

SAN MATEO

**LOCAL AGENCY FORMATION COMMISSION**

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

**September 10, 2014****To:** LAFCo Commissioners**From:** Martha Poyatos, Executive Officer *M. Poyatos***Subject:** Legislative Report

Attached is the CALAFCo Legislative Committee update dated August 26, 2014. The report includes a request for LAFCo letters requesting the Governor's signature on two bills: AB 1521 (Fox) and SB 69 (Roth). A summary of these bills is included in the attached update and draft letters of support are attached for Commission consideration.

Every year in November, the Assembly Local Government Committee Guide publishes an updated Cortese Knox Hertzberg (CKH) Act which reflects all chaptered legislation. Staff will provide an update on the significant changes at the November 19 meeting.

**Recommendation**

Receive the attached Legislative Committee update and consider authorization of support letters for AB 1521 and SB 69.

## CALAFCO Legislative Update as of August 26, 2014

*Below is a summary update of the top priority bills being tracked by CALAFCO. For updates on all of the bills being tracked, go to the CALAFCO website and see the daily updates in the legislative section. A copy of that report as of this morning is also included in this report.*

### **Legislative Deadlines:**

**August 31** – last day for each house to pass bills and the start of final recess.

**AB 2762 (ALGC – Omnibus) – CALAFCO Sponsor and Support Chaptered.**

**AB 2156 (Achadjian) CALAFCO Support Chaptered.**

Writes Joint Power Authorities into CKH through definition of both, and as entities from which the LAFCo is authorized to request information for studies, and requires the JPA to respond to the request for information.

**AB 1521 (last amended 8/4/14) (Fox) CALAFCO Support**

**Enrollment, shortly to be presented to Governor for signature. ASKING FOR LETTERS FROM LAFCOS REQUESTING GOVERNOR SIGNATURE.**

This bill reinstates the VLF payment (through ERAF) and changes the way that the growth in the VLF adjustment amount (property tax in lieu of VLF) is calculated starting in FY 2014-15 to include the growth of assessed valuation, including in an annexed area, from FY 2004-05 to FY 2014-15. Beginning in FY 2015-16, the VLF adjustment amount would be the jurisdiction's annual change in the assessed valuation. This bill has been marked as an urgency bill to take effect immediately.

**SB 69 (last amended 8/18/14) (Roth) CALAFCO Support**

**Enrolled, shortly to be presented to Governor for signature. ASKING FOR LETTERS FROM LAFCOS REQUESTING GOVERNOR SIGNATURE.**

The bill calls for reinstatement of the VLF through ERAF for cities that incorporated between January 1, 2004 and January 1, 2012. There are no provisions for back payments for lost revenue, but the bill does reinstate future payments beginning in the 2014/15 year for cities that incorporated between 1-1-2004 and 1-1-2012.

**AB 1527** (last amended 8/20/14) (Perea) CALAFCO Support

*On Assembly floor for concurrence in Senate amendments. Set for passage 8/26/14. Once done, will go to enrollment and you will receive request for letter requesting Governor signature.*

Gut and amended on June 26 and substantially amended again on Aug. 20. As amended, this bill requires the State Water Resources Control Board to provide incentives for the consolidation of public water systems based on LAFCo studies. It further requires the Board to adopt a policy handbook. Once done, this newly added provision will be repealed. The bill has undergone a number of substantial amendments, consequently eliminating the provision that LAFCos be added to the list of eligible entities for receiving grant funding from the Strategic Growth Council. However it still acknowledges the importance and usefulness of Municipal Service Reviews at the state level by requiring the Board to use that data in their processes of consolidation incentives.

