

ROLES OF LAFCo, CITIES AND SPECIAL DISTRICTS: SPHERE OF INFLUENCE, ANNEXATION AND INCORPORATION

UC CE UC Cooperative Extension Land Use Fact Sheet Series

4



LAFCo's exercise both regulatory and planning functions. While annexations are a regulatory act, LAFCo's major planning task is the establishment of 'spheres of influence' for the various governmental bodies within their jurisdiction.



WHAT'S A LAFCo?

LAFCo stands for Local Agency Formation Commission. They are independent regulatory commissions created by the California Legislature to control the boundaries of cities and most special districts. They do not regulate boundaries for school districts.

Counties have vastly different people, geography, and governing institutions. Regulating local boundaries at the local level recognizes this diversity. The Cortese-Knox-Hertzberg Act directs **LAFCos** to achieve two main purposes: to **discourage sprawl** and to **encourage orderly government**.

Local governments in California are divided into five categories: counties, cities, special districts, school districts and miscellaneous. Each category has certain powers and duties.

Entity	Power
Counties	Police, Corporate, Tax
Cities	Police, Corporate, Tax
Special Districts	Corporate, Tax
School Districts	Corporate, Tax
Miscellaneous	Police, Corporate, or Tax depending on their

Police powers: ability to regulate private behavior to protect the public health, safety, or welfare.

Corporate powers: ability to deliver public services and programs and build public works projects.

Tax powers: ability to raise public revenue with taxes, assessments, or fees.

LAFCos fall into the category of miscellaneous local governments



because they don't fit anywhere else. They have a specific purpose to regulate boundaries, but they are *not* counties, cities or special districts. LAFCos have both regulatory and planning powers. They **do not have corporate powers**.

- **LAFCos use their regulatory powers** to control city and special district boundaries.
- **LAFCos use their planning powers** to influence land use.

State law forbids LAFCos from making *direct* land use decisions; however, it requires them to make *indirect* land use decisions. Controlling boundaries means **LAFCos engage in indirect land use decisions** by controlling the timing and location of development. For instance, **LAFCos regulate boundaries** for the following services:

- Water, sewer, fire protection, flood control (*growth inducing* facilities and services).
- Parks, libraries, airports (*growth supporting* facilities and services).
- Hospitals, cemeteries, pest abatement (*non-growth related* facilities and services)

LAFCo's planning activities include adopting and revising planning documents called **spheres of influence** for every city and for those special districts under their jurisdiction.

WHAT is a Sphere of Influence?

It designates an agency's **probable future physical boundary and service area**. It is territory that a city or special district will annex in the future. It's also the area where the local government will build facilities and deliver services sometime in the future. It is often bigger than a local government's current jurisdiction. LAFCOs must consider various factors when determining spheres of influence:

- Present and planned land uses.
- Present and probable need for public facilities and services.
- Present and probable future capacity of public facilities and services.
- Existence of any social or economic communities of interest, if relevant.

LAFCO regulates boundary lines because of the importance they have to:

- Assign physical space** to local governments and thereby define a city's or district's identity.
- Designate land use authority.** That's legalese for "what's on my turf is mine and what's on your turf is yours", i.e.: the City can't approve a new subdivision in the unincorporated part of the County. *Land use in California is mutually exclusive.*
- Define** which local governments have **taxing powers** over an area.
- Decide** which local governments have **corporate powers** or authority to "do things" in an area.

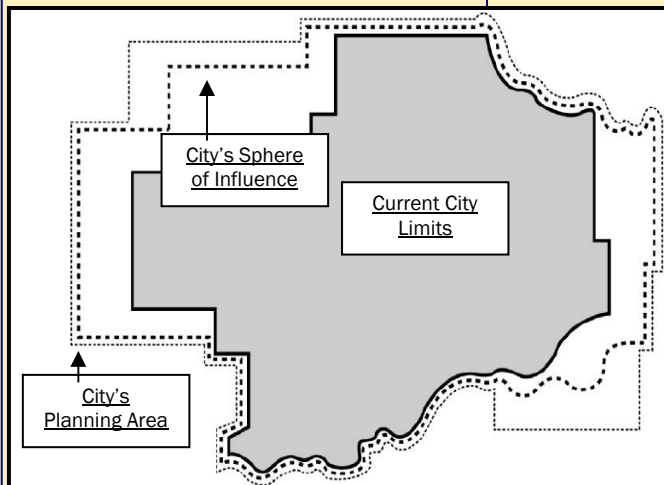
Types of Boundary Changes

Sometimes, local officials want to change their boundaries so they can serve additional areas, gain taxing powers or encourage new development. Before a boundary change can occur, a person, group or local government must submit a proposal to LAFCo. The Cortese-Knox-Hertzberg Act calls a single boundary change in one proposal a *change of organization*. **State law defines all nine changes of organization:** annexation, detachment, incorporation, disincorporation, formation,

dissolution, consolidation, merger, subsidiary district.

