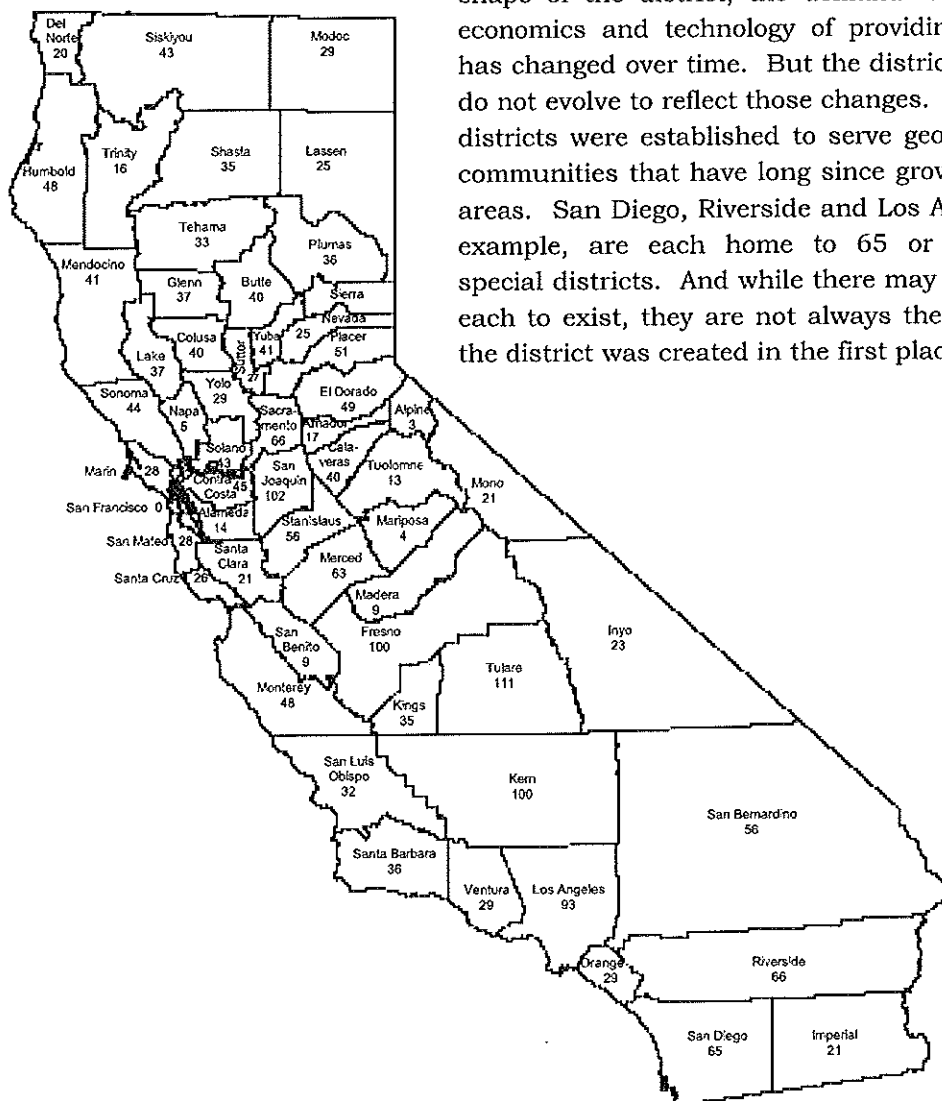
The first special districts in California were formed by farmers who wanted to use the power of government – principally eminent domain and the ability to efficiently bond for capital improvements – to develop irrigation projects. Empowered by the Wright Act of 1887, farmers in Stanislaus County formed the Turlock Irrigation District to capture and store Sierra runoff and deliver it to valley farms – creating the first special district in the state and displaying a powerful tool for meeting a public need.⁴

Early in the 1900s, dozens of water districts were formed to develop agricultural and urban water supplies – often reaching far beyond the borders of cities and counties they served. Most of the state's 74 health care districts were formed between the late 1940s and early 1950s to address a statewide shortage of hospital beds. In the 1950s, the suburbanizing state was swept by a second wave of water district formation. And since much of the development was in unincorporated areas, districts also were created to provide for fire protection, road maintenance, parks and recreation, sewer treatment and waste disposal.

The purpose and size of special districts varies greatly. But most were formed for similar underlying reasons: to provide urban services outside of city limits, to provide regional services that transcend the limits of a single city, to provide services beyond the capacity of existing local governments, or to fill a gap in services between other governmental agencies.

LITTLE HOOVER COMMISSION

**Number of Special Districts
in Each County**



The rationale for many special districts – the size and shape of the district, the demand for services, and the economics and technology of providing those services – has changed over time. But the districts themselves often do not evolve to reflect those changes. For instance, many districts were established to serve geographically distinct communities that have long since grown into large urban areas. San Diego, Riverside and Los Angeles counties, for example, are each home to 65 or more independent special districts. And while there may be good reasons for each to exist, they are not always the same reasons why the district was created in the first place.

Taxonomy of Special Districts

Some special districts provide one specialized service – managing a cemetery or a memorial hall, or operating a sewer treatment plant. Other districts provide multiple services, taking on the character of a full-fledged city; the Bear Valley Community Services District, for example, maintains roads, provides drinking water, hauls away garbage and provides police protection to a town in the Tehachapi Mountains.

They can be as large as the Metropolitan Water District of Southern California, serving more than 16 million people in six counties, or as small as the Halcumb Cemetery District in Shasta County, which patiently waits for the day it can serve its 5,000 mountain residents.

BACKGROUND

The State Controller’s office, which gathers financial data on special districts, puts the count at 4,787. That number includes 659 joint powers agencies and 233 public nonprofit corporations. The Controller’s data reveal an important element: that special districts can be defined and divided in different ways, and the policy issues that surface depend on which groups of special districts are being examined. Special districts are most often delineated by their legal authority, the services they provide, how they are governed and administered, and how they are funded.

By Statutory Authority

Special districts are authorized under either a principal act or a special act. Approximately 60 principal act statutes provide a framework for voters to create a particular type of district anywhere in the state. For example, Health and Safety Code sections 32000-32492 authorize and prescribe the powers of California health care districts: “A local hospital district may be organized, incorporated and managed, as provided in this division and may exercise the powers herein granted....” Statutes provide for cemetery, road maintenance, fire protection, irrigation and resource conservation districts.

The Legislature also has created special act districts when it is persuaded that unique needs require a unique district. The Humboldt Bay Harbor Recreation and Conservation District and the Alameda County Flood Control and Water District are examples of the approximately 125 special act districts.⁵

By the Services They Provide

A common way of grouping special districts is by the services they provide. Water districts are the most numerous, followed by fire protection, community services, cemetery and memorial districts. There are 47 mosquito abatement districts and eight citrus pest districts.⁶

Independent Special Districts			
Air Pollution	7	Maintenance	23
Airport	9	Municipal Improvement	4
Cemetery/Memorial	279	Parking	3
Community Services	283	Pest Abatement	61
Drainage	28	Police Protection	3
Fire Protection	342	Recreation & Park	96
Flood	35	Reclamation	132
Garbage Disposal	1	Resource Conservation	92
Harbor & Port	12	Sanitary/Sanitation	117
Healthcare/Hospital	74	Separation of Grade	1
Highway Lighting	4	Utility	55
Library	14	Water	458

Source: State Controller, 1996-97 financial data, on file. Counts for districts that reported reserves and gross revenue information to the Controller. Does not include transit districts or 86 districts identified by the Controller as inactive. Health district count is from the Association of California Healthcare Districts.

While water districts may be organized under one of a number of different statutes, they have long been politically united to pursue common goals of providing reliable water supplies to a growing population in a region with a Mediterranean climate. Similarly, there are

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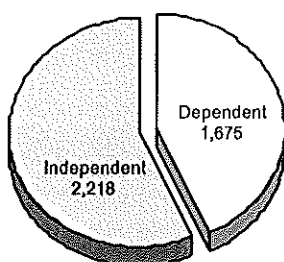
associations representing the interests of sanitation districts, recreation and park districts and port authorities.

By Their Governance

A major distinction among special districts is between dependent and independent districts. Dependent districts are subdivisions of another multipurpose local government; county boards of supervisors or city councils typically govern dependent districts. Independent districts are those with their own governing board, usually elected directly by voters.

A few agencies, like most cemetery districts, are governed by boards that are appointed by city councils or county boards of supervisors.

The Majority of Special Districts are Independent



Source: State Controller, 1996-97 data. Does not include JPAs or nonprofit corporations.

The Controller's Office reports that there are 1,771 dependent districts, including 76 joint powers agencies (JPAs) and 20 nonprofit corporations. According to the Controller, there are 3,016 independent districts, including 583 JPAs and 215 nonprofit corporations.⁷

Regardless of their governance structure, districts have many of the same governing powers as other local governments. They can enter into contracts, assume debt and levy taxes and assessments. And they can sue and be sued. But the governance structure can determine how districts operate, the visibility of their decisions and how they are held accountable to the public.

By Their Source of Funds

Another factor that determines the nature of districts is their source of revenue. Districts that finance their operations with fees for the services they provide are known as enterprise districts. Special districts that are funded through property taxes are known as non-enterprise districts.

Enterprise districts typically have customers who consume goods or services: electricity, drinking or irrigation water and waste disposal. Some highly specialized agencies also can be enterprise districts, such as port districts. Fees are set by the governing board to recover the costs of providing services from the customers of those services.

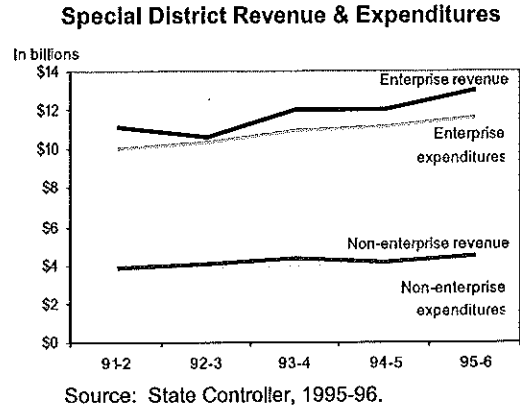
Non-enterprise districts typically provide services that indirectly benefit the entire community, whether it is actually consumed or not – such as fire or flood protection, memorial hall and cemetery districts. The costs of these services are often recovered through property taxes.

