

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

915

SPECIAL DISTRICTS: OPPORTUNITIES FOR
BENEFITS THROUGH JURISDICTIONAL CHANGES

JANUARY 1980



California Legislature

Joint Legislative Audit Committee

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□ STATE CAPITOL
SACRAMENTO 95814
(916) 323-1168

□ 925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

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The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report concerning opportunities for benefits through jurisdictional changes in special districts. The Auditor General found that some special districts have used jurisdictional changes--a political reorganization and/or a functional consolidation--to reduce operating costs, increase operational capacity, and achieve other benefits. For example, 48 percent of the districts surveyed currently maintain some type of functional consolidation agreement with other agencies. While some districts implemented changes in organization to achieve benefits, we found that:

- 72 percent of the districts surveyed have not studied opportunities for benefits through political reorganization
- only 14 percent of the districts surveyed had submitted proposals for changes in organization to Local Agency Formation Commissions since July 1, 1978.

Although no mandate exists requiring special districts to conduct studies regarding jurisdictional changes, these studies could present districts with alternatives for reducing costs and increasing effectiveness.

The auditors are Richard C. Mahan, Audit Manager; Robert T. O'Neill; Andrew P. Fusso; Arthur C. Longmire; and Albert M. Tamayo.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

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SUMMARY

Special districts are limited purpose local governments which provide a variety of services ranging from fire protection to mosquito abatement and control. Some special districts have their own independently elected governing boards while other districts are governed by counties or cities. Districts also differ in their means of generating revenue. Enterprise districts generate revenue through service or user fees; nonenterprise districts rely primarily on property taxes for revenue. There are more than 4,900 special districts in California. In fiscal year 1977-78, these districts had revenues in excess of \$5.5 billion.

While some districts have used jurisdictional changes to improve coordination of personnel and facilities, increase operational capacity, and achieve other benefits, many districts have not studied the benefits of adopting these changes.* In fact, 72 percent of the districts surveyed have not studied opportunities for changes in organization. Only 14 percent of the districts submitted proposals to Local Agency Formation Commissions for approval since July 1, 1978. Approximately 48 percent of the districts surveyed currently maintain some type of functional consolidation agreement.

* In this report, the phrase jurisdictional change includes both a change in a district's organization, such as an annexation or merger, and a functional consolidation, an arrangement in which two or more local agencies exchange, share, or reassign functions.

Although no mandate exists requiring special districts to conduct studies regarding possible jurisdictional changes, these studies could present districts with alternatives for reducing costs and increasing effectiveness. In view of Proposition 13's reduction of property tax revenues and effects upon the operations of some special districts, the benefits available to special districts through jurisdictional changes warrant an in-depth review.*

Accordingly, we recommend that studies be conducted to determine which special districts would benefit from jurisdictional changes. We also suggest potential agencies to conduct these studies. To exclude from this study those districts which would accrue limited benefits, we recommend that screening criteria be developed. We further recommend that the Legislature set guidelines for completing and monitoring the studies; moreover, the Legislature may wish to consider specific legislation to encourage special districts to take advantage of benefits available through jurisdictional changes. Finally, we recommend that Local Agency Formation Commissions make expanded use of their existing powers to encourage further jurisdictional changes.

* Because there are numerous types of special districts performing a variety of services throughout California, no sweeping generalizations regarding cost savings or other benefits can be made. Instead, each district's potential to benefit from jurisdictional changes must be evaluated individually.

INTRODUCTION

We have reviewed special districts' efforts to study and benefit from jurisdictional changes. In addition, we have studied special districts' actions to economize operations in response to Proposition 13. This review was conducted pursuant to a resolution of the Joint Legislative Audit Committee and under the authority vested in the Auditor General by Section 10527 of the Government Code.

Background

Special districts are limited purpose local governments which provide a wide variety of services in California. For fiscal year 1977-78, California's 4,948 special districts reported revenues totaling more than \$5.5 billion. Within the 55 types of special districts, some provide only one service while others perform a number of services. Table 1 which follows arrays all of California's special districts by type.

TABLE 1
TYPES OF SPECIAL DISTRICTS*

<u>Order Number</u>	<u>District Type</u>	<u>Number of Districts</u>
1	County Service Area	727
2	Maintenance	484
3	Fire Protection	454
4	Highway Lighting	322
5	Joint Exercise of Power	275
6	Cemetery	263
7	Community Services	213
8	County Water	205
9	California Water	163
10	Reclamation	157
11	Nonprofit Corporations	148
12	Resource Conservation	139
13	Community Redevelopment and Housing	128
14	County Sanitation	124
15	Recreation and Park	118
16	Sanitary	104
17	Irrigation	102
18	County Waterworks	86
19	Hospital	76
20	Public Utility	59
21	Mosquito Abatement	53
22	Storm Water Drainage and Maintenance	52
23	Permanent Road Divisions	51
24	Municipal Water	47
25	Air Pollution Control	42
26	Flood Control and Water Conservation	35
27	Sewer and Sewer Maintenance	32
28	Water Agency or Authority	29
29	Drainage	27
30	Memorial	26
31	Transportation Planning	25
32	Parking	20
33	Water Conservation	17
34	Levee	16
35	Harbor and Ports	14
36	Transit	14
37	Library	13
38	Flood Control Maintenance Areas	12
39	Garbage Disposal	11
40	Road Maintenance	11
41	Pest Abatement	8
42	Water Storage	8
43	Citrus Pest Control	7
44	Municipal Improvement	6
45	Municipal Utility	4
46	Airport	4
47	Police Protection	3
48	Joint Highways	3
49	Sanitation and Flood Control	3
50	Bridge and Highway	2
51	Toll and Tunnel Authority	2
52	Health	1
53	Separation of Grade	1
54	Metropolitan Water	1
55	Water Replenishment	1
Total		<u>4,948</u>

*Source: State Controller's Office, "1977-78 Annual Report, Financial Transactions Concerning Special Districts of California."

District Classifications

Special districts are classified as independent or dependent based upon the composition of their governing boards. Independent districts are governed by autonomous local boards, which are responsible for a district's operation. In contrast, dependent special districts are governed by counties or cities. The board of supervisors or the city council may appoint a board to oversee the operations of a dependent district, but such boards are ultimately responsible to the governing county or city. As of June 30, 1978, there were 2,816 districts governed by elected or appointed members. Boards of supervisors served as governing bodies for 1,964 special districts and city councils governed 168 special districts.

Special districts are also classified as enterprise or nonenterprise, according to their means of generating revenue. Districts which depend primarily on user fees and service charges for their revenue are referred to as enterprise districts. On the other hand, nonenterprise districts are those which rely heavily upon property taxes as their major source of revenue.

