



**California Special
Districts Association**
Districts Stronger Together



CA SPECIAL DISTRICTS FACT SHEET

Delivering Communities' Core Services

LOCAL VALUES ARE DISTRICT VALUES

- ***Focused Service***

Each special district performs a specific set of services well and without distractions, which leads to innovation as well as prudent long-term planning. They heighten the level of services desired by their constituencies and deliver unmet service needs.

- ***Economic Solutions***

Special districts can offer just the amount of government that residents want at the price they can afford. Where residents want a specific, new or enhanced service they can trust will be delivered, a special district can succeed; and, a district will link the cost of that service to the benefit.

- ***Infrastructure***

Special districts can build and operate urgently needed infrastructure without straining city, state or county balance sheets.

- ***Flexibility & Regional Capacity***

Special districts can serve large regions or small neighborhoods based on need, not political boundaries—no other type of government can cross city and county lines. This offers flexibility to address the unique needs of our diverse state's communities.

- ***Voter Driven***

Special districts cannot be formed, nor raise taxes, without the consent of the voters. Most of these districts are governed by board members elected from their communities; others are appointed to fixed terms.

- ***Open & Transparent***

Special districts must file an annual independent audit with the county auditor and an annual financial statement and compensation report with the State Controller. Local Agency Formation Commissions conduct regular municipal service reviews of special districts. And, every special district board must comply with FPPC regulations, the Public Records Act, and all open meeting requirements in the Brown Act.

- ***More Information***

If you have any questions or would like to find more information about special districts, please visit www.csd.net or call the California Special Districts Association at 877.924.2732.



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IT'S ABOUT QUALITY, NOT QUANTITY

It is not the *number* of special districts that is paramount, but the ability to deliver core local services effectively and responsibly. Large or small, special districts are sensitive and responsive to the neighborhoods and regions they serve.

Quality services are best measured by the satisfaction of local residents, but what the numbers do speak to is the ability of special districts to meet evolving local needs:

By the Numbers

- **Special districts impact the daily lives of millions of Californians:**
 - Deliver water and treat wastewater for more than 30 million.
 - Protect 11 million from fire and other emergencies.
 - Operate more than half of California's critical access hospitals.
 - Supply water to 90 percent of California's farmland.
 - Provide other core services throughout the state: flood defense, mosquito and vector control, trash collection, ports and harbors, resource conservation, public cemeteries and airports.
- **Voters have created 2,160 independent special districts to serve their needs:**
 - While the State Controller's 2009-10 report lists 4,792 "special districts," over half are actually non-profit corporations or components of other governments, such as cities and counties.
- **Special districts are one of the few types of government agencies that have reduced in number:**
 - The number of independent special districts has consolidated by more than 7 percent over the past 20 years according to the California State Senate Local Government Committee.

A Thoughtful, Local Process

- District reorganizations are researched and approved by the Local Agency Formation Commission, whose mandated goal is to assure that changes in governmental organization occur in a manner which encourages orderly growth, discourages sprawl, preserves agricultural and open space lands and safeguards the delivery of efficient and quality municipal services.
- An emphasis on service delivery is why special districts have taken the lead in self-initiating most of the 150 consolidations and mergers over the last two decades.
- A one-size-fits-all, top-down approach does not work with core local services. Deliberate study and planning at the local level is necessary to ensure viability and identify efficiencies. Ultimately, the power to reorganize local services should always rest with the local citizens who established them and depend on them.

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ACCOUNTABLE, OPEN AND PUBLIC

Special districts are responsible for delivering core services to the neighborhoods and regions that created each district. As the most local form of government, they are first and foremost accountable to their voters and their ratepayers.

- ***Special districts offer exceptionally responsive governance because they directly oversee service delivery and interaction with constituents***
 - By focusing on a specific service—water delivery, fire protection, parks and recreation, etc.—districts pay greater attention than bigger bureaucracies to both long-term planning and everyday constituent and rate-payer feedback.
- ***Special districts are held to the same laws as other forms of local government (cities and counties):***
 - *The Ralph M. Brown Act:* Most commonly referred to as The Brown Act, this law mandates that all meetings of the legislative body of a local agency (ie. the board of directors) shall be open and public, and any member of the public is permitted to attend any meeting.
 - *The California Public Records Act:* This law gives the public the right to access information in possession of public agencies immediately and freely.
 - *FPPC Reporting Requirements:* The Fair Political Practices Commission requires disclosure of gifts or monies received by public officials and employees and the annual filing of Statements of Economic Interest.
- ***Special districts report annually to the State Controller's Office:***
 - Every district in California must report its financials as well as the salary and compensation of all staff and board members to the State Controller every year. Those financials are then published on the State Controller's website, where any member of the public may view them.
- ***Special districts must regularly undergo a rigorous auditing process to ensure public funds are properly managed:***
 - State law requires districts submit to regular audits, performed by a county auditor or a certified public accountant.
 - These audits are public documents and must be filed with the State Controller's Office, as well as the County Auditor/Controller.
- ***Special district board members are required by law to complete ethics training every two years:***
 - Under Assembly Bill 1234, every public official of a local agency is required to attend ethics training. All board members serving on a special district must receive this training upon election or appointment, and must become re-certified every two years.