Some districts are hybrids – collecting fees and providing enterprise services, while also fulfilling non-enterprise functions that are funded

BACKGROUND

through taxes. In 1996-97 districts reported enterprise activities generating \$13.4 billion dollars in revenue. Non-enterprise districts reported \$4.6 billion in revenue.⁸

As the chart shows, enterprise districts received and spent significantly more public funds than non-enterprise districts. The chart also provides the first glimpse of one issue concerning enterprise districts in particular – that revenue consistently exceeds expenditures, providing the opportunity for enterprise districts to establish reserves.



The State’s Role: Financial Reporting

As separate government agencies, virtually all special districts are designed to be accountable directly to the people who elect their leaders – whether those leaders are city council members or county supervisors who occasionally wear the hat of special district board members or whether those directors serve on independent boards.

The State plays a nominal role in gathering and reporting financial information that is intended to aid in this accountability. Regardless of type or size, all districts are required to report their financial transactions to the State Controller.⁹ By law, the State Controller annually compiles and publishes these transactions in the *Special Districts Annual Report*.¹⁰ The information reported by the Controller is in most cases not independently verified, because most districts have not completed their audits before the deadline set by the Controller. The Controller’s staff performs a “desk review” of the information submitted by districts, focusing on “consistency, reasonableness and format.” The Controller does not have oversight or audit responsibilities and the Controller’s report does not assess the performance or the fiscal health of the districts.

Local Agency Formation Commissions

Concerned about the evolution of local government, the Legislature in 1963 passed the Knox-Nisbet Act, which created a Local Agency Formation Commission (LAFCO) in every county, except the city-county of San Francisco. The act charged LAFCOs with the following:

- ✓ Regulate the formation and boundaries of cities and most special districts.
- ✓ Discourage urban sprawl.

LITTLE HOOVER COMMISSION

- ✓ Promote logical growth.

The Legislature later revised the procedures for changing boundaries of local governments with the District Reorganization Act of 1967 and the Municipal Reorganization Act of 1977. In 1985, the laws governing local boundary changes were consolidated into the Cortese-Knox Local Government Reorganization Act.

In 1993, the Legislature and the Governor enacted AB 1335 (Gotch), an amendment to Cortese-Knox that gave LAFCOs the authority to initiate boundary change proposals for special districts. The law allows LAFCOs to initiate consolidations, dissolutions, and mergers and create subsidiary districts if the proposals would:

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

In the Cortese-Knox Act, the Legislature stated a bias toward general purpose government:

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.¹¹

The Legislature also intended that LAFCOs proactively push the evolution of special districts. For reasons explored in this report, LAFCOs are often ineffective in this regard. Between 1994, when AB 1335 was implemented, and 1997, only one LAFCO-initiated proposal resulted in a special district reorganization.

The Legislature as Super-LAFCO

In the absence of LAFCO-initiated reorganizations, the Legislature occasionally has acted as a “super-LAFCO” and attempted to force special district reorganizations.

- In 1995, in the wake of the Orange County bankruptcy, then-Assembly Speaker Curt Pringle became aware of the amount of money that special districts had in the failing county investment pool. He also learned that 57 elected officials were serving 32,000 people in the Dana Point area of Orange County. He introduced

BACKGROUND

legislation to consolidate 25 water and sanitary districts in the county. The legislative efforts, while unsuccessful, put pressure on district officials to merge or be merged.¹²

- In the same year, then-Senator Bill Lockyer introduced legislation to combine a sanitary district and water district in Alameda County into a single agency. Lockyer withdrew the bill, but not until a study had been conducted that showed that minor cost savings would be offset by higher short-term operational expenses and potentially higher compensation and benefits. Since that time, however, the two districts have developed a joint reclamation master plan to study the feasibility of using recycled water, coordinate employee training to reduce costs, and are exploring the joint use of facilities for some of their operations.¹³
- In 1995, Senator Polanco considered a proposal to reorganize three water districts in Los Angeles County. However, legislation was not introduced on this subject, as the end of the legislative session was approaching and staff anticipated some objections to the proposal.¹⁴

While none of these measures succeeded, they are evidence that the evolution of special districts is not always smooth and rational.

The Policy Debate

Periodically some policy-makers have expressed concern about the proliferation and fragmentation of local governments, including special districts. In their eyes, California's 58 counties, 474 cities and more than 3,800 special districts are evidence of an uncoordinated, unwieldy and complex system of local government.

In the wake of Proposition 13 in 1978, there was particular concern that more cities and special districts would form to capture locally generated revenue. Similarly, there were concerns that fiscally strapped counties and cities might encourage the creation of special districts to shift service obligations to separate agencies. The evidence, however, does not support this "conventional wisdom."

Local Governments per 100,000 Population: California Compared to the Rest of the United States				
	Counties	Cities	Special Districts	School Districts
1992				
California	0.19	1.49	9.05	3.49
Other 49 States	1.33	8.39	12.83	5.95
1977				
California	0.26	1.85	9.96	4.96
Other 49 States	1.51	9.35	12.02	7.12

Source: Paul G. Lewis, *Deep Roots: Local Government Structure in California*, Public Policy Institute of California, 1998.

Paul G. Lewis, author of *Deep Roots: Local Government Structure in California*, found that the number of special districts has increased only gradually since the 1970s.¹⁵ Other researchers have found that the total number of districts has changed little – less than 3 percent – since the passage of Proposition 13. The greatest growth has been in the number

LITTLE HOOVER COMMISSION

of county service areas and joint powers agencies – governments created by governments. If it were not for the growth in those categories, the total number of special districts would have actually dropped nearly 8 percent since Proposition 13 was enacted.¹⁶

Still, there is concern that as communities have developed, the underlying patchwork of special district governments has become unnecessarily redundant, inefficient and unaccountable. Reform advocates argue that many special districts – particularly in urban areas – could be consolidated to reduce duplication and capture economies of scale. In urban areas, districts often provide the same services provided by cities and counties and overlap one another, occasionally creating conflicts and competition. The large numbers of districts make it hard for the public to understand who provides what services and to assess their performance. The narrow focus and low public profiles of many districts diminish the chances that policy-makers and the public will actively monitor the activity of those districts.

Officials with special districts assert that they are an efficient means of providing local public services. They contend special district government is responsive and accountable – through direct elections of board members, open meetings, financial reporting requirements, audits and reviews by county grand juries.

At the same time, election results and academic research show that the public often prefers the government closest to them. Even when presented with more efficient and effective options, the public will often opt to maintain the government that they know, trust and believe can be more responsive to their needs.

These tensions persist in many communities throughout the state, seldom rising to the top of political agendas until particular controversies or scandals put a spotlight on problems. To better understand the issues of visibility, accountability and the evolution of special districts, the Commission reviewed three individual case studies. Several key policy issues emerged from these case studies that guided the Commission's research and informed its conclusions:

1. Water Replenishment District of Southern California

The controversy involving the Water Replenishment District of Southern California (WRD) contributed to the Commission's decision to conduct this study. The Commission examined the WRD to learn more about the larger policy issues of governance, efficiency and accountability that are raised among special district governments in other locales.

BACKGROUND

Established in 1959, the WRD provides groundwater for 3.5 million residents in 43 cities in southern Los Angeles County. A five-member board, elected by geographical division, governs the district. Prior to 1991, the WRD shared an administrative staff of three with the Central Basin and West Basin municipal water districts, which provide supplemental water to many of the same cities served by the WRD. The WRD broke away from the West Basin and Central Basin districts in 1991 and expanded its staff and the scope of its activities.

In 1998, the district came under fire from a number of the cities it serves for its water rates, contract bidding practices, the size of its reserve, and for allegedly violating the State's open meeting laws. Dissatisfied with the district's response to their concerns, the cities of Artesia, Downey, Lakewood, Norwalk, Pico Rivera, Santa Fe Springs, Signal Hill and Cerritos filed four lawsuits against the district and its directors. Policy issues raised by this case are pertinent to other special districts, including:

- **Obscure and unaccountable.** Independent special districts are often criticized as being invisible and unaccountable to the public. Well-managed districts publicize their activities and solicit ideas from customers. Other districts work anonymously and beyond scrutiny until a scandal ensues.

Cities served by the WRD assert the district conducts its business behind closed doors and in violation of the State's open meeting laws, discussing and acting on matters not appropriately noticed. One tangible consequence was fees set far greater than the cost of providing the service, which resulted in the accumulation of a large cash reserve.

- **Duplication and inefficiency.** Duplication and inefficiency are common criticisms of special districts. The Commission heard that the WRD is unnecessarily duplicating functions performed by other districts. Several witnesses told the Commission that consolidation, particularly of water and sewer districts in urban areas, results in improved service, infrastructure and efficiency.

2. Sacramento County Fire Districts

As the Commission began its study, the American River and Sacramento County fire protection districts were negotiating a merger for the second time in recent years. Earlier merger talks fell apart over concerns by the Sacramento County fire district about workers' compensation and retirement plans and the elimination of elected board positions. Subsequently, three new directors were elected to the Sacramento

LITTLE HOOVER COMMISSION

County fire board. In June 1999, the new Sacramento County board and American River board voted to renew efforts to merge the two districts that serve 600,000 residents in northern and eastern Sacramento County and a small portion of Placer County.

Representatives from the two districts negotiated several issues: the boundaries for board member districts, composition of the new board, labor issues, and the effect of reorganization on tax revenue.

