



AGENDA ITEM 8B

MEETING: September 20, 2017
TO: Humboldt LAFCo Commissioners
FROM: George Williamson, Executive Officer
SUBJECT: **Little Hoover Commission Report "Special Districts: Improving Oversight and Transparency" (August 2017)**
The Commission will receive a final report prepared by the Little Hoover Commission. The report is being presented for information only.

BACKGROUND

The Little Hoover Commission (LHC), formally known as the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy, is an independent state oversight agency created in 1962. The Commission's mission is to investigate state government operations and policy, and – through reports and legislative proposals – make recommendations to the Governor and Legislature to promote economy, efficiency and improved service in state operations.

The LHC previously studied special districts in 1999 and issued a 2000 report titled "*Special Districts: Relics of the Past or Resources for the Future?*" The Commission's recommendations included empowering Local Agency Formation Commissions to help consolidate districts, finding ways to make special districts more transparent and accountable to the public, requiring more prudent management of their considerable financial reserves and making it tougher for special districts to simultaneously collect fees and property taxes.

The LHC's most recent report, "*Special Districts: Improving Oversight & Transparency,*" was released August 30 following a year-long investigation that included two public hearings and two roundtable discussion forums. Eight (8) of the report's 20 recommendations focus on the Local Agency Formation Commissions (LAFCo) throughout the state. The report can be accessed online at:

<http://www.lhc.ca.gov/report/special-districts-improving-oversight-transparency>

DISCUSSION

The California Association of Local Agency Formation Commissions (CALAFCO) has been actively engaged in all aspects of the LHC process, including the CALAFCO Board of Directors which participated in a special LHC advisory committee. Furthermore, the California Special Districts Association (CSDA) and other local government representatives closely followed the LHC Special Districts review process since efforts began last August.

All in all, LAFCos came through this process with very little negative baggage, in fact, much of the testimony and discussion evolved around removing barriers that impede

LAFCOs ability to reorganize local governments. Of particular note are recommendations to (1) curtail legislation that bypasses LAFCOs role; and (2) provide grant funding to advance reorganization studies. It is very clear to the LHC that LAFCOs are the preferred "tool" to address local governmental issues at a local level.

The LHC recommends the state should eliminate unnecessary hurdles for district dissolutions and consolidations to improve service delivery, expand transparency by requiring every district to have a website with basic information and standardize current reporting requirements on revenues, expenditures and reserves.

"The LAFCO process may not be working as it could and should in every corner of the state, but special districts remain best served by local decision-making," Commission Chairman Pedro Nava writes in the cover letter to the Governor and legislators. "To that end, the Commission recommends the Legislature curtail its practice of bypassing the local process. Additionally, the Commission offers a number of common-sense recommendations to help LAFCOs exercise their authority."

In the report, the Commission calls for special district reforms and recommends several measures to strengthen oversight of California's 2,071 independent special districts.

RECOMMENDATION

This item has been agendized for information only. The Commission is invited to discuss the item and provide direction to staff on any related matter as needed.