

Special Districts Non-Compliance - System Failure

Fresno County Grand Jury Report No. 3

June 2018

SUMMARY

The 2017-18 Fresno County Grand Jury reviewed the published reports of the previous year's grand jury, as is customary, for continuity. In addition, California grand juries are mandated to investigate, review, and report on county and city operations through the Fresno County Grand Jury complaint process. The 2017-18 Fresno County Grand Jury's review of the Kingsburg Tri-County Health Care District - A Financial Review, Report No. 3, determined there were inconsistencies in some Fresno County special districts' financial audit reporting.

Special districts by their design are tax based to benefit the citizens of the area defined as the special district. This can and does involve significant amounts of taxpayer monies ranging from several thousands to millions of dollars.

The investigative process included interviews with personnel from the Fresno County Board of Supervisors Audit Committee, Fresno County Auditor-Controller/Treasurer-Tax Collector's Office, Fresno County Local Agency Formation Commission, and various special districts personnel. Also reviewed were state and county websites that pertain to the formation and maintenance of special districts.¹

In analyzing the specific districts who were noncompliant in their submission of state mandated annual audits, per California Government Code, section (§) 26909, it was determined there is a systematic failure by the Fresno County Audit Committee² and the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office to support special districts' understanding and completion of their financial audit requirements after the special districts initial formation process.

GLOSSARY

Local Agency Formation Commission (LAFCo) - "The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) (Government Code, §56000 et seq.) requires all Local Agency Formation Commissions (LAFCOs), including Fresno County LAFCo, to conduct municipal service reviews (MSR) prior to updating the spheres of influence (SOI) or area of responsibility of the various cities and special districts in the county, excluding community facility districts and school districts (Government Code, §56430). The fundamental role of a LAFCo is to implement the CKH Act, providing

¹ Websites:

- Fresno County Board of Supervisors: <http://www.co.fresno.ca.us/departments/board-of-supervisors>
- Fresno County LAFCo: <http://www.fresnolaftco.org/>
- State of California Law Section:
http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=26909.&lawCode=GOV#
- California State Association of Counties: <http://www.counties.org/>

² See Appendix A – "Bylaws of the Fresno County Audit Committee", May 29, 2015

for the logical, efficient, and most appropriate formation of local municipalities, service areas and special districts”.

Municipal Service Review (MSR) - The Municipal Service Review (MSR) and Sphere of Influence Update (SOI Update) process is a comprehensive assessment prepared by LAFCo to assess the ability of government agencies to effectively and efficiently provide services to residents and users. The form and content of the MSR/SOI Update is governed by requirements of the CKH Act and the State of California LAFCo MSR Guidelines published in August 2003.

Little Hoover Commission - A bipartisan board composed of five public members appointed by the governor, four public members appointed by the legislature, two senators, and two assembly members. In creating the Commission in 1962, the Legislature declared its purpose³ is to secure assistance for the Governor and itself in promoting economy, efficiency and improved services in the transaction of the public business in the various departments, agencies and instrumentalities of the executive branch of the state government, and in making the operation of all state departments, agencies and instrumentalities and all expenditure of public funds, more directly responsive to the wishes of the people as expressed by the elected representatives.⁴

BACKGROUND

There are many types of special districts (water, sanitation, mosquito, etc.). Fresno County has approximately 168 special districts. These districts deal with funds ranging from a few thousands to millions of dollars. The majority of these special districts are in compliance with the state financial audit requirements. The Fresno County Grand Jury was initially made aware of 10 special districts that were financial audit noncompliant. Further information provided by the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office showed that there are at least 28 special districts noncompliant with financial auditing requirements.

METHODOLOGY

The 2017-18 Fresno County Grand Jury began its year by reviewing the previous year's jury reports. Representatives from the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office, LAFCo, Fresno County Audit Committee, and several special districts were interviewed during the current grand jury term. State and county websites were utilized for investigative purposes as well.

DISCUSSION

- The 2017-18 Fresno County Grand Jury reviewed the Kingsburg Tri-County Health Care District - A Financial Review, Report No. 3, from the previous year, which revealed there were inconsistencies in several Fresno County Special Districts' audit reporting. In analyzing the specific districts who were noncompliant with financial auditing requirements, it was determined

³ California Little Hoover Commission: <http://www.lhc.ca.gov/about/history>

⁴ California Little Hoover Commission: <http://www.lhc.ca.gov/report/special-districts-improving-oversight-transparency>

there is a systematic failure by the county entity responsible for audit compliance in the follow-up of the special districts' financial audit reporting. Special districts are formed through the application process with LAFCo and are created through the LAFCo review process to operate within specifically defined areas and in response to public demand. Special districts mostly provide a single service such as education, cemeteries, transportation, and fire protection, and are usually used for ongoing service.⁵ Government Code, § 26909 (a)(1) (text included below) requires that special districts provide a financial audit, in most cases, annually.