Effects of Proposition 13

Proposition 13 established that the ad valorem tax on real property shall not exceed one percent of a property's full cash value. As a result, special district property tax revenues were reduced. Since nonenterprise districts rely heavily on property taxes for revenue, some of these districts lost as much as 50 percent of their property tax revenue due to Proposition 13. However, enterprise districts which are not heavily dependent on property taxes and are able to charge for services did not experience a similar reduction in revenue.

To compensate for the loss of property tax revenues resulting from Proposition 13, the Legislature provided special districts with \$192 million in state funds in fiscal year 1978-79. Commencing in fiscal year 1979-80, the Legislature established a Special District Augmentation Fund in each county to augment the revenues of special districts.

Definition of Terms

We have included this section to clarify certain terms essential for understanding this report. As discussed within the summary, the phrase jurisdictional change refers to either a functional consolidation--an arrangement in which two or more local agencies exchange, share, or reassign functions--

or a change in organization. A change in organization is a broad phrase which is used to identify any of the terms explained below:

Annexation	The inclusion, attachment, or addition of territory to a district.
Consolidation	The uniting or joining of two or more special districts into a single new successor district by the same principal act.
Detachment	The deannexation, exclusion, deletion, or removal from a district of any portion of the territory of the district.
Dissolution	The disincorporation, extinguishment, and termination of a special district accompanied by the cessation of its powers.
Formation	The creation, organization, or incorporation of a special district.
Merger	The extinguishment, termination, and cessation of a special district brought about by a city's absorption of a district.
Reorganization	This term can refer to either two or more changes of organization proposed for any single subject district or one or more changes of organization proposed for (a) each of two or more subject districts including the formation of one or more districts consisting of all or any part of the territory of any of the subject districts or (b) any single subject district, including the formation of one or more new districts consisting of all or any part of the territory of such subject districts.

Scope

This study reviewed jurisdictional changes and other alternatives available to special districts for economizing their operations. We reviewed districts' efforts to study the benefits of changes in organization and to implement functional consolidation. We also studied other measures districts have adopted to economize in response to the reductions imposed by Proposition 13. To evaluate these alternatives, we conducted (1) case studies of selected special districts, including a review of financial and descriptive data and interviews with district personnel; (2) a survey of Local Agency Formation Commissions (LAFCOs); and (3) a survey of selected types of special districts.

We reviewed fire protection districts, recreation and park districts, and various types of water and water-related districts. Furthermore, we conducted case studies of special districts which completed or were considering changes in organization or functional consolidation. The districts studied included both independent and dependent districts as well as enterprise and nonenterprise districts representing urban and rural areas from throughout the State.

Limitations

It is important to note that there are numerous types of special districts performing a variety of services in different locales throughout California. Although some districts have realized cost savings or increased levels of service, locally specific variables such as financial conditions and service areas determine whether each district will benefit from a jurisdictional change. Therefore, no sweeping generalizations regarding savings or benefits should be made since each district's potential must be evaluated individually.

CHAPTER I

SPECIAL DISTRICTS HAVE NOT STUDIED THE BENEFITS AVAILABLE THROUGH JURISDICTIONAL CHANGES

Special districts have not fully studied or used their potential to achieve cost savings and other benefits through jurisdictional changes. Although no mandate exists requiring special districts to conduct studies of potential jurisdictional changes, 72 percent of the special districts surveyed have not studied opportunities for changes in organization since July 1, 1978. In addition, only 14 percent of the districts submitted changes in organization proposals for approval to Local Agency Formation Commissions since July 1, 1978. Approximately 48 percent of the districts surveyed maintain functional consolidation agreements.

While some districts are not studying the benefits of adopting jurisdictional changes, other districts have completed changes in organization or functional consolidation and have experienced cost savings and other benefits. For example, one district which had undergone functional consolidation estimated an annual cost savings of \$125,000. In addition, other districts reported benefits such as improved coordination of personnel and facilities; elimination of duplicate positions, services, and facilities; increased service capacity; and access to additional revenue sources.

Jurisdictional Change Procedures

Special districts have specific procedures and mechanisms for conducting jurisdictional changes which involve changes in organization. As previously discussed, special districts may execute changes in organization through annexation, consolidation, detachment, dissolution, merger, formation, and reorganization. The District Reorganization Act of 1965 outlines procedures for special districts to follow in initiating, conducting, and completing changes in organization. If the changes in organization involve a city, the Municipal Organization Act indicates the procedures to be followed in executing the change. Additionally, special districts are assisted in changes in organization by Local Agency Formation Commissions. The Knox-Nisbet Act allows these commissions to conduct studies of districts; these studies then become the bases for decisions on proposals and recommendations for changes of organization.

Special districts may enter into functional consolidation agreements through various mechanisms, including joint powers agreements, contracts, and other agreements. Joint powers agreements, which allow public entities to jointly exercise any power common to both, are authorized by Sections 6500 et seq. of the Government Code. By using their general authority, districts may also enter into contracts to conduct joint operations. Other agreements between districts have also been used to consolidate functional activities in special districts.

Special Districts Have
Not Thoroughly Studied
Changes In Organization

Our survey indicated that many special districts have not studied changes in organization as a viable option for achieving cost savings and other benefits. As Table 2 on the following page indicates, only 166 of 592 districts responding to our survey conducted studies of changes in organization since July 1, 1978. Thus, 72 percent of the districts responding had not formally studied the alternatives for changes in organization. Those districts which have conducted studies considered the options of annexation and consolidation most frequently. Forty-three percent of the districts studied annexation while 47 percent studied consolidation.

Certain types of districts undertook studies more frequently. For example, fire protection districts examined opportunities for consolidation more often than did water or recreation and park districts. Fifty-eight of 225 fire protection districts indicated that they have studied consolidation since July 1, 1978. In contrast, only one reclamation district of the 69 districts which responded indicated that it had considered consolidation opportunities in that period.

TABLE 2

DISTRICTS STUDYING CHANGES IN ORGANIZATION SINCE JULY 1, 1978

District Type	Number of Districts	Total Number of Districts Responding	Number of Districts Conducting Studies	Number of Districts Studying Changes In Organization*					
				Annexation	Consolidation	Detachment	Dissolution	Reorganization	
Fire Protection	454	225	83	29	58	2	2	18	
Recreation and Park	118	71	16	6	8	1	2	11	
Reclamation	157	69	6	1	1	2	1	1	
Flood Control	35	20	6	1	4	0	0	3	
County Water	205	79	20	13	5	3	0	4	
California Water	163	35	8	5	1	2	0	0	
Irrigation	102	60	19	12	0	8	0	0	
Municipal Water	47	33	9	5	1	1	1	3	
Total	1281	592	167	72	78	19	6	39	

* Note: Districts could indicate multiple responses on types of actions studied.

