

CHALLENGE FOR THE 1980's: CAN WE
GOVERN OURSELVES?

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A PROPOSAL FOR MORE RESPONSIVE AND EFFECTIVE
GOVERNMENT IN THE LOS ANGELES AREA

Report by the Task Force on Government Structure

LOS ANGELES COUNTY
ECONOMY AND EFFICIENCY COMMISSION

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PREFACE

In May 1977, the Board of Supervisors, on motion of Supervisor Hayes, requested the Economy and Efficiency Commission to study and report to the Board on AB 333, legislation which would divide the County into two or more counties, and on the various secession movements then taking place or under consideration.

In accordance with our usual practice, the chairperson appointed a task force of commission members to work with the staff in conducting a study and preparing a report to the Board. In May 1978, the commission released a report containing the conclusions and recommendations of the task force on the issue of secession.

The commission rejected secession as a solution to the problems of local government structure. The report concluded: "Formation of new counties will merely add territorial units to an already severely unbalanced structure. The increased complexity and fragmentation can only add to the present confusion . . . The structure of county government in California, in relation to cities and other governmental agencies, is inadequate to address contemporary social and environmental problems effectively. The reason that the structure is inadequate is not the size of one unit-the County-but is, rather, the allocation of program responsibilities to levels of government which are not suited to them."

This report expands on that conclusion. Our study reflects contemporary and past research in the field of government structure, and our proposals are consistent with many of these findings. We have reviewed drafts of our report with concerned government officials and other authorities.

As a result of this review, we have extended our analysis in a number of areas and modified our conclusions. The subject is extremely complex. Hence,

we do not claim to provide a definitive answer to all problems of local government or that we have raised and dealt with all of the issues. Rather, this report is conceived as a proposal for discussion of long-term goals and as a guideline for interim steps that will promote progress toward these goals.

We hope, therefore, that the review process will continue. We solicit the views and comments of all interested parties. If as a result of further review, we can refine our analysis and recommendations, we plan to do so in subsequent reports.

The report is divided into three major sections:

Section One describes the current system of governments in the Los Angeles metropolitan area and the problems which the present structure creates.

Section Two describes the mechanisms involved in changing the present structure, the parties involved in making changes, and two proposals for change: (1) establishment of a City-County of Los Angeles within the boundaries of the present city, and (2) a single metropolitan government covering all of Los Angeles County and eliminating the present city governments. For the reasons stated in the report, we reject both alternatives as effective solutions to the present structure.

Section Three describes the commission's proposals for a federated system of government consisting of community-based city governments to provide local government services and an area government to resolve area wide problems. The last chapter of the report lists the commission's seven recommendations directed toward initiating progress toward a federated structure.

The report deals with all government agencies involved in the present system, with the exception of school districts. The problems of school districts are unique and present complexities, which would require another study.

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SUMMARY

Introduction

The need for fundamental overhaul of the local government structure has been recognized by scholars, business leaders, public officials, and many politicians for years. Public anger and frustration over the inefficiencies, cost, and unresponsiveness of government led to passage of Proposition 13 in June 1978. Now the need for structural change is more critical than ever. In the absence of radical structural change, Proposition 13 cannot reduce costs without serious deterioration in the effectiveness, efficiency, and responsiveness of governmental systems.

We hear a good deal these days about a sick society-that American society is sick. A society, however, is not sick because it has problems. It is sick, or becomes sick, if it refuses to face the problems, if it tries to hide from the problems, if it becomes neurotic and seeks quack solutions. Then the problems fester and spread and finally destroy the society that refuses to cope with them.

Public opinion polls have indicated that Americans believe the most critical problems facing our country today are inflation, crime and violence, pollution, congestion, official corruption, drugs, unemployment, and health care.

Proposition 13, however, demonstrated that people believe that the central problem is government itself. As Howard Allen, President of the Los Angeles Area Chamber of Commerce, and others have pointed out, anyone who thinks Proposition 13 was simply a revolt against rising property taxes is mistaken. It was a massive outpouring of resentment against what is perceived to be wasteful government spending, an unresponsive bureaucracy, exploitation

of government by special interests, and a seemingly unlimited growth of government.

The subject of this report, local government structure, deals with the allocation of political power among public institutions-cities, counties, special districts, and other agencies. This structure has become an obstacle to solving the critical social and environmental problems that confront our society. Nowhere in this report do we imply, nor do we believe, that government in California has reached the stage of crisis that it has in New York or Cleveland. We do believe, however, that danger signs are visible, that this area shares with New York, Cleveland, Detroit, and Buffalo many of the external and internal conditions that have crippled these governments. The difference is that we have time to correct the deficiencies of our local system and the incentive to do so as a response to the financial pressure created by Proposition 13.

The Current System and Its Problems

The Los Angeles, metropolitan area consists of five counties-Los Angeles, Orange, Riverside, San Bernardino, and Ventura. This area contains a great amount of diversity-social, economic, and political. In this report, we treat the area as a single self-contained environmental, social and economic unit, not because we discount the diversity, but because all population groups in the area are highly interdependent. All areas within the region supply social and economic benefits, both private and public, to other areas of the region. People travel to other areas for employment, shopping, medical and professional services, recreation, education, and social affairs. As just one example, workers from the other four counties fill approximately 200,000 jobs in Los Angeles County, while some 65,000 workers from Los Angeles County

commute to jobs in the other four counties.

In this metropolitan area, governmental services, excluding schools, may be provided by any one or more of 1,604 public agencies. The total cost of these agencies is approximately \$8.3 billion a year. The following table breaks down the number and cost of the agencies by type of agency.

Number and Cost of Government Agencies (1977)

<u>Number</u>	<u>Type</u>	<u>Cost (\$million)</u>
5	Counties	3,820
147	Cities	3,330
1,159	Special Districts	650
137	Joint Powers Agencies and Nonprofit Corporations (most costs included in city or county)	
156	Community Redevelopment Agencies	270
Various	State and Federal Agencies or Districts counted among the above	270
<u>1,604</u>	TOTAL	<u>8,340</u>

This maze of governments cannot perform responsively or efficiently. It has serious problems:

- problems of duplication
- problems of size
- problems of finance
- problems of complexity and political fragmentation.

Duplication - Counties, cities and special districts often deliver the same services to different areas. Each jurisdiction is responsible for serving the area within its boundary; its responsibility ends at the boundary of the next jurisdiction. When the boundary between two jurisdictions divides effective service areas of a service such as fire protection or police patrol, the area then contains one or more superfluous units. For example, we estimate that excess fire stations in Los Angeles County alone cost the people approximately \$20 million annually. Similar situations exist in the other counties.

In addition to this type of jurisdictional overlap, there are also serious cases of administrative duplication. Cities and counties serving the same interdependent populations independently plan and manage Federal and State programs. Programs, plans, and finances do not correspond to needs.

Size - The 1,604 local government agencies range from very small units serving populations within the hundreds to mammoth units like Los Angeles County serving populations in the millions.

The effects of size on governmental system performance are complex and mixed. We approach the question of size in terms of three general problems of governmental responsiveness and efficiency - access to elected officials, economies of scale, and geographic size.

Small governments provide much greater access to elected officials than do large governments. The people in the smaller community governments feel that they have a hand in their government and can control it. With large governments access to elected officials, because they represent large numbers of people, is difficult. People therefore look upon them as distant and remote.

Small cities, however, have difficulty marshalling the resources necessary to provide a full complement of services at appropriate cost. Large governments experience diseconomies due to managerial complexity and over-specialization. In both cases, governments can correct their deficiencies - small cities by purchasing services from a larger supplier, large governments by improving management.

Finally, the geographic area affected by contemporary problems is larger than the territorial jurisdiction of any elected, general purpose government. Thus, none of the counties or cities in the metropolitan area is large enough to lead the community in resolving contemporary social and environmental problems.

To meet this problem, the Federal and State Governments have set up single purpose agencies to provide problem solving services to resolve multiple county problems such as transportation, health, and the environment. But these agencies are not elected by the people. Consequently, the governmental role in problem solving is performed by units totally lacking in local democratic control and acting independently to resolve interrelated problems of fragmented parts of the metropolitan area.

Financing - The financing of the local government system creates two major problems. First, it fosters intergovernmental competition for development - particularly high value industrial and commercial development. The taxing system for cities and counties rewards development. This emphasis of the tax system on high value development causes intense competition among cities to attract it. Most recent development is occurring in outlying areas. Thus, the central metropolitan core of the Los Angeles area is being drained of its tax base.

Second, because the financing system organizes resources on a jurisdictional basis, it aggravates the structural weaknesses of the system. It rewards independent jurisdictions, regardless of the inefficiencies of their operations. It does nothing to penalize duplication. Rather, it encourages each jurisdiction to gerrymander its boundaries in order to secure high value development and exclude needy areas.

Complexity and Fragmentation - The local government system is unnecessarily complex. We attribute this complexity not to the proliferation of governmental units in itself, but rather to the assignment of governmental functions to units, which are not designed to perform them. Consequently, the system performs some functions poorly and others not at all.

For example, the five counties provide municipal services directly

to hidden cities containing 1;7 million people in urban unincorporated areas. County governments are performing functions for which cities, not counties, were designed.

Few of the cities in the five-county area are self-contained communities. Individuals commonly shop, work, own property and live in several different political jurisdictions. As a consequence, cities are faced with problems extending beyond their boundaries and are required to finance services for a daily influx of nonresidents. City governments are performing functions for which counties, not cities, were designed.

Finally, no government has overall responsibility for establishing minimum standards of performance and regulating those activities of a government which may have a significant impact outside its jurisdiction. Among the consequences is erosion of local control, as the State assumes an increasing number of functions. In addition, orderly economic development is retarded by the regulatory requirements of dozens of independent agencies.

Alternative Solutions

In our study of the local government structure, we have evaluated four major alternatives for the Los Angeles metropolitan area.

1. Division of urban counties into two or more counties.
2. Consolidation of County functions with the City of Los Angeles forming a City-County of Los Angeles within the present boundaries of Los Angeles City.
3. Consolidation of all governments in Los Angeles County into a single metropolitan government.
4. Reassignment of functions among cities, counties and special districts within a federated system of government.

We analyzed and rejected the division of urban counties into two or more counties in our May 1978 report, "Impact of New County Formation." We

Concluded in that report that "formation of new counties will merely add territorial units to an already severely unbalanced structure. The increased complexity and fragmentation can only add to the present confusion."

This report contains our evaluation of the three other alternatives.

The Parties to Change - Before analyzing the three alternatives, we should describe briefly the agencies and institutions that must collaborate to insure the effectiveness of change. Clearly, each will be affected in some way by the change.

The State government has the principal authority to change local political structure. In some cases, development of a new governmental structure may depend on a statewide public referendum. In others, even minor adjustments will depend on local referenda. Thus, State political leadership in the legislative and executive branches must play a key role in development of a new system.

County boards of supervisors have little authority to mandate changes of the intergovernmental structure - whether major system overhaul or minor adjustments. Nevertheless, supervisors in urban counties represent larger voter constituencies than most other locally elected officials. Hence, through effective leadership, they can influence both the public view and the course of legislation. Moreover, policies of the boards of supervisors directly affect cities, special districts, and other agencies. Therefore, boards of supervisors have a central role in accomplishing structural change.

City governments are the closest to the people and most affected by structural change. No city can unilaterally create changes in the overall structure, but the support or opposition of cities as a basic unit of local government can significantly affect the success or failure of any change proposed in the Legislature or by public referendum.

Private institutions are also involved - in particular, public employee unions and major corporations. Both will commit resources to support or oppose a change according to their perception of the change as adverse or beneficial.

With these interests, it is clear that it will take a great deal of effort to produce an effective change in the political structure of local government.

City-County Consolidation - Councilman Ernani Bernardi of the City of Los Angeles has proposed that the City assume all County functions and become a City-County separates from the County of Los Angeles. Supporters of this proposal contend that it would reduce duplication and solve the City's financing problems.

Our analysis shows that exactly the reverse is true. Assumption by the City of County functions would increase inequities suffered now by City taxpayers and would accelerate the City's deterioration as the central core of a vast metropolitan region.