26909. (a) (1) The county auditor shall either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special district within the county for which an audit by a certified public accountant or public accountant is not otherwise provided. In each case, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards.

(2) (A) If an audit of a special district's accounts and records is made by a certified public accountant or public accountant, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards.

(B) A report of the audit required pursuant to subparagraph (A) shall be filed within 12 months of the end of the fiscal year or years under examination as follows:

(i) For a special district defined in paragraph (2) of subdivision (d) of Section 12463, with the Controller.

(ii) For a special district defined in Section 56036, with the Controller and with the local agency formation commission of the county in which the special district is located, unless the special district is located in two or more counties, then with each local agency formation commission within each county in which the district is located.

(3) Any costs incurred by the county auditor, including contracts with, or employment of, certified public accountants or public accountants, in making an audit of every special district pursuant to this section shall be borne by the special district and shall be a charge against any unencumbered funds of the district available for the purpose.

(4) For a special district that is located in two or more counties, this subdivision shall apply to the auditor of the county in which the treasury is located.

(5) The county controller, or ex officio county controller, shall effect this section in those counties having a county controller or ex officio county controller.

(b) A special district may, by unanimous request of the governing board of the special district and with unanimous approval of the board of supervisors, replace the annual audit required by this section with one of the following, performed in accordance with professional standards, as determined by the county auditor:

⁵ LAFCo website: <http://www.fresnolafco.org/>

(1) A biennial audit covering a two-year period.

(2) An audit covering a five-year period if the special district's annual revenues do not exceed an amount specified by the board of supervisors.

(3) An audit conducted at specific intervals, as recommended by the county auditor, that shall be completed at least once every five years.

(c) (1) A special district may, by unanimous request of the governing board of the special district and with unanimous approval of the board of supervisors, replace the annual audit required by this section with a financial review, in accordance with the appropriate professional standards, as determined by the county auditor, if the following conditions are met:

(A) All of the special district's revenues and expenditures are transacted through the county's financial system.

(B) The special district's annual revenues do not exceed one hundred fifty thousand dollars (\$150,000).

(2) If the board of supervisors is the governing board of the special district, it may, upon unanimous approval, replace the annual audit of the special district required by this section with a financial review in accordance with the appropriate professional standards, as determined by the county auditor, if the special district satisfies the requirements of subparagraphs (A) and (B) of paragraph (1).

(d) Notwithstanding this section, a special district shall be exempt from the requirement of an annual audit if the financial statements are audited by the Controller to satisfy federal audit requirements.

(e) This section shall become operative on January 1, 2027.

(Amended (as added by Stats. 2016, Ch. 164, Sec. 2) by Stats. 2017, Ch. 334, Sec. 3. (SB 448) Effective January 1, 2018. Section operative January 1, 2027, by its own provisions.)

- Special criteria, if met, allows a special district to produce a financial report in a different time frame or format. If a special district fails to submit audits or financial statements, Government Code §26909, effective January 1, 2018, requires the county auditor's office to perform an audit of the special district and charge the respective district for the cost of the audit.
- The Little Hoover Commission has reviewed special districts, their creation, maintenance, and dissolution procedures and has come up with a series of recommendations.⁶

⁶ California Little Hoover Commission Report #239, "Special Districts: Improving Oversight & Transparency", August 2017, <http://www.lhc.ca.gov/sites/lhc.ca.gov/files/Reports/239/Report239.pdf>, see Appendix B – "Recommendations".