Some of the districts which had completed their studies began initiating changes in organization. Fourteen percent of the districts reporting indicated that they submitted proposals involving changes in organization to Local Agency Formation Commissions for approval. Table 3 which follows shows the number of districts submitting proposals to LAFCOs. In all, 80 of 592 districts or 14 percent submitted proposals to Local Agency Formation Commissions. Forty-eight of these 80 proposals were for annexations; only eight districts submitted proposals for consolidations. Districts have submitted these proposals since July 1, 1978. As a result, we were unable to determine how many of these actions have been successfully completed because some actions may still be pending.

Functional Consolidation
Agreements Between
Special Districts

Although some special districts are studying possible changes in organization, many districts are employing functional consolidation to achieve cost savings or other benefits. Table 4 on page 17 shows the number of special districts maintaining functional consolidation agreements. As this table illustrates, the percentage of special districts maintaining a functional consolidation agreement ranged from a high of 75.8 percent for municipal water districts to a low of 17.4 percent for reclamation districts.

TABLE 3

DISTRICTS SUBMITTING PROPOSALS TO LAFCO
FOR APPROVAL SINCE JULY 1, 1978*

District Type	Number of Districts	Total Number of Districts Responding	Number of Districts Submitting Any Proposals	Number of Districts Proposing Changes In Organization				
				Annexation	Consolidation	Detachment	Dissolution	Reorganization
Fire Protection	454	225	18	8	4	1	0	5
Recreation and Park	118	71	9	4	2	0	1	6
Reclamation	157	69	1	0	0	1	0	0
Flood Control	35	20	1	1	0	0	0	0
County Water	205	79	20	15	2	2	0	1
California Water	163	35	6	5	0	1	0	0
Irrigation	102	60	18	11	0	7	0	0
Municipal Water	47	33	7	4	0	1	0	3
Total	1281	592	80	48	8	13	1	14

* Note: Districts could indicate multiple responses on types of actions submitted for LAFCO approval.

TABLE 4

PERCENTAGE OF DISTRICTS SURVEYED REPORTING
FUNCTIONAL CONSOLIDATION AGREEMENTS*

<u>District Type</u>	<u>Number of Districts</u>	<u>Number of Districts Reporting</u>	<u>Joint Powers Number of Districts</u>	<u>Percentage of Districts</u>	<u>Contracts for Services Number of Districts</u>	<u>Percentage of Districts</u>	<u>Maintain Any Agreement Number of Districts</u>	<u>Percentage of Districts</u>
Fire Protection	454	225	59	26.2	56	24.9	110	48.9
Recreation and Park	118	71	33	46.5	22	31.0	40	56.3
Reclamation	157	69	3	4.3	7	10.1	12	17.4
Flood Control	35	20	10	50.0	9	45.0	11	55.0
County Water	205	79	17	21.5	25	31.6	40	50.6
California Water	163	35	8	22.8	7	20.0	18	51.4
Irrigation	102	60	8	13.3	18	30.0	28	46.7
Municipal Water	47	33	19	57.6	16	48.5	25	75.8
Total	1,281	592	157		160		284	

* Districts could indicate multiple responses on types of agreements.

Again, the types of agreements varied according to the types of special districts. For example, 46.5 percent of the recreation and park districts maintained joint powers agreements but only 21.5 percent of the county water districts had entered into a joint powers agreement. Since at least 17 percent of the districts in each type of special district surveyed currently maintain a functional consolidation agreement, other districts may benefit from this approach.

Benefits Available Through Jurisdictional Changes

Special districts reported the benefits listed below as a result of implementing jurisdictional changes:

- Improved coordination of personnel and facilities;
- Elimination of duplicate positions, services, and facilities;
- Increased service capacity.

These benefits, in turn, have allowed some districts to realize cost savings.

Moreover, some districts have gained access to additional revenue sources through jurisdictional changes. These changes have allowed district residents to continue receiving services which are now funded through additional revenue sources available to cities. The remainder of this section cites examples of these benefits which districts have reported.

Improved Coordination of Personnel and Facilities

Some special districts which have undertaken jurisdictional changes have better coordinated personnel and facilities. One such district, the Santee County Water District in San Diego County, merged with the Rio San Diego Municipal Water District and formed the Padre Dam Municipal Water District. This newly created district, which assumed the functions and operations of the dissolved Santee County Water District, cited that it had improved its coordination in managing personnel and was then better able to distribute its personnel over the expanded territory.

Another district, the Glenn-Colusa Irrigation District, reported improved coordination and use of facilities over a number of years after consolidating with other districts. Several of these other districts already shared

facilities such as pumping stations, distribution canals, and water pipes before consolidating with Glenn-Colusa. But this consolidation provided more efficient operation of facilities and reduced administrative costs. It also allowed for improved planning and management of future improvements in the district's facilities.

Elimination of
Duplicate Positions,
Services, and Facilities

Through jurisdictional changes, some special districts have eliminated duplicate positions, services, and facilities. The Santee, Lakeside, and Spring Valley Fire Protection Districts and the City of El Cajon consolidated their communications through a joint powers agreement. As a result of this agreement, dispatcher positions were eliminated and the effectiveness of the remaining dispatchers was improved because improved mutual aid resulted. The fire chiefs of the districts estimated a combined annual savings of nearly \$125,000 in the communications function.

In Contra Costa County, the Riverview Fire Protection District has reduced costs by consolidating responsibilities and eliminating two positions. The district, which absorbed the city fire departments of Pittsburg and Antioch when it was formed in 1975, has consolidated responsibilities for personnel, clerical, and related administrative functions. In

this way, it has eliminated one of three assistant fire chief positions. In addition, the consolidation resulted in the elimination of a supervising inspector position for fire investigations and inspections. The district's fire chief estimated that these reductions have reduced district costs by \$90,000 per year.

One special district contracting with another has avoided duplication of services. The East Bay Municipal Utility District (Alameda and Contra Costa counties), before signing an agreement with the East Bay Regional Park District, relied on its ground patrol staff to provide security for the area. But as a result of this contract, the park district will provide helicopter patrol services for a one-year trial period over the utility district lands. The utility district will pay for the services at a cost of \$12,000; the district left a vacancy on its patrol staff to allow for the payment.

This contract, then, will benefit both districts. It increases revenues for the park district and reduces manpower requirements and costs of police patrols for the utility district. In addition, district personnel anticipate that this agreement will increase the level of security service for the East Bay Municipal Utility District. The contract also may lead to further staff reductions to be determined at the end of the trial period.

