

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 12, 2011  
POSITION: Neutral, note concerns

BILL NUMBER: AB 781  
AUTHOR: J. Perez  
RELATED BILLS: AB 46

**BILL SUMMARY: Local Government: Counties: Unincorporated Areas**

Under current law, local agency formation commissions (LAFCOs) control boundary changes of cities and special districts. LAFCOs also control annexations, district formations, consolidations, and dissolutions, as well as city incorporations, consolidations, and disincorporations.

This bill would enact provisions for the disincorporation of cities that had fewer than 150 residents on January 1, 2010.

**FISCAL SUMMARY**

Finance does not believe the bill imposes reimbursable costs since it requires the provision of neither a new nor a higher level of service to the public. However, should a claim of state mandate arising from the administrative duties related to the city's disincorporation, and the redistribution of the city's assets and contractual obligations that this bill would impose on Los Angeles County officials and agencies, be filed with and sustained by the Commission on State Mandates (COSM), an unquantifiable but substantial state General Fund impact could result.

**COMMENTS**

Finance notes the following concern with regard to this bill:

- Should a claim of state mandate arising from be filed with and sustained by COSM, an unquantifiable but substantial state General Fund impact could result.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)

J. Perez

July 12, 2011

AB 781

**ANALYSIS**

## A. Programmatic Analysis

Under current law, local agency formation commissions (LAFCOs) control boundary changes of cities and special districts. LAFCOs also control annexations, district formations, consolidations, and dissolutions, as well as city incorporations, consolidations, and disincorporations.

Pending legislation, AB 46 (Perez), on the 91st day after its effective date, would disincorporate any California city with a population less than 150 as of January 1, 2010. The City of Vernon, in Los Angeles County, is the only city that meets that population criterion. The legislation includes no provisions concerning procedures to implement the City's disincorporation.

Existing law provides county boards of supervisors corporate, fiscal, and regulatory powers in unincorporated areas. County boards of supervisors may create municipal advisory councils (MACs) in unincorporated communities to give advice on any topic the supervisors designate. MAC members may be elected or appointed. County boards may also create area planning commissions (APCs) to carry out the county's land use planning and development role in a designated area, in place of the county's planning commission.

This bill, which would be operative only if AB 46 is enacted, would:

- Create a community services district (CSD) to provide fire protection, water, telecommunication, gas, electric utility services, and street maintenance within the boundaries of a city that had provided those services when a state law disincorporates that city, and require the county board of supervisors to serve as the CSD's board of directors. The CSD's boundaries and service areas would be congruent with the disincorporated city's boundaries and service areas.
- Require the county sheriff to provide law enforcement services after a city disincorporates under a state law.
- Provide that the county board of supervisors is the legislative body of a redevelopment agency of a city that was disincorporated by a state law.
- Require, within 45 days of state-mandated disincorporation, the county board of supervisors to appoint a MAC advisory commission with five members and an APC with five members.
- Permit the CSD to own and operate facilities for gas or electric utility services, and to function within the California Independent System Operator market and issue revenue bonds as permitted by law. The disincorporated city's assets, liabilities, rights, privileges, permits, authorizations, and contracts regarding designated services would vest in the CSD.
- Prohibit the CSD from contracting with a municipal corporation, municipal utility district, public utility district, irrigation district, electrical corporation, gas corporation, or water corporation to provide water, telecommunications, gas, or electric utility services unless the MAC consents and the contract does not conflict with the CSD's labor relations obligations.
- Require the LAFCO to take all necessary actions to ensure that the new CSD is formed and operative by the time the city disincorporates. After the CSD is established, the LAFCO may seek reimbursement for its costs from the county, which may be paid from the special fund holding the disincorporated city's remaining funds.

J. Perez

July 12, 2011

AB 781

- Prohibit the officers, employees, and consultants of a city subject to disincorporation under state law from destroying or authorizing the destruction of city records. Once a city disincorporates under state law, the CSD becomes the custodian of the disincorporated city's records relating to the disincorporated city's designated services, and the county board of supervisors becomes the custodian of the disincorporated city's other records.
- Protect the disincorporated city's non-managerial service employees from discharge, unless for cause, until the CSD reaches a new labor agreement. Within 90 days of its formation, the CSD must review the employment of the disincorporated city's management employees and determine whether to continue their employment.
- Prohibit the CSD from increasing the disincorporated city's gas or electric utility rates for at least one year after the CSD's creation, unless an increase is required to satisfy bond covenants or other contractual obligations or the board of directors, after an independent audit and public hearing, finds that a fiscal emergency exists that requires a utility rate increase.
- Continue the disincorporated city's parcel taxes and remit the revenues to the CSD to use consistent with their original purposes.
- Require the county board of supervisors to negotiate the agreement required by existing state law to redistribute the disincorporated city's property taxes on behalf of the local agencies affected by the city disincorporation and the CSD's formation.
- Require the county board of supervisors to maintain the disincorporated city's business license tax at the same rates, including methods to adjust the rates, for at least five years, and would prohibits the levying any additional business license tax on the disincorporated city's territory during that period.
- Mandate that the county must continue a disincorporated city's general plan, zoning ordinances, conditional use permits, and legal nonconforming uses, and continue any land use authorized by the disincorporated city's general plan and zoning ordinances for at least 10 years.
- Require, within 90 days after city disincorporation and after consulting with the MAC, the county board of supervisors must adopt an expedited permit process for business, development, and health and safety permits in the disincorporated city's former territory, comparable to the disincorporated city's permit process.

#### B. Fiscal Analysis

Finance does not believe the bill imposes reimbursable costs since it requires the provision of neither a new nor a higher level of service to the public. However, should a claim of state mandate arising from the administrative duties related to the city's disincorporation, and the redistribution of the city's assets and contractual obligations that this bill would impose on Los Angeles County officials and agencies, be filed with and sustained by the COSM, an unquantifiable but substantial state General Fund impact could result. If the Los Angeles County Board of Supervisors pass a resolution requesting the enactment of this bill, that would remove this mandate concern.

**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**

**AUTHOR**

**AMENDMENT DATE**

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July 12, 2011

AB 781

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	
0001/Major Rev	SO	No		-----	See Fiscal Summary	-----			0001