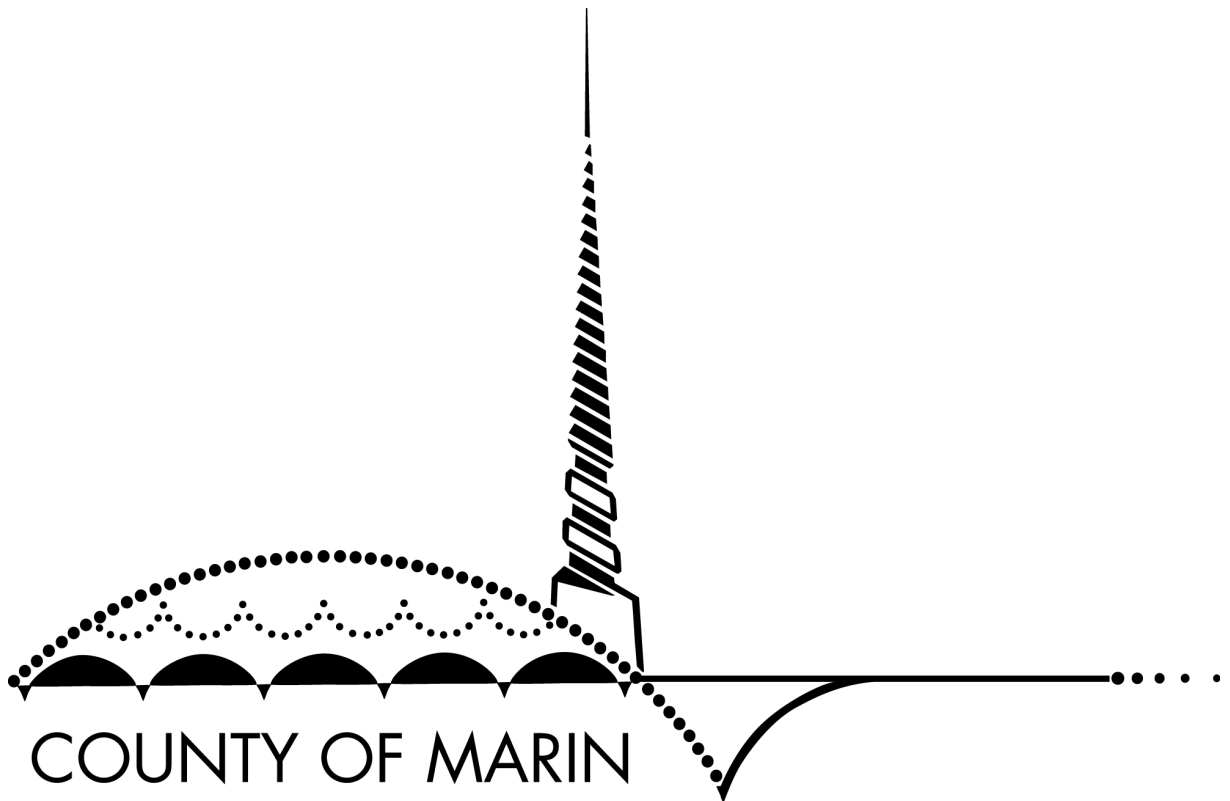
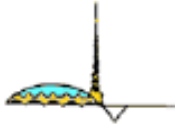


2013/2014 MARIN COUNTY CIVIL GRAND JURY

What Are Special Districts and Why Do They Matter?

Report Date – May 20, 2014
Public Release Date – May 29, 2014





WHAT ARE SPECIAL DISTRICTS AND WHY DO THEY MATTER?

SUMMARY

Every year Marin taxpayers spend over \$160,000,000 on special districts that seem to function without taxpayers knowing much about them.

In its broadest definition, a special district is a distinct and separate local government that delivers a limited number of public services to a specific geographic area. Special districts have many of the same powers as cities and counties, though they are completely separate entities from the cities and counties in which they are located. The Grand Jury wanted to learn more about these districts and was surprised to discover that a complete list of all special districts in Marin County did not exist.

Believing that democracy functions more effectively when citizens understand the government entities that serve them, the Grand Jury recommends that the County post a master list containing website links for all special districts. This transparency will provide taxpayers with a gateway to critical information concerning the local services they support and access, while improving their ability to provide oversight.

