



2005-2006 SANTA CLARA COUNTY CIVIL GRAND JURY REPORT

SPECIAL DISTRICTS AND LAFCO OVERVIEW

Introduction

The 2005-2006 Santa Clara County Civil Grand Jury (Grand Jury) reviewed ten special districts, covering them in four separate reports. Prior to this year, the Grand Jury had given significant attention to only four special districts in the past eight years. Although each individual report contains some background and introductory information, this overview section is provided to give the reader more general information on special districts and on the Santa Clara County (County) Local Agency Formation Commission (LAFCO).

Four reports covering ten districts are as follows:

1. *Independent Special Districts – Oversight Falls Far Short!*

- Guadalupe-Coyote Resource Conservation District
- Loma Prieta Resource Conservation District
- Saratoga Cemetery District
- South Santa Clara Valley Memorial District

2. *Exploring Open Space Special Districts in Santa Clara County*

- Santa Clara County Open Space Authority
- Midpeninsula Regional Open Space District

3. *Special Sanitation Districts*

- County Sanitation District 2-3
- Cupertino Sanitary District
- Burbank Sanitary District

4. *The Santa Clara Valley Water District – What’s Beneath the Surface?*

The above list covers diverse district types, sizes, and areas of responsibility. The Grand Jury reports differ accordingly, with some reports containing findings and recommendations, and others not.

Special Districts

Special districts came into existence in California under the Wright Act of 1887 for irrigation and improved water delivery. This act allowed a majority of local residents to create, finance, and maintain a public entity for water delivery. In the early 20th Century, districts increased dramatically in both number and scope. Since World War II, the number grew even more to meet the increasing needs of the growing California population. Today, California has about 3,300 special districts of various types (see Appendix A), 85% performing a single function service.

Special districts are “agencies of the state for the local performance of governmental or proprietary functions within limited boundaries” (Government Code § 16271 (d)). Other important references on this topic include Mizany and Manatt, “What’s So Special About Special Districts?” and the Little Hoover Commission 2000 Report. Simply stated, a special district is a separate local government that delivers public services to a particular area – from airports to zoos. Fire districts, irrigation districts, pest abatement districts, and others exist because taxpayers want and are willing to pay for the public services provided. Special districts localize the costs and benefits of public services.

An elected or appointed board governs each district and has corporate power (the ability to make decisions and get things done) and tax powers (the authority to raise money). Very rarely do special districts have police power (the authority to regulate private behavior to accomplish a public goal).

Special districts most often operate under a *principal act*, which is one of about 60 generic California statutes that apply to special districts of particular types. For example, the Fire Protection District Law of 1987 in the State Health and Safety Code governs all 386 fire districts in the State. When local circumstances fail to fit the conditions anticipated by a generic principal act, the Legislature may create a *special act* district tailored to the unique needs of a specific area. For example, the Santa Clara Valley Water District was created in 1968 by a special act of the Legislature (Santa Clara Valley Water District Act, California Water Code Appendix, Chapter 60).

As public agencies, special districts must conform to the openness provisions of the Brown Act. Local newspapers publish announcements of district meetings and proposed agenda notices are posted in advance.

Special districts may have a combination of the following characteristics:

- *Single-function* (e.g., sewer service) or *multi-function* (e.g., water sales and creek management) – about 85% of special districts in the state are single-function
- *Enterprise* (i.e., fee supported) or *non-enterprise* (i.e., tax supported) – about 27% of the special districts in the state are enterprise. Some have both enterprise and non-enterprise activities

- *Independent* (i.e., self-governed by a board of directors) or *dependent* (i.e., governed by a county board of supervisors or a city council) – about 65% of the special districts in the state are independent

To provide further perspective, it should be noted that special districts are distinct from:

- State, county, or city government
- School districts
- Benefit assessment (Mello-Roos or Proposition 218) districts, which only serve to raise money
- Redevelopment agencies, which serve to eliminate blight

LAFCO

Local Agency Formation Commissions (LAFCOs) are State-mandated organizations, now existing in every county in California. They were created by statute in 1963, and their charters evolved subsequently. LAFCOs have two primary objectives: 1) to encourage the orderly formation of local government agencies and 2) to discourage urban sprawl. They “are responsible for coordinating logical and timely changes in local governmental boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structure, and preparing a sphere of influence for each city and special district within each county.”

Regulatory powers authorize LAFCO to control city and special district boundaries and service provisions. Planning powers allow LAFCOs to influence land use. Although it is not authorized to make land use decisions directly, many LAFCO actions indirectly affect land use. “LAFCOs regulate, through approval or denial, the boundary changes proposed by other public agencies or individuals.” Proposed city or special district annexations must be reviewed and approved by LAFCO.

An important charge given to LAFCOs in 1972 was the adoption of “spheres of influence” for local governments. A sphere of influence is “the physical boundary and service area that a local government agency is expected to serve.” Establishment of these boundaries is necessary to determine which governmental agencies can provide services in the most efficient way to the people and property in any given area.

