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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

**PRESENTATION BY
Mr. Ben Williams
Executive Director, State of California Commission on Local Governance for the 21st Century.
Topic: Commission on Local Governance for the 21st Century
March 4, 1999**

Chairman Abel introduced Ben Williams, Executive Director of the State of California Commission on Local Governance for the 21st Century (CLG). Chairman Abel mentioned that he will be presenting testimony to the CLG tomorrow (3/05/99) related to the EEC's work on state/local fiscal matters. The CLG and EEC can deal with some overlapping issues.

Mr. Williams thanked Chairman Abel for the introduction and referred the EEC to the handout material that offered background information on the CLG. The CLG was formed by legislation (AB 1484) which was signed into law in 1997. The CLG did not begin meeting until August, 1998. Throughout the State, 14 meetings have been scheduled between August, 1998 and the end of 1999. The CLG report to the Governor and Legislature is due on December 31, 1999.

The CLG is comprised of 15 members--9 appointed by the Governor, and 3 each by the State Senate and Assembly Rules Committee. The CLG Chair is San Diego Mayor Susan Golding, and the Vice-Chair is Ruben Barrales, the President of Joint Venture Silicon Valley. CLG Commissioners broadly represent all areas and levels of local government throughout the State. The official goal of the CLG is to review and recommend changes to the statutes that govern local government organization and boundaries. In addition, the CLG is in charge of looking at ways to increase citizen participation in local government. The key focus is the Local Agency Formation Commission (LAFCO) established in each county. It is logical to conclude that there are at least 3 closely-related areas that are both causes and effects for boundary issues: 1) fiscal capacity of local government, 2) fundamental organization of local government service provision, and 3) planning for inevitable State population growth.

Mr. Williams explained that while boundary issues may sound a bit mundane, in local government, jurisdictional disputes can be emotional, volatile and center on a host of issues. These include neighborhood identity, service delivery, cost of services, and neighborhood residents' sense of control over their lives. Boundary disputes and new agency formations have been among the most controversial local government issues of recent years. An example from 1997 is the creation of the new city of Citrus Heights in Sacramento County. This incorporation highlighted a problem that focused on a revenue neutrality law passed in 1993. It ultimately led to an intense dispute between the Citrus Heights and Sacramento County over the split of current and future tax revenues and resulted in a lawsuit that was settled. The bitterness that

arose continues on. The San Fernando Valley secession issue is another boundary issue that carries implications for future secession movements in Los Angeles and in other California cities. In addition, there are occasional flare-ups of new county movements. There is currently a movement underway in Monterey County and there is the perennial movement to split up San Bernardino County. All of these boundary issues should have an effect on what California will look like in 20 years.

Potentially, LAFCOs, and the law that LAFCOs work under, has the power to influence how California grows. These Commissions can help preserve resources and open space through spheres of influence, urban limit lines, and the commenting and reviewing of Environmental Impact Reports for general plan changes. In addition, LAFCOs can be useful in dealing with the channeling of growth to urban areas through annexation and incorporation policies, as well as to help contain the proliferation of special districts. This pressure to grow cannot be stopped, but the boundary-setting authority that the legislature has given to LAFCO can be used and channeled to places where growth can be done more cheaply, more efficiently, and away from areas that the State wants to protect.

Some LAFCO policies are not always as clear as they ought to be and the procedures are sometimes arcane and confusing. There is not always a clear source of funding for actions that need to be taken, particularly when annexation and other boundary issues are involved.

Mr. Williams explained that through no fault of the law, there is a lack of public interest in governance issues generally. There are a number of specific issues the CLG is going to grapple with, such as LAFCO organization, review and update of spheres of influence, revenue neutrality, and existing local finance schemes that separate accountability for services from financing. This can result in land use decisions that are based on fiscal incentives. A recent survey of all city managers in the State found that the number one land-use priority was retail establishments, and the lowest priority was multiple-family housing.

Many of the state and local fiscal issues are being addressed by a host of Task Forces throughout the State and counties. The CLG is probably not going to go into a number of specific recommendations as far as state/local realignment, but Mr. Williams stated that he expects that the CLG will want to articulate some principals and directions that are deemed appropriate. He sees the work of the CLG as providing a signpost rather than a roadmap in that area. Some have expressed dismay at the number of different groups grappling with the issue, but Mr. Williams said that he sees it as a positive development--as a sign that public policy is about to change.