BACKGROUND

In the early days of California's settlement, a group of Stanislaus County farmers created the first "special district" in the state. They developed a strategy to collect runoff from the Sierras in order to water their central valley farms and they needed an entity to administer their plan. The Wright Act of 1887 empowered them to form the Turlock Irrigation District. Thus, a powerful instrument for meeting a public need was wielded for the first time in California.

After the 1906 earthquake, community leaders in Marin County began promoting the suburbanization of the County. Realtors marketed Marin as a "mecca for the homemaker, where suburban life in a beautifully wooded and flowered countryside may be combined with the business of the metropolis."¹ Then the opening of the Golden Gate Bridge, coupled with the post-war development boom, caused Marin's population to surge in the 1950's by 70 percent from 88,000 to 149,000. The need for services such as water, sanitation and fire protection became immediately apparent and the formation of special districts became a faster, more efficient way to organize and deliver those services.

¹ Dyble, Louise, "Revolt Against Sprawl: Transportation and the Origins of the Marin County Growth-Control Regime," *Journal of Urban History*, Sage Publications, November 2007, pp. 40-42.

APPROACH

At the start of the 2013-2014 Grand Jury term, the members reviewed information related to special districts in Marin County. The group recognized that a number of these districts operate in relative obscurity despite the high percentage of taxpayer dollars committed to funding their operations.

The first task was to find a complete list of all the special districts in the County. Partial lists existed in a number of places: the office of the California State Controller, the California Association of Special Districts (CASD), the Marin Local Agency Formation Commission (LAFCO) and the office of the Marin County Tax Collector. It appeared that each of these entities defined “special district” in a slightly different way, which perhaps contributed to the problem. A complete list of all the special districts in Marin simply did not exist.

The next task was to compile such a list and to obtain the 2013-2014 taxes collected for each special district from the Marin County Tax Collector’s office. The result of that work is attached as Appendix A.

DISCUSSION

Though the purpose and size of special districts varies greatly, most were formed for similar reasons: (1) to provide urban services in areas that may not lie within a city’s limits, (2) to provide regional services that transcend the limits of a single city, (3) to provide services beyond the capacity of existing local governments, or (4) to fill a gap in services between other governmental agencies. It is important to note that special districts are not state, county or city governments, school districts, or Mello-Roos districts (a type of district where the homeowner pays a tax assessment for the repayment of bonds used to finance the community’s infrastructure.) We did not include Joint Power Authorities (JPAs), which are sometimes viewed as Special Districts. JPAs can be used by two or more public agencies, whereby they may jointly exercise any power common to all of them as defined in California State Code 6502. Examples of JPAs in Marin are Central Marin Sanitation Agency and Sewerage Agency of Southern Marin.

A major distinction exists between “dependent” and “independent” special districts:

- Dependent districts are governed by either a county board of supervisors or a city council. In Marin, the County Service Areas (CSA’s) that manage the County’s recreation and park services are examples of dependent special districts.
- Independent districts have their own governing boards, usually elected directly by the voters. Examples include the Novato Fire Protection District and the Las Gallinas Valley Sanitary District.

Regardless of their governance structure, special districts have many of the same governing powers as local governments. They can enter into contracts, assume debt, levy taxes/assessments, and pass ordinances related to their services. They can also sue and be sued.

Another factor that determines the nature of special districts is their sources of revenue:

- Enterprise districts finance their operations primarily with fees for the services they provide. They have customers who consume goods or services (e.g., electricity, drinking or irrigation water, waste disposal, etc.). Fees are set by the districts' governing boards to recover the cost of providing those services to their customers. Examples include the Marin Municipal Water District and the Marin Healthcare District.
- Non-enterprise districts are funded primarily through property taxes. Examples include the Marin County Flood Control and Water Conservation District and the Kentfield Fire Protection District.

In 1963, concerned about the efficient and orderly provision of local services such as water, sewer and fire protection, the California Legislature created a Local Agency Formation Commission (LAFCO) in every county.