The Santa Clara County LAFCO is comprised of two members from the Board of Supervisors (BOS), chosen by the BOS; one City of San Jose Councilmember, chosen by the City Council; one member from another city council within the County, chosen by the Cities Selection Committee; and one public member, chosen by the other four members. Law requires some special districts to be affiliated with LAFCO, whereas others have no affiliation.

LAFCO lists 29 affiliated districts in the County. A similar number of special districts, joint powers agreements, financing authorities, and other agencies in the County, is not affiliated with LAFCO. A complete list of County special districts, along with their total revenues, total expenditures, and total debt is shown in Appendix B.

PASSED and ADOPTED by the Santa Clara County Civil Grand Jury on this 1st day of June, 2006.

Thomas C. Rindfleisch
Foreperson

References

Documents

1. California State Controller, "Special Districts Annual Report 2002-03," <http://www.sco.ca.gov/ard/local/locprep/districts/02-03/0203specialdistricts.pdf> (last visited March 11, 2006).
2. Little Hoover Commission, "Special Districts: Relics of the Past or Resources for the Future?," May 2000, <http://www.lhc.ca.gov/lhcdir/report155.html> (last visited March 9, 2006).
3. Senate Local Government Committee, Mizany K and Manatt A, "What's So Special About Special Districts? A Citizen's Guide to Special Districts in California," Third Edition, February 2002, <http://www.sen.ca.gov/locgov/wssasdreport.htm> (last visited March 9, 2006).
4. California Association of Local Agency Formation Commissions, <http://www.calafco.org/index.htm> (last visited March 10, 2006).
5. Santa Clara County Local Agency Formation Commission, <http://www.santaclara.lafco.ca.gov/index.html> (last visited June 1, 2006).

Interviews

1. October 14, 2005, Executive Officer, Local Agency Formation Commission of Santa Clara County.

Appendix A Summary of Types of Special Districts in California (1998/1999)

District Type	Number in State
County Service Area	897
Fire Protection	386
Community Services	313
Cemetery	253
County Water	174
Reclamation	152
California Water	141
Recreation and Park	110
Resource Conservation	99
Irrigation	97
County Sanitation	91
Hospital	77
Sanitary	76
Public Utility	54
Storm Water Drainage and Conservation	49
Mosquito Abatement	47
Municipal Water	40
Flood Control and Water Conservation	39
County Waterworks	34
Water Agency or Authority	30
Memorial	27
Drainage	23

District Type	Number in State
Levee	15
Harbor and Port	13
Library	13
Transit	13
Water Conservation	13
Airport	9
Citrus Pest Control	8
Water Storage	8
Pest Control	7
Waste Disposal	7
Municipal Improvement	5
Municipal Utility	5
Police Protection	3
Sanitation and Flood Control	2
Sewer	2
Water Replenishment	2
Bridge and Highway	1
Joint Highway	1
Metropolitan Water	1
Separation of Grade	1
Toll Tunnel Authority	1
Total	3,339

From Mizany and Manatt, "What's So Special About Special Districts?"

Appendix B

Summary of Financial Information by Special District in Santa Clara County

The following data are extracted from the California State Controller's report,
"Special Districts Annual Report 2002-03".

NAME OF SPECIAL DISTRICT	TOTAL REVENUES	TOTAL EXPENDITURES	TOTAL DEBT
ALDERCROFT HEIGHTS COUNTY WATER DISTRICT	\$154,511	\$172,777	
BAY AREA COMMUNITY COLLEGE DISTRICTS JPA	\$4,049,478	\$3,013,022	
BURBANK SANITARY DISTRICT (SANTA CLARA)	\$661,708	\$309,634	\$396,456
CENTRAL FIRE PROTECTION DISTRICT (SANTA CLARA)	\$53,816,754	\$54,834,985	\$4,380,000
CITY OF SAN JOSE BERRYESSA PROJECT CORPORATION (INACTIVE)	\$0	\$0	
CITY OF SANTA CLARA FACILITIES FINANCING CORPORATION	\$1,230,938	\$24,503,093	\$39,865,000
COUNTY LIGHTING SERVICE DISTRICT	\$322,659	\$313,612	
COUNTY SANITATION No. 2-3	\$2,061,049	\$2,097,295	\$1,371,667
CUPERTINO PUBLIC FACILITIES CORPORATION	\$4,312,449	\$9,865,705	\$54,770,000
CUPERTINO SANITARY DISTRICT	\$5,911,483	\$6,485,406	\$7,046,510
EL CAMINO HOSPITAL DISTRICT	\$8,664,000	\$223,000	
FIRST 5 SANTA CLARA COUNTY	\$27,271,090	\$17,777,285	
GAVILAN COLLEGE FINANCING CORPORATION	\$0	\$0	
GILROY U.S.D. SCHOOL BUILDING CORPORATION	\$2,945,297	\$3,799,562	\$28,585,000
GUADALUPE COYOTE R.C.D	\$120,365	\$131,014	
LAKE CANYON COMMUNITY SERVICE DISTRICT	\$68,250	\$111,848	\$250,000
LEXINGTON DRIVE MAINTENANCE DISTRICT (SANTA CLARA)	\$5,946	\$0	
LOMA PRIETA R.C.D.	\$43,571	\$36,666	
LOMA SERENA STREET LIGHTING MAINTENANCE DISTRICT	\$1,756	\$2,064	
LOS ALTOS HILLS COUNTY FIRE DISTRICT	\$4,759,449	\$3,179,233	
MIDPENINSULA REGIONAL OPEN SPACE DISTRICT	\$22,070,132	\$25,357,792	\$117,505,859
MORGAN HILL WASTEWATER FACILITIES FINANCING CORPORATION	\$220,233	\$380,233	\$4,525,000
MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY	\$24,181,000	\$10,290,000	\$55,025,000
NORTH COUNTY LIBRARY AUTHORITY	\$704,937	\$700,333	
NORTHERN CALIFORNIA COMMUNITY COLLEGE POOL	\$2,319,728	\$2,239,624	
OVERLOOK ROAD MAINTENANCE DISTRICT	\$21,532	\$5,554	
PALO ALTO PUBLIC IMPROVEMENT CORPORATION	\$1,336,844	\$2,495,293	\$12,905,000
PARKING AUTHORITY OF THE CITY OF SAN JOSE (INACTIVE)	\$0	\$0	
PURISSIMA HILLS WATER DISTRICT	\$3,406,650	\$2,843,939	
RANCHO RINCONADA RECREATION AND PARK DISTRICT	\$318,844	\$289,398	
RECLAMATION DISTRICT #1663 (INACTIVE)	\$0	\$0	
ROSE-ANDREWS STREET LIGHTING DISTRICT	\$1,203	\$1,033	
SAN JOSE CIVIC IMPROVEMENT AUTHORITY (INACTIVE)	\$0	\$0	

