

Date of Hearing: April 20, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

AB 2032 (Linder) – As Amended April 11, 2016

**SUBJECT:** Change of organization: cities: disincorporation.

**SUMMARY:** Makes several minor changes to the city disincorporation process in the Cortese-Knox-Hertzberg Act (Act). Specifically, **this bill:**

- 1) Adds assessments to the list of information, which includes the amount of any tax or obligation due to the city that must be provided by a city in a written statement to the local agency formation commission (LAFCO) prior to initiating disincorporation proceedings.
- 2) Adds to the list of information required to be in a comprehensive fiscal analysis prepared by a LAFCO executive officer for a proposal to disincorporate a city, as follows:
  - a) All current and long-term liabilities, including, but not limited to, debt obligations of the city proposed for disincorporation, including the balance of restricted and unrestricted funds available to extinguish the obligations and liabilities; and,
  - b) The potential financing mechanism or mechanisms to address any shortfalls and obligations for those responsibilities identified in this section, including, but not limited to, taxes or assessments.
- 3) Requires the county tax collector, if an assessment has been levied by the disincorporated city and remains uncollected, to collect it in the same manner provided in law for the collection of taxes.
- 4) Requires the governing body of the successor, instead of the board of supervisors, to provide for the collection of debts due to the city and wind up its affairs. Requires the officer of the successor, instead of the county officer, to perform any acts necessary for winding up the city affairs, upon order by LAFCO.
- 5) Provides that, if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made, pursuant to current laws governing state mandated local costs.

**EXISTING LAW:**

- 1) Establishes the procedures for the organization and reorganization of cities, counties, and special districts, including procedures for the disincorporation of a city under the Act.
- 2) Defines "disincorporation" to mean "the dissolution, extinguishment, or termination of the existence of a city and the cessation of its corporate powers, except for the purpose of winding up the affairs of the city."
- 3) Requires the city to provide a written statement to LAFCO prior to filing a proposal to initiate disincorporation proceedings that determines and certifies specified information,

including the amount of any tax levies or other obligations due the city that is unpaid or has not been collected.

- 4) Requires the LAFCO executive officer to prepare a comprehensive fiscal analysis for a disincorporation proposal, and provides a specified list of financial information that first must be reviewed and included in the fiscal analysis.
- 5) Requires the county tax collector, if a tax has been levied by the disincorporated city and remains uncollected, to collect it when due and pay it into the county treasury on behalf of the designated successor agency or county to wind up with affairs of the disincorporated city.
- 6) Requires the board of supervisors to provide for collection of debts due the city and wind up its affairs. Requires the appropriate county officer, upon an order by the board of supervisor, to perform any act necessary for winding up the city affairs, as specified.

**FISCAL EFFECT:** This bill is keyed fiscal.

**COMMENTS:**

- 1) **Background and Bill Summary.** LAFCOs are responsible for coordinating logical and timely changes in local governmental boundaries, conducting special studies that review ways to reorganize, and simplify, and streamlining governmental organization for each city and special district within each county. The courts refer to LAFCOs as the Legislature's "watchdog" over local boundary changes. The Act establishes procedures for local government changes of organization, including city disincorporations. AB 851 (Mayes), Chapter 304, Statutes of 2015, updated the city disincorporation process in the Act and amended many statutes that were enacted decades ago.

This bill makes several minor changes to the statutes that govern the city disincorporation process. For example, this bill will add additional financial information to the list established by AB 851 to be included in the financial analysis as part of an executive director's report to LAFCO in recommendation of approving or disapproving a proposed change of organization or reorganization. Current law requires a fiscal analysis to be done for disincorporation and would provide LAFCO, successors, and the public with more information about the financial status and impact of a city disincorporation. This bill is sponsored by the State Association of County Auditors.

- 2) **Author's Statement.** According to the author, "The State Association of County Auditors is seeking some minor amendments to provide more clarity to county auditors potentially tasked with administering a disincorporation. The amendments will add some categories of "obligations" that the successor agency may need disclosed and also further detail on mechanisms to address debt and obligations that will be taken on by the successor."
- 3) **Arguments in Support.** The State Association of County Auditors argues that this bill contains several technical, but important amendments to recently enacted law for the city disincorporation process. According to the State Association of County Auditors, they "requested that the disclosure requirements contained in the disincorporation process include current and long term liabilities as well as detail on restricted and unrestricted funds available to extinguish obligations that is due in the distant future was not disclosed."

4) **Arguments in Opposition.** None on file.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

State Association of County Auditors [SPONSOR]

**Opposition**

None on file

**Analysis Prepared by:** Misa Lennox / L. GOV. / (916) 319-3958

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