Aside from eliminating positions and services, some districts have even closed facilities. By combining operations through a joint powers agreement, the Washington, Westgate, and Bryte County Fire Protection Districts in Yolo County were able to close two fire stations. The districts then leased one station to the county sheriff, thus producing \$25,000 in additional revenues. These actions helped reduce the overall cost of providing fire protection to the area.

Increased Service Capacity

In addition to these benefits, some special districts have expanded their capacity to provide services through jurisdictional changes. For instance, between 1964 and 1971, eight fire districts in central Contra Costa County merged to form Contra Costa County Consolidated Fire District. District officials reported that consolidation increased their efficiency in maintaining and modifying equipment. Before the consolidation, each fire district contracted with private vendors for vehicle maintenance. But, as a result of the consolidation, the district now performs all vehicle maintenance at a central facility. The fire chief stated this resulted in increased economy and efficiency for this function.

Furthermore, the district has reduced costs through this maintenance facility. District personnel were able to build fire apparatus to the district's specifications. District officials stated they recently saved \$33,000 by constructing a pumper in their maintenance facility rather than purchasing one.

Another district augmented its recreational services by contracting with a regional agency. In March of 1979, the Hesperia Recreation and Park District in San Bernardino County contracted with the regional YMCA for recreational services, including staffing and programs. The district retained approval authority over programs and responsibility for providing and maintaining all facilities. Through this agreement, the district was able to offer a broader range of activities than it had provided in fiscal year 1977-78. The district manager estimated that the contract will save \$75,000 annually while increasing the level of recreational services.

Access to Additional Revenue Sources

Perhaps a more significant result of certain changes in districts' organization is access to revenue sources not otherwise available. As an example, Lemon Grove Fire

Protection District dissolved and the City of Lemon Grove assumed the district service area when the city was incorporated in 1977. Prior to reorganization, the district's major source of revenue had been property taxes. After these changes in organization, the city was able to fund these functions using revenue sources which were not previously available to the district. These sources included sales taxes, permits and fees, and other city revenues.

Other districts are studying dissolution as a means of providing additional sources of revenue. In San Diego County, annexations by the cities of Chula Vista and National City have eroded the service area of the Lower Sweetwater Fire Protection District. These annexations, accompanied by a reduction in revenues, have produced severe financial problems due to a continually eroding tax base. The San Diego Local Agency Formation Commission is negotiating with the district and the cities. These negotiations may result in dissolution of the district. In that case, district residents would be served by the cities through annexation or by contracting with the district. If the city annexed the district, additional sources of city revenue could fund the services.

Similarly, in Los Angeles County, the Southeast Recreation and Park District proposes to dissolve because of its financial problems. The district received \$2.2 million in property tax revenues in fiscal year 1977-78, but only \$930,000 in fiscal year 1978-79. This was a 58 percent reduction in property tax revenues. In addition, the district was not allocated state assistance funds in 1978-79. As a result of these financial difficulties, the cities of La Mirada and Norwalk have advanced the district \$1.7 million for operations in fiscal year 1979-80 and have agreed to assume the functions of the district within their respective corporate limits beginning in fiscal year 1980-81. This arrangement will assure continued service to city residents and will allow the cities to supplement property tax revenues with other city revenues.

CHAPTER II

ENCOURAGING JURISDICTIONAL CHANGES IN SPECIAL DISTRICTS

Local Agency Formation Commissions have identified actions which might encourage further jurisdictional changes in special districts and thus promote more efficient and effective special district organization. These changes include making statutory amendments to increase the level of jurisdictional changes. Also, LAFCOs identified certain financial disincentives which impede the restructuring of special districts and suggested financial incentives to counteract these impediments.

Statutory Amendments

The commissions identified statutory amendments which would encourage more jurisdictional changes in special districts. These amendments included augmenting Local Agency Formation Commissions' powers and establishing provisions to consolidate or merge special districts with varying statutory powers.

Increasing Commission Powers

Some commissions we surveyed stated that their insufficient statutory powers have limited more rational organization of special districts. Under the Knox-Nisbet Act, Government Code Sections 54773 et seq., the commissions have the power to study and obtain information which will contribute to the logical and reasonable development of local governments. These studies may include inventorying government agencies and determining local agencies' spheres of influence.*

Since the commissions can study only government agencies, some executive officers felt their ability to plan spheres of influence or growth patterns was limited. For example, the commissions are unable to effectively plan spheres of influence or growth patterns for water districts whose boundaries encompass private water companies because LAFCOs have no control over these companies.

Furthermore, although the commissions have the power to initiate and conduct studies of government agencies, there is no requirement that the recommendations resulting from the studies be implemented. Once the commissions conduct a study and determine appropriate action, they do not have the power to initiate changes in organization. Consequently, inefficiencies in the delivery of services may persist without correction.

* The phrase spheres of influence refers to the ultimate physical boundaries and service areas of local governments.

Apart from statutory amendments which would increase LAFCO's powers, some officials we contacted felt commissions could use their existing powers to encourage special districts to consider potential jurisdictional changes. Under present statutes, LAFCOs have the power to place conditions on proposals for the incorporation of cities, formation of special districts, annexation of territory to local agencies, exclusion of territory from a city, disincorporation of a city, and consolidation of two or more cities. LAFCOs also have the authority to adopt standards for evaluating these proposals. To promote jurisdictional changes through these powers, LAFCOs could require that specific jurisdictional changes be evaluated before the approval of a proposal. Similarly, LAFCOs could adopt standards which would require proposals to include a review of potential jurisdictional changes. In this way, LAFCOs would be encouraging districts and other entities to consider jurisdictional changes.

Consolidating or Merging Districts

Under the District Reorganization Act of 1965, there are no provisions to consolidate or merge districts which were formed under different statutes. For example, the law does not provide for the consolidation or merger of a county water district with an irrigation district. Existing law does allow one district to dissolve and another district to annex the area; however, some LAFCO executive officers stated that this circuitous procedure hindered a consolidation or a merger.

Overcoming Financial Disincentives

Various officials we contacted during our review identified certain financial disincentives which may have discouraged special districts from adopting jurisdictional changes. Specifically, these disincentives relate to (1) the initial costs involved in jurisdictional changes, (2) the costs associated with increased level of services to special districts, (3) varying financial conditions of districts, and (4) the staffing and funding limitations of studying potential jurisdictional changes. In addition to describing these disincentives, officials proposed actions to counteract them.

Some districts may be prevented from making certain jurisdictional changes because of the initial costs involved in changing special district organization. For example, some irrigation districts may be required to upgrade facilities to uniform standards before consolidating with other districts. However, since the districts may not be able to afford this one-time expenditure, the consolidation cannot take place.