The report includes Recommendation Nos. 2 regarding one-time grant funding; 3 dealing with the identification and dissolution of inactive districts [Senate Bill 448 (Wieckowski) Statutes of 2017, Chapter 334]; and, 6 for the creation of an advisory committee, which cover specific areas of the Fresno County Grand Jury's concerns.⁷

- The Fresno County Grand Jury found that the Fresno County Audit Committee and the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office must focus aggressively on how special districts operate and how special district monies are being spent. The Grand Jury has found the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office and the Fresno County Audit Committee continued low prioritization of special districts audit review. Recently the Panoche Water District⁸ was charged with using public monies for personal items, which should have raised an alert for the Fresno County Audit Committee and the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office.
- According to the Fresno County Audit Committee Bylaws, the committee appears to have the authority to monitor the Fresno County Auditor-Controller/Treasurer-Tax Collector Office's compliance with Government Code, §26909's requirement to perform an audit of special districts when a special district fails to arrange their own audit. ("To oversee and monitor County compliance with pertinent laws and regulations, applicable ethical standards, and conflicts of interest and fraud policies through the review of the results of the Internal Audit Division."⁹ (Underline added for emphasis).
- During the interview process, it was found that the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office simply checks off special district audits and does not review them for financial accuracy.
- It was also stated that the Office has experienced a 40% turnover rate for the last few years. Since that interview, the only certified auditor has left the special districts section.
- The Fresno County Auditor-Controller/Treasurer-Tax Collector's Office cannot supply the financial information on the 28 identified noncompliant special districts because they have not submitted financial audits.
- The interview process with the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office indicated that special district audits are a low priority for the Office.
- Through the Grand Jury interview process it was found that, LAFCo is utilizing the MSR process to aid and educate special districts in the proper methodology to operate the special district.

⁷ California Little Hoover Commission Report #239, "Special Districts: Improving Oversight & Transparency", August 2017, <http://www.lhc.ca.gov/sites/lhc.ca.gov/files/Reports/239/Report239.pdf>

⁸ California Attorney General's Office: <https://oag.ca.gov/news/press-releases/attorney-general-becerra-announces-embezzlement-charges-against-former-panoche>

⁹ See Appendix A – "Bylaws of the Fresno County Audit Committee", May 29, 2015, Section 1 Article VI

FINDINGS

- F1. Ten districts were initially identified as having not submitted the required annual financial audits. However, in its investigation, the Fresno County Grand Jury has determined that there are 28 or more special districts that are noncompliant.
- F2. Audits, when received by the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office, are not reviewed for financial accuracy nor content, but only checked off as submitted.
- F3. It appears that the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office is currently understaffed. The only staff member certified in audits has recently left to another position. The remaining staff is new to the Office and to managing special district financial audits requirements. In recent years, the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office has experienced an annual turnover of approximately 40%.
- F4. The Fresno County Auditor-Controller/Treasurer-Tax Collector's Office believes it has the responsibility but not the authority for securing special district audits. California Government Code, §26909 was amended effective January 1, 2018, and requires the county auditor's office to either perform or contract with a certified public accountant or public accountant to perform an audit of the special districts and charge the respective districts for the cost of the audit.
- F5. Through the municipal service review process, the Fresno County Local Agency Formation Commission is aiding and educating the special districts in the proper methodology in the operation of the special district, subject to available resources.
- F6. Per the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office, current and accurate financial information was unavailable on the noncompliant special districts.
- F7. In August 2017, the California Little Hoover Commission produced Report #239: "Special Districts: Improving Oversight & Transparency"¹⁰, offering recommendations for improving oversight and transparency of California special districts.
- F8. The Fresno County Auditor-Controller/Treasurer-Tax Collector's Office places special districts audits as a low priority.
- F9. Per the Fresno County Audit Committee's Bylaws it appears the committee, although advisory in nature, can oversee and monitor the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office with regards to special district financial audit requirements, but has failed to provide oversight and monitoring.

¹⁰ California Little Hoover Commission Report #239, "Special Districts: Improving Oversight & Transparency", August 2017, <http://www.lhc.ca.gov/sites/lhc.ca.gov/files/Reports/239/Report239.pdf>

RECOMMENDATIONS

- R1. The Fresno County Auditor-Controller/Treasurer-Tax Collector's Office should review all special districts for audit compliance and work with those noncompliant districts to bring them into compliance. It should prioritize them based on current cash balances, largest to smallest. (F1) (F9)
- R2. The Fresno County Auditor-Controller/Treasurer-Tax Collector's Office should, for purposes of accuracy, review special district financial audits annually as they are submitted and received by the office. (F2) (F9)
- R3. Those special districts that are found noncompliant with their state-mandated financial audit requirements, but have no cash on hand or are no longer functional, should be referred by the Fresno County Local Agency Formation Commission (or by the entity itself) to the State to be dissolved by the State of California. (F1)
- R4. Per California Government Code, section 26909 as amended, the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office should either perform financial audits on special districts or contract with a certified public accountant or public accountant to have the missing audits completed. (F4)
- R5. The Fresno County Local Agency Formation Commission should continue to utilize and expand the municipal service review process to aid and educate all special districts. (F5)
- R6. Fresno County Local Agency Formation Commission and the Fresno County Auditor-Controller/Treasurer-Tax Collector's Office should encourage and support the recommendations of the California Little Hoover Commission "Special Districts: Improving Oversight & Transparency", Report #239, August 2017. (F7)