**SB 614** (last amended 8/18/14) (Wolk) CALAFCO Support

*Enrolled, shortly to be presented to Governor for signature.*

As amended, the bill is intended to provide an incentive to cities to annex disadvantaged unincorporated communities by creating an option for a funding mechanism using a property tax sharing agreement by affected entities (to share the 1% tax dollars) and ensuing tax increment. A special district would be created to act as the vehicle for that funding. The bill allows LAFCo to consider, as part of the application, the formation of a new district or the reorganization of an existing district, but only if all of the affected agencies are in agreement. Further, the bill allows a consenting local agency to advance funds to the special district for the sole purposes outlined in the annexation development plan (for specific infrastructure upgrades). There is a ten year sunset on the provisions created by this bill to January 1, 2025.

CALAFCO spent over two months working closely with Senator Wolk's staff and the staff of the Senate Governance & Finance committee on amendments to the bill. All of the originally stated concerns have been eliminated with the August 18<sup>th</sup> amendments.

**AB 1739 and SB 1168 – Sustainable Groundwater Agencies (SGAs)**

Summary:

The August 18, 2014 amendments to this bill and AB 1739 divided the integrated statute into two pieces that must be enacted together and included many of the stakeholder-suggested refinements. The August 22,

2014, amendments made mostly technical and clarifying changes as well as additional stakeholder refinements. SB 1168 contains: the general policy of the State regarding sustainable groundwater management; the Act's general provisions, including phased requirements for high and medium priority basins to manage sustainably, depending on whether a critical condition of overdraft exists; basin boundary adjustment language; requirements and authorities for establishing Groundwater Sustainability Agencies (GSA); powers and authorities of GSAs; and, required Groundwater Sustainability Plan (GSP) components. AB 1739 includes provisions related to coordination between local land use agencies and GSAs as well as those provisions of the Act regarding: DWR technical assistance; GSA financial authorities; GSA enforcement powers; State evaluation and assessment of GSPs; and, State intervention should the requirements of the statute not be met, including authority for the State Water Board to require reporting of groundwater withdrawals and charge fees for its interim management activities. In many respects, SB 1168 contains the actions related to establishing GSAs and planning GSPs while AB 1739 contains most of the complimentary implementation tools and enforcement authorities, both State and local.

The coordination of overlapping basins and subbasins will be done at the local level. It is the intent of the legislature to keep as much authority at the local level as possible.

CALAFCO's concerns regarding the required expedited process of GSA formation has been addressed with the removal of LAFCo in the formation process. In a later set of amendments, it was requested that LAFCo be included as one of the entities to be notified upon the formation of a GSA. However, that request came too late in the process – it is something we should have asked for when we addressed our original concerns. LAFCos can request to be included on the list of recipients of any notification relating to the formation of a GSA and creation of a GSP. CALAFCO has been informed no further amendments will be considered for either bill. However, we have also learned that it is likely clean-up legislation will be introduced next year.

**AB 1739 (last amended 8/22/14) (Dickinson) CALAFCO Watch**

**On the floor of the Senate for third reading and passage on 8/26. Then off to Enrollment and to the Governor for signature.**

In addition to the summary above, AB 1739:

- Requires consideration of GSAs and GSPs in the update of General Plans;
- Requires the DWR to adopt a fee schedule for the GSA to recoup costs;
- Allows DWR or GSA to provide technical assistance to entities that extract or use groundwater to promote water conservation;
- Authorizes the GSA to regulate groundwater extraction;

- Requires DWR to publish a report by 12/31/16 of estimated water available for replenishment of groundwater;
- Outlines the costs that can be funded with fees on the extraction of groundwater from the basin to the GSA;
- Provides GSA enforcement powers;
- Requires DWR to adopt regulations for GSP evaluation by 6/1/16;
- Provides for reporting intervals; and
- Provides state backstops for noncompliance.