The proposal would complete the political separation of the City from most of its suburbs and create an urban-suburban situation like that in New York and in many other eastern cities. The result would be a dying central core with declining population, declining tax base, and an increasing proportion of needy population. By seceding from Los Angeles County, the City would become a mirror image of New York City. Mayor Bradley's ad hoc committee on City finances, comparing the Los Angeles situation to New York's, stated in a 1976 report: "New York City also functions as a County, and was thus forced to carry many of the burdens that Los Angeles City shares with the more populous and geographically larger Los Angeles County."

Metropolitan Consolidation - Supervisor Ed Edelman of Los Angeles County has proposed as a long-range plan the formation of a single consolidated

City-County for the entire County. Supervisor Edelman makes a strong and clear distinction between long-range political consolidation of all governing units and the step-by-step short-range consolidation of specific services and functions. This type of functional consolidation would leave the current political structure untouched and would focus instead on merging City-County functions, generally under the County.

A City-County Consolidation Commission has been appointed by the Board of Supervisors to conduct a study of consolidation. Since its formation in May 1978, the Commission has made progress in establishing the need for functional consolidation and the issues affecting feasibility in such areas as animal control, airports, planning, land use, and building inspection.

We believe the key to a realistic approach to functional consolidation is the recognition that, while it may not be feasible to merge entire departments, it may be feasible to merge service components of the departments. We therefore support the efforts of the City-County Consolidation Commission to identify those service components which can benefit from merger, where merger of entire departments is neither economic nor politically practical. Proponents of political consolidation believe it would resolve the problems of duplication, size, financing, and complexity, which are inherent in the current system.

We disagree. Political consolidation would result in serious deterioration of performance. The worst effect would be the decline of public scrutiny and access to government which would result from elimination of the community based cities. The metropolitan government would be delivering direct services to at least 7 million people. To guarantee access at the level of Long Beach would require a board of 180 supervisors. Further, establishing a single metropolitan government would do nothing to solve or diminish the problems which cannot be contained within the boundaries of Los Angeles County.

We conclude that the political consolidation of all governmental units into a single metropolitan government are not a desirable goal.

Proposed Structure and Commission Recommendations The third alternative is a federated system. In the federated system we propose, the community-based city is the basic unit of government. It performs or procures through contract those services which can reasonably be controlled at a local level. An area government would address area wide problems and provide consolidated services to cities on their request.

Federated Structure - The federated structure is designed to maximize the degree of local community control of services available within a system which can also effectively address regional and area wide problems. As a basic unit of government, cities would control all service functions except those assigned to the area government by the State. Essentially, a city service is any service a community decides it wants to pay for. Cities would retain the options they now have to deliver services by producing them or by contracting with the area government, another city, a joint powers agency, or a private firm to produce them.

The principal function of the area government is area wide problem solving. It would assume the functions now performed by such State and Federal agencies as the Southern California Association of Governments (SCAG), the Air Quality Management District (AQMD), and the Coastal Zone Conservation Commissions. It would address these problems over the five-county area, rather than over the different areas now covered by the special purpose agencies. The area government could also deliver State services such as public assistance, health care, the courts, area wide public protection, and food and produce inspection. In that case, the area government would be an expanded county, consolidating all or parts of the present five counties.

On the other hand, the area government could be a metropolitan council and its functions limited to the problem-solving and regulatory functions now performed by the State and Federal agencies. In the latter case, the present county governments would retain their service delivery responsibilities.

Special districts would be retained where needed to finance special services but, with few exceptions, they would be controlled by the governing boards' of the general-purpose governments.

This, we believe, is the general framework which should govern the assignment of services and functions among the community based governments, the counties, and the area government. Until the political structure is rearranged, it is inappropriate to attempt a case-by-case assignment of specific services and their components to one or the other levels of government. These decisions will be made by the jurisdictions themselves. The decisions will evolve as a part of the change process in the establishment of a federated structure.

Establishing a Federation - Local government in the Los Angeles metropolitan area has the basic ingredients of a federated system. However, the local government system also diverges from federation in some significant details. Establishing a federation in the Los Angeles metropolitan area would therefore require the following changes:

- Counties would stop supplying services directly to residents in urban areas, except State services.
- The City of Los Angeles would establish community-based governments.
- All governments in the metropolitan area would cooperate to form an area government to assume area-wide problem-solving.

Federation of the system of government will require the elimination have developed unincorporated territory. Otherwise, county government must continue to provide direct community services - a job, we have stressed, for

which it was not designed.

In its present form, the City of Los Angeles is a serious impediment to the feasibility of federation. It is in no sense a community based government. Community based cities can be established in Los Angeles City either by secession of communities from the City or by the formation within the City of boroughs or neighborhood councils of government. The details of implementing federation within the City of Los Angeles should be left to the City.

County government meets most of the requirements for an effective area government in a federated system. It is designed as an area-wide agent of the State. It has an elected governing body and is accountable for its performance. It is experienced in contracting with cities.

Using county government would also have disadvantages. First, none of the five current counties is large enough geographically to address area-wide problems. Second, this would involve mixing the additional area-wide problem-solving and regulatory functions with the already significant county responsibilities to deliver State services designed for their particular needs. Third, the participation of city governments in area-wide policy setting could be weakened.

It is clear that overcoming these disadvantages - if they can be overcome - would take a long time. All or part of the five counties would have to be consolidated. It would require major election efforts in the whole area. A new charter would have to be designed; the roles, responsibilities, and protection of city governments would have to be agreed on; boundaries would have to be determined; and a new county seat would have to be chosen.

Thus, although we prefer a new county as a long-term design goal in a federated system, the more practical goal may be a metropolitan council

which leaves the present counties intact as service providers.

In any case, the most appropriate goal can only be reached if all governments in the area cooperate on a series of interim steps.

The first step should be that all governments petition the Legislature to establish a multi-purpose agency in the region with the principal purpose of developing into an elected area government. Subsequent steps would require the agency to determine the most appropriate long-term form of an elected area-wide government and would require the Legislature to assign the responsibilities of the present area-wide special purpose agencies to the new organization.

The proposed steps would involve the five counties, 147 cities, and 300 independent special districts - a total of 452 public agencies. These governments have practical means of developing unified positions and presenting them to the Legislature, through the League of California Cities, the Special District Association of California, and the County Supervisors Association of California.

Advantages of a Federated Government

Such a federated structure would resolve or mitigate the problems which so seriously affect the economy, efficiency, and effectiveness of the local government system. It would overcome much of the duplication in the present system, particularly between cities and counties and between special purpose Federal and State agencies and counties. The size of the community based governments and the area government would be appropriate to their functions. The structure would provide for an improved and more equitable financing of government services. It would greatly reduce the complexity of the local government system. As we have said, the basic cause of complexity in the present system is not that there are so many different government agencies,

but that they perform functions for which they were not designed. For these reasons, we believe that federation will present elected officials at all level with vastly improved opportunities for dollar savings. The actual level of savings will depend on the decisions of elected officials and the choices they make in determining the detailed design of the new structure, the allocation of responsibilities among governments, and the level and quality of services. We estimate that savings at levels of \$800 million to \$1.2 billion are possible, provided elected officials take action to:

- Eliminate services where service areas overlap jurisdictional boundaries.
- Increase the use of consolidation through joint powers agreements, intergovernmental contracting, and consolidated districts.
- Exercise wherever possible the choice of a local community to dispense with a service or accept it at a lower level.
- Unify administration of area-wide planning, regulation, and service programs.
- Extend the use of proven management systems or technology throughout the federation.

Recommendations

No single government or organization can alone effect the changes discussed in the previous section which are necessary to progress toward a federated system of local government in the Los Angeles area. Nevertheless, the boards of supervisors of the five counties, the city governments, and the State Legislature can take the lead in actions encouraging and supporting progress toward the goal of federation.

This section contains seven recommendations directed toward initiating this process. They are explained in detail in Chapter X of the report.

Recommendation 1 - Counties should contract with city governments to provide municipal services for which the county is responsible in developed unincorporated areas adjacent to or within a city when such contracting would improve the economy and effectiveness of the service.

Recommendation 2 - The boards of supervisors should adopt Local Agency Formation Commission (LAFCO) recommendations enabling cities to annex unincorporated areas without an election, when permitted by the Municipal Organization Act of 1977 (Government Code Sections 34300 et seq., Chapter 1253, Statutes of 1977).

Recommendation 3 - In areas which are too large or improperly located to qualify as islands but too small to qualify as newly incorporated cities, the boards of supervisors should encourage annexation to cities as recommended in LAFCO "sphere of influence" findings.

Recommendation 4 - The boards of supervisors should actively support incorporation of new cities where it is feasible, desired by major community interests, or in the public interest, when consistent with LAFCO recommendations.

Recommendation 5 - The boards of supervisors should encourage formation of Municipal Advisory Councils and Area Planning Commissions in unincorporated communities where incorporation of a new city is impossible or annexation is prevented by strong opposition.

Recommendation 6 - All county, city and district governments in the five county region should petition the Legislature to establish a multi-purpose agency in the region with the principal purpose of developing into an elected area government.

Recommendation 7 - The Legislature should establish a joint standing committee to hold hearings, conduct studies, and propose legislation. In particular, the committee should evaluate financial proposals in terms of their effects on federation and propose legislation which directly facilitates progress toward federation.

The joint standing committee recommended above and the Governor Commission on Government Reform should consider the following as necessary actions to implement a federated structure.

- Refinancing, with State funds, county health, welfare, and court functions.

- Establishing tax base growth sharing to reduce harmful inter-governmental competition for revenue producing development.
- Providing mechanisms, including property tax distribution formulas, for funding new cities, newly annexed city territory¹ and cities choosing to contract with area government for services.
- Granting authority to LAFCOs to initiate annexation and incorporation proceedings based on "sphere of influence" findings.
- Adopting a schedule for repeal of the Gonsalves Act (Government Code Section 51350), which prohibits counties from charging certain overhead costs in providing contract services to cities. This should be done after cities and urban counties have had sufficient time to organize a federation.
- Establishing a five county multi-purpose agency as petitioned by the governments of the area, and reassigning the powers and functions of State agencies to it.

Conclusion

The E&E Commission recognizes that implementing these recommendations, particularly the development of an area government, will involve numerous controversial and time-consuming steps, many of which must be approved by the electorate. It will require strong leadership by both elected and appointed government officials.

There are some who will say our proposals are impractical. No one, they are likely to say, is going to restructure the City of Los Angeles, nor is there much possibility of incorporating unincorporated areas with a low tax base. Surely, consolidating five counties into one area government is pure idealism. While the commission's proposals may be logically sound, they are politically unachievable. If these people are correct, then we must recognize what we are really facing - we have reached the state where we can no longer bear our ills or their remedies.

How long a society will continue to bare ills with no remedies, no one can predict. We have seen one recent explosion where people became so miserable and so angry that they passed Proposition 13 under the slogan,

"I'm mad as hell, and I won't take it any longer." If the present structure of government is simply refinanced with other taxes or vital services are cut, we can expect similar violent reactions. At that point, society is always threatened by the opposite evils of anarchy on the one hand and a police state on the other.

The question is: Are we willing to devote the time and the effort to pay attention to government, to gain the understanding, to provide the public scrutiny to ensure that government is structured to perform its key role as the facilitator in solving the immensely complex social, economic and environmental problems facing us.

SECTION ONE

THE CURRENT SYSTEM AND ITS PROBLEMS

CHAPTER I. THE CURRENT SYSTEM OF GOVERNMENTS

The Los Angeles metropolitan area consists of the five counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura. These five counties form a natural basin for environmental management purposes. Their populations also have a high degree of social and economic interdependence. Therefore, they form a single economic unit.

The local government system consists of counties, cities, special districts, joint powers agencies, nonprofit corporations, State agencies, and a council of governments. In 1977 there were 1,604 governmental units, excluding school districts, in the five county metropolitan areas, compared to 1,085 in 1965. The table below summarizes the number of governments of each type in 1977.