REQUEST FOR RESPONSES

Pursuant to Penal Code section 933.05, the Fresno County Grand Jury requests responses to each of the specific findings and recommendations. It is required that responses from elected officials are due within 60 days of the receipt of this report and 90 days for others.

Fresno County Auditor-Controller/Treasurer-Tax Collector (F1, F2, F3, F4, F6, F7, F8, and F9)
and (R1, R2, R4, and R6)

Fresno County Audit Committee Chairperson (F9)

Fresno County Local Agency Formation Commission Executive Officer (F5, F6, and F7) and (R5
and R6)

DISCLAIMER

Reports issued by the 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 Grand Jury.

APPENDIX A

BYLAWS OF THE FRESNO COUNTY AUDIT COMMITTEE

May 29, 2015

ARTICLE I. GENERAL PROVISIONS

Section 1: The rules contained in these Bylaws shall govern the Fresno County Audit Committee (hereinafter referred to as "Committee"). This Committee has been established as an advisory committee to the Board of Supervisors (hereinafter referred to as "Board").

ARTICLE II. MEMBERSHIP, RIGHTS AND DUTIES

Section 1: The membership of the Committee shall consist of the following: two (2) members of the Board, the County Administrative Officer (CAO), the County's Counsel, one (1) Department Head appointed by the CAO, and two (2) members from the public appointed by the Board. At least one (1) of the public members should have work history in the field of business, finance, auditing and/or accounting. The County Auditor-Controller/Treasurer-Tax Collector will serve as staff to the Committee.

Section 2: Public members shall be County residents and shall be appointed for staggered, two-year terms. If a public member misses two consecutive meetings they will be removed from the Committee and a new public member will be appointed.

Section 3: All Committee members will have an equal voice in the decision-making process. Due to the scope of the Committee's assignment, consistent attendance by all members is expected; however, for County members with the approval of the Chairman, a substitute may attend the meeting with the member's proxy. Public members must be present to vote.

Section 4: In the event that a member chooses to resign from the Committee, such member should notify the Chairman in writing. The Chairman will then immediately notify the Board and the Committee of any such resignations. Upon notification, the Board will begin the appointment process for a replacement until the vacancy is filled.

ARTICLE III. APPOINTMENTS, POWERS, AND DUTIES OF THE CHAIRMAN

Section 1: The Chairman and Vice-Chairman shall initially be elected for a two-year term, which may be extended for one additional year by a favorable vote of a majority of the Committee members.

Section 2: The Chairman's duties including presiding over all Committee meetings, establishing subcommittees, responding to members' requests for information, signing communications on behalf of the Committee, and representing the Committee before the Board and other governmental bodies, subject to the approval of a majority of the other Committee members.

Section 3: In the absence or inability of the Chairman to preside over the meetings, the Vice-Chairman will perform such duties. If neither the Chairman nor the Vice-Chairman is able to preside, the Committee shall select one of the members to act as Chairman pro-tem. The Chairman pro-tem shall have all the powers and duties of the Chairman during the absence of the Chairman.

Section 4: The Chairman shall preserve order and decorum. The presence of a quorum will be necessary to conduct a meeting. A quorum shall be defined as a majority of Committee members. The Chairman shall decide all questions of order (unless overridden by a majority of the Committee members present).

ARTICLE IV. ORDER AND SCHEDULING OF MEETINGS

Section 1: At a minimum, the Committee will meet on a quarterly basis. All meetings will be subject to the Ralph M. Brown Act. Whenever possible, quarterly meetings will be pre-scheduled at the beginning of each year. The Committee shall approve the annual meeting calendar at the first meeting of the calendar year.

Section 2: County staff will keep minutes of each meeting and offer them for Committee approval on the subsequent meeting agenda.

ARTICLE V. PUBLIC PARTICIPATION

Section 1: Every person addressing the Committee shall be limited in their remarks to three minutes, unless an extension is granted by the Chairman.