In October 1999 the districts filed a petition with the county LAFCO to merge. LAFCO and the County Board of Supervisors approved the measure, which will become effective in December 2000. Combining the two districts is expected to save \$500,000 in administrative costs and reduce response times. One fire chief position and five elected director positions will be eliminated. Policy issues raised by this case study include:

- ❑ ***Understanding the benefits of consolidation.*** In spite of their disagreements, officials with both fire districts agreed that reorganization would improve service and reduce costs. But how to credibly calculate the savings that can be expected from mergers – which are essential facts in overcoming the parochial interests of the status quo – is a problem in many similar situations.
- ❑ ***Dependent vs. independent LAFCOs.*** Sacramento County has had a large number of fire protection and other special districts that have been slow to merge even when it makes economic sense. One factor in the slow evolution of the districts is the county's Local Agency Formation Commission. The county LAFCO is staffed part-time by county employees with many other responsibilities, reducing its effectiveness as a catalyst for change.
- ❑ ***Overcoming parochial interests.*** An issue in the districts' reorganization proposals was the resistance of directors to support a merger that would reduce the number of elected positions. This issue is sometimes voiced as reducing democratic representation. But this problem has been solved elsewhere by "grand-fathering" incumbents onto the new board and phasing the surplus seats out over time, which is an indication that some of the concern is about the continued participation of incumbents rather than representation over the long-term.

3. Orange County Water Districts

In 1993, South Coast Water District was a small water district that realized that to be more efficient it had to be bigger. At the time,

BACKGROUND

neighboring districts were not interested in a reorganization and there was no political support for consolidating districts.

Following the Orange County bankruptcy, the number of small districts in the county – and the large reserves they had invested in the failing county fund – increased political interest in consolidation. The City of Dana Point applied to take over the South Coast Water, Capistrano Beach Water and Dana Point Sanitary districts. The districts, in turn, each filed alternative consolidation applications. The Orange County LAFCO agreed that consolidating the agencies would increase accountability and improve service. A study funded by the districts concluded that the South Coast Water District was the best provider in Dana Point, and recommended that the smaller districts be merged into it. The LAFCO agreed.

The consolidation eliminated 15 elected board positions. Two general manager positions were eliminated through retirements. The consolidation agreement mandated that all employees keep their jobs and that reductions in staff occur through attrition.

The City of Dana Point, however, remains convinced that citizens would have been better served had the city taken over the services. The city manager believes that the decision was made on political grounds rather than factual ones, asserting the districts hired consultants and public relations specialists who “worked the LAFCO staff, board and public.” He claims the benefits promised by the consolidation have not materialized.¹⁷

The consolidation of water and sanitary districts in the Dana Point area of Orange County provided the Commission with important insight on two issues:

- **Local government turf issues.** This case exemplifies the potential for turf issues to become barriers to consolidation. Elected officials from separate local government agencies often claim to represent the same constituents, with animosity between special districts and cities widespread.
- **Independent vs. dependent LAFCOs.** In contrast to Sacramento County, the LAFCO in Orange County has an independent staff and budget. Reform advocates argue that independent LAFCOs have the time, resources and develop the skills necessary to analyze consolidation alternatives and facilitate the negotiations that result in reorganizations.

Recent Reform Efforts

In 1997, the Legislature enacted AB 1484 (Hertzberg), establishing the Commission on Governance for the 21st Century. The Commission was charged with reviewing and making recommendations for reforms to governance in California. Specifically, it was charged with examining the Cortese-Knox Local Government Reorganization Act of 1985 and Local Agency Formation Commissions governed by the Act.

Having a broader mandate and aware that the Little Hoover Commission was reviewing special districts, the commission did not address specifically the governance, accountability and efficiency of special districts. It did review other issues related to special districts and made, among others, the following recommendations that are relevant to this study:

- ✓ That the Cortese-Knox Act be amended to declare that single purpose agencies have a legitimate role in local governance, while recognizing that multi-purpose agencies may be the best mechanism for service provision, particularly in urban areas.
- ✓ That LAFCOs be neutral, independent and provide balanced representation for counties, cities and special districts.
- ✓ That special districts be given the automatic option to select two LAFCO members.
- ✓ That special districts not be required to give up their right to exercise their latent powers as a condition of LAFCO membership.¹⁸

In its final report, *Growth Within Bounds*, the Commission on Governance for the 21st Century made additional recommendations for strengthening LAFCO powers and increasing public involvement in government.¹⁹

The Little Hoover Commission conducted its study within the context of the long history of debate over special districts. It understood quickly that while the size and purpose of special districts may change over time, the districts are sure to remain an integral part of the local government landscape. For those reasons, it focused on the visibility, accountability and appropriate evolution of independent districts.

Toward Visibility and Accountability

Finding 1: Special districts are often invisible to the public and policy-makers, compromising oversight and accountability.

Most independent special districts are single purpose and provide one service, such as water, sanitation or fire protection. Narrow in scope and given little consideration until a problem occurs, these districts rarely evoke public scrutiny. Much of the public may not even realize that they are indeed governments. The traditional oversight and accountability mechanisms – the electoral process, public meetings and financial reporting – have not been effective in promoting the kind of rigorous examination required of democratic institutions. To increase their visibility and accountability, special districts should be required to aggressively publicize information about their finances and activities to policy-makers and the public.

Existing Accountability Mechanisms

Independent special districts are local governments with their own elected boards, subject to mechanisms designed to hold them accountable to the public and policy-makers, including:

- ***The electoral process.*** Most special district board members are elected by division or at-large, typically for four-year terms. Like other elected officials, they are subject to removal from office if voters become disenchanted with their policies or performance. There are some exceptions: county boards of supervisors, for example, appoint memorial and cemetery district board members. Also, small districts often do not have enough candidates for a contested election or have no candidates at all. In either case, appointments become the responsibility of the county supervisors.
- ***Sunshine laws.*** Like all local governments, special districts are required to conform to the Ralph M. Brown Act, the State's open and public meeting law, and to make minutes of their meetings publicly available. Districts also must comply with the Public Records Act.
- ***Financial audits.*** Districts annually adopt budgets and programs at open and public meetings, and file their budgets with county auditors. They are required to have annual or biennial independent audits. In some cases, county auditors conduct audits; elsewhere, independent audit firms perform the audits.

LITTLE HOOVER COMMISSION

- **State Controller reports.** Special districts are required to annually report their financial transactions to the State Controller, who compiles and publishes the information in the *Special Districts Annual Report*. Districts also submit copies of their financial audits to the State Controller. The Controller's function is primarily ministerial, including a desk review of the information, focusing on "consistency, reasonableness and format." The Controller does not have oversight or audit responsibilities that would help to assess the performance of special districts or hold them accountable for fiscal decisions.

Occasionally, the activities of a special district have raised enough concern that a review by the State Auditor has been undertaken, as was recently the case with the Water Replenishment District of Southern California. The activities of special districts can also be subject to review by local grand juries.

Challenges to Effective Oversight

The formation of a special district is a fundamentally democratic action – the creation of a government by a community of people. But the traditional democratic means of providing oversight are not adequate.

Special districts seldom generate much public interest because of the singular and generally non-controversial nature of their activities. As a result, the mechanisms for oversight and accountability – the electoral process, the public venue and financial reporting – are often ineffective. Advocates of multiple governments tout the efficacy of these mechanisms in ensuring accountability and contend that any lack of public participation signals satisfaction, but the evidence shows otherwise.

- **The electoral process is not rigorous enough.** Researcher Nancy Burns found in *Formation of American Local Government: Private Values in Public Institutions* that few citizens are aware of and participate in special district government. Citing an earlier study, she reports that following their formation, special districts usually have a miniscule number of voters participating in elections, with involvement of 2 to 5 percent of the electorate regarded as an unusually high turnout.²⁰

To gauge the adequacy of the electoral process in special district elections, the Commission studied election results in Sacramento and Contra Costa counties for the years 1983 through 1998.²¹ The research compared the rigor of the electoral process in city council elections to that in special district elections by reviewing voter

TOWARD VISIBILITY AND ACCOUNTABILITY

participation, incumbency patterns and contested elections. The Commission found differences between special district and city council elections in four areas: the number of candidates running, seats filled through contested elections, incumbency rates and voter participation.

Independent Special Districts in Sacramento & Contra Costa Counties in 1998	
Sacramento	Contra Costa
3 Community Services (CSD)	4 Community Services (CSD)
11 Fire	3 Fire
1 Flood – American River Flood Control	3 Health/Hospital
10 Recreation & Park (Rec & Park)	6 Municipal Advisory Council or Municipal Improvement (MAC)
4 Resource Conservation	5 Recreation & Park or Regional Park (Rec & Park)
1 Utility – Sacramento Municipal (SMUD) provides electricity	1 Resource Conservation
9 Water or Irrigation (Water/Irrig.)	8 Sanitary
3 Landowner Water – not included in election data	2 Transit (also serve neighboring counties)
	1 Utility – East Bay Municipal (EBMUD) provides water and sewer
	5 Water or Irrigation (Water/Irrig.)

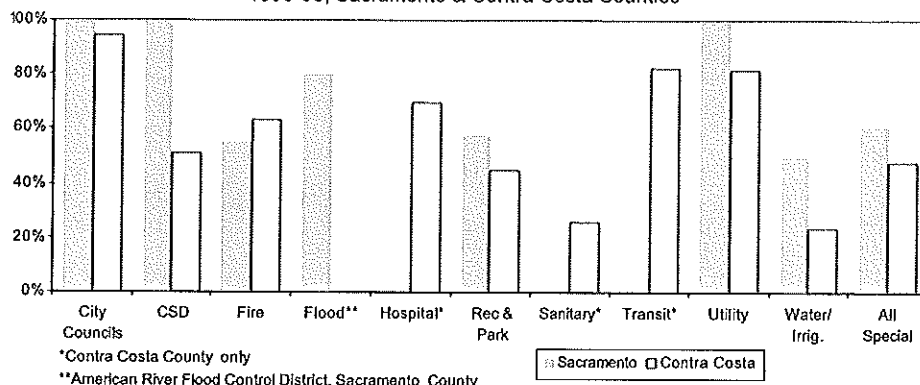
Sources: Sacramento LAFCO, Directory of Service Providers, Nov. 1998.
Contra Costa Registrar of Voters, elections possible, on file.

1. Contested Elections. Special district board members may either win a contested election, run uncontested (in which case they are appointed by the county board of supervisors), or be appointed by the board of supervisors if not enough candidates filed for the available seats. The Commission found that fewer candidates ran for special district seats than ran for city council seats. In addition, while city councils consistently had enough candidates to hold elections, special districts frequently did not.