The increased level of services sometimes accompanying the restructuring of districts may also require users to pay additional charges. Although a change in district organization may create logical boundaries and provide more effective services, it may also cause consternation among

certain groups, such as retired persons or other persons on fixed incomes, because of its effect on costs of services. Thus, the change in organization may not occur due to these increased costs.

The financial conditions of districts and the mechanisms for financing proposed changes also influence districts' willingness or ability to participate in jurisdictional changes. Since districts have varying financial conditions, including varying assets, liabilities and reserves, some districts may be unwilling to enter into a jurisdictional change with another district which has an unfavorable financial condition.

In addition to these financial limitations, Local Agency Formation Commissions cited their staffing and funding limitations as detrimental to studying and thus achieving improved special district organization. To determine LAFCOs' current resources and the extent of their involvement in studying special districts, we surveyed LAFCOs to learn of the review process for districts and to discover the number of staff and the expenditures for fiscal year 1978-79.* (Appendix A provides details on LAFCO expenditures.)

* Forty-one out of 57 commissions responded to this survey. However, as the text indicates, not every commission answered each of the questions.

The LAFCOs surveyed had staffs ranging from a single part-time position to nine and one-half full-time positions in fiscal year 1978-79. Twenty-five of the 37 LAFCOs responding to the staffing question indicated their staffs consisted of two persons or less. Furthermore, overall expenditures in fiscal year 1978-79 ranged from a high of \$243,288 in San Diego County to a low of \$150 in Alpine County according to the 38 counties responding to the question regarding LAFCO expenditures. Twenty-two of the 38 LAFCOs reported expenditures of less than \$25,000.

As noted earlier in this section, LAFCOs may study and obtain information which will contribute to the logical and reasonable development of local governments. In addition, LAFCOs develop and determine plans for local governments' spheres of influence. As part of their responsibilities, LAFCOs also review jurisdictional changes such as annexations, consolidations, and detachments. Although many of these functions are routine, the volume of work for which the commission is responsible can be considerable and therefore time consuming. For example, in Marin County, which had a staff of one and one-half positions in fiscal year 1978-79, 26 annexations or other proposals for changes in organization were submitted since July 1, 1978. Since these actions require staff time to review, other LAFCO responsibilities such as sphere of influence studies may be delayed or relegated to a lower priority.

In reviewing how LAFCOs reviewed and monitored the activities of special districts, only 8 of 35 LAFCOs responded that they had continuing procedures for periodically reviewing special district organization, operation, efficiency, and effectiveness. Similarly, only 6 of 36 LAFCOs reported that they monitored the operations of special districts to determine if they were providing those services they are legally authorized to provide. These statistics are significant because staffing limitations directly affect the type and amount of reviews that LAFCOs can conduct.

A number of financial incentives have been suggested to help overcome some of the financial impediments to jurisdictional changes in special districts. The financial incentives which have been mentioned include legislation to

- Defer or absorb the one-time costs of jurisdictional changes;
- Defer or gradually implement costs associated with increased levels of service resulting from jurisdictional changes;
- Absorb or amortize costs incurred by districts undergoing jurisdictional changes with other districts that have less favorable financial conditions;

- Fund studies of potential jurisdictional changes.

These financial incentives may assist in motivating districts to conduct studies and complete beneficial jurisdictional changes.

CHAPTER III

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Special districts have not fully studied the benefits of adopting jurisdictional changes. Seventy-two percent of the special districts surveyed had not conducted studies of their potential for changes in organization. In addition, less than half of the districts surveyed maintain functional consolidation agreements.

Although no mandate exists requiring special districts to study potential jurisdictional changes, some districts which have studied and adopted changes in organization or functional consolidation have experienced cost savings and other benefits. Specifically, districts surveyed have reported cost savings of as much as \$125,000 per year and have also achieved other benefits, including improved coordination of personnel and facilities; elimination of duplicate positions, services, and facilities; increased operational capacity; and access to additional revenue sources.

To encourage special districts to adopt jurisdictional changes, Local Agency Formation Commissions have identified statutory amendments which could increase the level of jurisdictional changes. Also, LAFCOs could expand the use of their existing powers to encourage jurisdictional changes, and financial incentives could help districts overcome the impediments to further jurisdictional changes.

Because there are numerous types of special districts performing a variety of services in different locales throughout California, no sweeping generalizations regarding cost savings or benefits should be made. Instead, each district's potential must be evaluated individually.

Recommendations

We recommend that the Legislature require that studies be conducted to determine which special districts would most benefit from adopting jurisdictional changes. To exclude special districts offering limited benefits from this study, we also recommend that screening criteria be developed and used. Once special districts which would most benefit are determined, detailed studies comparing alternative jurisdictional structures should be conducted. (Chapter IV provides additional information that the Legislature should consider in coordinating these studies.)

Potentially, special districts, Local Agency Formation Commissions, local commissions, counties, or grand juries could conduct these studies. Since differing conditions in each county govern these agencies' capacity to conduct the studies, the Legislature may want to consider allowing counties to determine the most appropriate agency for conducting the studies.

We recommend that the Legislature establish a deadline for the completion of the studies. In addition, the Legislature may wish to assign a state or local agency the responsibility for monitoring these studies to assure that they are conducted in an acceptable manner.

We recommend that Local Agency Formation Commissions expand the use of their existing powers to further encourage jurisdictional changes. LAFCOs should impose conditions on proposals and should require that potential jurisdictional changes be evaluated prior to approval of a proposal.

Further, we recommend that the Legislature consider legislation which would encourage beneficial jurisdictional changes. Specifically, the Legislature should consider

- Expanding the powers of Local Agency Formation Commissions to grant them power to initiate changes in organization;
- Adopting provisions which allow for consolidation or merger of districts formed under different statutes;
- Funding studies of potential jurisdictional changes;
- Assisting districts with one-time costs involved in making jurisdictional changes and with costs associated with increased service levels;
- Providing districts with varying financial conditions incentives for adopting jurisdictional changes.

CHAPTER IV

CONSIDERATIONS IN DETERMINING SPECIAL DISTRICTS' POTENTIAL FOR JURISDICTIONAL CHANGES

In this chapter we present information which the Legislature should consider in directing studies of special districts' potential for jurisdictional changes. First, we present three criteria to be applied in choosing the agency or political entity that will conduct the studies. We then list and evaluate five separate entities that could carry out these reviews. To sufficiently narrow the scope of the study by including only those districts which would benefit from jurisdictional changes, we next suggest screening criteria. Finally, we list variables to be considered in determining the impact of the various changes in organization upon individual districts.

To assure that the studies of special districts' potential for jurisdictional changes are conducted in a satisfactory manner, we recommend that the Legislature consider these facts in deciding which agency should conduct the studies:

- Independence--The agency chosen to conduct the studies should be sufficiently independent to assure an objective assessment of the facts and issues.