Merging a district into a city occurs only when a district's territory is entirely within city limits. A city can establish a subsidiary district if at least 70% of the district's territory is within the city limits. **Combining two or more boundary changes in one proposal is a reorganization.**

In other words, a reorganization is merely a way to package several related changes of organization into a single proceeding.



WHO Serves on LAFCo?

Most LAFCOs have 5-7 commissioners who are not directly elected to serve on these commissions; but **most of them are locally elected** officials who are appointed to serve. Two commissioners come from a county's board of supervisors, two members are mayors or city council members within the county. In about half of the LAFCOs, two commissioners come from the independent special districts in the county. One member comes from the public at large. Membership changes so call your executive officer or check out the website for current information.

WHO Pays for LAFCOs?

Each sector (county, city, special district) **pays one-third of a LAFCOs budget**. Where there is no independent special district representation on the LAFCO, the county and the cities split the funding; fifty-fifty. **LAFCOs can charge fees** to recover its costs of reviewing boundary changes. Fees

can't exceed the reasonable cost of the service. To find out what your LAFCo charges, contact the executive office or check the website at <http://www.calafco.org>

Adapted from the California Senate Committee on Local Government publication, *It's Time to Draw The Line: A Citizen's Guide to LAFCOs*, Second Edition, May 2003.

SPECIAL DISTRICTS

Special districts are **limited purpose local governments** – separate from cities and counties.

Within their boundaries, special districts **provide public services** such as fire protection, sewers, water supply, electricity, parks, recreation, sanitation, cemeteries, and libraries. California has nearly 3,400 special districts.

Districts' service areas range from a few acres to thousands of square

miles crossing city and county lines. The Metropolitan Water District of Southern California serves over 16 million people in more than 5,200 square miles in six counties. By contrast, the Arden Manor Recreation and Park District in Sacramento County covers only 21 acres; Stallion Springs Community Services District in Kern County serves about 2,500 people.

There are about 50 major types of special districts (and many subcategories) ranging from airport to cemetery to water conservation districts. All types of districts operate under either a **principal act** or a **special act**.

A **principal act** is a generic state law that applies statewide to all special districts of that type. There are about 60 principal acts. The chart on page 3 shows some of the most common principal act districts.

A **special act** is a law that the Legislature tailored to the unique needs of a specific area. There are

about 120 special act districts. Examples are: Kern County Water Agency, Fairfield-Suisun Sewer District, and Humboldt Bay Harbor, Recreation, and Conservation District.

One way to understand special districts is to look at their *activities, funding, and governance*:

Activities

Nearly 85% of California's special districts are **single function** districts, which provide only one service such as fire protection, mosquito abatement, or waste disposal. The remaining districts are **multi-function** districts providing two or more services. For example, several *municipal utility districts* provide fire protection and park services in addition to utility services. *Fire protection districts* often provide ambulance services too. *County Service Areas (CSAs)* can provide any service that a county can provide. *A district's name does not always indicate which services it provides or is authorized to provide.*

Funding

Special districts generate revenue **from several sources** including property taxes, special assessments, and fees.

Enterprise districts run much like business enterprises and provide specific benefits to their customers.

These districts are primarily funded through fees that customers pay for services. About 27% of special districts are enterprise districts and

generated about \$10.5 billion in revenues within California.

Governance

There are two forms of special district governance:

About 2/3 of special districts are **independent districts** with independently elected boards or appointed boards whose directors serve for fixed terms. Most have 5-member boards but they vary with the size and nature of the district. Cemetery, Fire Protection, and Community Services Districts are mostly *independent districts*.

The remaining special districts are **dependent districts** governed by either a city council or county board of supervisors. County Service Areas are *dependent districts*.



ANNEXATION AND INCORPORATION

Annexation (the addition of territory to an existing city) and incorporation (creation of a new city) are **controlled by LAFCOs**. Following is a very general discussion of annexation and incorporation procedures. For detailed information on this complex subject, contact your county LAFCo - in the phone book under county listings.

Annexation

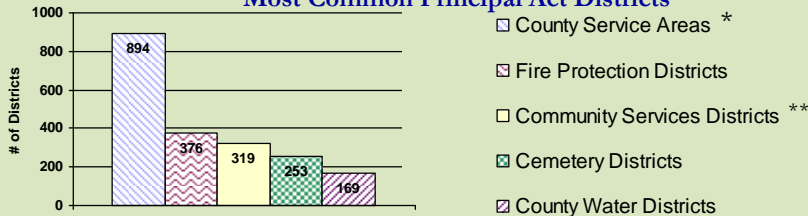
When the LAFCo receives an annexation request, it will convene a hearing to determine the worthiness of the proposal. Annexations may be requested by affected landowners or by a city. In cases where the proposed annexation is being initiated by a city, its planning commission may be asked to study the proposal before a formal application is filed with the LAFCo.

The **LAFCo will deny, approve or conditionally approve annexation proposals** based on its policies and state law (for example, annexation cannot occur unless the LAFCo has adopted a sphere of influence for the city and the area proposed to be annexed is within the city's sphere).

include airport, harbor, hospital, transit, waste disposal, and utility districts. In 2003-04, enterprise districts in California generated about \$18.3 billion in revenues.