The chart on the following page depicts the percentage of seats that were filled through contested elections between 1990 and 1998. In Sacramento County, all city council, utility district (Sacramento Municipal Utility District – SMUD) and community services district (CSD) seats were filled through contested elections. Fire, flood (American River Flood Control District), park and recreation, resource conservation, and water and irrigation district seats were filled by a combination of contested elections, appointed uncontested candidates, and appointments. In Contra Costa County, all types of districts and city councils had at least one seat filled by appointment. In both Sacramento and Contra Costa counties, all seats on resource conservation district boards were filled by appointees.

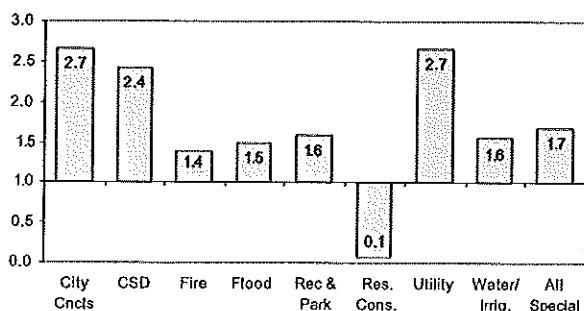
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Seats Filled Through Contested Elections
1990-98, Sacramento & Contra Costa Counties



2. Candidate participation. Overall, there were more candidates per seat for city council races than special district elections in Sacramento.²² The differences were particularly striking in fire, flood, resource conservation, and water and irrigation districts. On average, candidates in these districts had a greater than two in three chance of winning. In contrast, the average city council candidate was only half as likely to win.

Candidates per Seat
Sacramento County, 1983-1998



1 candidate per seat = unopposed election
Less than 1 per seat = at least 1 appointment made

Resource conservation districts, which were scheduled to elect 12 board members between 1983 and 1998, did not hold a single contested election, and only one candidate filed.

As the chart on the left illustrates, more candidates filed for each available seat on a city council (2.7) than for each special district vacancy (1.7) in Sacramento County. In community services districts (CSDs) and the Sacramento Municipal Utility District (SMUD), which are high-profile districts, more than two candidates filed per vacancy. Other special districts, however, ranged from 1.6 to 0.1 candidates per seat, which means that so few candidates filed that all seats were filled by appointment.

3. Incumbency patterns. A slightly higher percentage of special district seats are contested and won by incumbents in both Sacramento and Contra Costa counties than their city council counterparts. The variation between counties, however, was greater than the differences between special districts and city councils. Incumbents ran for and won a greater percentage of seats in Sacramento than in Contra Costa.

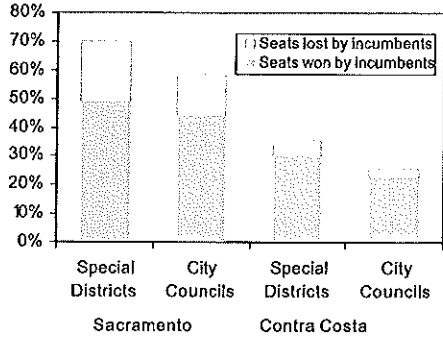
TOWARD VISIBILITY AND ACCOUNTABILITY

In Sacramento County contested elections, incumbents won 48 percent of the special district seats, compared to 44 percent of the city council vacancies. Similarly, Contra Costa County special district incumbents won 30 percent of the contested seats, while city council incumbents won 23 percent of the contested seats.

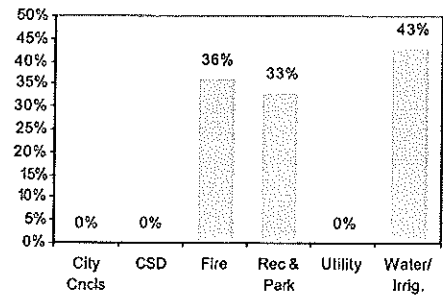
Special district board members are also much more likely to begin their stints on special district boards as appointees. Subsequently, they may run for re-election or simply be reappointed to the board. If they face a contest for re-election, these board members have the advantage of incumbency, although the voters did not originally elect them. In Sacramento County, between 1983 and 1998, 36 percent of fire district incumbents (27 people), 33 percent of recreation and park district incumbents (17 people), and 43 percent of water and irrigation district incumbents (20 people) began their board careers as appointees.

Incumbency Patterns

**Seats Contested By Incumbents
1990-1996**



**Incumbents Beginning As Appointees
Sacramento County, 1983-1998**



4. Voter participation. The Commission found lower levels of voter participation in Sacramento County special district elections, as compared to city council elections.²³

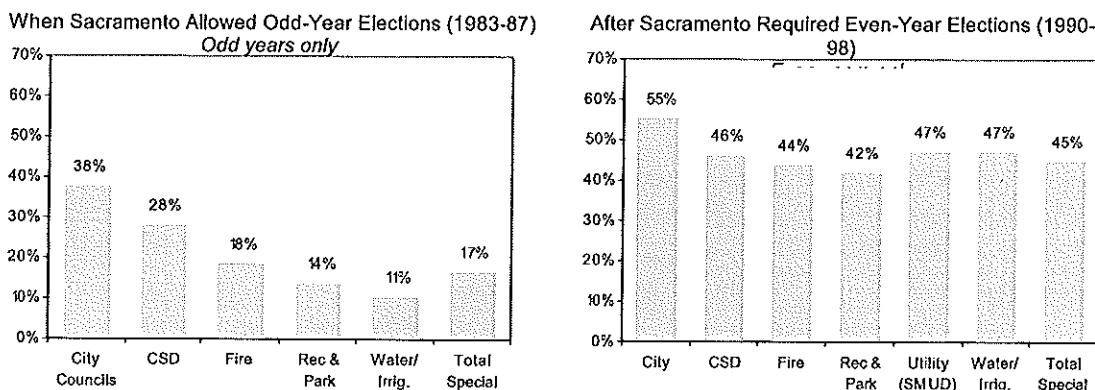
In the 1990 to 1998 Sacramento County general elections, there were 18 city council and 233 special district elections.²⁴ During that period, voters selected 41 city council seats and 439 seats on special district boards. To determine participation, the Commission compared the number of votes cast to the number of votes that could have been cast if all registered voters voted for all of the seats available. On average, registered voters cast 55 percent of their allowed city council votes and 45 percent of their special district votes.²⁵

Sacramento has made an effort to increase voter participation in special district elections. Prior to 1988, many special districts held their elections in odd-numbered years. Voter turnout is typically much lower for odd-year elections, which lack the statewide issues to draw voter interest. City council elections between 1983 and 1987, for example, averaged 47 percent voter participation.

LITTLE HOOVER COMMISSION

For odd-year elections alone, city councils averaged a 38 percent voter participation rate. Water and irrigation districts averaged an 11 percent participation rate, and fire districts averaged 18 percent.²⁶ The rate of participation in local elections increased significantly in 1988, when all city council and special district elections were placed on the general election ballot in even years. The data, however, also show that special district elections still do not receive the same level of participation as city council elections.

Average Voter Participation



- ❑ **Open meetings are not enough.** Designed as the venue for public scrutiny of public agency activities, the public process as practiced by special districts is largely ineffective. The Brown Act, in effect, requires that people come to the government, not that government comes to the people. But the people generally do not go to special district government, either because they are unaware of its existence and activities, or because it is inconvenient.

Today, many businesses and larger government agencies recognize and take advantage of the opportunities presented by technology to provide better customer service. “Brick and mortar” operations of the

past are now on-line. Many special districts, on the other hand, do not maintain a presence on the Internet. When they do, they often fail to provide information necessary to facilitate rigorous public scrutiny of the district’s policies and performance, or to invite input electronically from customers unable or unwilling to attend public meetings.

Many districts contacted by the Commission reported practicing the most minimal of public notice by posting meetings and agendas only at

Public Meetings on the Internet

Some cities, like Santa Monica, provide live video streaming of their city council meetings on the Internet. Others are also posting the video on their Web sites. These practices allow citizens to view a public meeting they are interested in from their work site or home, or at times they find convenient.

TOWARD VISIBILITY AND ACCOUNTABILITY

district headquarters – locations rarely frequented by members of the public. Most do not routinely use newspapers, cable television or radio to make their activities known to their customers.

Californians by and large do not have an easy, one-stop way to determine which districts serve them, and when and where those districts meet. The Internet is one effective way for citizens to find out detailed information tailored to their communities. In simple applications, citizens can find out the time and place of meetings. But increasingly public meetings are being “broadcast” on the Internet to anyone interested in participating.

Many districts hold meetings at times convenient for the staff and elected officials, but that preclude attendance by citizens faced daily with the pressures of balancing family, work, school and other demands of contemporary life.

- **Financial reporting is inadequate.** For financial reporting to be useful to the public and policy-makers, it must be easy to get, easy to understand and easy to respond to. Currently, district financial reporting meets none of these criteria.

Prepared according to principles and standards developed by and for professionals, district financial information is difficult for persons lacking training in public finance to understand. The Controller’s report, *Special Districts Annual Report*, is prepared with largely unaudited information from districts and is two years old when it is made available. Distributed to the Governor, Legislature, special districts, libraries and county auditors, it is of little utility for community leaders and local policy-makers interested in examining special districts.

Budgets and audits submitted to county auditor controllers are public documents. County auditors may review budgets to ensure that they balance, or that districts have “done the math” correctly. In some counties, monthly reports are generated for the districts’ use. The budgets are not provided to the public or policy-makers. Audits are typically given a cursory review to ensure that they are prepared in accordance with established standards, and are then filed away. Absent a controversy, these documents are unlikely to ever be viewed

Public Notice is Inadequate

During the course of its study, the Commission used a newspaper clipping service to obtain articles from across the state that contained special district news. Of the hundreds of articles that crossed the Commission’s desk, few provided notices of district board meetings, pertinent district financial information or reference to a Web site for more information.

Riverside County Special District Meeting Times

	Daytime	Evening
Community Services	1	6
Health*	2	1
Recreation & Park	1	3
Resource Conservation	6	1
Sanitary	1	1
Water/Irrigation	15	10

*A fourth health district meets only once a year.

LITTLE HOOVER COMMISSION

by policy-makers or the public – who are mostly unaware that the reports exist or do not know how to obtain them.

