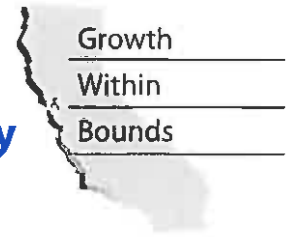


Report of the Commission on Local Governance for the 21st Century

# Growth Within Bounds: Planning California Governance for the 21st Century

## Executive Summary



Throughout the world, California symbolizes success, achievement, and prosperity. We are the incubator of many of today's leading industries, including entertainment, aerospace, computer and communications technology, and genetic engineering. California has been the nation's leading agricultural producer for five decades, despite having only three percent of the nation's farmland. The Golden State is the premier destination point worldwide for vacationers, business people, and those seeking a better life.

As California enters a new millennium, we find ourselves at a crossroads. Faced with surging growth, dynamic change, and greater diversity than the world has ever known, the time is right for California to set to a new course. We must start by examining the system of governance (the way that government is organized and operates) and we must establish a vision of how the state will grow. As a state, we need to ask ourselves if our existing system can carry us for another century.

Recognizing the challenges facing California governance in the 21st Century, the State Legislature in 1997 enacted AB 1484 (Hertzberg), establishing the Commission on Local Governance for the 21st Century ("Commission"). The Commission was asked to assess governance issues and make appropriate recommendations, directing special attention to the Cortese-Knox Local Government Reorganization Act of 1985, the 57 local agency formation commissions (LAFCOs) governed by the Act, and citizen participation in local government.

Our current institutions of government were designed when our population was much smaller and our society was less complex. The Commission believes that it has taken an

important first step towards managing and visualizing the future role of government. The Commission's report and recommendations are intended to provide new tools to enable California to cope with growth in a rational manner, in part by making better use of the often invisible LAFCOs in each county. We have also worked to improve the procedural framework outlined in the Local Government Reorganization Act which should assist Californians in organizing more coherent governmental entities.

The Commission, however, recognizes that time constraints prevented a more thorough analysis of other critical issues. We are particularly concerned over the lack of coordination and accountability for many governmental services. The Commission believes that a complete reexamination is warranted of the fundamental structure of governance in California. The Legislature should commission a task force to undertake this responsibility, or extend the term of the Commission on Local Governance for the 21st Century.

The task of investigating future local governance options is formidable and must include a fundamental assessment of the functions performed by cities, counties, special districts, and regional agencies. Any excessive fragmentation of government services among numerous, inefficient, or overlapping providers must be discouraged; and effective, efficient, and easily understandable local government must be encouraged. Nevertheless, the scale of public institutions and the growing complexity of the services they provide must also be considered. As local agencies grow and reorganize, means must be found to empower neighborhoods and individuals and to re-engage them in determining the shape of their communities in the

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future. Local government institutions need to be (1) small enough to be accessible; (2) large enough to be effective and efficient (economies of scale need to be recognized); and (3) adaptable enough to remain accountable while serving diverse communities across the state.

Four points should be recognized in order to frame the debate about the future role of government:

1. ***The future will be shaped by continued phenomenal growth.*** If we fail to recognize, accept, and respond to this, we risk making California an unattractive place to live and work.
2. ***California does not have a plan for growth.*** If we stay the current course, we may one day wake up to discover a world marred by sprawling suburbs, expensive and overextended public services, a decimated agricultural industry, less open space, and fewer recreational opportunities. In a state that on the East Coast would cover all or part of a dozen states, there is no formal intermediate planning authority between the State and individual local governments.
3. ***Local government budgets are perennially under siege.*** Because of taxing and spending constraints enacted over the past two decades, local governments struggle to

provide essential services and have little latitude to adjust resources to match residents' priorities.

4. ***The public is not engaged.*** Although there clearly is frustration with traffic gridlock and the high cost of housing, most Californians have little interest in the day-to-day functioning of government or preparing plans for future growth.

It was within this context that the Commission initiated its legislatively directed review " . . . of the current statutes, including, but not limited to, this division [the Local Government Reorganization Act], regarding the policies, criteria, procedures, and precedents for city, county, and special district boundary changes." To accomplish this task, the Commission held 25 days of public hearings throughout the state, receiving input from over 160 individuals and organizations. The Commission's Internet website, [www.clg21.ca.gov](http://www.clg21.ca.gov), received 90,000 "hits" between January and December 1999 and many visitors took advantage of the opportunity to submit questions and suggestions electronically. The Commission's report and recommendations are based upon this extensive input and the Commission's deliberations on the information received.