ARTICLE VI. SCOPE OF COMMITTEE'S AUTHORITY AND OBJECTIVES

Section 1: The general authority of the Committee is summarized as follows:

To oversee the establishment and maintenance of the County's internal control structure primarily through oversight of the activities of the Internal Audit Division.

To oversee the quality of financial reporting activities which portray the County's financial condition, results of operations, and plans and long-term commitments, primarily through oversight of the public accounting firm providing the external audit coverage of the County's consolidated financial statements. In addition, the Committee shall review audit results of County programs for which the Board has responsibility.

To oversee and monitor County compliance with pertinent laws and regulations, applicable ethical standards, and conflicts of interest and fraud policies through the review of the results of the Internal Audit Division.

To ensure that an external quality control review of the Internal Audit Division be conducted every five years by an organization not affiliated with the County in accordance with standards promulgated by the Institute of Internal Auditors.

To immediately notify the Board in writing should the Committee determine any significant or material irregularity exists in County operations.

To present a summary of Committee activities and significant audit results to the Board through the distribution of the quarterly meeting material. If the minutes were corrected or amended upon the regular order of business, the minutes of each Committee meeting will be sent to the Board members once approved by the Committee.

Such other duties as prescribed by the Board.

ARTICLE VII. MISCELLANEOUS PROVISIONS

Section 1: These bylaws are subject to change by the Committee, with subsequent approval by the Board. Changes to the bylaws can be made by a majority vote of Committee members.

APPENDIX B

Little Hoover Commission Recommendations:

Recommendations 1-4 (Report pages 29-30)

Recommendation 1: The Legislature and the Governor should curtail a growing practice of enacting bills to override LAFCO deliberative processes and decide local issues regarding special district boundaries and operations.

The Legislature and Governor have reason to be frustrated with slow and deliberative LAFCO processes. But these are local institutions of city, county and special district members, often better attuned to local politics, than those in the State Capitol. Exemptions where the Legislature gets involved should be few, and in special cases where the local governing elites are so intransigent or negligent – or so beholden to entrenched power structures – that some higher form of political authority is necessary.

Recommendation 2: The Legislature should provide one-time grant funding to pay for specified LAFCO activities, to incentivize LAFCOs or smaller special districts to develop and implement dissolution or consolidation plans with timelines for expected outcomes. Funding should be tied to process completion and results, including enforcement authority for corrective action and consolidation.

The Commission rarely recommends additional funding as a solution. However, a small one-time infusion of \$1 million to \$3 million in grant funding potentially could save California taxpayers additional money if it leads to streamlined local government and improved efficiency in service delivery. This funding could provide an incentive for LAFCOs or smaller districts to start a dissolution or consolidation process. Participants in the Commission's public process suggested the Strategic Growth Council or Department of Conservation could administer this one-time funding.

Recommendation 3: The Legislature should enact and the Governor should sign SB 448 (Wieckowski) which would provide LAFCOs the statutory authority to conduct reviews of inactive districts and to dissolve them without the action being subject to protest and a costly election process.

There has been no formal review to determine the number of inactive special districts – those that hold no meetings and conduct no public business. Rough estimates gauge the number to be in the dozens. Simplifying the LAFCOs' legal dissolution process would represent a significant step toward trimming district rolls in California. The Commission supports SB 448 and encourages the Legislature to enact the measure and for the Governor to sign the bill.

Recommendation 4: The Governor should sign AB 979 (Lackey), co-sponsored by the California Special Districts Association and the California Association of Local Agency

Formation Commissions. The bill would strengthen LAFCOs by easing a process to add special district representatives to the 28 county LAFCOs where districts have no voice.

The Cortese-Knox-Hertzberg Reorganization Act of 2000 (AB 2838, Hertzberg) provided the option to add two special district members to county LAFCOs to broaden local governing perspectives. Nearly two decades later, 30 counties have special district representatives on their LAFCOs alongside city council members and county supervisors. This change provides LAFCOs a more diverse decision-making foundation and stronger finances. But 28 counties, mostly in rural California have not added special district representatives to their LAFCO governing boards, citing scarce resources. Presently, a majority of a county's special districts must pass individual resolutions within one year supporting a change. This has repeatedly proved itself a formidable obstacle to broadening the outlook of local LAFCOs. AB 979 (Lackey) would allow a simple one-time election process where districts could easily – and simultaneously – decide the question.

Recommendations 5-8 (Report page 30)

Recommendation 5: The Legislature should adopt legislation to give LAFCO members fixed terms, to ease political pressures in controversial votes and enhance the independence of LAFCOs.