Districts also are not required to submit financial information to city or county elected officials or Local Agency Formation Commissions, which represent the broader community interests. As a result, district financial information is largely meaningless as a tool to evaluate the effectiveness and efficiency of services provided by districts, or to make comparisons with neighboring districts or services provided through a city or county.

Making Finances and Activities Known

Among the attributes of special district governments are the ability to provide specialized services desired by the residents of a given area, governance by an elected body close to and responsible to the voters, and a lack of conflicting policy issues. These very characteristics, however, also give rise to the lack of visibility and accountability for which special districts are criticized.

Long concerned about these shortcomings, policy-makers have attempted to address the challenges to good government presented by the obscurity of special districts. Historically, efforts to make local government better understood, efficient and accountable have focused on changing government, not making it more visible. As described in the

American River Fire Protection District

Some districts, including the American River Fire Protection District in Sacramento County, have taken it upon themselves to aggressively publicize their activities and solicit public input.

Increasing Public Awareness

- ✓ Regular newsletters.
- ✓ Well-advertised Web site.
- ✓ Media encouraged to attend all meetings.
- ✓ Meetings aired on cable TV.
- ✓ Regular radio and newspaper coverage.
- ✓ Public Saturday strategic planning meetings.
- ✓ Evening board meetings.

In 1998, the district formed a citizen's task force and charged it with reviewing long-term strategies and addressing issues regarding the fiscal concerns of the district. The task force expanded its charge, examining issues of public awareness and involvement. It concluded that district residents were "woefully uninformed" about the operations of the district. The task force encouraged the board to provide increased opportunities for district residents to work closely with the board and district staff and to survey public attitudes toward the district on a regular basis. It recommended a "sustained and imaginative" public information and education campaign that would include advertisement of the existence of the district's Web site and encourage its use as a method of

obtaining public feedback. The district subsequently implemented a number of other strategies to increase public awareness and participation. The district reports it has received a tremendous amount of positive feedback from the public, particularly for televising its meetings.

TOWARD VISIBILITY AND ACCOUNTABILITY

background' and Finding 2, the goal of most of these efforts has been a reduction in the number of local governments.

But even if policy-makers are successful in limiting or reducing special districts, they promise to remain an important fact of California life. The State could play an important role by addressing the persistent concerns about their lack of visibility and accountability.

The California Society of Municipal Finance Officers recognizes the importance of public awareness and understanding of the financial activities of cities and provides incentives for cities through its annual *Excellence in Public Communications* awards. Several cities have found innovative and effective ways to inform the public about their budget processes. These cities have made an effort to describe their budgets in language that the average citizen can understand, and to provide budgetary information in an easily accessible, reader-friendly format. They make use of graphs and formatting to summarize information and highlight major programs and savings. Short flyers and newsletter-style pieces are mailed to residents, providing them with basic information that is not intimidating. Several cities also provide budget information on their Web sites.

The examples provided by the American River Fire District and other local governments show opportunities to take government to the public and to raise the visibility and accountability of all special districts. Reforms in three areas could improve the electoral process, the public process and make financial reporting more effective:

- **Information to the public.** Public awareness of and participation in special district government – including the electoral process – could be increased if districts took advantage of all available means to publicize their activities and invite public participation. All districts could maintain Web sites that provide information on their mission, purpose, activities and finances. Widely advertised interactive Web sites could invite public input 24 hours a day, seven days a week, reducing the reliance on public meetings to provide public

San Diego Citizen's Budget

The City of San Diego presents a four-volume budget. Volume 1, titled the "Citizen's Budget," includes a "Citizen's Guide to the Budget" that walks the reader through each section of the budget, using sample graphs and charts from departmental budget pages. The Citizen's Guide also describes the allocation and budget processes and defines city fund types. The Citizen's Budget provides summaries of city revenues – including revenue carried over from the previous year – expenditures, capital improvements, number of city employees per thousand residents, and other financial information. The full budget provides detailed information on departmental revenue and expenditures and lists the outcomes of selected performance measures. All four volumes of the budget are available on the city's Web site. The Web site also provides information on community budget forums and offers an opportunity for citizens to comment on the budget.

San Diego's Citizen's Budget can be accessed at:
www.ci.san-diego.ca.us/budget.

LITTLE HOOVER COMMISSION

accountability. And Web sites could be linked to those of cities, counties and Local Agency Formation Commissions. County and Local Agency Formation Commission Web sites could permit citizens to enter their zip code and learn which districts serve them. Districts could also inform the public through cable television, local newspapers and radio, newsletters, property tax bills and bills for service.

- **Information to local policy-makers.** Special district visibility and accountability would be enhanced, as would opportunities for more effective regional planning, if policy-makers in larger local government agencies understood the state of special district finances and activities. Special districts could annually present budgets, audited financial statements and future plans to boards of supervisors, city councils and Local Agency Formation Commissions. Detailed information on district reserves, including district policies on the accumulation and use of reserves, should be provided. So informed, local policy-makers could provide the oversight needed to prevent occasional but costly controversies like that of the Water Replenishment District of Southern California.

- **Information to state policy-makers.** Special district financial and activity information is needed by state policy-makers charged with developing and enacting policies that guide the evolution of government, define the state-local relationship and determine how infrastructure and services will be provided. State policy-makers, armed with information about district finances, could assess the solvency of districts, their ability to provide critical services, and the appropriateness of their reserve policies and practices.

To be useful, financial information should be provided in standard, uniform and easily understood formats. Summary financial documents should foster comparability, accountability and utility. Sources of revenues, expenditures and services provided should be identified, as should reserve funds and their purposes.

Summary

The debate about special districts is often about which ones can be consolidated or eliminated. The Commission believes the first step should be making all independent special districts more visible – improving the electoral process, the public process and financial reporting. Visibility could become the norm rather than the exception. For citizens and community leaders to provide the necessary oversight, they need the relevant information.

TOWARD VISIBILITY AND ACCOUNTABILITY

Recommendation 1: The Governor and Legislature should enact legislation that would make special districts more visible and accountable. Specifically, the legislation should:

- **Require special districts to actively make their activities visible to the public.** To help the public – as citizens, consumers and voters – to participate effectively, independent special districts should annually develop and publicize the following information, stated in easily understood terms:
 - ✓ District mission and purpose
 - ✓ Summary financial information presented in a standard format and simple language, including reserve funds and their purpose
 - ✓ District policy on the accumulation and use of reserves
 - ✓ Plans for the future, including anticipated revenues, expenditures, reserves and trends in user rates
 - ✓ Per capita tax contributions of property owners
 - ✓ Performance and quality of service indicators
 - ✓ Board member benefits and compensation

Financial information should be posted on Web sites, provided in property tax bills, customer billing statements, and be available from cities, counties and libraries. Districts should be required to publicly notice all meetings in local newspapers, invite coverage by local cable television and conduct annual mailings to district residents.

- **Require special districts to submit information to other local governments.** Independent special districts also should annually and publicly present financial information to county boards of supervisors and city councils, which represent the broader community of interests. Districts also should submit budgets and financial audits to their Local Agency Formation Commission, which could then determine which districts warrant closer scrutiny.
- **Encourage special district elections to be held as part of even year general elections.** To increase voter participation in special district elections, counties should be encouraged to consolidate special district elections in even-year general elections.

LITTLE HOOVER COMMISSION

Strengthening LAFCOs

Finding 2: Local Agency Formation Commissions, by not aggressively scrutinizing the organization of special districts, have failed to promote the efficient and effective evolution of local government.

Local Agency Formation Commissions were created in response to the rapid and haphazard development of cities and special districts in the years following World War II. LAFCOs, charged with promoting the rational and orderly evolution of local government, were specifically empowered in 1994 to initiate special district reorganizations. But despite the intent of the Legislature, LAFCOs have failed to effectively guide the evolution of special districts. As a result, districts formed in a different time to meet different needs survive today – even if they are no longer the most effective service provider or the reason for their formation has ceased to exist. If LAFCOs are to be aggressive in scrutinizing the organization of special districts, they need a mandate and resources.

“Watchdog” Agents of the State

LAFCOs were established to function as “watchdog” agencies with local appointees. They can initiate special district reorganizations if they conduct a study that finds the reorganization would cost the same or less than alternatives, and would promote public access and accountability. LAFCOs are responsible for the cost of studies they initiate, unless the entities involved agree to contribute to cover the costs.

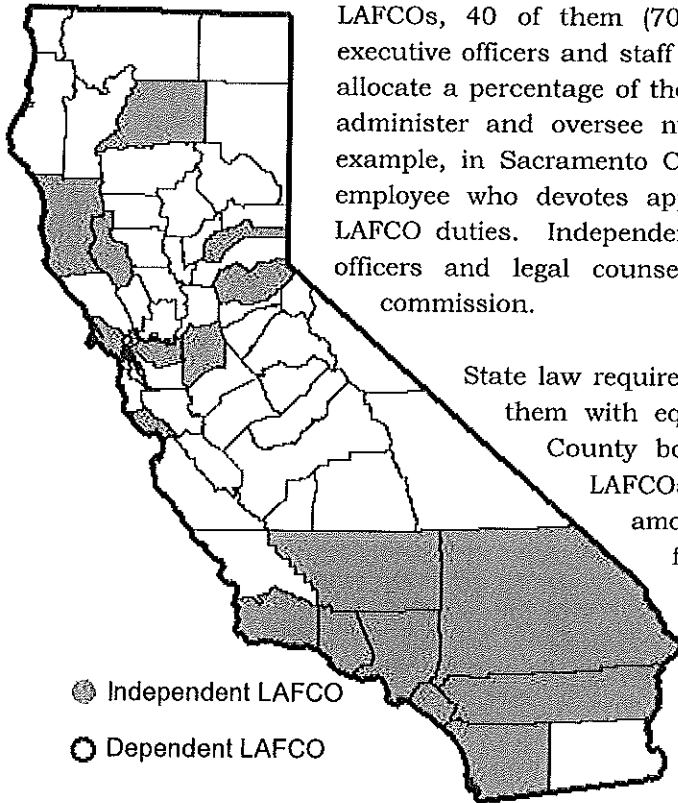
Most LAFCOs have five commissioners: two county supervisors, two city council members and a public member. The exceptions are those commissions dubbed the “Big Four” – Los Angeles, Sacramento, San Diego and Santa Clara – which have specific statutory provisions for membership. Several small counties also have different configurations. In 1993, AB 1335 (Gotch) required LAFCOs to add two special district members if a majority of a county’s independent special districts asked for representation. Currently, special districts have seats on 25 LAFCOs (44 percent).²⁷

LAFCOs are described as dependent or independent, depending on whether their staffs are considered employees of the county or the commission. Of the 57

A LAFCO Executive Officer’s “Other Hats”

The Sacramento County LAFCO executive officer also administers the county’s Community Development and Neighborhood Assistance Agency, serves as the Agricultural Commissioner/Sealer of Weights and Measures, and oversees the following county functions: Airports, Animal Care and Regulation, Cooperative Agricultural Extension, Environmental Management, Environmental Review and Assessment, Planning and Community Development, and Parks, Recreation and Open Space.