Number of Governmental Units - 1977*

<u>County</u>	<u>Cities</u>	<u>Special Districts</u>	<u>CRA</u>	<u>Joint & Nonprofit</u>	<u>TOTAL (incl. County)</u>
Los Angeles	80	435	106	67	689
Orange	26	163	17	29	236
Riverside	17	273	8	11	310
San Bernardino	15	159	16	23	214
Ventura	9	129	9	7	155
TOTAL - Area	147	1159	156	137	1504
TOTAL - State	414	4530	303	313	5618

Total annual cost of these 1,604 agencies is approximately \$8.3 billion. This is nearly equivalent to total agriculture revenue in California, the State's largest industry (\$9.3 billion), and to the total value of motor vehicle sales by dealers in the State (\$8.5 billion). It represents 17% of total personal

*The number of agencies in each category has changed slightly since 1977. For example, La Habra Heights has incorporated, making 81 cities.

income in the Los Angeles metropolitan area. The questions of how well and for what purposes this money is spent are major subjects of this report.

County Government Counties were initially organized as territorial subdivisions of the State. County government was established not to govern with its own authority, but to serve as an administrative convenience for the delivery of State services and enforcement of State policy. Section 1 of Article XI of the California Constitution states: "The State is divided into counties which are legal sub- divisions of the State." State law classifies counties into charter and general law counties. These differ only in the extent to which the State specifies their services and organization. Charter counties operate under a charter adopted by the electorate which specifies the organization of elected and appointed officials, their duties, the services they provide, and the limitations on their powers. General law counties have no charter. They operate under State law, which grants them extensive home rule powers.

County services delivered on the State's behalf include health, welfare, justice, finance, elections, public record keeping, and environmental management. The State establishes criteria of eligibility for these services, which are available to any resident of the county meeting the criteria.

Health services include hospital care, communicable disease prevention and treatment, mental health care and rehabilitation, and emergency medical care. Welfare services include distribution of such public assistance funds as aid to families with dependent children and food stamps, and such social services as child protection, care of juvenile court wards, counseling, and adoption services. Justice services include prosecution, defense of indigents, custody and detention of prisoners, courts, and supervision of people on probation. Financial services

include property assessment, tax collection, and distribution of State and Federal funds. Election services include voter registration and election management. Public record keeping includes recording vital statistics and property transactions. Environmental management services include pest control, hazard abatement, community development planning, forest and watershed protection, and food and commodity inspection.

The State also requires counties to provide direct protective and environmental services to residents of unincorporated areas. These include police patrol and protection, fire protection, sewer construction and maintenance, animal control, zoning, building regulation, library service, and road and street maintenance. These services are also available to the residents of cities which contract with the county for the services.

In addition to the above, the State permits counties to deliver services on its own behalf. These include the construction, maintenance, and operation of such cultural and recreational facilities as music centers, museums, and $\frac{1}{2}$ regional parks, which are available to anyone.

The governing body of each county in the Los Angeles metropolitan area is a five-member Board of Supervisors. As an elected body it has authority to pass laws regulating the use of land in unincorporated areas, establishing standards for construction, determining what county issues will be put to vote, regulating business activities, and similar legislation. Consequently, it is continually involved in resolving conflicts, deciding trade-offs among competing interests, and establishing policies affecting both the cost of government and the character of the community.

The table on the following page contains the population and total annual cost of each of the five counties in the area.

Population and Cost of Counties - 1977

<u>County</u>	<u>Population</u>	<u>Annual Cost (\$ Million)</u>
Los Angeles	7,042,000	2,880
Orange	1,768,000	360
Riverside	518,000	190
San Bernardino	724,000	250
Ventura	458,000	140
Total	10,510,000	3,820

City Government

Cities are corporations formed by residents of any area of contiguous territory. The residents establish the city's services and organization, subject only to procedural requirements of the Legislature. Typically, cities have been formed in California to control local land use decisions. The Constitution provides that a city may contract with the county to provide any service within the city. As with counties, State law classifies cities into charter cities and general law cities, which differ in the degree to which the Legislature specifies their services and organization.

The 147 cities in the Los Angeles metropolitan area deliver a variety of services to their residents. They range in population from Vernon with 200 residents to Los Angeles with 2.8 million. Typical city services include zoning, building inspection, water supply, fire suppression, police patrol, and park or other public works construction and maintenance. Some cities provide public utility services¹ such as electric power and gas. The Cities of Los Angeles and Long Beach operate harbors and airports.

When city government delivers a service, it need not be the producer of the service. Cities have the choice of providing a service by producing it themselves or by purchasing it from another provider, such as a county or a

private corporation. For example, each of the 80 cities in Los Angeles County contracts with the County government for some services. Some cities purchase most services, including police service, from the County. These cities - there are about 40 of them - are called "contract cities." Cities which produce their own services are called "independent" or "full service cities."

Cities do not typically deliver State services as agents or administrative units of the State. However, a city may qualify for State or Federal financing of some services, such as senior citizen programs. In such cases it delivers a State or Federal service.

Cities may also deliver service on a county's behalf. For example, Pasadena delivers health services for Los Angeles County under contract to the County.

The typical governing body of a city consists of a five-member city council which acts as the legislature, sets policy, and employs a city manager to act as executive. However, there are a number of exceptions. There is no real limit to the variety of forms of city government. The City of Los Angeles elects a mayor who has some executive authority. The City of Long Beach has a nine-member city council. In addition to its city council and mayor, a city may have other elected officials who exercise executive authority over a department or function. For example, city clerks are often elected, as are city attorneys.

The political functions of city governments can have significant effects on the cost of government and on the quality of life in their communities. They can, for example, determine the physical environment in the city by exercising their powers to control land use and the level of public expenditures on such physical characteristics as street width or pavement, street maintenance, and lighting. Their actions can also have significant effects on the social and economic character of the community. They control the mixture of residential

and commercial uses of private property and the type of structures that must be used. They set policy governing the city's use of police power to enforce laws and maintain a level of safety acceptable to the community.

The population and annual cost of cities in the Los Angeles metropolitan area are presented in the table below.

Population and Cost of Cities - 1977

<u>County</u>	<u>No. of Cities</u>	<u>Population In Cities</u>	<u>Annual Cost (\$ Millions)</u>
Los Angeles	80	6,052,000	2,590
Orange	26	1,553,000	420
Riverside	17	350,000	130
San Bernardino	15	435,000	110
Ventura	9	369,000	80
Total	14	78,759,000	3,330

Special Districts

A special district is a governmental agency created by the residents of an area or by the Legislature to provide and finance services within that area. It is impossible to generalize accurately about special districts, except that most of them were created to produce a single service, such as street lighting, or to solve a single problem, such as air pollution.

While the number of special districts in the five-county area is large - 1,159 - most of them operate essentially as taxing zones for services administered by counties and cities. At most 300 of the 1,159 districts are independent of county and city governments.

Many special districts are public enterprises, which sell goods or services such as water and transportation. Enterprise districts are not necessarily taxing agencies. The amount of goods or services they supply depends on individual levels of consumption, and thus can be financed by users. Most special districts are not public enterprises. They finance their services with

taxes and are designed so that the area taxed is limited to the area benefiting from the service.

Some special districts are designed to serve a part of the county in which they are located. Others are designed to serve an entire county. Finally, some districts are designed to serve a multi-county area.

Local Special Districts - Local special districts may be created for any purpose established in State law. Most of the special districts serving part of a county provides public works construction and maintenance services. They include, for example, street lighting and lighting maintenance districts, drainage maintenance districts, road districts, recreation and park districts, cemetery districts, water supply districts, and sewer maintenance districts. Typically, such districts serve small sections of unincorporated county territory.

This type of district may also provide fire protection, library services, mosquito abatement, garbage collection, transit, harbors, airports, police, and animal control. In Los Angeles County, for example, a library district serves a few cities on the Palos Verdes Peninsula, a fire district serves the Universal Studios area, and a transit district serves the Long Beach area. In San Bernardino County there are 17 fire protection districts; in Riverside County there are five transit districts.

The design of the special district as provider of a single service in a limited territory explains the large number of districts. For example, the 200 or more lighting and lighting maintenance districts in Los Angeles County provide identical services, but to different areas. Costs may differ, depending on the year bonds were issued to install the lights. Similarly, level and quality of service may differ among the various fire protection districts in San Bernardino County.

Countywide Districts - The Legislature or the voters may establish a single district to serve all or substantially all of a county. Depending on the service, the Legislature may design a district to include all of a territory, including cities, or to include only those cities choosing to receive the service. For example, the Food Control District in Los Angeles County covers all of the County except part of the Antelope Valley. It includes cities and unincorporated areas. City membership is mandatory.

In contrast, inclusion of a city in the Consolidated Fire Protection District, the Public Library system, and the Mosquito Abatement District depends on voluntary agreement between the city and the district. Since the boundaries of such districts are open, they could serve an entire county. In practice, they are not countywide since some cities choose not to join them.

Multi-County Districts - The Legislature has created a few special districts to serve all or parts of more than one county. For example, the Metropolitan Water District of Southern California supplies water to municipal water companies and local water districts in six counties, including the five in the Los Angeles area and San Diego County.

In summary, special districts may cover a small neighborhood, an entire county, or several counties. The governing body of a special district may be a county board of supervisors, a city council, or an independent elected or appointed board of supervisors. In Los Angeles County, for example, the Board of Supervisors or a city council governs 365 of the 435 special districts. The remaining 70 are governed by independent boards.

The table on the following page contains the number of districts and total costs in each county.

Number and Cost of Special Districts - 1977

<u>County</u>	<u>No. of Districts</u>	<u>Annual Cost (\$ Million)</u>
Los Angeles	435	300
Orange	163	130
Riverside	273	90
San Bernardino	159	70
Ventura	<u>129</u>	<u>60</u>
Total	1,159	650

Joint Powers Agencies and Nonprofit Corporations

California law allows two or more jurisdictions to exercise jointly any power held by each. The "Joint Exercise of Powers" agreement provides for creation of a separate agency, whose members may be cities, counties, and special districts. The separate agency thus created exercises the joint power of the jurisdictions involved.

Joint powers agencies may be formed by one or more local governments to provide for or share in the financing of a special facility or service. Typically, they have been formed to issue bonds to provide capital for construction of facilities, when the public has rejected or is likely to reject general obligation bond financing. In Los Angeles, examples include the Inglewood Civic Center, the Compton Civic Center, and the La Puente Civic Center and Mall. In these and similar cases, the County and a city or group of cities elect to share the development cost for a complex of public buildings. The Joint Powers Agency issues bonds and all participating governments pay the debt from their operating revenues.

Joint powers can also be used to consolidate the services of several different jurisdictions. For example, six cities in the South Bay area of Los Angeles County have formed a joint communications system supporting fire, police,

and paramedic services. Similarly, nearly 40 jurisdictions in the metropolitan area are purchasing insurance jointly. The cities of Burbank, Glendale, and Pasadena have formed a joint powers agency to purchase and operate the Lockheed airport in Burbank.

The nonprofit corporation is similar to a joint powers agency when construction of a facility for special services is involved. A county or city may form and contract with a nonprofit corporation for construction of a facility which the government then leases from the corporation. The Music Center in Los Angeles County is an example.

It is important to recognize that joint powers agencies and nonprofit corporations are not governments. They are agencies producing and delivering government services for cities and counties. Their governing bodies are boards, usually consisting of delegates from participating governments.

There are 137 joint powers agencies and nonprofit corporations operating in the Los Angeles metropolitan area. They spent approximately \$130 million in 1977. Since their revenue is derived from cities and counties, this cost is included in the cost figures for cities and counties in the tables above.

Community Redevelopment Agencies (CRA) A city, county, or the State may create a redevelopment agency to clear and rebuild urban areas that have deteriorated. The governing body can be the city council or board of supervisors or an independent board. The debt financing of the developments they build is usually repaid by property taxes. The new development increases property values from what they were when the project was initiated. Property taxes are divided into two parts - the amount generated by the property in its original state and the amount attributable to the increase in value resulting from development. The former is distributed to the governments

that serve the area. The latter is used by the CRA to repay the debt. This shifts tax monies from cities, counties, and special districts - which otherwise would receive the increased taxes - to the redevelopment project.

Redevelopment agencies are not governments. They are a special device created by governments to finance and administer the redevelopment of deteriorated areas. To accomplish their purpose the agencies have some governmental powers, such as the power to condemn and appropriate property within project areas. Usually they are governed by a city council or board of supervisors which meets in special sessions for purposes of managing the agency.

There are 156 redevelopment agencies in the Los Angeles area. They spent \$270 million in 1977.

