

TO: MEMBERS, FORMATION COMMISSION

FROM: PAUL L. HOOD, EXECUTIVE OFFICER

DATE: APRIL 16, 2009

**SUBJECT REPORT ON AB 1109 (BLAKESLEE) –
INFORMATIONAL ITEM – NO ACTION**

Staff has been working with Assemblyman Blakeslee's office and a CALAFCO working group to develop language for legislation that will address the subject of "nonperforming or insolvent" special districts. CALAFCO is involved in development of the bill because it would make substantive changes and amendments to the Cortese-Knox-Hertzberg Act, LAFCO's authorizing legislation.

Assembly Bill 1109 was introduced on February 27, 2009 by Assembly Blakeslee as a "spot bill". A spot bill is essentially a placeholder to which language can be added as it is developed. A first substantive draft of the language is attached in the form of "Amendments to Assembly Bill No. 1109." The language was drafted by a CALAFCO Legislative Committee Working Group and Mr. Blakeslee's staff. The proposed amendments to the bill will be set for hearing and discussed in the near future. It is important to note, that the bill in its current form will be added to and amended as it progresses through the legislative process.

The process that would be established by the legislation is an intermediary step between dissolution, municipal bankruptcy, and fiscal insolvency. As AB 1109 is currently drafted, an administrator would be appointed by LAFCO to take over the affairs of a nonperforming district. The decision to appoint an administrator would be made by the Commission after a performance study and a formal hearing. The intent of the bill is to limit the liability of successor agencies that would assume all of the assets and liabilities of a dissolved district. In some cases, the liabilities would far exceed the asset and would become the responsibility of county, city of district wide taxpayers. This bill is particularly relevant in light of the fiscal distress that is facing many public agencies in the State in these severe economic times.

The CALAFCO Legislative Committee reviewed the language at its meeting on March 26, 2009. The Committee supported the bill in concept, but also wanted to make sure that all stakeholders had a chance to review and comment on its content. To that end, the Committee recommended that the bill become a “two-year” bill meaning that a complete airing of the issues take place before final adoption. To this end, Assemblyman Blakeslee staff and CALAFCO’s staff are in the process of consulting with stakeholder groups such as the California Special Districts Association (CSDA), the Association of California Water Agencies (ACQA), the County State Association of Counties (CSAC), and others.

Staff will keep the Commission informed of the process of Assembly Bill 1109 as it progresses through the legislative process.