- Resources--The agency selected to conduct the studies should have sufficient resources to assure that an adequate study is performed.
- Technical Ability--The agency performing the studies must have the technical ability to analyze the facts and issues.

There are a number of agencies that could conduct the studies of special districts. Each of these agencies should be evaluated according to the criteria of independence, resources, and technical ability. Below we have suggested and evaluated agencies or political entities that may conduct these studies.

Special Districts

Individually or collectively, the districts could be responsible for reviewing their own operations. The districts know their own problems best and will be able to implement their decisions. However, they may not have the resources or technical ability to conduct such studies; moreover, the objectivity of the studies may be impaired.

Local Agency Formation Commissions

The commissions could perform or coordinate studies of special district organization. Since LAFCOs are familiar with the organization of districts, the studies could be ranked according to their relative importance or necessity. LAFCOs are independent entities and they possess the technical ability to conduct such studies; nevertheless, they have neither the resources to conduct the studies nor the initiatory powers to implement the study results.

Local Commissions

Commissions with special district and citizen representation could be established to review special district organization and to recommend potential jurisdictional changes. Although these commissions would provide local control and independence, they would need the resources and technical capabilities to conduct the studies. Additionally, once the studies have been performed, the commissions could only make recommendations regarding district organization.

Counties

The boards of supervisors for each county could be made responsible for insuring the conduct of studies of special district organization. The county staffs may have the technical ability to conduct these studies and are familiar with district activities. But the counties would not be totally independent agencies. And although they could implement study findings in dependent special districts, they would have no authority over independent districts. These studies would also require an additional commitment of county staff and resources.

Grand Juries

Grand juries have the legal authority to examine the books and records of special purpose assessing or taxing districts and may investigate and report upon the method or system by which a district performs its duties. The grand jury would provide an independent review of district operations, and it could contract for necessary technical assistance. However, funds would have to be made available for the grand jury to conduct the studies.

Since some special districts may benefit more than others through jurisdictional changes, those special districts offering limited benefits should be screened out and eliminated from any formal or detailed studies. To determine which districts warrant detailed studies, we recommend that the following criteria be considered:

- Production of Services--The relative cost and performance of special districts in providing services should be studied.
 - (1) Efficiency--Questions such as per capita or per unit costs should be considered as well as potential economies available by eliminating duplicate services. Other factors such as new costs generated through changes in organization or functional consolidation should be taken into account. In addition, these functions--administration, personnel, maintenance, use of facilities, training, and communications--should be examined.
 - (2) Effectiveness--This area includes the review of the impact of any jurisdictional changes in the level and quality of service or in the equity of service provided within a district's service area.

- Financing of Services--The revenue-generating capacity of districts should be reviewed to determine which organization provides the greatest access to revenues to finance operations. The statutory authority of districts to charge fees and assessments, the property tax revenue available, and other potential revenue sources such as sales tax revenue available to districts annexing to cities should be considered.

- Planning Ability--The ability of a district to solve problems and anticipate change must be taken into account. Districts' administrative and management capabilities, including their ability to respond to growth should be considered in any proposed jurisdictional changes.

- Other Potential Effects--Any changes in the organization of districts may result in some unanticipated consequences. Salary levels, methods of controlling costs, or incentives for employees may be affected. These considerations as well as the impact on the interrelationship of services delivered should be reviewed to determine potential negative effects.

Once districts are initially screened, appropriate districts can be examined to determine the impact of various jurisdictional changes on individual districts. Since there are 55 types of districts offering different services in many areas, there are no standard criteria that can be applied to all districts. However, comparisons of alternative jurisdictional changes could incorporate the following variables:

- Efficiency Measures

- (1) Administrative Support Services--The compatibility of combining various administrative functions and the elimination of duplicated functions in areas such as personnel, finance, and procurement could be reviewed.
- (2) Equipment and Facilities--The expense of unnecessary or duplicate equipment and facilities could be studied for potential savings.
- (3) Staffing--Commensurate salary levels, fringe benefits, and the number of personnel required to conduct operations warrant review.

- Effectiveness Measures

- (1) Inventory of Services--An inventory of current services should be conducted to identify those which could be eliminated.
- (2) Levels of Services--Current levels of services should be reviewed to ascertain acceptable desired levels of service and their associated costs.
- (3) Capacity Changes--The potential benefits available through combining resources and thus increasing capacity should be reviewed in areas such as training or specialized services.

The quantifiable benefits available through various efficiency and effectiveness measures must be weighed against more intangible policy considerations. For example, the ability of special districts to respond to their clients as well as other intangible variables such as citizen access and control must be taken into account. Once potential cost savings and other benefits are identified, the importance of these savings versus more intangible policy matters can be decided.

OTHER PERTINENT INFORMATION

SPECIAL DISTRICTS' RESPONSE
TO PROPOSITION 13

Special districts have adopted other alternatives to jurisdictional changes to increase revenues and decrease expenditures in response to the effects of Proposition 13. For example, as many as 80 percent of the recreation and park districts surveyed have increased or instituted new fees, charges, or assessments to generate additional revenue. In addition, other districts have used contingency or reserve funds to finance operations. In their efforts to reduce expenditures, flood control districts have reduced staffing by 19 percent. Similarly, special districts have reduced operations and have curtailed capital outlays to reduce their expenditures. Districts' efforts to increase revenues and decrease expenditures have enabled them to meet the constraints imposed by Proposition 13.

Proposition 13 Impact
on Special Districts

Proposition 13 stipulated that the ad valorem tax on real property shall not exceed one percent of a property's full cash value. As a result, special districts' property tax revenues were reduced. Nonenterprise and enterprise districts reported a disproportionate amount of property tax loss for fiscal year 1978-79. During that year, nonenterprise districts reported that property tax revenues decreased 44.3 percent while enterprise districts reported a 34.2 percent reduction--a total of \$191.8 million and \$99.4 million respectively.* The impact of property tax revenue reductions varied according to each district's dependence on property tax as a source of revenue. Some nonenterprise districts experienced as much as a 50 percent reduction in total revenues in fiscal year 1978-79 due to reduced property tax revenues. In contrast, enterprise districts did not experience property tax revenue reductions as significant as nonenterprise districts. Enterprise districts were also able to compensate for lost revenues by raising revenue through other sources.