State and Federal Agencies The State and Federal governments have created special purpose agencies which perform distinctly different functions from those of counties, cities, special districts, or such intergovernmental service providers as joint powers agencies. They are designed to address or resolve such contemporary problems as air pollution, traffic congestion, and environmental protection. They therefore may exercise regulatory powers of the State, and may have the power to allocate or disapprove financing for programs operated by cities, counties, and special districts. Each covers a territory designed to include the areas most affected by the problem it addresses. Consequently, some cover a single county, while others cover multiple counties.

These agencies may have the form and general characteristics of special districts and joint powers agencies. Their governing bodies are composed of representatives of several local jurisdictions. They differ, however, in function and in their relationship to the State or Federal government.

Rapid Transit Districts - In the mid-1960's the Legislature created rapid transit districts to plan, design, develop, and operate public transit systems in metropolitan areas. The districts may operate bus, rail, or other systems. They have limited taxing powers, the power to condemn and appropriate property needed for transit systems, and the authority to coordinate transit systems with the highway system.

The Southern California Rapid Transit District covers most of Los Angeles County, but excludes parts of the Antelope Valley and the Long Beach area. Its Board of Directors consists of 11 members: five members of the Board of Supervisors or their delegates, two appointed by the Mayor of the City of Los Angeles confirmed by the city council, and four members appointed by a committee composed of representatives of all other cities in the County (the city selection committee).

The governing bodies of the seven other transit districts in the five-county area are smaller, but similarly composed of county supervisors and city representatives.

Transportation Commissions - In 1976, the Legislature created a Transportation Commission in each county, except Ventura, to control the allocation of transportation financing available from State and Federal sources. The law assigned the commission responsibility for short-range capital and service planning, for implementation and scheduling, and for prescribing conditions governing application of any agency for Federal or State funding.

In Los Angeles County, the commission consists of 11 members: five members of the Board of Supervisors, the Mayor of Los Angeles, two members appointed by the Mayor of Los Angeles with the concurrence of the City Council, two members appointed by the City Selection Committee of the League of California Cities, and a member of the City Council of Long Beach, appointed by the

Council. The structure is similar in the other counties. Representatives of county government, major cities, and the League of California Cities serve on the commission.

Health Systems Agencies - In 1974, Congress enacted legislation to consolidate regional health care delivery planning in a single agency for each sub-state region. The law provided for two forms of such an agency. The County Board of Supervisors could apply to be the agency, or a nonprofit corporation could be formed to act as the agency.

Los Angeles County contains a single Health Systems Agency under the direction of the Board of Supervisors. It is responsible for establishing regional health care delivery plans and implementation plans. It also approves development grants and contracts, approves allocations of Federal public health service funds and construction funds, and recommends certification of institutional needs for service to the State Department of Health.

Orange County has a separate Health Systems Agency. Riverside and San Bernardino Counties belong to the same Health Systems Agency, together with Inyo and Mono counties. Ventura County and Santa Barbara County share a single Health Systems Agency.

Coastal Zone Conservation Commissions - In 1972, the California electorate created State and sub-state (regional) commissions for the purpose of controlling development in coastal areas and preparing long-range development and conservation plans for those areas. Although the initial legislation (Proposition 20 in 1972) expired in January, 1977, the Legislature authorized continuation of the commission structure.

The commissions have power to establish joint development permit application systems with local governments, to require local governments to

produce regional development plans, and to enforce the goals of the State in controlling and limiting coastal development.

Two regional commissions serve the Los Angeles metropolitan area. The South Coast Commission represents Los Angeles and Orange Counties. Its membership consists of one supervisor from each county, one city council representative from Los Angeles elected by the City Council, one city council representative from a city other than Los Angeles in Los Angeles County, one city representative from Orange County, one delegate of the Southern California Association of Governments (SCAG), and six public members. Two public members are appointed by the Governor, two by the Senate Rules Committee, and two by the Speaker of the Assembly.

The South Central Coast Commission represents Ventura, Santa Barbara, and San Luis Obispo Counties. The structure of its governing board is similar to that of the South Coast Commission.

Riverside and San Bernardino Counties have no Coastal Zone Conservation Commission, since they have no coastal territory.

Air Quality Management District (AQMD) - The AQMD is responsible for air quality management in Los Angeles, Orange, Riverside, and San Bernardino Counties. It is a special district formed out of four separate air pollution control districts in 1975, to address air quality problems on a regional level. The district is responsible for enforcing air quality standards, managing air pollution alerts, and keeping the public informed of day to day air conditions. Its Board of Directors consists of representatives from the county boards of supervisors and representatives of city governments selected by cities in the region. The Governor makes one appointment. Before Proposition 13, the District was financed by assessments against each county according to a formula based on its population. In the aftermath of Proposition 13, it has changed to

100% fee financing. The fees are levied against corporations, which emit pollutants into the atmosphere.

Southern California Association of Government (SCAG) -
The Federal Government authorized formation of councils of governments in the 1960's to improve coordination and comprehensive planning among general-purpose governments operating in subregions within states. The purpose was to reduce and, when possible, eliminate the use of Federal funds to serve conflicting purposes of competing governments, and to reduce duplication. SCAG is the Council of Governments of the five-county region in metropolitan Los Angeles - namely, Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties. Imperial County is also a member. It has 131 member governments (125 cities and six counties). SCAG is a joint powers agency; membership of a local government is voluntary.

SCAG has the power to review applications by local governments for Federal financing of local or regional projects and to recommend approval and disapproval to the Federal Agency involved. SCAG is also responsible for developing regional transportation plans* air and water quality plans, and comprehensive long-range regional plans for land use, housing and economic needs.

These State and Federal agencies spent approximately \$270 million in 1977.

Summary

The local government system consists of 1,604 counties, cities, special districts, joint powers agencies, nonprofit corporations, redevelopment agencies, and State or Federal agencies. Total cost of these agencies is approximately \$8.3 billion. In the next four chapters we discuss the problems which this complex structure creates.

CHAPTER II. DUPLICATION

The system of governments in the Los Angeles metropolitan area performs two basic functions:

It delivers services to ensure the safety, health, and mobility of residents. For example, governments operate police and fire departments, inspect public facilities for safety and sanitation, and build and maintain roads.

It acts to solve problems extending over entire metropolitan areas. For example, governments adopt and enforce regulations governing emission of atmospheric pollutants, and they build and operate large-scale transportation systems.

We classify the deficiencies of the system in performing these functions into four basic problem areas:

- problems of duplication
- problems of size
- problems of financing
- problems of complexity and political fragmentation.

In this chapter, we discuss the first of these problems. We discuss each of the others in a subsequent chapter.

Duplication of service occurs when two or more agencies perform the same service, where one agency would be sufficient. It is a source of excess cost and can hinder effective service. The current local government system gives rise to two principal forms of duplication: service area overlap and administrative fragmentation. The first is caused by jurisdictional boundaries, the second by intergovernmental policy.

Service Area Overlap Counties, cities, and special districts often deliver the same services to different areas. Each jurisdiction is responsible for serving the

area within its boundaries; its responsibility ends at the boundary of the next jurisdiction. In general, County government provides the service in unincorporated areas, in some cases through a county managed special district. City government provides the service within city boundaries. Service boundaries may differ from city boundaries when two or more jurisdictions contract with one another for service in a joint area.

Many services are technologically limited to a fixed effective service area. For example, a police car can effectively patrol only a fixed area, and a fire company can provide timely response only with a certain radius of its station. In each case, the effective radius of service may depend on conditions peculiar to the location - rural patrols can be larger than urban patrols - but the service area is known.

When the boundary between two jurisdictions divides the effective service area of a delivery unit, the resulting overlap detracts from the efficiency of both jurisdictions. (See Figure 1.) In this situation, one of the delivery units is superfluous.

Jurisdictional Boundaries Divide Service Areas

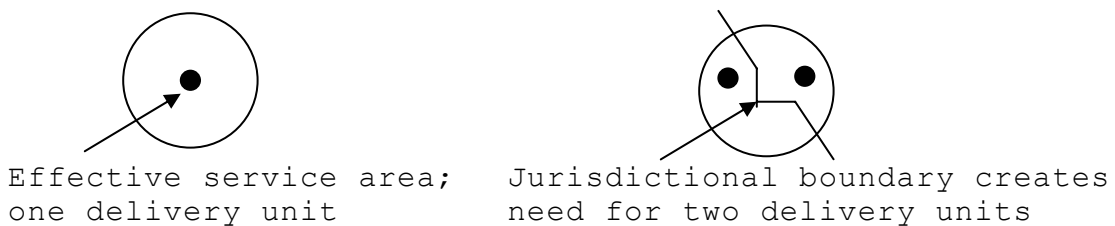


Figure 1

When the jurisdictional system was designed, large segments of rural, unoccupied territory separated cities. Service overlap at jurisdictional boundaries was not a significant problem. As urban areas developed, new cities and

special districts were established to serve them. The result is that today the configuration of the cities' districts and unincorporated areas is a complex patchwork of intertwining boundaries, narrow corridors, peninsulas, and isolated islands. The entire system evolved without regard for the problem of service area overlap.

In our commission's 1972 report, "Fire Protection Service in Los Angeles County," we stated:

"If the boundaries of the 43 jurisdictions which operate fire departments could be ignored, we estimate that 48 of the 378 stations now in operation could be closed with no deterioration in service."

That is, we estimated that 13% of the fire stations were superfluous because jurisdictional boundaries caused overlapping service areas. The annual excess operating cost at the time was \$11 million. In addition, we estimated savings of \$7 million in facilities and equipment. Total annual operating costs were \$174 million.

Today, 40 independent fire protection systems operate in Los Angeles County. Their total annual cost is approximately \$321 million, an 84% increase since 1972. Today, the excess operating cost due to superfluous stations amounts to approximately \$20 million. The excess in facilities and equipment is \$13 million.

In the remaining four counties in the metropolitan area, there are 107 departments, 64 of which have independent governing boards. We have not evaluated in detail the cost of overlap in these counties. It is substantial in the urban areas, where the boundaries between city and county service areas are-- similar to those in Los Angeles. In the large, sparsely populated expanses of rural territory in each of the five counties the problem of overlap is not significant relative to the size of the area. The total annual cost of the 107 departments is approximately \$105 million.

Any service component with an essentially fixed effective delivery zone creates the same problem. Examples include police patrol, refuse collection, animal control, libraries, and paramedic or ambulance services. At present, 123 independent police departments, 68 library systems, and 95 animal control departments serve the population of the Los Angeles metropolitan area. In these departments, not every function is subject to the problem of overlap. Administration, training centers, technical support laboratories, and similar functions can be effectively centralized to serve a large area. However, the principal functions of these departments, which are the major sources of their costs, are subject to the problem of overlap.

Numerous other examples exist of service delivery units located close to one another, but serving different jurisdictions. For example, each of the cities of Los Angeles, Pasadena, Fontana, Perris, Redlands, and Laguna Beach serves a strip of territory less than one-half mile wide. Another jurisdiction serves the areas adjacent to these strips. Police, fire, ambulance and other fixed area units operating in adjacent areas could include the strip of city territory in their service areas with no deterioration in performance.

Unincorporated islands between or within cities present a special case of excess cost and inefficiency. County personnel must travel through a city in order to reach the unincorporated area receiving the service. Often, the city itself could easily provide it to the unincorporated area. For example, the Los Angeles County Sheriff serves unincorporated islands in the City of Glendora from the Sheriff's station in San Dimas. To do so, the Sheriff passes through areas served by the Glendora Police Department.

Similarly, in its report recommending annexation of three unincorporated islands to the City of Claremont, the Local Agency Formation Commission stated:

"It should be noted that in all of the above cases, the County facilities are much further from the annexation areas than the City of Claremont. The nearest sheriff substation is located in San Dimas (7 miles from the annexation area). In fact, a sheriff's patrol car must travel 3 miles through the City of Claremont to reach the unincorporated islands. County maintenance services are provided from the nearest County facility, located at 201 East Bonita Avenue, San Dimas, which is 7-1/2 miles from the annexation area."

In this case, the Claremont Police Department is 1-1/2 miles from the area. It could respond more readily than the Sheriff in case of emergency.

Duplication caused by overlapping service areas at jurisdictional boundaries is thus a source of excess costs and may be a cause of ineffective or unresponsive services.