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LOCAL INVESTMENT OF LOCAL PROPERTY TAXES

Firm Financial Foundation

- Property taxes provide a firm financial foundation for special districts to build the infrastructure necessary to maintain a strong economy and healthy environment.
- “Non-enterprise” districts that provide fire protection, parks and recreation, mosquito abatement, public cemeteries, resource conservation and other services rely primarily on property taxes.
- Many “enterprise” districts also rely on property taxes in order to:
 - Secure and repay the most cost-effective bonds for infrastructure projects.
 - Perform environmental conservation that offers a broad public benefit.
 - Deliver certain non-enterprise functions as part of comprehensive service efforts.
 - Offer stable, long-term rate plans and rate relief for vulnerable seniors and low-income residents.

Necessary & Appropriate

- Because the broad benefits from special district projects accrue directly to property taxpayers, an ad valorem property tax is a fair and equitable means for those who benefit to share in the cost of district services and infrastructure.
- A clear nexus of benefit historically exists between the taxpayer and the property value improvement generated from property tax investments in core services provided by special districts.

Adverse Effect of Shifting Local Revenue

- When property taxes are shifted away from special districts, it means residents must either pay new taxes and fees or lose core services—either way, taxpayers pay more and get less.
- Shifts in ad valorem property taxes away from special districts in the 1990s imposed major hardships on special districts and their constituents, forcing increases in other tax assessments, deferred infrastructure projects and reduced services.
- In the ongoing wake of the housing crisis, special districts are already struggling with double-digit reductions in their percentage of property tax receipts. Further losses would lead to unprecedented detrimental impacts on communities.

Consistent and Overwhelming Support

- Voters have expressed their will to keep their property tax dollars local in support of core services provided by special districts.
- Special districts are established by local voters and all special district taxes are approved by voters.
- Proposition 1A of 2004 received 83.7% support and Proposition 22 of 2010 earned 60.7% to Constitutionally protect local property tax dollars and prohibit the state from shifting those dollars to meet its shortfalls or fund its mandates.

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PRUDENT RESERVES FOR A SUSTAINABLE BUDGET

- For countless families, saving is common-sense—something we all wish our government had more of. Reserves are not just money in a bank; they are fundamental resources for ensuring safe and reliable core services.
- Special districts designate money toward savings in order to respond to emergencies, keep rates affordable, maintain existing infrastructure and plan for future job-creating public works projects:
 - *Emergency Preparation:* In the event of a natural disaster, communities can't afford not to have the savings readily available to quickly repair critical local infrastructure.
 - *Affordable Rates:* Government shouldn't spend everything it gets and then turn to taxpayers and ratepayers at the first sign costs have gone up or revenue has gone down. With appropriate savings, special districts strive to use resources wisely and smooth out the highs and the lows.
 - *Infrastructure Maintenance:* Through savings, special districts fix the pipes, patch the roofs and replace worn equipment because it would be mismanagement to depend on borrowing to make routine repairs. It's just good business.
 - *Planning for the Future:* A long-term, thoughtful approach to public infrastructure requires the foresight to plan for and discipline to save for future needs. Special districts are uniquely equipped to excel at these practices.
- Not all "retained earnings," "fund balances" or "net assets" are liquid reserves, and reserves are rarely unallocated—rather they are "designated" or "restricted:"
 - *Retained earnings, fund balances, and net assets* don't just include cash and investments, but also the net value of capital facilities, land and equipment measured from the very inception of the district.
 - *Designated funds* are set aside via established policies for specific uses such as cash-flow, capital improvements, contingencies, and rate stabilization.
 - *Restricted funds* are limited by legal or contractual requirements, or cannot otherwise be spent.
- Historically, governmental agencies and departments have been known to spend everything they have before the end of the fiscal year in order to justify increased future allocations from their larger bureaucracy. Special districts are different because they empower core local service providers with budgetary control, encouraging efficiency and fiscal restraint rather than punishing it.
- CSDA formed a task force in 2001 to identify both the essential elements of a reserve policy and the issues to be discussed during policy development in order to assist districts in fulfilling their commitment to provide cost-effective and efficient public services for the communities they serve. These guidelines are available at www.csda.net.

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