Legislation enacted in the 1978-79 session provided partial financial relief to local government from the temporary difficulties caused by the passage of Proposition 13. Special

* Department of Finance, "A Study of the Local Government Impacts of Proposition 13," Volume IV, January 1979, page 12.

districts which had the ability to raise revenues by charging users fees for services were encouraged to rely on those charges and fees to compensate for the unavailability of property tax revenues after fiscal year 1978-79. The Legislature also provided governing bodies criteria for allocating state assistance funds to special districts. Under these criteria, districts providing public safety services, such as police and fire, would be provided funds sufficient to ensure that the district maintained the same level of protection that was provided during fiscal year 1977-78. In addition, Chapter 282 (AB 8), Statutes of 1979 allocated property tax revenues in fiscal year 1979-80 and established the Special District Augmentation Fund in each county to supplement the revenues of special districts.

District Efforts to Increase Revenues

Some special districts have increased revenues to either partially or completely replace lost property tax revenue. The powers of special districts to generate revenues exclusive of property tax vary with the authority provided in the legislative acts creating special districts. Our survey of special districts showed that districts have either increased existing fees or have instituted new fees, charges, or assessments to secure additional revenue. Furthermore, some districts have used contingency or reserve funds to finance operations.

Table 5 outlines special districts' efforts to increase revenues through increasing or instituting fees, charges, or assessments since July 1, 1978. The extent to which special districts have increased or instituted fees, charges, or assessments varies among types of districts. For example, each of the four types of enterprise districts surveyed reported that more than 50 percent of the districts are increasing or instituting charges or assessments. In contrast, some nonenterprise districts, such as reclamation or fire protection districts reported that no more than 27.5 percent of the districts, are increasing or instituting new

TABLE 5
SPECIAL DISTRICTS' EFFORTS TO
INCREASE REVENUES BY INCREASING OR
INSTITUTING FEES, CHARGES, OR ASSESSMENTS
SINCE JULY 1, 1978

<u>District Type</u>	<u>Number of Districts</u>	<u>Number of Districts Responding</u>	<u>Number of Districts Increasing Existing Fees, Charges, or Assessments*</u>	<u>Number of Districts Instituting New Fees, Charges, or Assessments*</u>	<u>Number of Districts Increasing or Instituting Fees, Charges, or Assessments*</u>	<u>Percentage of Districts Increasing or Instituting Fees, Charges, or Assessments</u>
<u>Nonenterprise</u>						
Fire Protection	454	225	19	10	25	11.1
Recreation and Park	118	71	53	44	57	80.3
Reclamation	157	69	9	11	19	27.5
Flood Control	35	20	7	8	10	50.0
<u>Enterprise</u>						
County Water	205	79	37	21	44	55.7
California Water	163	35	18	9	19	54.3
Irrigation	102	60	26	12	30	50.0
Municipal Water	47	33	16	12	19	57.6

* Note: Districts could indicate multiple responses to these questions.

fees, charges or assessments. Eighty percent of the recreation and park districts, which are highly dependent on property taxes, reported that they are increasing or instituting new fees or charges.

Although a substantial percentage of nonenterprise districts reported that they have increased or have instituted fees and charges, the revenue generated from these sources was relatively small when compared to the revenue generated by enterprise districts. For example, the nonenterprise Hayward Area Recreation and Park District in Alameda County, serving a population exceeding 200,000, increased existing fees and charges and instituted new fees and charges in fiscal year 1978-79. The district generated an additional \$73,603 from fees and charges in fiscal year 1978-79. This amount equals about two percent of the \$3,726,723 property tax revenue reduction that Hayward Area Recreation and Park District experienced in fiscal year 1978-79. In contrast, the enterprise Tuolumne County Water District No. 2, which provides sewage service to 2,000 customers and water service to 1,100 customers, recovered an additional \$120,000 by raising user charges in fiscal year 1978-79, a recovery of 95 percent of the \$126,000 property tax revenue it lost in fiscal year 1978-79. Thus, the enterprise district was able to recover a significantly large proportion of its property tax revenue reduction by raising its fees and charges.

To compensate for the loss of property tax revenue, some nonenterprise districts used contingency or reserve funds to finance fiscal year 1978-79 expenditures. For example, the Los Angeles Flood Control District property tax allocation, including amounts for debt retirement, was only \$60.9 million in fiscal 1978-79 as compared to \$85.8 million in fiscal year 1977-78. The district received only \$9.6 million in state assistance funding. As a result of the reduced level of funding, approximately \$21 million in reserve funds was used to finance operations and to cover retirement of debts and debt services which were previously funded from property tax revenues.

Chico Area Recreation and Park District in Butte County serves as another example of a nonenterprise district using reserves to finance its operating budget. The district received no state assistance funding allocation and therefore was limited to its fiscal year 1978-79 property tax revenue of \$382,500 as compared to \$639,305 in fiscal year 1977-78. Although the district acted to increase revenue through increased fees and charges and reduced expenditures, the district general manager stated that it was necessary to use \$345,000 of unobligated reserves to finance the fiscal year 1978-79 budget.

District Efforts to
Reduce Expenditures

To compensate for the loss of property tax revenues resulting from Proposition 13, special districts also reduced expenditures by reducing staffing, operations, and capital outlays.

Reductions in Staffing

Nonenterprise districts which we surveyed reported staffing reductions ranging from less than two percent to 30 percent. However, enterprise districts reported minimal reductions in staffing and, in some cases, increases in staffing of as much as 11 percent. Table 6 shows the staffing changes from fiscal year 1977-78 to 1978-79 in special districts.

TABLE 6
SPECIAL DISTRICTS' EFFORTS TO
REDUCE STAFFING SINCE
PROPOSITION 13

<u>District Type</u>	<u>Number of Districts</u>	<u>Number of Districts Reporting</u>	<u>Number of Positions Filled FY 1977-78</u>	<u>Number of Positions Filled FY 1978-79</u>	<u>Percentage Change from FY 1977-78 to FY 1978-79</u>
<u>Nonenterprise</u>					
Fire Protection	454	225	3,874	3,807	-1.7
Recreation and Park	118	71	1,194	836	-30.0
Reclamation	157	69	52	49	-5.7
Flood Control	35	20	1,671	1,352	-19.1
<u>Enterprise</u>					
County Water	205	79	1,086	1,084	-0.2
California Water	163	35	281	313	11.4
Irrigation	102	60	1,986	1,998	0.6
Municipal Water	47	33	873	889	1.8

As depicted in Table 6, recreation and park districts experienced the most dramatic reductions in staffing. As an example, Truckee-Donner Recreation and Park District in Nevada County laid off more than half of its park maintenance and recreation personnel. These staffing reductions cut personnel expenditures and assisted the district in functioning under the financial constraints of Proposition 13.

Curtailment of Operations

Both nonenterprise and enterprise districts reported that they curtailed operations to reduce expenditures and meet the constraints imposed due to Proposition 13. Districts reduced maintenance and hours of operations, cut back program activities, and closed facilities. Table 7 illustrates the number of special districts reporting cutbacks in their operations. Recreation and park districts reported the largest percentage of districts experiencing cutbacks in operations--79 percent. At the same time, only 10 percent of irrigation districts reported reducing operations. The percentage of districts curtailing operations was somewhat higher in nonenterprise districts; however, each type of enterprise district also reported reductions in operations.