This form of duplication applies only to those services which are technologically limited to small fixed service areas. It does not apply to the municipal services which are not so limited. Parks, for example, are not. Users can come from anywhere to a park. A park can be designed to serve as small or as large an area as the designers wish. In particular, the design can easily take jurisdictional boundaries into account. Nor are such services affected as zoning, building inspection, street maintenance, sewer maintenance and water supply. Staff and crew can be assigned and scheduled within a limited jurisdiction with little possibility that the service area of a crew doing similar work in an adjacent jurisdiction could overlap.

Administrative Duplication

The Federal and State governments use counties and cities as administrative agencies to decentralize grant programs. The county or city performs planning and management functions for the Federal or State agency, which holds it accountable for evaluating and disbursing funds to community groups or, in the case of the county, to cities within the county.

Federal and State agencies use a variety of criteria to select jurisdictions as administrative agencies. In some cases, they use population as a selection criterion. In such cases, the specific qualifying population level may vary among different programs. For example, the Comprehensive Employment and Training Act (CETA) specifies that cities with populations of 100,000 or more may act as independent administrative units, while the Housing and Community Development Act (HCDA) specifies populations of 50,000 or more. County government administers these programs for unincorporated areas and for cities with populations less than 100,000 (CETA) or 50,000 (HCDA). Since some cities may decide not to participate, not all with the required population actually act in the planning or management capacity.

In other cases, the Federal agency financing the program requires the State to organize it by designating local governments as administrative agencies. For example, the Older American Act provides such a system of funding for programs for the elderly.

The resulting fragmentation of management functions is severe. In Los Angeles County, for example, six prime sponsors plan and manage independent CETA programs, 39 qualify to plan and manage HCDA programs, and two plan and manage senior citizen programs. The situation is similar in other counties in the metropolitan area. Orange County has four cities with populations exceeding 100,000 and eleven with populations exceeding 50,000. The cities of Riverside, with a population of 154,000, and San Bernardino, with a population of 109,000, qualify under CETA and HCDA. In Ventura County, no cities have a population exceeding 100,000, qualifying for CETA, but four cities qualify under the 50,000 population criterion of HCDA. Thus, in the metropolitan area, 13 independent jurisdictions qualify to manage CETA and 56 qualify as independents under HCDA.

The fragmentation of administrative functions causes two problems. First, the programs are intended to resolve area-wide problems of unemployment, economic development, and aging. Fragmented planning and financial allocation cannot competently address area-wide needs.

Cities and counties do not have the necessary territorial jurisdiction to plan employment and economic development functions. The interdependence of the labor force in the metropolitan area weakens rational manpower planning which covers smaller areas.

For example, Orange County residents fill 130,000 jobs in Los Angeles, Los Angeles County residents fill 70,000 jobs in neighboring counties, and Ventura County residents fill 22,000 jobs in the other four counties. Similarly, of the 142,000 people in the labor force from the Cities of Glendale and Burbank in 1976, nearly 40% - approximately 55,000 workers - worked outside those cities. In 1970, 40,500 workers from Glendale and Burbank worked in the Cities of Los Angeles and Long Beach. Moreover, specialists from the State Employment Development Department has told us that unemployed residents of one county often files for benefits in another because it has a higher job potential. Unemployed residents from Simi Valley (Ventura County), for example, go to the San Fernando Valley (Los Angeles County) to file for benefits.

The Cities of Glendale, Long Beach, and Los Angeles administer independent CETA and HCDA programs within their jurisdictions; Los Angeles County administers the programs for Burbank. In performing the planning and financial allocation tasks, these four agencies focus their concern on the population, labor force, and employment markets in their own cities. Yet the special employment problems within each of these jurisdictions may not be solvable within its boundaries. The problem is area-wide.

The same problem, although less severe in magnitude, occurs because of duplication by counties. Program planning, financing and administration are performed independently, without regard for the area-wide geographic distribution of need.

The second problem caused by duplication of administrative functions affects private sector programs designed to deliver services or address a problem in more than one jurisdiction. Private and community organizations serving more than one planning jurisdiction must either fragment their own management and programs to correspond to multiple jurisdictions or choose not to participate. This creates unnecessary program costs.

For example, a community organization provides mental health treatment programs in the South Bay area of Los Angeles County. Its headquarters office is in Gardena, and it has treatment facilities in Torrance, Hawthorne, Redondo Beach, and Gardena. Torrance administers CETA programs in Torrance; Los Angeles County administers them for Redondo Beach and Gardena. The treatment program has difficulty hiring CETA workers because no administrative jurisdiction corresponds to its treatment area.

A senior citizen program in Long Beach has a similar problem. It serves senior citizens from Long Beach and from Seal Beach, which is in Orange County. It must therefore secure financing from the Los Angeles County Area Agency on Aging and from the Orange County Area Agency on Aging. This means not only that it prepares two separate applications, with attendant overhead expenses, but also that it must maintain internal administrative, accounting, and evaluation staff to keep the programs separate.

Summary Duplication of services occurs for two reasons. First, the limitation of services with known, bounded service areas

to strict jurisdictional territories causes superfluous service units in adjacent jurisdictions. The superfluous units are wasteful and inefficient. In some cases, the service unit of one jurisdiction must travel through the area served by another, as is true when counties serve unincorporated islands in or between cities. Service effectiveness and responsiveness may be deficient.

Second, cities and counties, serving the same interdependent populations, independently plan and manage Federal and State programs. Program plans and finances thus do not correspond to needs. Moreover, private sector programs serving multiple jurisdictions must either construct internal duplicative systems to correspond to the jurisdictional system or must elect not to participate.

We should emphasize that these problems are not caused alone by the proliferation of governmental units or by their independence. They are caused by the boundaries of the jurisdictions and by rigid policies restricting programs and services to areas within those boundaries.

CHAPTER III. SIZE

By any measure, the 1,604 local government jurisdictions in the Los Angeles metropolitan area comes in a large variety of sizes. In population, for example, they range from the City of Vernon, with 200, through the Cities of Long Beach and Los Angeles, with 350,000 and 2.8 million respectively, to Los Angeles County, with 7 million. In land area, they range from the City of Hawaiian Gardens, with less than one square mile, to San Bernardino County, with 20,000 square miles. In budget, they range from Lighting Maintenance District No. 2243, which spent \$48 in 1977, to Los Angeles County, which spent \$2.9 billion. In assessed property value, they range from \$50,000 in a Palmdale Irrigation District to \$45.7 billion in the six-county Metropolitan Water District.

The effects of size on governmental system performance are complex and mixed. Small units may have difficulty in marshalling sufficient resources to provide quality service and in taking advantage of economies of scale. On the other hand, large governmental units cannot provide the access to local elected officials that is characteristic of small units. Moreover, some jurisdictions are so large that they experience diseconomies due to managerial complexity.

Whether the size of a jurisdiction is an advantage or a disadvantage depends on several factors.

First, it depends on the specific service, range of services, or problem-solving function comprising the jurisdiction's activities. The optimum size of a fire protection system is likely to differ from that of a water supply system, zoning board, polling place, or hospital; there is no reason to expect any of these to resemble the optimum size of an air pollution control system.

Second, the effect of size depends on the nature of the population, terrain, or type of development within the jurisdiction. Highly forested areas with few inhabitants may need large fire departments, small police departments, and no hospitals.

Third, the effect of size depends on the nature of intergovernmental relationships that may be involved. Because of their legal relationship to the State, small counties deliver the same State services as large counties. State requirements and guidelines affect efficiency more than county size. An interconnected road or sewer system can be built as well by a number of small jurisdictions as by one giant, provided they agree on controls over the plans and the interconnections.

Because of all this variation, it is pointless to evaluate and compare governmental structures in terms of single measures of size and theories of optimum size. We approach the question of size in terms of three general problems of governmental responsiveness and efficiency. These are access to elected officials, economies of scale, and geographic size.

Access to Elected Officials

The size of a governmental jurisdiction, as defined by population, has a direct effect on citizens' perception of its responsiveness.

One can characterize governments by the pronouns "I" and "they." People in the smaller community governments customarily use the pronoun "we." "We are going to do this." "We are not going to allow that." "We are planning this," and so on. They feel that government is close to them and that they can influence it and participate in the decision-making which affects the kind of community in which they wish to live.

On the other hand, when one talks to people in Los Angeles City, one usually hears the pronoun "they," particularly in such places as Pacific

Palisades, the San Fernando Valley, or Venice. It is "they are doing this," or "they are planning that." Los Angeles City has all the attributes of a large regional government, and citizens view it as cumbersome and unresponsive. Similarly, one rarely hears county government referred to as "we." It is also remote and unresponsive. It is a "they" government and the State is a "they" government. The most "they" government of all is the Federal government. By using the pronoun "they," the citizen expresses the feeling that the government is isolated from the community.

Citizens can identify with a "we" government because they can observe their government closely and have ready access to elected officials. They can understand what is happening; they can see its direct effect upon their lives; and they can make their feelings and reactions known quickly and effectively to their city council, city manager, or mayor. If direct contact does not resolve a problem or improve a service, the citizen can express dissatisfaction with his or her vote. The possibility of general dissatisfaction in the community could cost the official an election. Consequently, the elected officials are accountable for delivering services up to community standards of quality and quantity.

In contrast, the individual cannot reach a "they" government. Elected officials represent such large constituencies that they have little time to deal directly with a single person, unless that person represents an organized or special interest group. Citizens interested in articulating a point of view, suggesting service improvements, reducing costs, or solving problems are diverted to administrative or staff personnel. The additional layer between the elected official and his or her constituents is a significant source of public frustration with large governments. Citizens feel that only highly organized groups can affect elections, and that citizen action is largely futile.

Access to local elected officials can therefore make important contributions to citizen satisfaction and to accountability of the system. It is high in small, community based cities. It is low in large cities and in counties. The following table summarizes the size of constituencies for elected city and county officials in the Los Angeles metropolitan area. The information shows that the small cities in each county offer far greater potential for access to elected officials than any of the county governments or largest cities.

Access to Elected Officials

<u>Jurisdiction</u>	<u>Average Population Represented</u>	<u>Average Number of Voters</u>
<u>County Government</u>		
Los Angeles	1,400,000	600,000
Orange	330,000	178,000
Riverside	102,000	53,000
San Bernardino	140,000	62,000
Ventura	84,000	40,000
<u>City Government</u>		
Los Angeles	186,000	78,000
Other cities in Los Angeles County	7,900	3,570
Anaheim	39,300	18,900
Other cities in Orange County	10,100	5,080
Riverside	22,100	10,670
Other cities in Riverside County	2,200	1,090
San Bernardino	15,500	6,000
Other cities in San Bernardino County	4,300	1,970
Oxnard	17,600	6,020
Other cities in Ventura County	6,700	3,220

It is unreasonable to expect the elected officials of the City of Los Angeles or any of the five counties to make themselves readily accessible to individual voters. Such low levels of accessibility force elected officials to deal principally with organized groups or influential individuals. In addition, they must rely on administrative staff for analysis of voter needs and evaluation of government performance. Special interest groups, influential

citizens, and government employees isolate the government from the community in the typical "they" pattern. Such special purpose agencies as independent districts, joint powers agencies, nonprofit organizations, and State or Federal agencies pose a somewhat different problem of representation and access. Many of these agencies are governed by appointed boards, composed of delegates of cities, counties, and the State, rather than by officials elected for the purpose of managing the agency. This arrangement excludes the possibility that the citizen will ever know who is representing him or her. In addition, citizens of jurisdictions other than those represented on the boards cannot influence agency decisions that can have considerable impact on their lives.

In those cases where the board is composed of elected officials from large cities and counties, the representatives' general government responsibilities impair their ability to pay attention to the special purpose agency. For example, the 1978 Los Angeles County Grand Jury found:

"Los Angeles County is represented on the Air Quality District Board by two members of the Board of Supervisors. These representatives have routinely and by policy appointed staff members as alternates to attend Board sessions and thereby act as the County representatives. This policy of regularly sending alternates who are neither elected or appointed officials leaves Los Angeles County misrepresented and underrepresented."

In its reply, the County stated:

"Supervisors are required to serve on a variety of commissions and boards which, when combined with their supervisory responsibilities, makes personal attendance at all meetings of these bodies and related sub-committees prohibitive."

