



Local Agency Formation Commission
2222 M Street
Merced, CA 95340
Phone (209) 385-7671 / Fax (209) 726-1710
www.lafcomerced.org

DATE: March 21, 2019
TO: LAFCO Commissioners
FROM: Bill Nicholson, ^{BN} Executive Officer
RE: Letter of Support for AB 213 (Reyes)
(Agenda Item VII.B)

The California Association of Local Agency Formation Commissions (CALAFCO) has sent out a request to all LAFCOs requesting letters of support for a bill that would restore funding to approximately 140 cities that had annexed inhabited territory in reliance on previous financial incentives, then suffered significant fiscal harm when those funds were swept away due to the passage of SB 89 (2011). The bill also offers similar incentives to support future annexations of inhabited territory to improve services to affected residents consistent with state LAFCO policies.

The Vehicle License Fee (VLF) gap created by SB 89, one of the 2011 budget bills, created a financial disincentive for future city incorporations and annexations of inhabited territory. Further, it created severe fiscal penalties for those communities which chose to annex inhabited territories, particularly unincorporated islands. In several previous legislative acts the Legislature had directed LAFCOs to work with cities to annex unincorporated inhabited islands. The loss of financial incentive for these inhabited annexations has made it difficult for LAFCOs to follow this legislative directive.

As a local example, a recent large commercial annexation by the City of Atwater included two existing Disadvantaged Unincorporated Communities (DUCs) to comply with previous State legislation in SB 244. However, the City of Atwater and other cities within Merced County don't have much incentive to continue these types of annexations when the tax revenue is inadequate to provide the necessary public services once the property is within the City limits.

This bill would help retain revenue for local cities rather than having the VLF revenues transferred to the State.

Action Requested

Approve a letter of support for Assembly Bill AB 213 (Reyes) regarding retaining VLF funds for inhabited city annexations.

Attachment:
Draft Letter of Support for AB 213 (Reyes)



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March 21, 2019

The Honorable Eloise Gómez Reyes
California State Assembly
State Capital Room 2175
Sacramento, CA 95814

Subject: *Support of AB 213*

Dear Assembly Member Reyes:

The Local Agency Formation Commission of Merced County (Merced LAFCo) is pleased to support Assembly Bill 213. This bill would restore funding to approximately 140 cities that had annexed inhabited territory in reliance on previous financial incentives, then suffered significant fiscal harm when those funds were swept away due to the passage SB 89 (2011). The bill also offers similar incentives to support future annexations of inhabited territory to improve services to affected residents consistent with state LAFCo policies.

The VLF gap created by SB 89, one of the 2011 budget bills, created a financial disincentive for future city incorporations and annexations of inhabited territory. Further, it created severe fiscal penalties for those communities which chose to annex inhabited territories, particularly unincorporated islands. In several previous legislative acts the Legislature had directed LAFCos to work with cities to annex unincorporated inhabited islands. The loss of financial incentive for these inhabited annexations has made it difficult for LAFCos to follow this legislative directive. As a local example, a recent large commercial annexation by the City of Atwater included two existing Disadvantaged Unincorporated Communities to comply with previous State legislation in SB 244. However, the City of Atwater and other cities within Merced County don't have much incentive to continue these types of annexations when the tax revenue is inadequate to provide the necessary public services once the property is within the City limits.

Reinstating revenues for annexations is consistent with statewide LAFCo legislative policies of providing communities with local governance and efficient service delivery options, including the ability to annex. The inability to do so creates a tremendous detriment to the creation of logical development boundaries and to the prevention of urban sprawl. Because AB 213 reinstates a critical funding component to cities who previously annexed inhabited territory and did so relying on this financing, and to those cities who annex inhabited territory in the future, Merced LAFCo supports this bill.

Thank you for carrying this important legislation. Please do not hesitate to contact me with any questions you may have on our position.

Sincerely yours,

Daron McDaniel
Chair

cc: Pamela Miller, Executive Director, CALAFCo
Dan Carrigg, Deputy Executive Director and Legislative Director, League of CA Cities