The California Association of Local Agency Formation Commissions (CALAFCO) testified on August 25, 2016, that individual LAFCO members are expected to exercise their independent judgment on LAFCO issues rather than simply represent the interests of their appointing authority. But this is easier said than done when representatives serve on an at-will basis. The CALAFCO hearing witness said unpopular votes have resulted in LAFCO board members being removed from their positions. Fixed terms would allow voting members to more freely exercise the appropriate independence in decision-making.

Recommendation 6: The Legislature should convene an advisory committee to review the protest process for consolidations and dissolutions of special districts and to develop legislation to simplify and create consistency in the process.

Complicated and inconsistent processes potentially impact a LAFCO's ability to initiate a dissolution or consolidation of a district. If 10 percent of district constituents protest a LAFCO's proposed special district consolidation, a public vote is required. If a special district initiates the consolidation, then a public vote is required if 25 percent of the affected constituents protest. Additionally, the LAFCO must pay for all costs for studies and elections if it initiates a consolidation proposal, whereas the district pays these costs if it proposes or requests the consolidation. Various participants in the Commission's public process cautioned against setting yet another arbitrary threshold and advised the issue warranted further study before proposing legislative changes. They called for more consistency in the process.

Recommendation 7: The Legislature should require every special district to have a published policy for reserve funds, including the size and purpose of reserves and how they are invested.

The Commission heard a great deal about the need for adequate reserves, particularly from special districts with large infrastructure investments. The Commission also heard concerns that reserves were too large. To better articulate the need for and the size of reserves, special districts should adopt policies for reserve funds and make these policies easily available to the public.

Recommendation 8: The State Controller's Office should standardize definitions of special district financial reserves for state reporting purposes.

Presently, it is difficult to assess actual reserve levels held by districts that define their numbers one way and the State Controller's Office which defines them another way. The State Controller's Office is working to standardize numbers following a year-long consultation with a task force of cities, counties and special districts. To improve transparency on reserves, a subject that still eludes effective public scrutiny, they should push this project to the finish line as a high priority.

Recommendations 9-11 (Report pages 38-39)

Recommendation 9: The Legislature should require that every special district have a website. Key components should include:

- **Name, location, contact information**
- **Services provided**
- **Governance structure of the district, including election information and the process for constituents to run for board positions**
- **Compensation details - total staff compensation, including salary, pensions and benefits, or a link to this information on the State Controller's website**
- **Budget - including annual revenues and the sources of such revenues, including without limitation, fees, property taxes and other assessments, bond debt, expenditures and reserve amounts**
- **Reserve fund policy**
- **Geographic area served**
- **Most recent Municipal Service Review**

- **Most recent annual financial report provided to the State Controller's Office, or a link to this information on the State Controller's website**
- **Link to the Local Agency Formation Commission and any state agency providing oversight**

Exemptions should be considered for districts that fall under a determined size based on revenue and/or number of employees. For districts in geographic locations without reliable Internet access, this same information should be available at the local library or other public building open and accessible to the public, until reliable Internet access becomes available statewide. Building on this recommendation, every LAFCO should have a website that includes a list and links to all of the public agencies within each county service area and a copy of all of the most current Municipal Service Reviews. Many LAFCOs currently provide this information and some go further by providing data on revenues from property taxes and user fees, debt service and fund balance changes for all the local governments within the service area. At a minimum, a link to each agency would enable the public to better understand the local oversight authority of LAFCOs and who to contact when a problem arises.

Recommendation 10: The State Controller's Office should disaggregate information provided by independent special districts from dependent districts, nonprofits and joint powers authorities.

Over the course of this study, the Commission utilized data available on the State Controller's website to attempt to draw general conclusions about independent special districts, such as overall revenues, number of employees and employee compensation. Presently, it is difficult to do this without assistance as information for independent districts is mixed with various other entities.

Recommendation 11: The California Special Districts Association, working with experts in public outreach and engagement, should develop best practices for independent special district outreach to the public on opportunities to serve on boards.

The Commission heard anecdotally that the public does not understand special district governance, does not often participate or attend special district board meetings and often does not know enough about candidates running to fill board positions. Often, the public fails to cast a vote for down-ballot races. Two county registrars provided the Commission information that showed in many instances those who voted for federal or statewide offices did not vote for local government officials at the same rate, whether they were city council positions, special district positions or local school or community college district positions.