That is, Los Angeles County is so large, and its government so complex, that an elected official lacks the time to focus attention on the air quality problem.

Special districts with elected governing bodies are seldom representative, regardless of size. The public is generally unaware of them and their functions. Election turnout is commonly low. Average turnout in 1975 and 1977

district elections in Los Angeles County was less than 20%. In one, the turnout was 4.8%; the highest was 45%. In addition, many positions in such districts are uncontested. The selection among candidates often hinges on technical comparisons peculiar to the special purpose of the district.

In summary, large size weakens the citizens' perception that they control their government. Small, community based city governments, where constituencies range from 1,000 to 20,000 voters per representative, are the most accessible governments available.

Small size, however, also creates problems. We discuss some of these in the next section.

Economies of Scale

It has been demonstrated in the private sector that there is a relationship between the size of an organization and the cost of its activities. Usually* the unit cost of goods or services produced decreases as the amount produced increases, up to a limit where the cost stabilizes or begins to increase. The pattern of decreasing costs with increasing size is called "economies of scale." The pattern of increased costs is called "diseconomies of scale."

Larger size can make economies available for several reasons. A large producer may command resources, which are unavailable to smaller producers, such as more advanced technologies. A large producer can secure discounts in purchasing, may use machines, facilities and labor at full capacity, and may specialize more effectively. To the extent that these options are not available to small producers, large size can be an economic advantage.

It is important to recognize that the potential for economies of scale does not imply that they are realized in any given instance. If the evidence shows that economies of scale are realized, it is valid to conclude that

the reasons include these enumerated above. If, however, the evidence shows that economies of scale are not being realized, it is invalid to conclude they are not possible. The absence of scale economies or the presence of diseconomies may reflect inept or overly complex management, a lack of appropriate technologies, or the use of inappropriate measures of cost and production in the analysis.

In local government, most of the available studies conclude that economies of scale are seldom realized. Many studies relate expenditure per capita to size of population. Some of these studies indicate economies of scale for jurisdictions with populations up to 100,000, stable costs up to 250,000, and diseconomies for populations exceeding 250,000. This evidence is inconclusive, however, since reported governmental expenditures seldom measure costs and since population size in no way represents quantity of output. Moreover, no adjustment can be made for differences in quality. What is lacking for most governmental services is a meaningful definition of output.

Studies which have attempted to define output and consider scale economies in terms of service output and unit costs have had mixed results. Governor Reagan's 1973 Task Force on Local Government Reform investigated 10 services with measurable outputs, such as property assessment, tax collection, elections, road maintenance, and sewage treatment. The Task Force found no statistically significant relationship between the size of government unit and the cost of performance over a wide range of population size. The Task Force concluded that scale economies are present in cities with populations between 25,000 and 375,000, but not above or below these extreme limits.

When quality of service is taken into account, there is again some evidence that neither smaller jurisdictions nor very large jurisdictions benefit from scale economies. In our 1972 study of fire protection services, for

example, we found that city size is related to the insurance grade* assigned to its fire department by the Insurance Services Office (ISO). Our analysis led us to conclude that larger size tends to be reflected in improved grades rather than in lower costs. The improved grades can result in lower private costs - through insurance premiums - which are not reflected in tax rates or per capita expenditures. For smaller cities, with populations of 60,000 or less, we found that the small unit type of operation resulted in fire protection inadequacies, reflected in the ISO grade, specifically related to the limited resources of smaller communities.

From all the studies we have reviewed, the prevailing conclusion is that governments begin to realize available economies of scale as populations increase from 25,000 to 100,000, and begin to experience diseconomies of scale when populations exceed 375,000. Thus, the optimum size, according to these studies, ranges from 100,000 to 375,000.

Applying this criterion, 136 of the 152 cities and counties in the Los Angeles area are outside the optimum range. All the counties but Ventura are too large. The City of Los Angeles is too large. The rest of the cities in the metropolitan area are too small, except nine in Los Angeles County, four in Orange County, and the one principal city in each of the other counties.

For three reasons we reject the concept that there are conclusive guidelines for determining appropriate population size of any jurisdiction. First, no one knows how to take quality into account. Second, none of the studies relates private sector costs - such as insurance premiums and the cost of regulation - to the size of a government jurisdiction. Third, population is not a measure of government output.

*Insurance grade is a quality index provided by the Insurance Services Office to insurance companies as an aid in assigning fire insurance premium rates to property in cities.

As we stated, the failure to realize economies of scale does not mean that governments have no potential for improving service or decreasing cost as they increase in size. The question is, can any jurisdiction - small or large - act to correct deficiencies attributable to its size?

Small jurisdictions, for example, acting independently, cannot obtain the discounts from suppliers that are available to large-scale purchasers. The most persuasive evidence that this is true is the development by such cities of joint powers agencies to purchase insurance, data processing services, and other goods or services. They form the agencies to increase their purchasing power to levels that qualify for services at prices for which they do not qualify individually.

Small cities cannot economically produce certain specialized components of public services. In the case of fire protection, for example, we found in 1972 that cities with populations less than 100,000 "have difficulty marshalling the resources necessary to provide a full complement of fire services at an appropriate cost." We based this finding on protection standards published by several experts and professional organizations. In addition, small cities cannot provide adequate training, and seldom provide formal fire prevention programs. Similarly, such specialized police services as helicopter patrols, criminalistics laboratories and training academies are too expensive for small cities to operate independently. Larger jurisdictions have sufficient resources to make cost effective use of these technologies.

The small cities can act to correct these deficiencies by purchasing services from a larger supplier which has the resources of scale, through contracts, joint powers agreements, or annexation to a district.

The diseconomies of scale experienced by large governments are caused by managerial complexity and over-specialization. Recent studies by our

commission, the Grand Jury, and Public Employees for Lower Taxes, an employee's organization in Los Angeles City, indicate excessive levels of supervision and overly complex personnel systems in the City and in Los Angeles County. The diseconomies of scale found in large jurisdictions should therefore be amenable to correction by improving management.

In summary, the limited resources of small jurisdictions are technologically inferior; the complexity of the bureaucratic systems in large jurisdictions can severely impair efficiency. In both cases, governments can correct their deficiencies. Once they take effective action to do so, they can begin to benefit from economies of scale.

Ordinarily the concept of size, when applied to government, refers to population. Governmental jurisdictions, however, are defined by geographic boundaries. The next section contains a discussion of the potential effects of size in terms of territory covered.

Geographic Size

Rapid urbanization in the past three decades created the need for concerted action to solve problems which cannot be addressed by local services because the problems cannot be contained within jurisdictional boundaries. Examples of such problems include some which are geophysical and some which are socioeconomic.

Air and water quality depends on geophysical forces that are impervious to the influence of any local government. The boundaries of air basins and watersheds are natural phenomena which cannot be manipulated by human agents. It follows that air and water quality management, to be effective, must encompass the areas in which the problem is contained. In the Los Angeles metropolitan region, such areas extend over the boundaries of five counties - Los Angeles, Orange, Riverside, San Bernardino, and Ventura.

On the other hand, certain area-wide problems depend less on geography and physical features of an area and more on the social and economic interdependence among people living in the area. For example, transportation systems, to be effective, must accommodate the needs of all those who may travel for employment, shopping, and recreation, regardless of the jurisdictions in which they live. Transportation is thus an area-wide problem in the socioeconomic sense. Certain forms of criminal activity also migrate among jurisdictions. For example, law enforcement officials have informed us that criminals use the freeway network in Southern California skillfully to escape the scene of the crime. Clearly, if this is correct, none of the 123 independent police jurisdictions in the metropolitan area could unilaterally act to resolve the crime problem, since the perpetrators and evidence of a crime committed in one jurisdiction migrates rapidly to another. In addition, this means that the crime and transportation problems are not independent of one another. The solution to one problem has aggravated the other. Both are related area-wide problems.

Traditionally, counties and major cities have been responsible for performing area-wide functions. The efforts of the Los Angeles County Agricultural Commissioner to eradicate the Mediterranean fruit fly and the Japanese beetle benefit the \$2.7 billion agricultural industry of the entire southern California area and, to some extent, the \$9.3 billion product of the State. The City of Los Angeles Harbor moved 32 million tons of cargo, worth \$10.7 billion, into the metropolitan area in 1976. The Harbor's Research and Planning Division estimates that port activity generated \$6 billion of the area's economic product, including wages, salaries, purchases, and taxes. The City's International Airport generated employment of 164,000 people in 1976 in the metropolitan area, as well as economic effects worth \$7.4 billion. According to

origin-destination research, at least 20% of the travel*through the City's airport terminates in the counties of Orange, Riverside, San Bernardino, and Ventura. Finally, both the City of Los Angeles and the County operate major cultural facilities which attract industry and people to the area. According to recent surveys, about 60% of the visitors to the City Zoo come from outside the City, and 36% of the users of the Central Library come from outside the City. Similarly, 20% of the patrons of the County operated Music Center come from outside the County, as well as 25% of the visitors to special exhibits at the County Museum of Art and 20% of the users of County regional parks.

Because of this traditional area-wide role, the public expects Los Angeles County and the City of Los Angeles to resolve contemporary problems, and blames them for their current ineffectiveness.

A recent Los Angeles Times survey of community leaders and observers illustrates this point. The Times asked for opinions on the priority needs of the city. The Times survey found that those polled considered the following to be among the greatest needs: ". . .to improve the air quality . . . or to address the problem of human rights . . . or to develop an efficient mass rapid transit system. Other respondents believed the city's greatest need lay in its approach to leadership, health care, culture or the preservation of its sense of `community.'"

Unfortunately, this means that the City has little chance of meeting its highest priority needs. Its geographic jurisdiction is not large enough. Moreover, no single county in the Los Angeles metropolitan area contains a geophysical region for air, water, and environmental quality management purposes. Because of the extent of economic and social interactions among the communities within the five counties, no single county can reasonably be considered a region for program delivery purposes when the programs have regional impact. Examples abound of problems that do not respect boundaries - including

county boundaries - and must therefore be addressed by area-wide agencies: - air pollution - water pollution - crime - urban encroachment on estuary and coastal environments - inadequate transportation systems - infestation of pests.

The predecessors of the Air Quality Management District (AQMD) were the four county governments. Since air pollution is not confined within the boundaries of a single county, no county could rid itself of pollutants originating in neighboring counties within the air basin. The State created the new agency because the problem was not being resolved.

Counties and major cities are unfairly blamed for failure to solve these problems. No elected general purpose government in the Los Angeles metropolitan region can fairly be held accountable for resolving them because none covers a large enough territory to contain them.

The principal forms of government presently addressing these problems are no longer counties and major cities. Because the general purpose governments do not have the necessary geographic size, they have been replaced by special districts or State agencies formed by the Legislature, special commissions made up of officials of the jurisdictions affected by the problems, and joint powers agencies formed by the jurisdictions affected by the problems.

The difficulty of resolving contemporary social and environmental problems is thus compounded by the absence of any area-wide organization responsible for all the problems and their interrelationships. The problems of unemployment and environmental control are linked to one another and to the problem of health care; the problem of automobile congestion is not independent of the problems of air pollution and health care. Yet no agency is responsible for the aggregate of these problems. Moreover, those agencies which are

responsible for single problems or issues, such as AQMD and the Coastal Zone Conservation Commissions, are not accountable to the public. Regardless of how effectively they might address their assigned problems, they cannot be responsive to the public, because the public has no direct electoral control over them. There is no area-wide elected body to weigh tradeoffs among competing values and alternative priorities.

In addition, not all the area-wide agencies cover the same area. Although the function of each is to address a problem contained within the boundaries of the five-county Los Angeles area, agency boundaries may incorporate only one county, more than one of the five counties, or more than the five counties.

Each county has a separate Transportation Commission; the Air Quality Management District covers the entire area less Ventura County; the Southern California Association of Governments covers the entire area plus Imperial County.

Thus, the current problem-solving system fails to provide for the interrelationships of the problems it is meant to solve, and it fragments the territory affected by the problems. The reason this system is in such disarray is that the elected general-purpose governments initially designed for area-wide purposes, and traditionally expected to perform area-wide functions, are not large enough. The territorial jurisdiction of each of the counties is smaller than the geographic area affected by the problem.

Summary

The size of a jurisdiction, as measured by population or geographic area, can be both an advantage and a disadvantage.