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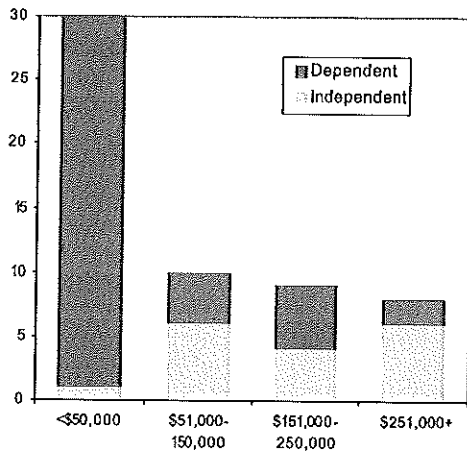


LAFCOs, 40 of them (70 percent) are dependent.²⁸ They have executive officers and staff who are county employees who typically allocate a percentage of their time to LAFCO work. They may also administer and oversee numerous other county functions. For example, in Sacramento County the executive officer is a county employee who devotes approximately 10 percent of his time to LAFCO duties. Independent LAFCOs appoint their own executive officers and legal counsel, who serve at the pleasure of the commission.

State law requires counties to fund LAFCOs and provide them with equipment, supplies and office quarters. County boards of supervisors allocate funds to LAFCOs based on commission estimates of the amount that will be needed in the following fiscal year, prior year funding and other criteria. LAFCOs also can charge fees for processing boundary changes.

In 1998-99, California counties budgeted \$7,170,570 for LAFCOs, with wide variations among counties. A survey by the California Commission on Governance for the 21st Century found that independent LAFCOs have larger budgets and recovered higher proportions of their costs through fees than did their dependent counterparts.

LAFCO Budget Ranges



Source: Commission on Local Governance for the 21st Century, Appendix G.

Thirty commissions have budgets of less than \$50,000. All of these are county-dependent LAFCOs, except Lake County. Ten LAFCOs have budgets between \$51,000 and \$150,000. Six of these are independent commissions and four are dependent on county staff. Nine LAFCOs have budgets between \$151,000 and \$250,000. Five of these commissions are dependent and four are independent. Eight LAFCOs have adopted budgets of more that \$250,000. Six of these are independent and two are dependent.²⁹

The Commission on Local Governance for the 21st Century also found that of the \$7,170,570 budgeted for LAFCOs statewide, 22 percent is returned to the

STRENGTHENING LAFCOs

counties through fees collected by LAFCOs. Fees as a percentage of their budgets vary widely among dependent LAFCOs. They range from 5 percent to 75 percent, with a mean of 20 percent. Among independent LAFCOs, fees recovered ranged from 5 percent to 66 percent, with a mean of 26 percent. Independent LAFCOs recovered about \$1.2 million, or 70 percent of the total amount recovered throughout the state.

Barriers to Reorganization

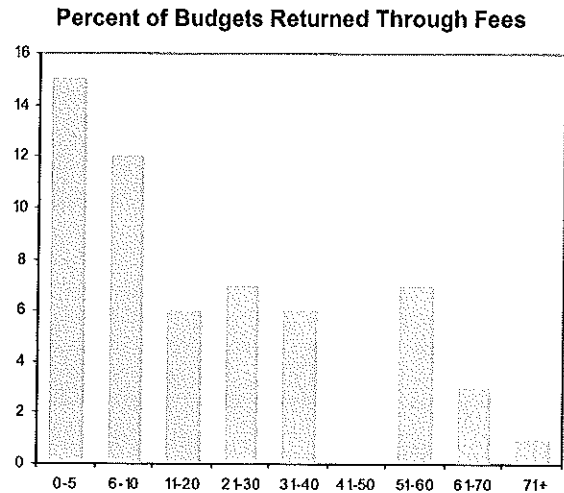
The law gives LAFCOs the authority to initiate special district reorganizations. However, since the implementation of AB 1335, LAFCOs have generally failed to pursue special district reorganizations.

A 1996 survey by the California Association of Local Agency Formation Commissions (CALAFCO), found that 18 of the 67 special district reorganization studies undertaken since the implementation of AB 1335 had been initiated by LAFCOs. Only one LAFCO-initiated proposal had actually resulted in the elimination of a special district.

The Senate Local Government Committee conducted a hearing in January 1997 in response to concerns that AB 1335 had not spurred special district consolidations. The committee concluded that only one LAFCO had taken advantage of its power to initiate special district reorganizations.

The Little Hoover Commission conducted in-depth interviews with six LAFCO executive officers to assess the ability and willingness of LAFCOs to initiate reorganizations, and to better understand the barriers to reorganizations. Interviews were conducted with LAFCO officials from Contra Costa, Fresno, Orange, Stanislaus, Riverside and Yolo counties. They represent rural, urban and urbanizing counties and are located in northern, central and southern parts of the State. Three are dependent and three are independent LAFCOs. The interviews reinforced testimony the Commission heard in public hearings.

The six counties involved in the interviews collectively have 311 independent special districts and 198 dependent special districts.³⁰ While all of the counties have experienced significant development, few



Source: Commission on Governance for the 21st Century, Appendix G.

LITTLE HOOVER COMMISSION

changes have been made in the structure of special district government. Since 1994:

- ✓ Two of the LAFCOs had each initiated one reorganization involving independent special districts. One effort involved an inactive fire district in Yolo County and the other involved the merger of a water district with a city in Orange County. Both proposals received LAFCO approval.
- ✓ One LAFCO initiated a reorganization of six Community Service Areas (CSAs), dependent districts governed by the Contra Costa County Board of Supervisors. The districts were considered inactive and the proposal to dissolve them was approved.
- ✓ In all, 22 special district reorganizations were submitted to the six LAFCOs. Of the 22, the LAFCOs approved 16, denied three and three were withdrawn.

In interviews and testimony to the Commission, the staff of county LAFCOs identified five barriers to the effective evolution of special districts:

The State could establish clear criteria to make it easier to consolidate and dissolve districts.

1. **Permissive and vague state policy.** Given the controversies inherent to reorganizations, LAFCO staff said they do not have clear statutory language to back up their efforts to push for the evolution of special districts. They emphasized that while the policy intends for LAFCOs to be proactive, it fails to provide criteria or guidelines for when reorganizations should be considered. The Stanislaus County LAFCO executive officer said: "The State could establish clear criteria to make it easier to consolidate and dissolve districts..."³¹

2. **Lack of independence.** The independence of LAFCO staff is a persistent issue that has not been adequately resolved. The Commission – and others researching this issue – have consistently heard that when staff is employed directly by the LAFCO they can work independently and objectively toward the goals of the LAFCO, rather than the goals of the county. This issue was described as particularly problematic in urbanizing counties where opportunities for reorganization are greatest. Two examples demonstrate the problem:

- ✓ California Association of Local Agency Formation Commission officials described a county where the LAFCO staff is given a recommendation on a proposal by the county administrator and told to write a report to support it. The county employed this

STRENGTHENING LAFCOs

tactic, it was explained, because it did not want to take on any more controversy or address tough issues about governance.

- ✓ CALAFCO officials also described LAFCOs where the county administrator or planning director performs the duties of the LAFCO executive officer. In these “strange” relationships, the executive officers’ primary loyalty is to their employers, not the commissions, and the commissions recognize that the executive officers do not really report to them.

At the same time, the workload in rural counties often does not justify the cost of full-time, independent staff. The Commission on Governance for the 21st Century found that many LAFCOs with low or no activity only meet as needed. For example, at the time of its survey, Del Norte LAFCO had not met in 18 months, Amador had not met in 12 months, Mariposa had not met in 24 months and Sierra had not met in 36 months. Nearly one-third of all LAFCOs meet three or fewer times per year.³²

- Inadequate funding.** LAFCOs report that they do not have the resources necessary to aggressively pursue special district reorganizations – even if they had the political will. LAFCOs must have the staff or pay consultants to examine potential reorganizations and facilitate the public review process. The Riverside County LAFCO executive director told the Commission: “The Riverside LAFCO does not have the staff or resources to undertake the types of studies needed, or to engage in protracted battles... Even though the Palm Desert consolidation was a ‘no brainer,’ the Palm Desert board fought it.”³³

The financial burden for LAFCOs falls overwhelmingly on counties; cities and special districts do not share in the fiscal responsibility. If funding were shared, LAFCO officers said the costs of the required studies are still a deterrent to pursuing reorganization opportunities. CALAFCO reports that consolidation studies cost between \$25,000 and \$50,000, depending on the number of agencies and the complexity of the issues.

**As LAFCOs Become Involved,
Public Disclosure is Needed**

The Fair Political Practices Commission has declared that groups advocating for and against secession from Los Angeles should be required to disclose who is funding their campaigns.

In contrast to ballot initiative proposals or candidate elections, campaigns to change the boundaries of local governments are not subject to financial disclosure requirements until after a county LAFCO has reviewed the proposal and the issue has qualified for the ballot.

The heated controversy over the secession of the San Fernando Valley from Los Angeles has generated concerns about this “loophole” in the law as large sums of money are expended to influence the Local Agency Formation Commission.

While the FPPC agreed that disclosure should be required, it disagreed on the specifics of how groups would disclose campaign finance information. Reforms to address the issue are contained in pending legislation, which would implement recommendations from the Commission on Governance for the 21st Century. Specifically, the bill would require that contributions to influence a reorganization proposal be disclosed and reported in the same manner as local initiative measures.