The responsibilities of LAFCO:

- Regulate the formation and boundaries of cities and most special districts
- Discourage urban sprawl
- Promote logical growth

In Marin, LAFCO is comprised of a seven member commission. Two city council members are appointed by the Council of Mayors, two county supervisor members are appointed by the Marin County Board of Supervisors, two special district members are appointed by independent special district election, and one public member is appointed by the Marin LAFCO Commission.

Marin LAFCO's responsibilities include the approval or disapproval of boundary changes to cities and special districts and the establishment or updating of the spheres of influence (planned service area boundaries) for each city and special district. The Commission is charged with initiating studies that identify both cost savings and ways to improve the delivery of services within cities and special districts. In addition, Marin LAFCO assists various government entities and the public regarding changes in local government organization and boundaries.

The State plays a nominal role in gathering and reporting financial information that is intended to aid in accountability. All districts are required to report their financial

transactions to the State Controller. By law, the State Controller annually compiles and publishes these transactions in the Special Districts Annual Report. The information reported by the Controller is not independently verified because most districts have not completed their audits before the deadline set by the Controller. The Controller's staff performs a review of the information submitted by districts, focusing on consistency, reasonableness and format. The Controller does not have oversight or audit responsibilities and the Controller's report does not assess the performance or the fiscal health of special districts.

With over \$160,000,000 taxpayer dollars flowing to special districts every year, it is remarkable that the decisions made regularly by special district boards are not on the radar screens of most taxpayers. Voter participation in special district elections is lower than in other local and general elections. Citizens seldom attend board meetings and media coverage is infrequent at best. As a result, problems often are not identified until they are so significant that solutions become fairly drastic. Recent examples include the protracted litigation underway at both the Ross Valley Sanitary District and the Novato Fire Protection District. These situations were partially the result of inadequate Board oversight.

In order to improve the ability of taxpayers to provide oversight, citizens must have access to the requisite information that will enable them to understand and assess the special districts they are supporting.

FINDINGS

- F1. A complete list of all Special Districts in Marin County (both independent and dependent) did not exist when the Grand Jury began its investigation, therefore, the residents of Marin did not have easy access to data related to special districts in their location.

RECOMMENDATIONS

- R1. The County of Marin add a page to its website listing all Special Districts in Marin County (both independent and dependent) with contact information and a link to the Marin LAFCO website for those Districts that fall within Marin LAFCO's jurisdiction.

REQUEST FOR RESPONSES

Pursuant to Penal code section 933.05, the grand jury requests responses as follows:

From the following governing body:

- Marin County Board of Supervisors

The governing body indicated above should be aware that the comment or response of the governing body must be conducted in accordance with Penal Code section 933 (c) and subject to the notice, agenda and open meeting requirements of the Brown Act.

The Grand Jury invites responses from the following:

- Marin LAFCO

BIBLIOGRAPHY

- *What's So Special about Special Districts? A Citizen's Guide to Special Districts in California*, Senate Local Government Committee, October 2010.
- *Special Districts 101*, Webinar, California Special Districts Association, September 5, 2013.
- *Special Districts: Relics of the Past or Resources for the Future?* Little Hoover Commission, Report #155, May 2000.
- *Guide to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000*, Assembly Committee on Local Government, November 2010.
- *Division of Accounting and Reporting Minimum Audit Requirements and Reporting Guidelines for California Special Districts*, Office of the State Controller, July 1991.
- Marin Local Agency Formation Commission, www.lafco.marin.org

Please Note: Some of the links listed in the Appendix may not be active and might require copying the information into a search engine. At the time this report was prepared, the information was available at the sites listed.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury. The California State Legislature has stated that it intends the provisions of Penal Code Section 929 prohibiting disclosure of witness identities to encourage full candor in testimony in Grand Jury investigations by protecting the privacy and confidentiality of those who participate in any Civil Grand Jury investigation