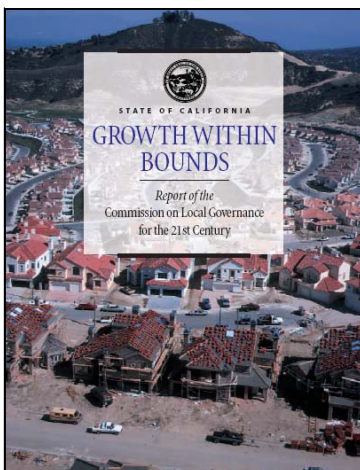
Non-enterprise districts deliver services that provide a general benefit to entire communities. These services, such as fire protection, flood control, cemeteries, and road maintenance, do not lend themselves to fees. Non-enterprise districts rely primarily on property taxes for their revenues. In 2003-04, non-enterprise districts

Most Common Principal Act Districts



*A **county service area** (CSA) can provide any service that a county can provide. The county remains responsible for providing public services and the County Board of Supervisors retains all decision-making authority for the territory within a CSA (Currently, Joshua Tree is designated CSA-20 and is governed by the Board of Supervisors for San Bernardino County).

A **community service district (CSD) is a form of local government that is authorized by state law to provide certain public services that are typically provided by a city or county government (For example, The Silverado Community Service District has four active powers: street lighting, street sweeping, landscape maintenance, and weed abatement as a form of fire prevention).



Resources

Cortese-Knox Act
http://www.assembly.ca.gov/acs/committee/c17/Publications/CKH_Guide_2006.pdf.

Senate Local Government Committee. What's So Special About Special Districts? 2nd ed. Sacramento CA. 1993.

Little Hoover Commission. Special Districts: Relics of the Past or Resources for the Future? Sacramento CA. 2000.

Governors Office of Planning and Research. LAFCOs, General Plans and City Annexations. Sacramento, CA: 1997
<http://ceres.ca.gov/planning/lafco/lafco.htm>

California Local Area Formation Commission or CaLAFCo:
www.calafco.org

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The **LAFCo delegates tentatively approved annexation requests to the affected city** for hearings and, if necessary, an election. Annexations which have been passed by vote of the inhabitants or which have not been defeated by protest (in those instances where no election was required) must be certified by the LAFCo and meet all its conditions before they become final. **The LAFCo, not the city, has final responsibility for the annexation process.**

The Sphere of Influence

Cities cannot establish their own sphere of influence. The **LAFCo has sole responsibility for doing this.** However, a city may request that the LAFCo amends its sphere. Some cities use their sphere of influence as a convenient boundary for their general plan.

These cities plan beyond their city limits although they usually have no actual authority over land uses in county areas. This planning anticipates the eventual annexation of land into the city.

LAFCOs exercise both regulatory and planning functions. While annexations are a regulatory act, LAFCOs' major planning task is the establishment of "spheres of influence" for the various governmental bodies within their jurisdictions. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

The sphere of influence is an important benchmark because it defines the primary area within which urban development is to be encouraged. In a 1977 opinion, the California Attorney General stated that sphere of influence should "serve like general plans, serve as an essential planning tool to combat urban sprawl and provide well planned efficient urban development patterns, giving appropriate consideration to preserving prime agricultural and other open-space lands".

Along this same line of reasoning, the California Appellate Court has held that **spheres of influence must be adopted before an annexation** to the affected city or district **can be considered.** The law requires a LAFCo to send notice of pending annexation

hearings to those affected agencies whose spheres contain territory within the proposal.

Incorporation

When a new city is proposed to be formed, the **LAFCo studies the financial feasibility of the proposed city, its financial impact on the county and special districts, and the provision of public services.** If the proposal cannot be shown to be feasible, the LAFCo can terminate the proceedings.

If the proposed city appears to be feasible, **LAFCo will refer the proposal** (and a set of conditions to be met upon incorporation) **to the county board of supervisors for a public hearing** to be held. Incorporation proceedings are terminated if the supervisors receive protests from a majority of the voters residing within the proposed city boundaries. If they do not receive a majority protest, an election will be held on the question of whether to create the city and to elect city officials.

Conclusion

Both the city and the LAFCo have a responsibility to see that the proposed expansion of corporate limits complies with the procedures laid out in the Cortese-Knox Act and adopted LAFCo policies. At the same time, it is important that they recognize that **it is their (LAFCo's) responsibility to coordinate the annexation process through cooperation and mutual discussion.** The LAFCo can provide the city with a great deal of information about the annexation process and the enabling legislation.

Finally, when considering the annexation proposal, both the city and LAFCo must look beyond the immediate to the future impact of the total project on city services, sources of tax revenue, historic growth trends, the city center, and neighboring communities and cities. Annexation does not occur in a vacuum. **The land's inter-relationship with the surrounding world and the community changes that could occur as a result of annexation should be considered.**

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<http://ucanr.org/landusefactsheets>