LITTLE HOOVER COMMISSION

4. **The structure of LAFCOs.** LAFCOs are comprised of elected city, county and special district officials, who when they sit as LAFCO directors are expected to scrutinize and possibly eliminate the positions held by other elected officials. As such, they are subject to local political pressure to preserve the status quo.

LAFCO staff told the Commission that in exploring reorganizations, the benefits of consolidation are often difficult to quantify and wide public support is hard to obtain. Coupled with the inevitable and often formidable opposition from the entities affected, commissions succumb to narrow politics rather than the broader public interest. Many believe that without a mandate from the State, LAFCOs will never aggressively seek to consolidate and eliminate districts. One former LAFCO staff member described it as LAFCOs' need for a "beard to hide behind."

5. **Benefits and compensation to elected officials.** The benefits and compensation that independent special district members receive deters them from supporting reorganizations that would eliminate their positions, according to several LAFCO staffers.

Special Districts Survey

Surveys were sent to a random sample of 513 of the total 1,839 special districts in the California Special Districts Association database, stratified by district type and geographical area. 258 responses were received, resulting in a 14 percent sample. The Commission obtained at least a 10 percent sample for each type of special district. The survey form can be found in Appendix B.

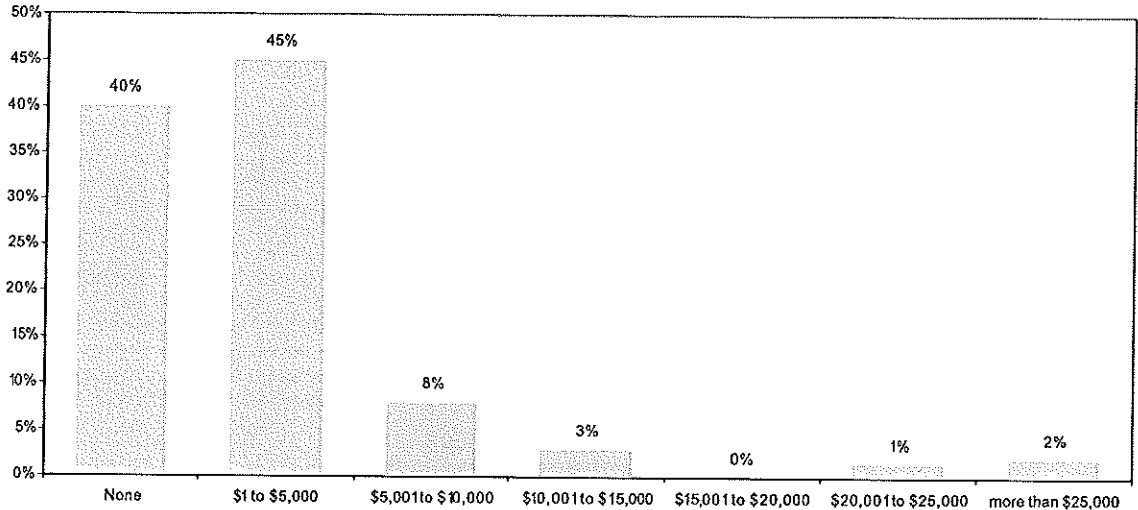
The Commission, with the assistance of the California Special Districts Association (CSDA), surveyed independent special districts to quantify the benefits and compensation that districts provide elected officials and to assess from the perspective of the districts the role that benefits may play in discouraging reorganizations.

The survey revealed that most special districts compensate their board members at a minimal level or not at all – the majority of board members receive less than \$5,000 annually. The chart on the following page displays the distribution of compensation among board members.

As shown in the table opposite, the most common form of compensation is a meeting or monthly stipend. A significant number of districts also provide health and life insurance benefits. Most districts that provide health benefits to board members also extend them to spouses, and a few extend these benefits to former board members. Other forms of compensation include retirement benefits, workers' compensation, and car allowances. The majority of districts also pay for board members to attend conferences or classes.

STRENGTHENING LAFCOs

**Board Members Who Receive Benefits and Compensation
Percentage of Board Members by Annual Value**



**Board Member Compensation
By District and Benefit Type**

	Stipends (Payment per Meeting)						Confer- ences %	Health Benefits %	Life Insurance %	Sample #	Total #
	%	min	max	mean	median	mode					
Airport	50%	\$100	\$100	\$100	\$100	\$100	67%	33%	0%	6	9
Cemetery/ Memorial	38%	\$10	\$80	\$49	\$50	\$50	52%	7%	7%	29	228
CSD	43%	**\$6	\$100	\$63	\$50	\$100	43%	0%	0%	37	286
Fire	29%	\$20	\$100	\$62	\$75	\$75	58%	13%	6%	31	294
Harbor & Port	20%	*\$300	\$300	\$300	\$300	\$300	80%	40%	20%	5	18
Health	47%	\$75	\$100	\$98	\$100	\$100	83%	33%	10%	30	56
Library	0%	-	-	-	-	-	43%	0%	0%	7	9
Pest Cont.	83%	\$25	\$100	\$49	\$49	\$50	75%	8%	8%	12	59
Park & Rec	50%	\$50	\$100	\$90	\$100	\$100	80%	0%	0%	10	88
Pollution	100%	\$100	\$100	\$100	\$100	\$100	67%	0%	0%	3	4
Reclamation	67%	\$40	\$175	\$103	\$100	\$100	44%	0%	0%	9	96
Resource Conservation	^0%	-	-	-	-	-	80%	0%	0%	5	114
Sanitary	100%	\$25	\$100	\$87	\$100	\$100	69%	31%	23%	13	78
Utility	80%	\$20	^^\$463	\$62	-	-	60%	40%	20%	10	55
Water	78%	\$25	\$229	\$108	\$100	\$100	73%	33%	16%	49	441

NOTE: Some districts pay their board members monthly stipends. These have been converted to per meeting figures based on the average number of board meetings per month.

*One district pays each director \$600 per month. Directors meet twice a month.

**\$25 yearly stipend.

^One district pays \$15 for mileage.

^^One district pays its directors \$926 per month. Directors meet twice a month.

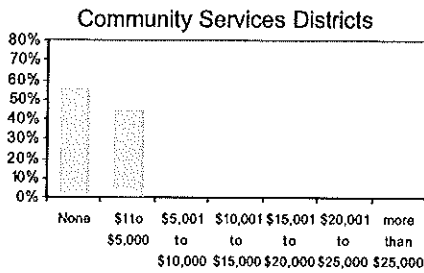
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In its analysis, the Commission looked specifically at community services districts (CSDs), fire, health, park and recreation, sanitary/sanitation and water districts. Overall, 56 percent of these districts provide meeting stipends or monthly compensation to their board members, 20 percent provide health insurance, and 9 percent provide life insurance. None of the community services or park and recreation districts surveyed reported providing health or life insurance. Sixty-six percent of the districts reported that they cover the cost to send directors to conferences and seminars.

The survey results also revealed significant differences among the types of districts when it comes to benefits and compensation. Here is a look at the benefits and compensation paid to board members of five different types of districts:³⁴

Community Services Districts

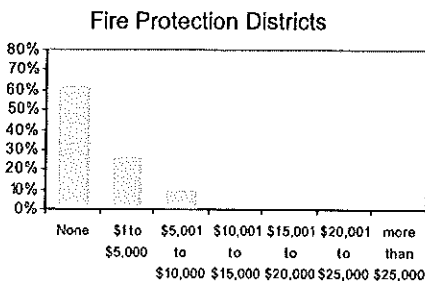
Annual Compensation Per Board Member



In the Commission's sample, no community services district provided its board members with more than \$5,000 in compensation in 1999. The majority (56%) do not provide any compensation, and none of the districts provide health or life insurance benefits.

Fourteen percent of the community services districts spent more than \$1,000 per director in 1999. The full range of compensation went from a high of \$4,480 per board member (Bear Valley) to a low of \$25 per board member (Westridge).

Fire Protection Districts



The majority of fire districts do not provide compensation to their board members, according to the survey. Of the 32 percent that do provide compensation, no district spends more than \$10,000 annually on each board member. Twenty-nine percent of the districts provide meeting or monthly stipends, 16 percent provide health benefits, and 6 percent provide life insurance benefits.

District expenditures on all forms of compensation vary widely. In 1999, fire district expenditures per board member covered the following ranges:

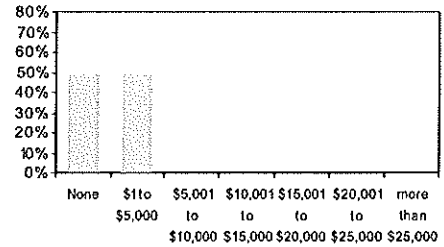
	Maximum	Minimum
Stipend	\$1,245 Half Moon Bay	\$300 Industrial
Health Benefits	\$5,032 Linda	\$3,024 Menlo Park
Life Insurance	\$132 Mammoth Lakes	\$65 Sacramento Co.

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Park & Recreation Districts

Half of the park and recreation districts surveyed provide annual compensation – in the amount of \$5,000 or less per board member. None of these districts provide health or life insurance benefits. Meeting compensation ranges from \$510 (Arden Manor) to \$4,740 (Conejo).

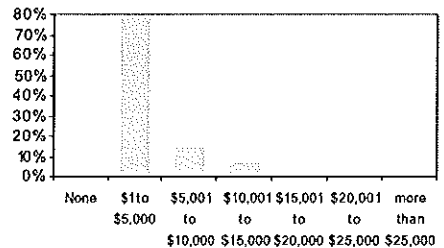
**Compensation Per Board Member
Park & Recreation Districts**



Sanitary Districts

All of the sanitary districts in the Commission’s sample provide compensation – 78 percent spent \$5,000 or less per board member in 1999. In addition to a stipend, 31 percent provide health and 23 percent provide life insurance benefits.