Small community based cities offer a high level of access to elected officials, which improves citizens' perception of their responsiveness. In

contrast, counties, large cities, and special districts are "they" governments which are inaccessible to individuals and consequently influenced principally by organized groups.

On the other hand, cities can be too small to take advantage of available economies of scale. Counties and large cities can take advantage of economies of scale. In particular, they can offer specialized services and may realize economies of scale in terms of quality of service. Available studies indicate, however, that economies of scale in large governments are seldom realized. In both cases, governments can correct their deficiencies. Small governments can use several organizational devices to increase their resources. Large governments can improve their management systems.

None of the counties or cities in the metropolitan area is large enough to lead the community in resolving contemporary social and environmental problems. The geographic area affected by the problems is larger than the territorial jurisdiction of any elected general purpose government. Consequently, the governmental role in problem-solving is performed by agencies totally lacking in local democratic control, and acting independently to resolve interrelated problems over fragmented parts of the metropolitan area.

In short, the problems of size are due to the inappropriate allocation of governmental functions to jurisdictions not designed to perform them. Regardless of size, local government jurisdictions have serious financing problems which we attribute to the structure of the governmental system. We discuss these problems in the next chapter.

CHAPTER IV. FINANCING

The complexity and jurisdictional basis of the governmental system are reflected in its financing. The financing system fosters intergovernmental competition and, in addition, aggravates the structural weaknesses of the overall system.

Sources of Financing

The four major sources of financing for local government are State and Federal aid, sales tax, property tax, and fees.

State and Federal aid comes in the forms of subventions and grants. Subventions finance a portion of the cost of State or Federal program administered by local government, such as welfare programs. Grants finance special projects or general operations initiated by local governments. Total State and Federal aid, excluding Proposition 13 relief, amounts to approximately \$3 billion a year in the Los Angeles metropolitan area.

The 6% sales tax is collected by the State. Of the 6% collected on every sale, the State returns 1% to the local city or county in which the sale took place. In addition, the State returns 0.25% to counties for road construction and maintenance. Except for the amount earmarked for roads, counties share the sales tax only on sales in unincorporated areas. Generally, special districts, except road districts, receive no sales tax. Total local government revenue from the sales tax in the metropolitan area amounts to approximately \$470 million per year.

Property tax is levied by local governments. The amounts of the levy were affected by Proposition 13, but the distribution of the local amount among public agencies has so far not been significantly affected. Counties, cities, and special districts each receive property tax income - whether or

not their jurisdictions overlap. Before Proposition 13, property taxes in the five counties, excluding schools, generated \$2.3 billion annually. After Proposition 13, this amount will decrease to \$1.1 billion.

Until recently, fee income was a principal source of revenue only for public enterprises - that is, for special districts and municipalities selling commodities such as water or services such as transportation. In the aftermath of Proposition 13, fee income has gained in importance for cities, counties, special districts, and joint powers agencies.

There are other, less important, sources of revenue. For example, fuel taxes finance road construction and maintenance. In addition, charter cities can collect utility user taxes, and all governments produce some revenue from the rental of surplus property, from interest on money deposits, and from licenses, other fees, and fines.

County, city, and district jurisdictions rely in varying degrees on the available sources of revenue. City government benefits significantly from the sales tax, which accounted for 15% of total city revenues in Los Angeles County in 1978. Of the \$29 billion of taxable sales in Los Angeles County, approximately 89% occurs in cities. Approximately 6% take place in unincorporated County territory.* Approximately 37% of the taxable sales in the County take place in the City of Los Angeles. For some cities, sales tax and other non-property revenue covers all costs. These cities frequently do not levy any property tax.

County government relies heavily on property taxes and State and Federal aid. Sales tax accounted for only 1% of Los Angeles County revenues in 1977. Property taxes accounted for 36%, and State or Federal aid for 40%.

*The remaining 5% cannot be accounted for geographically. It includes sales by leasing companies and organizations-with no known location of doing business.

After Proposition 13, property taxes accounted for approximately 12% of County revenue, while State and Federal aid have increased their share to 70%. County government consumed 86% of the \$1.5 billion in State and Federal aid, plus 71% of the \$1.7 billion property tax levy, paid to governments, excluding school districts, in Los Angeles County in 1977. State law constrains counties from using such other sources as fees, licenses, permits, use taxes and fines for revenue.

The use of the various sources of financing by special districts depends on the type of district. Such County governed districts as Flood Control and Fire Protection traditionally relied on property tax revenue for nearly 100% of their support. The effect of Proposition 13 has been to shift this reliance to the State. Enterprise districts with a few exceptions are fully supported by fees paid by those receiving the benefits.

Area-wide State and Federal agencies have relied on fees levied against member governments, fees levied on individual users, and Federal or State aid. Formerly, fees paid by member governments financed 7% of the \$11 million budget of the Southern California Association of Governments (SCAG) and 30% of the \$15 million budget of the Air Quality Management District (AQMD). The South Coast Coastal Zone Conservation Commission has not levied fees on member governments, but permit fees paid to the State by developers equal approximately 18% of its \$1 million budget. Rapid Transit Districts in the metropolitan area finance from 7% to 40% of their operations with fares. The remaining support for all of these area-wide agencies comes from State and Federal aid, which ranges from 60% of the rapid transit budgets in Los Angeles County to 93% of the SCAG budget. In the aftermath of Proposition 13, SCAG and AQMD have waived fees paid by member local governments.

Intergovernmental Competition

The financing system for cities and counties rewards development. Sales tax depends wholly on industrial and commercial development, although not all industrial and commercial development generates sales tax. The property tax base in urban areas consists of approximately one-third industrial and commercial development, one-third multiple dwelling residential development, and one-third single-family residential development. Many Federal and State grants are based on formulas which reward large populations and local tax effort, both of which depend on development. High value development is therefore desirable for local jurisdictions. Governments compete with one another to attract it.

This emphasis of the tax system on high value development contributes to the overall decline of the metropolitan community in two important ways.

First, one city can cause or accelerate the decline of a neighboring city. A group of cities can sustain at most a certain amount of economic activity. If one city attracts development of a modern, well equipped shopping center, for example, it can attract shoppers away from neighboring cities. The businesses in those cities decline. Unless the entire area is in a period of rapid sustained growth, the cities will lose sales tax revenue, but demand for service will not decline. With the loss of sales taxes, a city may have to increase other taxes or charges. Under Proposition 13, it cannot increase property taxes. The increased costs and the loss of shoppers will cause businesses to fail or relocate. To reverse the situation the city's only alternative is to compete for additional development. This ratchet effect is one of the causes of over-development, deterioration, and overcrowding in urban communities.

Second, development and the sales and property tax revenue it generates do not always go to the community with the most severe problems. For

example, the City of Commerce has significant sales tax revenue, while the neighboring unincorporated community of East Los Angeles has significant social and economic problems. Before Proposition 13, the property tax rate, excluding schools, was \$5.10 in Commerce, compared to \$7.18 in East Los Angeles. After Proposition 13, the high value development in Commerce and the single established tax rate will increase the revenue disparity between the two areas. Moreover, the community with significant problems cannot easily attract development.

In the Los Angeles area, cities have captured the major share of desirable development, while the county unincorporated areas remain poor. The table below summarizes the sales tax base per capita for the principal city in each county, the community based cities, and the unincorporated areas,

Per Capita Sales Tax Base

County	Jurisdiction			
	Principal City (\$)	Community Based Cities (\$)	Unincorporated (\$)	Countywide Average (\$)
Los Angeles	3960	4700	1900	4220
Orange	4870	4280	2060	4430
Riverside	4060	4630	2280	3880
San Bernardino	6130	3460	1090	3630
Ventura	3670	4000	1660	3130

Our task force on management and finances and Mayor Bradley's Ad Hoc Committee on City Finances each warned in 1976 that one of the major causes of financial crisis in local government is the exodus of people and businesses from central cities to surrounding areas. The result, we warned, is an eroding tax base in the central city or county, which is also left with the people least able to move and most in need of government services.

The data supporting our statement is startling. For example, despite

the inflation of property values in recent years, the tax base in Los Angeles County declined in real dollars between 1970 and 1975 relative to neighboring counties. According to SCAG, real property value in Los Angeles County, adjusted for inflation, declined by 10% during that period, while real property value increased by 14% in Orange County and by 6% in Riverside County.

Moreover, major employers have been leaving Los Angeles for neighboring counties and, in some cases, other states. The Los Angeles County Chief Administrative Officer cited the decisions of Goodyear and Unreal to close local facilities in his report on economic development in October 1977. Other major employers have also left or plan to leave, including Prudential Insurance, The Fluor Corporation, and the Signal Companies. According to SCAG, the Los Angeles County share of total employment in the five-county region declined from 77% in 1970 to 74% in 1975.

The entire Los Angeles metropolitan area depends on the City of Los Angeles and the County for jobs, for such major economic facilities as harbors and airports, and for such recreational and cultural facilities as regional parks, libraries and museums. Yet the governmental financing system causes the remainder of the area to drain the tax base from this central core.

Proposition 13 may change this scenario, but at present it is too soon after its passage to determine its precise effects. The Legislature's action to replace lost property tax funds does not change the structure. No changes have been made in the sales tax system. Property taxes collected under Proposition 13 are roughly proportional to those collected last year. The State has allocated rescue funds on a basis roughly proportional to past property tax collections. Jurisdictions with high value development still get the major share of available revenue.

Nevertheless, Proposition 13 may moderate the exodus from needy central areas to outlying areas. By establishing a uniform maximum tax rate

of 1% of market value, it eliminates tax differentials as a motivation for relocation. The property owner in Los Angeles County will pay 1% and so will the property owner anywhere else. However, relocation of a business or residence to an equivalent property elsewhere will increase the owners' property taxes. Proposition 13 requires reassessment of properties that change ownership to full market value, but limits reassessment of properties that do not change hands to 2% increases each year. Thus, a business that owns rather than leases its property may be deterred from relocating to an equivalent property in another jurisdiction. Those that lease will not be deterred by Proposition 13.

Regardless of whether the exodus decelerates, the current allocation of sales and property taxes rewards development and fails to align resources with needs other than development-related needs. In particular, the needs of declining areas are not adequately financed, since those areas cannot easily attract development.

Structural Weaknesses

The financial system aggravates the structural weaknesses of the overall multi-jurisdictional system. In our chapter on the problems of duplication, we showed that jurisdictional boundaries introduce major inefficiencies into the delivery of such local services as fire suppression, police patrol, and others with fixed area units of service. The financing system does nothing to penalize the inefficiency of overlap. It encourages each jurisdiction to gerrymander its boundaries in order to secure high value development and exclude needy areas. Thus, the inefficiency of overlap is to some extent a result of the financing system.

In Chapter II, we explained that administrative duplication is the direct result of Federal and State financial allocation policies. The Federal and State governments allocate most resources on the basis of population and tax

effort. As a consequence, a multiplicity of jurisdictions perform program planning and management functions serving the same interdependent population. This problem can only be aggravated by Proposition 13, since it has increased the importance of State and Federal financing for local government. Unless those governments change their approach to grant financing, administrative duplication and inefficiency will increase.

The financing system also aggravates the problems of size. It does nothing to penalize small jurisdictions for their inefficiency, thus encouraging them to continue to act independently. It supports traditional area-wide activities of the City of Los Angeles and the counties, although these units no longer cover the area geographically. Finally, the single purpose area-wide State agencies attempting to resolve metropolitan environmental and social problems receive most of their financing from Federal and State sources. Thus, the financial system supports the current fragmented approach to these problems.

Summary

The financing of the local government system creates two problems. First, it fosters intergovernmental competition for development, particularly high value industrial and commercial development. The competition aggravates the decline of deteriorating communities, but Proposition 13 may somewhat mitigate this problem. Second, because the financing system organizes resources on a jurisdictional basis, it aggravates the structural weaknesses of the system. It supports duplication of services by independent jurisdictions, regardless of the inefficiency and cost.

CHAPTER V. COMPLEXITY AND FRAGMENTATION

Pluralism and diversity are valued in our society. Consequently¹ we hesitate to claim that the proliferation of governmental jurisdictions is, by itself, a major problem. In any system, it may not be the number of parts that is the problem, but rather the relationships among the parts and the ability of each to perform its assigned function.

