

Responses to 2011-2012 Grand Jury Report

Every year, when the annual Santa Cruz County Grand Jury Report is published, designated agencies are requested to respond to the findings and recommendations of the report. These responses may agree or disagree with the findings, and may indicate that recommendations have already been implemented, will be in the future, or will not be implemented, or that further analysis is required.

Comments may also be added to the responses. When a response agrees with a recommendation, further comments are optional. In case of complete or partial disagreement, or in response to recommendations for action, comments should be provided as part of the response.

For each report, the collected responses are published in a separate file on the [grand jury's section of the county's public website](#). Note: The responses are provided as received, and have not been edited, except for minimal formatting to make them appear correctly on this web page.

Report: [Protecting Our Special Districts](#)

This report requested responses from the following:

1. LAFCO Commissioners: findings 1-6; recommendations 1, 3-5 *[Note: LAFCO Commissioners declined to send a separate response from the Commissioners, asserting that this response would be identical to that of the Executive Officer, below.]*
2. LAFCO Executive Officer: findings 1-6; recommendations 1, 3-5
3. Santa Cruz County Board of Supervisors: findings 1-3, 5, 6; recommendations 1, 2, 4, 5
4. Santa Cruz County Auditor-Controller: finding 5

- **Finding 1: When a special district fails due to neglect or poor practice, the financial burden falls upon the county taxpayers.**
 - Response from LAFCO Commissioners: [None; see note above]
 - Response from LAFCO Executive Officer: **AGREE**
[No further comment]
 - Response from County Supervisors: **DISAGREE**
When a special district fails, the financial burden falls upon those people who live in or own property in the district. The burden does not fall on county taxpayers who do not live in or own property within the failed district.
- **Finding 2: When problems in special districts occur, there is no clear cooperative path of response for addressing those problems.**
 - Response from LAFCO Commissioners: [None; see note above]

- Response from LAFCO Executive Officer: **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 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.
- Response from County Supervisors: **PARTIALLY AGREE**
 Special districts are under oversight by state or county officials in limited fields, such as filing of annual financial reports and Statements of Economic Interests. Some districts, such as fire protection districts, work very closely with other governmental agencies. State and county agencies also provide specific oversight to ensure that water and sanitation districts comply with specific health or safety requirements.

Special districts deliver highly diverse services, can be single or multi-functional, can be enterprise or non-enterprise, and can be independent or dependent. A “cooperative path” for addressing problems varies according to the services provided and whether the districts are independent or dependent. Depending on the services provided, other governmental agencies are available to assist special districts in resolving problems.

However, the elected board of directors of each special district is ultimately responsible for the operation of the special district and to the voters of that district. It is also the responsibility of the residents and property owners of special districts to pay attention to the activities of their special districts and to bring their concerns to the board of directors when problems occur. If the board does not resolve the issues in a satisfactory manner, residents can utilize initiatives, referenda, or recall elections, or can elect new board members at the next regular election.

- **Finding 3: LAFCO underutilizes reviews that would allow for early problem detection and evaluation of independent special districts.**

- Response from LAFCO Commissioners: [None; see note above]
- Response from LAFCO Executive Officer: **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 necessary, 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.

- Response from County Supervisors: **NEITHER AGREE NOR DISAGREE**
LAFCO is a separate entity, and these issues are best addressed by that Board.
- **Finding 4: LAFCO has the ability and the responsibility (per Government Code Section 56430) to do service reviews at least every five (5) years; however, they are not being completed in a timely or effective manner.**
 - Response from LAFCO Commissioners: [None; see note above]
 - Response from LAFCO Executive Officer: **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 5: 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.**
 - Response from LAFCO Commissioners: [None; see note above]
 - Response from LAFCO Executive Officer: **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 services reviews in house.
 - Response from County Supervisors: **NEITHER AGREE NOR DISAGREE**
LAFCO is a separate entity, and these issues are best addressed by that Board.
 - Response from County Auditor-Controller: **PARTIALLY AGREE**
LAFCO's expenditures have remained relatively flat since the first signs of the economic recession in 2006. Their expenditures ranged from a low of \$294,864 in fiscal year 2009-10 to a high of \$345,996 in fiscal year 2010-11, with an average of \$320,428 during those seven years. The primary expenditures in the LAFCO budget are salary and benefits for its two employees and legal fees for outside counsel. About 95% of LAFCO's funding is from other local governments, which all experienced serious

financial stress during that time. From a purely fiscal perspective, LAFCO is to be commended for its frugality. The Auditor-Controller's Office is not aware of instances when LAFCO selectively pursued funding for other purposes.

- **Finding 6: LAFCO, external agencies, and citizens have conflicting interpretations of the scope and frequency of service reviews for special districts.**

- Response from LAFCO Commissioners: [None; see note above]
- Response from LAFCO Executive Officer: **AGREE**
[No further comment]
- Response from County Supervisors: **AGREE**
[No further comment]

- **Recommendation 1: 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.**

- Response from LAFCO Commissioners: [None; see note above]
- Response from LAFCO Executive Officer: **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.
- Response from County Supervisors: **WILL NOT BE IMPLEMENTED BY THE COUNTY**
LAFCO activities are the responsibility of the LAFCO Board and its Executive Director and do not fall within the purview of the Board of Supervisors. It is not the responsibility of county agencies to assist in service reviews of special districts except where otherwise authorized by State law.

- **Recommendation 2: 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.**

- Response from County Supervisors: **WILL NOT BE IMPLEMENTED BY THE COUNTY**
LAFCO activities are the responsibility of the LAFCO Board and its Executive Director and do not fall within the purview of the Board of Supervisors.

- **Recommendation 3: 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.**
 - Response from LAFCO Commissioners: [None; see note above]
 - Response from LAFCO Executive Officer: **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, and other major studies. Over the longer term, see LAFCO's response to Recommendation R4.

- **Recommendation 4: LAFCO should budget adequately for professional services to conduct proactive service reviews, and maintain sufficient reserves for unanticipated service reviews of special districts.**
 - Response from LAFCO Commissioners: [None; see note above]
 - Response from LAFCO Executive Officer: **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.
 - Response from County Supervisors: **WILL NOT BE IMPLEMENTED**
The LAFCO budget is the responsibility of the LAFCO Board and its Executive Director and does not fall within the purview of the Board of Supervisors. It would be very difficult for local governments to increase their support of LAFCO to enable the agency to perform proactive service reviews and build up its reserves when these same local governments are struggling to maintain current services.

- **Recommendation 5: 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.**
 - Response from LAFCO Commissioners: [None; see note above]
 - Response from LAFCO Executive Officer: **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 address a problem.
 - Response from County Supervisors: **WILL NOT BE IMPLEMENTED**

LAFCO activities are the responsibility of the LAFCO Board and its Executive Director and do not fall within the purview of the Board of Supervisors. In addition, the Board of Supervisors has no oversight authority or responsibility for special districts which are not under its direction. The resolution of problems in special districts is the responsibility of the elected Boards of Directors of those districts.