Fig. ES-1

Meeting of the Commission on Local Governance for the 21st Century

Staff photo



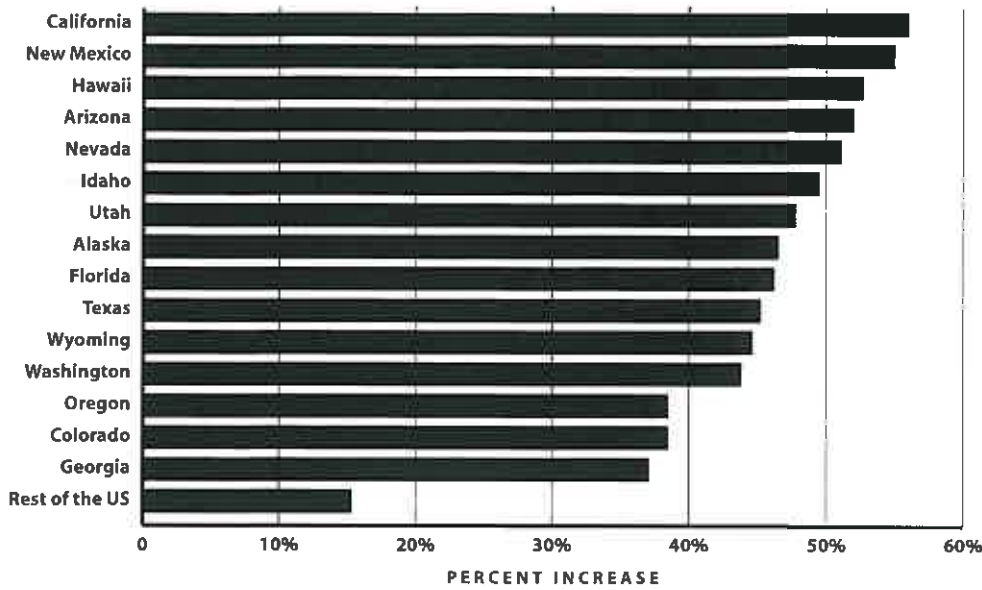


Fig. ES-2

**Projected California Population Growth Rate Compared to Other States 1995 Through 2025**

SOURCE: U.S. Department of Commerce, Census Bureau, *Current Population Reports: Population Projections: States, 1995-2025*, May 1997

**21st Century Challenges to Local Government**

Wave after wave of immigrants have poured into California since the Gold Rush, bringing about a steady increase in the state's population. This trend will continue well into the next century, but most new growth will be generated internally, through the natural increase of the existing population. Closing the gates will not solve the growth problem. By 2020, California will add 11 million people to its current population of over 34 million, then it will grow by another 13 million in the two decades that follow. This four decade gain will exceed the present populations of Texas or New York. According to the Census Bureau, California's rate of increase will exceed that of every other state, including those with much smaller population bases.

In the 21st Century, California will continue to be the most diverse civilization ever known to mankind. By 2040, more than two-thirds of the state's population will be non-Anglo, representing a multitude of national and ethnic extractions. Moreover, demographers believe that it will still be a relatively young population forty years from now, foreshadowing continued growth in the latter part of the century. This growth and diversity, fueling opportunity for the state's ever-present entrepreneurial penchant, should keep California's economy vibrant well into

the millennium. Unless, that is, failure to invest in education, infrastructure, and smart growth policies leads businesses to seek other locations.

While the immediate future looks bright for California's economy, it will present some real challenges to our longer-term resolve to maintain livable communities. Currently, there is no comprehensive strategy to determine how the burdens of growth will be shared, how resources benefiting more than one locality will be protected, and how necessary but locally undesirable facilities will be sited. As a result, farmland and open spaces continue to be swallowed up by sprawling suburban expansion. As development pushes ever outward from existing cities, expensive extensions and improvements will be needed for freeways, water and sewer lines, and other infrastructure. Job centers will become farther removed from the housing that supports them, leading to longer commutes, increased air pollution, and a more stressful lifestyle. At the same time, many contaminated former industrial sites near downtown areas lie abandoned due to the cost of cleaning them up.

The growth in the next century will present an unparalleled test for the local governments upon which we depend for essential public services and community leadership. Several barriers may hinder local governments' ability to deal with 21st Century

*There is no comprehensive strategy to determine how the burdens of growth will be shared.*

challenges, including the following:

- Local finance sources are unstable, uncertain, often inadequate, and subject to unpredictable revisions by the Legislature.
- Land use decisions are often made for reasons that have more to do with the finances of the local government than the land use needs of the local community, and some decisions may ultimately erode future quality of life.



Fig. ES-3  
California encapsulates the  
world's diversity  
Staff photo

- People are confused by the array of government agencies — 58 counties, 473 cities, about 1,800 dependent and 2,200 independent special districts, 800 jointly-controlled agencies, nearly 1,000 school districts. The mere numbers suggest potential cross-purpose efforts.
- Many voters and taxpayers feel alienated and are declining to become involved in the debate over public policy.
- The legal process that must be followed to restructure local government to meet these challenges has not been comprehensively revisited since 1963, and is commonly viewed as arcane, incomprehensible, and sometimes biased.

