September 6, 2012

The Honorable Judge Timothy Volkmann
Santa Cruz Superior Court
701 Ocean Street
Santa Cruz, CA 95060

Subject: Responses to 2011-2012 Grand Jury Final Report

Dear Judge Volkmann:

I am transmitting my response and the response of the Local Agency Formation Commission of Santa Cruz County to the chapter of the 2011-2012 Grand Jury Final Report titled "Protecting Our Special Districts: Is There Any Oversight?". All responses by the LAFCO Commission and by me, its Executive Officer, are identical. Therefore, only one response packet it being submitted with this letter. I would be happy to submit a duplicate response packet if requested by the Grand Jury.

On September 5, 2012, the Local Agency Formation Commission directed me to send a letter to the Boards of the Lompico County Water District and the San Lorenzo Valley Water District encouraging both districts to continue investigating a governmental reorganization of Lompico into the San Lorenzo Valley Water District. LAFCO is interested in facilitating any joint proposal that gets filed with LAFCO.

LAFCO thanks the members of the Grand Jury for their public service and their preparation of the 2011-2012 Final Report.

Very truly yours,
/s/Patrick M. McCormick

Executive Officer

Attachment: Response of LAFCO Executive Officer and Local Agency Formation Commission

LAFCO's Response to the 2011-12 Grand Jury

Finding F1

When a special district fails due to neglect or poor practice, the financial burden falls upon the county taxpayers.

LAFCO Draft Response: AGREE.

Finding F2

When problems in special districts occur, there is no clear cooperative path of response for addressing those problems.

LAFCO Draft Response: PARTIALLY DISAGREE. In California, independent districts operate with a primary responsibility to the voters of the district. The district board is responsible to the voters. The voters have a variety of means to correct deficiencies through communications to the board, elections of board members, initiatives and referenda, and petitions to LAFCO. We agree with the Grand Jury's evaluation that the Lompico County Water District, like all other independent special districts in California, has limited oversight by state and county offices in limited fields, such as the quality of public drinking water, and the filing of annual financial reports.

Finding F3

LAFCO underutilizes reviews that would allow for early problem detection and evaluation of independent special districts.

LAFCO Draft Response: PARTIALLY AGREE. Like all public agencies, LAFCO prioritizes its work program in a manner that best implements its mission. During the recession of the last five years, LAFCO has focused primarily on its core duties of reviewing applications, has secondarily prepared municipal service reviews and sphere of influence updates as needed, and has chosen not to expand its work program and budget to prepare municipal service reviews with emphasis on early problem detection in independent special districts.

Finding F4

LAFCO has the ability and the responsibility (per Government Code Section 56430) to do service reviews; however, they are not being completed in a timely or effective manner.

LAFCO Draft Response: PARTIALLY DISAGREE. LAFCO is preparing service reviews in a timely and effective manner, as required by law. LAFCO is not preparing service reviews as major stand-alone studies. Rather, LAFCO is preparing service reviews as needed as part of the sphere of influence review program and in response to major sphere of influence amendment applications.

Finding F5

LAFCO asserts that a general lack of funding prevents the performance of proactive and comprehensive service reviews, yet they selectively pursue funding for other purposes.

LAFCO Draft Response: PARTIALLY AGREE. LAFCO has purposely limited its budget during the recession so as to limit the amount of contributions that the County, Cities, and 24 Independent Districts make annually to pay to support LAFCO. Those agencies are struggling to provide the range of public services that make our communities good places to live. LAFCO has chosen to prioritize funding to process applications and to perform needed sphere of influence studies and service reviews in-house.

Finding F6

LAFCO, external agencies, and citizens have conflicting interpretations of the scope and frequency of service reviews for special districts.

LAFCO Draft Response: AGREE

Recommendation R1

Once a problem is identified within a special district, LAFCO should proactively conduct a thorough service review of that district, with the aid of state and county agencies.

LAFCO Draft Response: WILL NOT BE IMPLEMENTED. LAFCO will continue to be available to participate in assisting special districts to do their jobs better. Depending on the problem, LAFCO may be a major participant in finding a solution, or LAFCO may have no role in advising the public and the district.

Recommendation R2 (for information, LAFCO response is not required, Board of Supervisors response is required)
To protect the public interest, the Board of Supervisors should work with LAFCO to initiate special reviews that adequately examine the effectiveness of service delivery, especially when unaddressed chronic problems are discovered.

Recommendation R3
LAFCO should adopt policies to ensure proactive service reviews are completed, to safeguard the proper functioning of a district. These reviews should be in addition to, and independent of, sphere of influence studies.

LAFCO Draft Response: WILL NOT BE IMPLEMENTED. For the remainder of the current fiscal year, LAFCO intends to stick to doing service reviews, as needed, with sphere of influence studies. Over the longer term, see LAFCO response to Recommendation R4.

Recommendation R4
LAFCO should budget adequately for professional services to conduct proactive service reviews, and maintain sufficient reserves for unanticipated service reviews of special districts.

LAFCO Draft Response: HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE. In future budgets, LAFCO hopes to build its reserves in order to be able to perform broader service reviews, reorganization studies, and other major studies

Recommendation R5
Service reviews should be designed as diagnostic assessments with recommendations to the special district, County Board of Supervisors, and LAFCO Commissioners, in order to pinpoint, make transparent, and preemptively resolve special district problems.

LAFCO Draft Response: WILL NOT BE IMPLEMENTED. It would be a major expansion for LAFCO to evaluate and attempt to preemptively resolve special district problems. LAFCO will continue to assist districts when requested, to process applications for annexations and other changes of organization, to perform needed sphere of influence studies and service reviews, and to be selectively proactive when LAFCO's expertise will help to address a problem.