NAME OF SPECIAL DISTRICT	TOTAL REVENUES	TOTAL EXPENDITURES	TOTAL DEBT
SAN JOSE FINANCING AUTHORITY	\$17,460,728	\$40,526,515	\$578,100,000
SAN JOSE-SANTA CLARA CLEAN WATER FINANCING AUTHORITY	\$10,010,335	\$12,960,061	\$99,285,000
SAN MARTIN COUNTY WATER DISTRICT	\$0	\$0	
SANTA CLARA COUNTY ABANDONED VEHICLE ABATEMENT SERVICE AUTHORITY	\$1,441,101	\$1,441,101	
SANTA CLARA COUNTY BUILDING AUTHORITY (INACTIVE)	\$0	\$0	
SANTA CLARA COUNTY FINANCING AUTHORITY	\$21,625,356	\$35,001,110	\$517,505,767
SANTA CLARA COUNTY OPEN-SPACE AUTHORITY	\$12,807,085	\$7,123,710	
SANTA CLARA COUNTY PUBLIC FACILITIES CORPORATION	\$63,975	\$1,671,719	
SANTA CLARA COUNTY SCHOOLS INSURANCE GROUP	\$22,535,689	\$23,977,746	
SANTA CLARA COUNTY VECTOR CONTROL DISTRICT	\$2,711,158	\$2,873,477	
SANTA CLARA COUNTY-EL CAMINO HOSPITAL DISTRICT FACILITIES AUTHORITY		\$2,100,000	\$60,100,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY	\$304,194,821	\$382,334,545	\$417,469,961
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY	\$32,677,396	\$32,677,396	
SANTA CLARA VALLEY WATER DISTRICT (FLOOD CONTROL & WATER CONSERVATION)	\$114,590,866	\$123,635,147	\$203,885,000
SANTA CLARA VALLEY WATER DISTRICT (WATER ENTERPRISE)	\$132,681,203	\$116,217,545	\$101,191,465
SARATOGA CEMETERY DISTRICT	\$879,088	\$2,055,826	\$1,120,574
SARATOGA FIRE PROTECTION DISTRICT	\$3,884,552	\$4,844,906	\$5,908,737
SCHOOL ALLIANCE FOR WORKERS COMPENSATION EXCESS SELF-FUNDED JPA	\$20,528,613	\$1,197,326	
SILICON VALLEY ANIMAL CONTROL AUTHORITY	\$1,934,300	\$1,754,254	
SILICON VALLEY LIBRARY SYSTEM	\$603,418	\$634,241	
SOUTH BAY AREA SCHOOL INSURANCE AUTHORITY	\$1,479,958	\$1,261,510	
SOUTH BAY DISCHARGERS AUTHORITY (INACTIVE)	\$0	\$0	
SOUTH SANTA CLARA COUNTY FIRE DISTRICT	\$3,057,283	\$2,821,216	
SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT	\$87,363	\$86,056	
SPORTS & OPEN SPACE AUTHORITY OF THE CITY OF SANTA CLARA (INACTIVE)	\$0	\$0	
SUNNYVALE FINANCING AUTHORITY	\$22,802,465	\$22,741,962	\$48,945,000
SUNOL SANITARY DISTRICT (SANTA CLARA)	\$116,085	\$98,988	\$184,190
WEST VALLEY SANITATION DISTRICT OF SANTA CLARA COUNTY	\$11,883,311	\$12,802,676	\$17,209,389
TOTALS	\$911,038,005	\$1,004,298,433	\$2,377,530,575