APPENDIX A- Master List of Special Districts in Marin County

Marin County Special Districts - Dependent				
Taxes and Fees Distributed by County of Marin: 2012/2013				
District Name	Type of District	Basic Property Tax Amount³	Other Taxes and Fees³	Total Tax Revenue³
CSA #29: Paradise Cay	Drainage and Drainage Maintenance	\$0	\$163,200 ¹	\$163,200
CSA #6: Santa Venetia	Drainage and Drainage Maintenance	\$161,193	\$0	\$161,193
CSA #31: Unincorporated Marin Fire Protection	Fire Protection	\$0	\$467,872 ¹	\$467,872
CSA #13: Upper Lucas Valley Fire Protection	Fire Protection/Paramedic	\$393,547	\$191,824 ¹	\$585,371
CSA #19: San Rafael Fire Protection	Fire Protection/Paramedic	\$1,871,371	\$227,390 ¹	\$2,098,761
Marin County Flood Control and Water Conservation District (all flood zones)	Flood Control and Water Conservation	\$3,763,081	\$2,469,136 ¹	\$6,232,217
Marin County Free Library	Library	\$6,751,316	\$4,263,395 ¹	\$11,014,711
Cypress Hollow	Lighting and Landscape	\$0	\$16,632 ¹	\$16,632
CSA #1: Loma Verde	Lighting and Lighting Maintenance	\$30,581	\$0	\$30,581
Marin County Lighting District	Lighting and Lighting Maintenance	\$536,103	\$0	\$536,103
CSA #27: Ross Valley Service Area	Paramedic/Ambulance Service	\$0	\$33,913 ¹	\$33,913
CSA #28: West Marin Service Area	Paramedic/Ambulance Service	\$0	\$379,024 ¹	\$379,024
Ross Valley Paramedic - Kentfield	Paramedic/Ambulance Service	\$0	\$128,336 ¹	\$128,336
Ross Valley Paramedic - Sleepy Hollow	Paramedic/Ambulance Service	\$0	\$41,492 ¹	\$41,492
San Rafael Paramedic - Marinwood	Paramedic/Ambulance Service	\$0	\$155,454 ¹	\$155,454
CSA #17: Kentfield	Police Protection and Personal Safety/ Recreation and Park	\$93,939	\$143,260 ¹	\$237,199
CSA #14: Homestead	Recreation and Park	\$129,740	\$126,008 ¹	\$255,748
CSA #16: Greenbrae	Recreation and Park	\$62,230	\$181,950 ¹	\$244,180
CSA #18: Gallinas	Recreation and Park	\$115,162	\$0	\$115,162
CSA #20: Indian Valley	Recreation and Park	\$9,656	\$0	\$9,656
CSA #23: Terra Linda	Recreation and Park	\$0	\$0	\$0
CSA #25: Unincorporated Novato	Recreation and Park	\$0	\$0	\$0
CSA #33: Stinson Beach	Recreation and Park	\$0	\$14,868 ¹	\$14,868
Marin County Open Space District	Recreation and Park	\$5,198,459	\$676,536 ¹	\$5,874,995
Bolinas Highlands Permanent Road Division	Streets and Roads-Construction and Maintenance	\$6,618	\$0	\$6,618
CSA #9: Northbridge	Streets and Roads-Construction and Maintenance	\$9,755	\$4,900 ¹	\$14,655
Inverness Subdivision No. 2 Permanent Road Division	Streets and Roads-Construction and Maintenance	\$2,747	\$0	\$2,747
Madrone Park Circle Permanent Road Division	Streets and Roads-Construction and Maintenance	\$0	\$0	\$0
Monte Cristo Permanent Road Division	Streets and Roads-Construction and Maintenance	\$3,947	\$0	\$3,947
Mountain View Avenue-Lagunitas Permanent Road Division	Streets and Roads-Construction and Maintenance	\$1,747	\$0	\$1,747
Paradise Estates Permanent Road Division	Streets and Roads-Construction and Maintenance	\$35,167	\$29,785 ¹	\$64,952
Ramona Avenue Permanent Road Division	Streets and Roads-Construction and Maintenance	\$0	\$0	\$0
Ridgewood Permanent Road Division	Streets and Roads-Construction and Maintenance	\$0	\$0	\$0
Murray Park Sewer Maintenance District	Wastewater Disposal	\$31,628	\$42,658 ²	\$74,286
San Quentin Sewer Maintenance District	Wastewater Disposal	\$14,841	\$21,314 ²	\$36,155
Total		\$19,222,828	\$9,778,947	\$29,001,775

¹Parcel Tax
²Sewer Fee
³Office of the Marin County Tax Collector

Note: The above is based on the information available at the time of this report