TABLE 7
 SPECIAL DISTRICTS' EFFORTS TO
 REDUCE EXPENDITURES BY CURTAILING OPERATIONS
 SINCE JULY 1, 1978*

<u>District Type</u>	<u>Number of Districts</u>	<u>Number of Districts Reporting</u>	<u>Number of Districts Curtailing Operations</u>	<u>Percentage of Districts Curtailing Operations</u>
<u>Nonenterprise</u>				
Fire Protection	454	225	95	42.2
Recreation and Park	118	71	56	78.9
Reclamation	157	69	9	13.0
Flood Control	35	20	12	60.0
<u>Enterprise</u>				
County Water	205	79	17	21.5
California Water	163	35	4	11.4
Irrigation	102	60	6	10.0
Municipal Water	47	33	12	36.4

* Curtailing operations includes reducing maintenance, hours of operation, program activities and closing facilities.

An example of a district which reduced operations is the Fulton-El Camino Recreation and Park District in Sacramento County. In July 1978, the district effectively closed two of its three swimming pools by rotating the days pools were open. Only one of its three pools was open on any given day to reduce swimming program expenditures. Similarly, in fiscal year 1979-80, the district closed all swimming pools on August 19, 1979 due to limited funding.

Reductions in
Capital Outlay

Both nonenterprise and enterprise districts reported reducing capital expenditures for new equipment, facilities, and property development since July 1, 1978. Table 8 shows the number of special districts surveyed which decreased capital outlays. Certain nonenterprise districts, such as fire protection, recreation and park, and flood control districts reported a larger proportion of districts reducing capital outlays. However, an equally high proportion of enterprise municipal water districts reduced capital outlays.

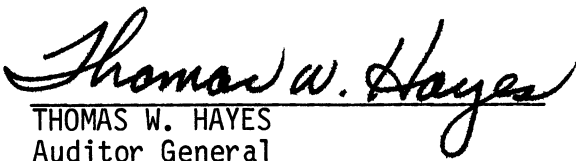
TABLE 8
SPECIAL DISTRICTS
REDUCING CAPITAL OUTLAYS
SINCE JULY 1, 1978

<u>District Type</u>	<u>Number of Districts</u>	<u>Number of Districts Reporting</u>	<u>Number of Districts Reducing Capital Outlays</u>	<u>Percentage of Districts Reducing Capital Outlays</u>
<u>Nonenterprise</u>				
Fire Protection	454	225	139	61.8
Recreation and Park	118	71	53	74.6
Reclamation	157	69	10	14.5
Flood Control	35	20	11	55.0
<u>Enterprise</u>				
County Water	205	79	24	30.4
California Water	163	35	5	14.3
Irrigation	102	60	12	20.0
Municipal Water	47	33	18	54.5

The Cordova Recreation and Park District in Sacramento County, for example, eliminated capital expenditures for park acquisition and development because funds for these ventures are no longer available. In addition, the district has not applied for grants to assist it in development efforts because the district could not meet matching fund requirements. At the present time, the district has a 14 acre park which is undeveloped because funds are not available to support it.

In summary, special districts have taken a variety of actions to increase revenues and decrease expenditures in their efforts to adjust for the property tax revenue reductions resulting from Proposition 13. Efforts to increase revenues included increasing and instituting new fees, charges, and assessments. In addition, some districts have used contingency or reserve funds to finance their operations. District efforts to reduce expenditures include reducing staffing, operations, and capital outlays. These efforts have helped districts respond to the fiscal constraints of Proposition 13.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Date: January 18, 1980

Staff: Richard C. Mahan
Robert T. O'Neill
Andrew P. Fusso
Arthur C. Longmire
Albert M. Tamayo

RESPONSES TO AUDITOR GENERAL'S REPORT

We met with representatives from fire protection, recreation and park, water districts, and Local Agency Formation Commissions to review the report's conclusions and recommendations. Although we discussed a variety of issues, these were their major areas of concern: what agency would conduct the studies of potential jurisdictional changes, the incentives for conducting the studies, and the process for initiating and completing the studies. Some of the predominant concerns are summarized below.

The officials were concerned with what agency would conduct the studies of potential jurisdictional changes. Some of the officials had reservations about allowing LAFCOs to perform the study. Since many of the commissions rely on county staffs to operate, some officials felt that LAFCO's studies may not be fully objective or impartial. In addition, some officials expressed concern about the lack of special district representation on the commissions. Only eight of the 57 LAFCOs now have special district representation.

Other representatives questioned whether counties could appropriately conduct the studies since they are responsible for dependent districts and are thus not independent. Representatives also doubted the appropriateness of grand juries in conducting the studies.

Some officials felt there was a need for these types of incentives to ensure that the studies were completed:

- Financial incentives to encourage studies and to overcome obstacles to jurisdictional changes;
- Resources to assist in completing the studies;
- Mandates for conducting the studies.

Finally, officials raised these issues regarding the process used to conduct the studies:

- The need to standardize the studies and to fix the agency for conducting the studies;
- The need for a comment process which would allow affected agencies the opportunity to respond to the studies prior to public release;
- A mechanism for using existing voter safeguards to require an election if the agencies protested the study findings and recommendations;

- The potential for establishing a steering committee in each county composed of members representing the special districts, the county, and the LAFCO to decide the appropriate agency for conducting the studies in a county.

EXPENDITURES OF
 LOCAL AGENCY FORMATION COMMISSIONS
IN FISCAL YEAR 1978-79

<u>County</u>	<u>Expenditures</u>
Alpine	\$ 150
Amador	10,564
Butte	10,293
Colusa	9,081
Del Norte	2,960
El Dorado	*
Fresno	56,630
Glenn	4,623
Humboldt	22,077
Imperial	1,660
Kern	90,820
Kings	18,575
Lassen	16,557
Los Angeles	160,679
Marin	34,878
Mendocino	5,721
Merced	3,377
Mono	200
Monterey	35,352
Napa	39,476
Nevada	11,750
Orange	146,411
Plumas	5,946
Riverside	52,894
Sacramento	124,618
San Benito	950
San Diego	243,288
San Joaquin	54,454
San Luis Obispo	30,605
San Mateo	146,832
Santa Barbara	31,548
Santa Clara	142,111
Siskiyou	16,120
Tehama	2,260
Tulare	13,591
Tuolumne	19,549
Yolo	59,220
Yuba	9,737

* El Dorado County's LAFCO had no separate budget in fiscal year 1978-79.

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