Chairman Abel asked the present Commissioners if any are interested in addressing either LAFCO issues or formation issues. Commissioner Farrar asked if the CLG is also dealing with the Constitutional Revision Commission's focus, not just on the boundaries with respect to political jurisdictions, but also the special districts of which there are over 7,000. Mr. Williams responded that the CLG is looking at the special district issue, primarily how the issue is dealt with procedurally. The CLG's next meeting in Monterey will address that issue.

Commissioner Petak mentioned that one of the difficulties in the system is that people tend to vote with their feet, and they are going to go wherever they can find a location that they like. The issue of sustainability is prominent now within the urban planning infrastructure. One of the concerns about the doubling of California's population is that if you allow the people to locate wherever they want there will be a question of sustainability in the next millenium. He asked if the CLG is giving consideration to boundaries relative to available resources to support those centers of population? Mr. Williams responded that there are fewer places for people to move. In addition to the natural barriers such as the Pacific Ocean, the movement to preserve various open-space and other geographic areas is clearly an issue for further discussion.

LAFCOs really are the entity that controls that type of growth through enforcement of spheres of influence, encouraging population growth in incorporated areas and determining where those cities will be. Commissioner Petak mentioned that a big problem is whether to allow more people to enter Los Angeles or to discuss the boundary situation from the perspective of where to put those people so that the resources can become available to them. Chairman Abel responded that Mr. Williams has a couple of commissioners who are very familiar with the State/local fiscal incentives and disincentives. The CLG and the work of the EEC

suggest that the current structures do not offer an incentive to consider the issue that Commissioner Petak had just mentioned.

Los Angeles County's Legislative Representative, Mr. Wall, indicated his belief that the issue of sustainability is not only a problem of the future, but a present problem as well. Due to the sales tax allocation method and how that method provides incentives for growth and development, as well as the volatility of sales tax revenues during the economic business cycle, there has been a preponderance of retail sales jobs created. This is how a city can best generate tax revenue. Commissioner Barger stated that it seems that the big issue is going to be land use and its effect on housing and utility costs in surrounding areas. He offered Ventura County and Portland, Oregon as examples. The sacrifice of agricultural land for retail expansion will be self-defeating in the long run if not properly addressed.

Chairman Abel elaborated on the LAFCO issues by indicating that the EEC had asked both the Los Angeles and the Orange County LAFCOs to discuss service delivery and equity issues. He asked Mr. Williams to compare and contrast LAFCOs, since some LAFCOs function more like regional coordination and planning entities than are others. Mr. Williams responded by saying that Orange, San Diego, and Santa Clara Counties are involved in larger issues and bringing together, where possible, localities and even making independent decisions in the absence of local consensus.

Chairman Abel asked if and how the CLG may contribute to the current issue of San Fernando Valley secession. Mr. Williams responded that in terms of the fundamental way in which secession is processed, he is not sure that the CLG will come up with a recommendation. He acknowledged that there are some questions relating to who decides how boundary lines are to be drawn in the proposed new city.

Commissioner Hill asked about the massive emergence and strength of the Hispanic population, and how that may change the current power base. Mr. Williams responded that the fiscal incentives (sales tax revenue versus property tax revenue) have to change no matter which ethnic group may be ascending in influence. He predicts that those local managers who are heavily-invested in a retail sales basis for tax revenue may be in a precarious position as internet sales continue to grow in the future. Commissioner Petak asked where Mr. Williams believes the Hispanic population growth will originate. Mr. Williams responded that the projections say that most of it (after about 2010 or 2015) will result from internal growth. He mentioned that our net immigration rate is back to where it was prior to the recession, but that it is currently peaking.

Commissioner Ojeda-Kimbrough mentioned the buzzwords "sustainability" and "early participation." She wondered how is the CLG attempting to increase public participation prior to making recommendation with the population becoming more ethnically diverse. Mr. Williams referred to the Electronic Democracy Project in Santa Monica, as well as internet access and cable television systems. Commissioner Ojeda-Kimbrough asked how the CLG would promote participation of non-English speaking people. Mr. Williams mentioned that the CLG does have a staff member who is fluent in Spanish, but he is not able to give a global answer to that question. He also offered the CLG web site address (www.clg21.ca.gov).

Chairman Abel thanked Mr. Williams for his presentation and requested that he stay in touch with the EEC and report the CLG recommendations by the December, 1999 deadline.

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