Sanitary Districts



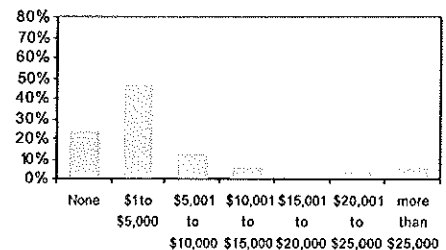
District expenditures on stipends and health benefits vary widely. In 1999, sanitary district expenditures per board member covered the following ranges:

	Maximum	Minimum
Stipend	\$7,120 West County	\$480 San Andreas
Health Benefits	\$8,412 Truckee	\$828 Carmel Area
Life Insurance	\$190 Napa	\$125 Midway City

Water Districts

The majority of water districts provide their board members with annual compensation of \$5,000 or less – and 22 percent do not provide compensation. In addition to meeting or monthly stipends, 33 percent provide health insurance and 16 percent provide life insurance.

Water Districts



A small number of districts provide board members with large compensation packages. Of all the districts responding to the Commission’s survey, the only districts that reported spending in excess of \$25,000 per director were water districts: Central Basin, Irvine Ranch, and West Basin.

Districts with similar revenues also provided vastly different benefits packages. Marin Municipal Water District, for instance, provided each board member with \$4,200 for meeting attendance in 1999. Board members did not receive health, life insurance, or other benefits. Central Basin Municipal Water District,

LITTLE HOOVER COMMISSION

in contrast, provided each director with annual compensation and benefits worth \$39,800 – including a meeting stipend, health and life insurance benefits, and a monthly car allowance. The two districts reported similar gross revenues in 1996-97 – \$40.3 million and \$54.5 million respectively.

District expenditures on all forms of compensation vary widely. In 1999, water district expenditures per board member covered the following ranges:

	Maximum	Minimum
Stipend	\$29,270 Central Basin	\$225 Bella Vista
Health Benefits	\$6,837 Central Basin	\$180 Rainbow
Life Insurance	\$8,750 Irvine Ranch	\$21 Rainbow

Most districts responding to the Commission’s survey said that in their experience benefits and compensation had not been a deterrent to consolidation. Most of those districts, however, had not been involved in a reorganization. On the other hand, the general manager of the South Coast Water District, which has been involved in consolidation efforts since 1976, said that compensation and benefits, including health and life insurance, have created concerns for directors considering consolidation.³⁵

A source that asked to remain anonymous told the Commission that a proposed merger of the Los Alisos Water District with the Irvine Ranch Water District was stalled by board member resistance that involved benefits and compensation. To overcome the opposition and close the deal, Irvine Ranch agreed to provide the five outgoing Los Alisos board members with the following: their current maximum allowable meeting stipend (10 meetings a month at \$165 per meeting, or \$1,650 per month) for three years; and the same benefit package as is afforded paid employees, including health, dental, retirement and life insurance. Once the proposal is filed (with LAFCO, the terms of the agreement will be public.³⁶

I believe that providing full time benefits for a part-time job has prevented some directors from looking objectively at consolidation due to fear of losing their seat.

Another survey respondent representing a fire district wrote: “I believe that providing full-time benefits for a part-time job has prevented some directors from looking objectively at consolidation due to fear of losing their seat.”³⁷

Many districts reported modest compensation packages that seemed unlikely to be an obstacle to reorganization. In others, however, meeting compensation can amount to thousands of dollars of

STRENGTHENING LAFCOs

additional income per year. In addition, directors and sometimes their spouses stand to lose life insurance and health benefits if their board seat is eliminated. In these cases, there appears to be merit to the assertions by some LAFCO staff and special district officials that compensation levels discourage directors from supporting reorganization efforts.

In some cases, the economical reorganization of special districts is thwarted by all five barriers: vague state policy, a dependence of LAFCOs on county staff and resources, inadequate funding for studies, structure of LAFCOs, and benefits and compensation to board members.

Making LAFCOs More Effective

Over the years, several strategies have been considered by policy-makers to address the failure of LAFCOs to actively pursue special district reorganizations, and to make government more easily understood, efficient and accountable. Proposals have included replacing LAFCOs with something else, replacing special districts with something else, and legislation to force special districts to reorganize.

- ***Regional planning agencies.*** Lawmakers mandated regional planning agencies when legislation authorizing LAFCOs to initiate special district reorganizations failed to provide the needed impetus. Some lawmakers hoped that one day those agencies would evolve into bonafide regional governments. But instead, Californians became more steeped in local control and regional government failed to materialize.
- ***Home Rule Community Charters.*** The California Constitution Revision Commission in 1996 recommended Home Rule Community Charters that would be required to provide methods for reducing the number and costs of local governments. A 1998 bill by Assemblymember Hertzberg (AB 2368) would have allowed general-purpose governments to decide which services special districts should provide. Amended to restrict the proposal to Los Angeles, it died in the Senate in the wake of opposition from labor interests and special districts.
- ***Regional "super-governments."*** In the 1980s, then-Assembly Speaker Willie Brown proposed a number of regional "super-governments" to replace single-purpose agencies. But the proposal, which would have given the Governor and legislative leaders appointing authority to the regional boards, failed.

LITTLE HOOVER COMMISSION

- **Special legislation.** Suggestions have been made that the Legislature consider adding legislative members to help LAFCOs overcome local politics and the tenacity of the status quo. And while it has shown little interest in this approach, the Legislature has acted as a sort of “super-LAFCO” by considering bills that would reorganize specific districts. Some of those efforts are described in the background section. Viewed as antithetical to “home rule,” the bills also proved unsuccessful. But they underscore the sentiment among some policy-makers that mechanisms for streamlining local government are not always effective.

Absent an appetite for fundamental reform, the issue becomes how the State can help LAFCOs overcome the power of local politics and promote the public interest. The following reforms could make LAFCOs more effective in guiding the evolution of special district governments:

- **Give LAFCOs a mandate.** The Commission heard that while independence and resources are important, LAFCOs are unlikely, without a mandate, to ever effectively scrutinize and guide the evolution of local government. LAFCOs, particularly in urbanizing areas, could be emboldened by a State mandate to identify areas where multiple districts provide similar services. Where duplication, overlaps and inefficiencies are identified, LAFCOs could be required to initiate a study. All reorganization alternatives should be considered, including consolidation, dissolution, and making the district dependent rather than independent. Specific criteria that could trigger a LAFCO review could include:
 - ✓ When a district’s founding mission changes.
 - ✓ When the district’s solvency and ability to provide efficient and effective service is in question.
 - ✓ When a city incorporates.
 - ✓ When there are vast inequities in rates charged by neighboring districts.
 - ✓ When violations have been issued by regulatory agencies.
 - ✓ When levels of services are not satisfactory or are inconsistent among neighboring districts.

Finding 3 will discuss in detail a State-led process to develop empirical data and provide training to assist LAFCOs in fulfilling such a mandate.

- **Provide LAFCO with resources.** Persistent funding shortages cited by LAFCOs could be addressed by requiring cities, counties and special districts to share equally in the funding of LAFCOs. Shared funding would increase the resources available to LAFCOs to conduct studies and process reorganization actions, level the fiscal playing

STRENGTHENING LAFCOs

field among all of the stakeholders, and enhance LAFCO independence and objectivity.

In 1997, AB 270 (Torlakson) would have required cities and special districts to pay shares equal to that of the county to fund LAFCOs. Additionally, it would have required LAFCOs to maximize fees to process actions, and would have required the addition of special districts representation on all LAFCOs. The bill, opposed by cities, died on the Senate floor. The Commission on Governance for the 21st Century, in its final report, recommended that the costs of LAFCO be shared equally by all of the agencies that appoint members to LAFCO.

Special districts are an integral part of the local government landscape and they should contribute to its effective functioning. To encourage special district participation in LAFCOs and to provide LAFCOs with resources, districts could be required to share equally in the funding of LAFCOs, whether or not they choose to seat members. Furthermore, in choosing to seat members, special districts should not be required to give up their latent powers.

If the State requires LAFCOs to initiate special district reorganization studies under certain conditions, the State could require the affected districts to fund the study. The State could establish a fund in the Governor's Office of Planning and Research to which districts that claim financial hardship could apply. Full or matching funding could be provided based on a review of the district's finances and a finding regarding their ability to pay.

- **Eliminate inherent conflicts.** The State could encourage LAFCOs to appoint their executive director and legal counsel in urban counties where the workload justifies it and where policy-makers determine that the dependent status of LAFCO has hindered the pursuit of special district reorganizations.

Summary

LAFCOs have not aggressively examined the organization of special districts and pursued reorganizations as intended by the State – even when there is substantial evidence that districts should be consolidated or eliminated. But the State has failed to provide LAFCOs with clear policy direction, the necessary resources and, most importantly, has not required them to do so. LAFCOs need a mandate from the State and they need resources and, in some instances, independence to function effectively.

LITTLE HOOVER COMMISSION

Given these tools, and coupled with the enhanced visibility recommended in Finding 1, LAFCOs would be better equipped to overcome the barriers to reorganization they have identified. For example, if districts were required to fully disclose and widely publicize the benefits and compensation they provide to directors, board policies in these areas would conform with public expectations and specious arguments against reorganization would become transparent.

Recommendation 2: The State should provide LAFCOs with the direction and resources necessary to make them a catalyst for the effective and efficient evolution of independent special districts. Specifically, the Governor and Legislature should:

- **Require periodic and specific reviews of independent special districts.** The State should require LAFCOs in urbanizing counties, in cooperation with special districts and other local governments, to periodically review services provided by special districts. The reviews should identify areas of duplication and overlap and assess whether services are being provided in the most efficient and cost-effective manner. Where duplication, overlap and inefficiency are identified, LAFCOs should be required to initiate a study. Specific triggers could be established, such as when the fundamental mission of a district changes or reserves exceed defined limits.
- **Enhance the independence of LAFCOs.** The State should encourage LAFCOs in urban counties to appoint their own executive officer and legal counsel, thereby establishing employment relationships free of the real and perceived conflicts that occur when county employees hold those positions.
- **Require shared funding of LAFCOs.** To increase the resources available to LAFCOs, enhance their independence and increase their effectiveness, the State should require counties, cities and special districts to jointly fund LAFCOs. Special districts should contribute whether or not they have opted to sit on a LAFCO.
- **Identify funds for studies.** The State should require special districts that are the subject of a required LAFCO study to fund the study. For financial hardship cases, the State should provide grants or loans, which could be repaid from savings accrued as a result of reorganizations.