The Commission was specifically tasked with addressing only a portion of these problems, but with clear direction to look at governance broadly. The Commission believes that all of these issues are interrelated and demand a comprehensive solution. Most of the Commission's recommendations are directed toward reform of the state's 57 LAFCOs, the often invisible agencies that

review and approve city and special district boundary and service area changes in each county except San Francisco. Nevertheless, the Commission recognizes that LAFCOs, acting alone, can do little to transform the ability of California's local governments to address the pressures on planning and governance in the 21st Century. Consequently, broad recommendations are also provided regarding the necessity to reform the state-local fiscal balance, the need for the State and local governments to adopt smart growth policies, and ways to promote accessibility and understandability of government. Together, these recommendations comprise a blueprint for California's transition to the new millennium.

## Recommendations

The major recommendations below are composites of the specific individual proposals which follow them. A reference to the chapter in the report which discusses the concept more completely is indicated in parentheses. Additional suggested technical changes are included in the text of the report, but are not replicated here.

### ISSUE: REFORM OF LOCAL GOVERNMENT REORGANIZATION LAW

**Problem:** *Current procedures in the Local Government Reorganization Act were enacted prior to Proposition 13 and the extensive growth of the past 35 years. The law is a composite of three previous procedural statutes that were not substantially modified when combined, nor have they been since. Consequently, policies are often unclear and procedures are cumbersome and uncertain. Moreover, LAFCOs are viewed by many local officials as biased and non-responsive to local development needs.*

**1. The Commission recommends that LAFCO policies and procedures be streamlined and clarified.**

- The Cortese-Knox Act must be compre-

hensively reorganized and re-drafted to make procedures more consistent and easier to understand. (*Chapter 3*)

- Consistent procedures must be established for voter/land owner petitions to initiate a change of organization or reorganization. (*Chapter 3*)
- All LAFCOs must adopt written policies and procedures. (*Chapter 3*)
- LAFCO must be the conducting authority for all city and special district reorganization proceedings. (*Chapter 3*)
- New incorporations ought to be statutorily exempt from CEQA, since the new city must initially adopt the existing general plan and zoning ordinances of the county, or the city if incorporation is part of a special reorganization. Environmental impacts will not be encountered at the planning level until a new general plan is adopted. (*Chapter 4*)

**2. The Commission recommends that LAFCOs be neutral, independent, and provide balanced representation for counties, cities, and special districts.**

- Except for special statutory exceptions (Los Angeles, San Diego, Santa Clara, and Sacramento counties), a uniform membership selection scheme must apply to all LAFCOs as follows: 2 from counties, 2 from cities (except counties with no cities), 2 from special districts (if requested), and 1 public member, whose selection shall require an affirmative vote from at least one of the members from each selection authority. (*Chapter 3*)
- All LAFCOs must select their own executive officers and counsel, although LAFCOs may select county or other public employees for these roles. (*Chapter 3*)
- Conflict of interest and lobbying disclosure laws must apply to LAFCO members and staffs. (*Chapter 3*)
- LAFCOs must be funded jointly and equally by each appointing category. (*Chapter 3*)

**ISSUE: ORDERLY GROWTH AND RESOURCE PROTECTION**

**Problem:** *Urban sprawl persists and growth sometimes proceeds into areas where extension of services is inefficient, expensive, or ill-timed. Despite the policies and procedures of the Cortese-Knox Act, the loss of prime agricultural and open-space lands continues to occur at an alarming pace.*

**3. The Commission recommends strengthening LAFCO powers to prevent sprawl and ensure the orderly extension of government services.**

- Pre-zoning must be required for territory proposed to be annexed to a city to ensure clear knowledge of plans and potential impacts. (*Chapter 4*)
- LAFCO must be required to update spheres of influence at least once every five years. (*Chapter 6*)
- LAFCO approval must be required for extension of major “backbone” infrastructure to serve regionally significant development projects, whether in an incorporated or an unincorporated area. (*Chapter 6*)
- LAFCO must initiate periodic regional or sub-regional service reviews, not less frequently than every five years, to determine whether local government services are adequate. (*Chapter 6*)
- The current statutory provisions allowing unilateral termination of proceedings by special districts (annexations) and cities (detachments) must be rescinded, so that all proposals may be fully examined at a public hearing. Nevertheless, substantial weight must be afforded an objection by an affected city or special district. (*Chapter 3*)

**4. The Commission recommends that policies to protect agricultural and open space lands and other resources be strengthened.**

- A more precise definition of “prime agricultural lands” must be adopted. (*Chapter 6*)

*LAFCOs, acting alone, can do little to address the pressures on planning and governance in the 21st Century.*

*Land use decisions are sometimes made for reasons that have more to do with finances than the land use needs of the local community.*