**SB 1168** *(last amended 8/22/14)* **(Pavley) CALAFCO Watch**

*On the floor of the Assembly for third reading and passage on 8/26. Then off to Enrollment and to the Governor for signature.*

In addition to the summary above, SB 1168:

- Requires all large and medium size basins (per Bulletin 188) to be managed under a GMP;
- Requires adjudicated basins to file papers with the DWR by 1/1/16 and annual reports;
- Requires DWR to adopt regulations for the boundary revision process;
- Provides that any local agency or combination of local agencies overlaying a groundwater basin may form a GSA for that basin, and defines the necessary process for such formation;
- Provides for Counties to have authority over white spaces;
- Outlines the authority of a GSA; and
- Outlines the contents of the GMP.

**SB 757** *(last amended 8/22/14)* **(Berryhill) CALAFCO Watch**

*In assembly rules committee likely to die there.*

Gut and amended, this bill is the vehicle for the opposition to the two main groundwater bills, AB 1739 and SB 1168. It takes partial language from both bills and introduces new and confusing definitions, reinserts some language that was previously rejected during the stakeholder process that was used to develop SB 1168 and AB 1739, and omits many of the refinements that were subsequently developed in that stakeholder process. Most troublesome is the language that requires LAFCOs to expedite the formation of the special districts, which was ultimately removed from AB 1739.

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September 10, 2014

The Honorable Governor Edmund G. Brown, Jr.  
State of California  
State Capitol Building  
Sacramento, CA 95814

RE: Request to Sign SB 69 (Roth)

Dear Governor Brown:

The San Mateo Local Agency Formation Commission (LAFCo) respectfully requests that you sign Senate Bill 69 (Roth). SB 69 goes substantially restores funding stability to four cities that incorporated between January 1, 2004 and January 1, 2012 (Jurupa Valley, Wildomar, Menifee, and Eastvale), and avoids the likely disincorporation or bankruptcy of these cities.

SB 89, one of the 2011 budget bills, created a financial disincentive for future city incorporations and annexations of inhabited territory. It also resulted in financial disincentives for cities annexing large inhabited territories, particularly unincorporated islands. The equitable distribution of vehicle license fee funds to these newer cities is vital to assure their financial feasibility. SB 69 reinstates a critical funding component to recently incorporated cities and promotes annexations of inhabited areas that should be served by cities. We respectfully urge you to sign SB 69.

Please do not hesitate to contact us with any questions you may have.

Sincerely,

Rich Garbarino  
Chair

cc: Honorable Richard Roth, State Senator  
Ms. Camille Wagner, Chief Deputy Legislative Affairs Secretary to the Governor

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September 10, 2014

The Honorable Governor Edmund G. Brown, Jr.  
State of California  
State Capitol Building  
Sacramento, CA 95814

RE: Request to Sign AB 1521 (Fox)

Dear Governor Brown:

The San Mateo Local Agency Formation Commission (LAFCo) respectfully requests that you sign AB 1521 (Fox). This legislation substantially restores funding stability to more than 144 cities that annexed inhabited areas since 2004 and is consistent with the prior allocation formula that cities have relied upon in annexing unincorporated territory. Furthermore, the bill declares the act as an urgency statute, which will take effect immediately.

AB 1521 corrects the vehicle license fee (VLF) gap created by SB 89, one of the 2011 budget bills. SB 89 created a financial disincentive for city incorporations and annexations of inhabited territory and resulted in severe fiscal penalties for cities that annex inhabited territories, including unincorporated islands, by eliminating over \$4 million in VLF allocations.

AB 1521 is critical to statewide policy issues with respect to future growth and planning by restoring incentives for cities to annex unincorporated inhabited areas and promote orderly growth, both of which are significant issues to LAFCos statewide. AB 1521 restores critical funding to the cities that recently annexed territory and promotes the likelihood of annexations consistent with LAFCo-adopted spheres. We respectfully urge you to sign AB 1521.

Please contact us with any questions you may have.

Sincerely,

Rich Garbarino  
Chair

cc: Honorable Steve Fox, State Assembly member  
Ms. Camille Wagner, Chief Deputy Legislative Affairs Secretary to the Governor