- When making a decision, LAFCO must consider urban limit lines, densities, in-fill opportunities, and regional growth goals and policies. (Chapter 6)
- LAFCO must be prohibited from approving a proposal that might lead to development of prime agricultural or open-space lands if a feasible alternative exists. (Chapter 6)
- Water supply considerations must be integrated into LAFCO boundary change decisions. (Chapter 3)

#### ISSUE: LOCAL FISCAL REFORM

**Problem:** *Local government financing options are limited, difficult to understand, often inadequate, and subject to unforeseen changes by the Legislature.*

**5. The Commission recommends that the state-local fiscal relationship be comprehensively revised.**

- Negotiations must be initiated between the State and local governments to comprehensively realign State and local fiscal resources and must aim for a Constitutional amendment. (Chapter 8)
- The State must provide full funding for any activities mandated upon local government at the time that the mandate is imposed. (Chapter 8)
- Tax bills must be informative and easy for taxpayers to understand, providing information on which agency receives funds, which agency is responsible for levying the tax, and whom to contact for information. (Chapter 8)

#### ISSUE: GUIDING THE DIRECTIONS OF FUTURE GROWTH

**Problem:** *Land use decisions are sometimes made for reasons that have more to do with the finances of the local government than the land use needs of the local community, and some decisions may result in costly extensions of public services which ultimately erode future quality of life.*

**6. The Commission recommends that the State develop incentives to encourage compatibility and coordination of plans and actions of all local agencies, including school districts, within each region as a way to encourage an integrated approach to public service delivery and improve overall governance.**

- The State's infrastructure financing programs must create incentives that further its growth planning goals and priorities, and all State policies, regulations, and programs must be implemented in a manner consistent with these goals. (Chapter 8)
- Allocation of the sales tax on a point-of-sale basis must be revised to reduce its incentive effect, and property tax allocations to general purpose local governments must be increased. (Chapter 8)
- LAFCO policies must be revised, as necessary, to make better use of LAFCOs to support growth planning goals. (Chapter 8)

#### ISSUE: LOCAL GOVERNMENT COORDINATION AND EFFICIENCY

**Problem:** *State and local agencies often proceed with their own plans without recognizing the potential effects on other agencies and the public. The result can be confusion and dissatisfaction with services. One situation that illustrates this problem is the site selection decision for a new school, which is not subject to broader local planning review.*

**7. The Commission recommends enhancements to communication, coordination, and procedures of LAFCOs and local governments.**

- Notification and coordination procedures between local governments and school districts must be strengthened. (Chapter 3)
- Procedures similar to those for LAFCO proceedings (i.e., notice, public hearing, opportunity for public comment, and written statement of determinations) must

apply to school district reorganization. (Chapter 3)

- The value and consistency of the comprehensive fiscal analysis must be improved and the State must prepare guidelines for its preparation. (Chapter 4)
- A special blue ribbon commission must be appointed to undertake a study of water governance in California. (Chapter 5)
- Extension of services outside its jurisdiction by a city or special district must be subject to LAFCO approval, even if the service recipient is a public agency. (Chapter 6)

#### ISSUE: PUBLIC INTEREST IN GOVERNMENT

**Problem:** *Voter turn-outs and public opinion surveys indicate an alarming level of apathy by the public regarding government processes and actions. This poses a risk to democracy by enhancing the influence of organized special interests.*

**8. The Commission recommends that opportunities for public involvement, active participation, and information regarding government decision-making be increased.**

- LAFCOs must be required to maintain web sites. (Chapter 7)
- LAFCO public and governmental notification requirements must be expanded. (Chapters 3 and 7)
- Proponents of a new incorporation or special reorganization must be permitted to petition LAFCO for full or partial waiver

of fees to cover the cost of processing the application, and LAFCO must be able to petition the State to provide a loan, repayable by the new city, to cover the cost. (Chapter 4)

- A proposed new city under a special reorganization must be permitted to include in its incorporation proposal the election of 5, 7, or 9 council members by district. (Chapter 4)
- The cost of verifying citizen petitions for any change of organization must be considered a governmental cost. (Chapter 4)
- Proponents of reorganization actions must be required to report campaign contributions and expenditures, in accordance with the Political Reform Act and the Elections Code. (Chapter 3)
- A commission must be established to comprehensively examine state and local governance structures and recommend fundamental changes where necessary. (Chapter 8)

#### Conclusion

Enacting the Commission's recommendations will be an important first step toward reforming state and local governance in California. The actions proposed are incremental, recognizing that California agencies and institutions generally are not inclined toward extreme or precipitous changes. These recommendations will, nevertheless, begin a debate that may compel the State to prepare for the next century. If that effort succeeds, the California of tomorrow will be a better place to live.

*These recommendations will begin a debate that may compel the State to prepare for the next century.*