The same is true of a governmental system. Governor Reagan's Task Force on Government Reform argued persuasively that a multiplicity of jurisdictions is one of the strengths of the system because it broadens the range of choices available to the electorate.

We agree. We support community based city governments in particular. The high degree of access to local elected officials in such cities improves the accountability and responsiveness of the overall system of government. The community is better off when its citizens, rather than some remote super-government, can control such policies as, for example, the disposition of a juvenile arrest. One community may find it appropriate to send arrested juveniles immediately to Juvenile Hall where they encounter the entire criminal justice system; another may require the police to refer first offenders to a counseling agency; another may prefer the police to contact parents before taking any action.

Moreover, a close examination of the relationships among the 1,604 jurisdictions in the metropolitan region reveals a greater concentration of political authority than is evident from the mere facts of multiplicity. We estimate at most 300 of the 1,159 special districts in the five counties are independent. Political control of the remaining 859 is vested in boards of supervisors and city councils. They use the special district legitimately

as a device to segregate the financing of benefits to specified individuals from the resources of the whole community.

Moreover, not all independent special districts are fully independent. The boards of cemetery districts, for example, are appointed by boards of supervisors, and, in Los Angeles County, 34 independent sanitation districts are unified under County administration. Those which are fully independent are usually public enterprises which resemble private' firms more than governments. In addition, most redevelopment agencies are only quasi-independent. Although they have a separate legal existence, they are controlled by county supervisors in unincorporated areas and by the city council in most cities.

We cannot therefore identify the problem of fragmentation with the proliferation of jurisdictions. Political authority in the metropolitan area is not diffused among 1,604 units but among five counties, 147 cities, and a handful of independent, special purpose State agencies.

If the multiplicity of units of government is not the problem, then what is? We believe that the central structural problem of government in the Los Angeles metropolitan area is that jurisdictions perform functions for which they were not designed. They have been diverted from performing the functions for which they were designed. Consequently, the system performs some functions poorly and others not at all. The relationships among the service and problem solving functions of the various jurisdictions are so complex that identifying which governmental unit or elected official to hold accountable for a given service or problem is nearly impossible. The confusion is a principal cause of general public dissatisfaction with government.

Misassigned Functions

Each of the major forms of government was designed for a specific purpose. Generally, each is capable of fulfilling that purpose at acceptable

levels of performance, but performance breaks down when the responsibilities and activities of a jurisdiction diverge from its intended purpose.

The local government system was designed at a time when most people lived and worked in rural areas. Before the migration of the 1940's, cities were separated by wide expanses of rural and uninhabited land. Between the cities of Inglewood and Los Angeles lay 15 miles of farmland. State government was days of travel away, and the Legislature convened briefly and infrequently. Although the situation has changed, the basic design of the local government system has not.

County government was designed to deliver area-wide services for the State and to provide basic local services to dispersed residents of rural areas. It was not designed as a municipality. It can be effective in delivering State services, but its design is obsolete for delivering direct local services in developed urban areas. Over 1 million residents live in unincorporated areas of Los Angeles County; approximately 746,000 live in unincorporated areas of the other four counties. Thus, 1.75 million people depend for day-to-day services on governments where access to elected representatives is severely limited.

The proliferation of county governed special districts is a symptom of this problem. As long as developed and inhabited county territory remains unincorporated, county government will be required to provide police, fire, sewer, water, zoning, inspection, and street maintenance to its residents. As several observers have pointed out, Los Angeles County government is providing municipal services to a hidden city of one million people. The environmental organization California Tomorrow in 1963 characterized urban unincorporated areas as "phantom cities" and their county and special district governments as "hydra-headed." County governments are performing functions for which cities, not counties, were designed.

City government was designed to deliver services to the residents of a compact area, who would finance them and control the level, quality and cost of services provided. Surrounded principally by rural undeveloped areas people could live, work, and shop in close proximity in a self-contained community. Locally voted taxes could support the common services provided by city government. The periodic visits of nonresidents caused no particular increase in the demand for services and no strain on the city's financial resources. A city government's activities had little or no impact outside the city.

The situation has changed. Cities are no longer surrounded by rural areas, but by other cities and expanses of urban unincorporated territory. Overlapping service areas at city boundaries are a principal source of inefficiency and excess cost.

Few cities today are self-contained communities. In the metropolitan area, individuals commonly shop, work, own property, and live in several different political jurisdictions. They pay taxes where they shop and own property but receive the benefit of services not only there, but also where they work or travel in the region. Geographical areas containing both the benefits and the taxes attributable to an individual's activity no longer exist. California Tomorrow included the traditional city along with urban unincorporated areas as "phantoms." The organization pointed out:

"It is faced by a variety of problems extending beyond its boundaries and beyond the reach and often the understanding of its government."

The community based city government was designed to insure local self-government for city residents, not to provide services for the Federal and State governments or to finance services for a daily influx of nonresident workers. City governments are performing functions for which counties, not cities, were designed.

In the Los Angeles area, this is particularly true of the City of Los Angeles. The City actively competes with the County to provide area-wide services financed by its taxpayers.

Such area-wide and countywide State agencies as the Air Quality Management District, Health Systems Agencies, Transportation Commissions, and Coastal Zone Conservation Commissions act as agents of the State to perform functions for which county government was designed. The State agencies are necessary. County governments cannot address area-wide problems, despite their design as State agents, because they do not have the necessary territorial jurisdiction, and because they are too busy delivering local services to the 1.75 million residents of unincorporated territory State agencies are performing functions for which counties were designed.

The awesome complexity of the governmental system derives from this misassignment of functions. Most of the services that can be delivered locally are delivered by all local units of government - counties, cities, special districts, and combinations of these. Most of the governmental functions that must be performed on an area-wide basis are performed by all the units of government with large scale territorial jurisdictions - counties, special districts, State agencies, and the City of Los Angeles.

For example, contemporary water supply and waste water management in Los Angeles County alone requires coordination of the activities of the 199 agencies listed on the following page, 80 of which are independent. The water system is critical in Southern California. Water must be purchased from areas where it is plentiful, shipped to the region, and distributed to industrial and household users. The area's watershed must be protected and recharged in as efficient a way as possible. The public must be protected from the damages of floodwater and from the hazards of waste water.

The problems are complex enough in themselves, without the added complexity of coordinating four different forms of government and 80 independent jurisdictions. The source of complexity is not the number of units - 199 - but the assignment of all functions to multiple independent units.

COMPLEXITY OF WATER SYSTEM GOVERNANCE
(LOS ANGELES COUNTY)

<u>Function</u>	<u>Number and Type of Agency</u>	<u>Governance</u>
Supply and Distribution	40 Water Departments	City
	<u>7</u> Water Districts	District
Total City	47	
	24 Waterworks Districts	County
	<u>11</u> Irrigation Districts	District
Total County	35	
	14 County Water Districts	District
	1 Metropolitan Water District	District
	<u>4</u> State Water Agencies	District
Total District	19	

Total Supply Function: 101

Ground Water Protection	1 Flood Control District	County
	1 Forester	County
	1 Watershed Commission	County
	1 State Water Agency	County
	<u>5</u> County Drainage Districts	County
Total County	9	

Total Protection Function: 9

Waste Water Management	41 Sewer Departments	City
	13 Sewer Districts	County
	<u>34</u> Sanitation Districts	Joint City-County
	88	

Total Waste Management Function: 88

Liquid/Solid Waste Disposal Planning	1 Joint Powers Agency	Joint Multi-City and Multi-County
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GRAND TOTAL: 199 Agencies

Missing Functions

The actions of the various units of government interact in complex and unforeseen ways. A city's zoning decision can affect air and water quality miles away in neighboring cities and counties. The affected city or county, perhaps with a deteriorating water supply, cannot act on its own authority to reverse the city zoning decision causing the problem. The width of a street or road within a city's jurisdiction, when city government was designed, affected only the residents of that city. Now, the streets must connect with those of other cities and carry nonresidents, but no one except the city government can decide on the question of width. Although cities and counties may agree with one another to cooperate on firefighting in the other's territory, no city's authority to require fire safety measures and to control hazardous building extends beyond its own jurisdiction.

No unit of government can control the actions of cities which affect neighboring communities. The only control at present is exercised by the Southern California Association of Governments (SCAG). The Federal government requires SCAG approval before it grants financial aid for a local government project. SCAG must certify that the objectives of the proposed project are consistent with the goals and objectives of the general plan for the metropolitan area.

Except for this limited authority granted SCAG by the Federal government, no local jurisdiction has the authority to develop minimum standards of performance applicable to those actions of governments which significantly affect nonresidents. This problem is one of the reasons for the erosion of local control. The Federal and State governments have been assuming the responsibility for establishing and enforcing standards, often creating independent single purpose agencies.

As a consequence, governmental support of economic development activity at the local level has also eroded. Business and industry must now meet not only the requirements of the government of the city in which they wish to locate, but also the requirements of coastal commissions, air quality boards, and numerous State agencies.

According to the Los Angeles Area Chamber of Commerce, it now requires from two and one-half to three years for permit processing before construction can be started on a development project in the City of Los Angeles. The Chamber estimates that over 40% of the cost of a housing project is attributable to government fees and permits, environmental impact reports, delays, and mandatory processes. This kind of problem caused Dow Chemical Company to abandon its plans to build a plant in Solano County. Dow pointed out that 65 separate permits were required from 12 local, State and Federal agencies before construction could start. In this and similar cases, each of the agencies enforces different and sometimes conflicting standards. None performs the function of developing and enforcing a single area-wide standard.

Summary

The local government system is unnecessarily complex. We attribute this complexity not to the proliferation of governmental units, in itself, but rather to the assignment of governmental functions to units which are not designed to perform them. Each form of government is directly involved in the service delivery and problem solving functions of the system. On the other hand, no government has overall responsibility for establishing minimum standards of performance and regulating those activities of a government which may have a significant impact outside its jurisdiction. Among the consequences are erosion of local control, as the State assumes an increasing number of functions, and retardation of orderly economic development.

SECTION TWO
ALTERNATIVE SOLUTIONS

CHAPTER VI. THE CHANGE PROCESS

In previous chapters, we have described the current system of local government in the Los Angeles metropolitan area and its performance problems. We attributed the unresponsiveness, inefficiently, and ineffectiveness of the system to four structural problem areas:

- problems of duplication
- problems of size
- problems of financing
- problems of complexity and fragmentation.

In the wake of Proposition 13, it is reasonable to ask what design alternatives are available to resolve the structural problems or, lacking immediate and comprehensive resolutions, to mitigate their effects? What mechanisms are available to enable local governments to make the necessary changes? Who are the participants in the change process and what are their roles? What immediate steps can be taken to adopt a goal and to proceed in its direction? What steps will be required in the future?

Resolving the design question involves identifying and evaluating alternative political structures. We have evaluated four major alternatives for the Los Angeles metropolitan area: (1) division of urban counties into two or more counties; (2) consolidation of county functions within the City of Los Angeles, forming a City-County of Los Angeles within the boundaries of Los Angeles City; (3) consolidation of all city and district governments in Los Angeles County into a single metropolitan government; and (4) reassignment of functions among cities, counties and special districts within a federated system of government. We analyzed and rejected the division of urban counties into two or more counties in our May 1978 report, "Impact of New County Formation."

We present our evaluation of the other alternatives in the following chapters of this report.

Before proceeding to these alternatives, we discuss in this chapter the mechanisms available for change and the participants in the change process.

Mechanics of Change

Real structural change means political change. It is critically important to recognize, therefore, that effective change must involve the political structure as well as the functional service delivery structure. Political and financial changes require changes of territory. Functional change can be accomplished through intergovernmental agreements, without affecting political structure.

The local government system is structured on the principle of jurisdictional territory, but the problems facing government do not respect jurisdictional boundaries. A governmental agency is responsible for the functions assigned to it within the specified area of its jurisdiction, but not for their effects outside its jurisdiction. Its decision making powers, including zoning, policing, and taxation do not exist outside its specified geographic territory. Nonetheless, its decisions affect the lives of people from other jurisdictions, just as their decisions affect its citizens.

Although several jurisdictions can use a variety of intergovernmental agreements to improve the efficiency of service delivery; they can do little to influence related decisions made by parties to the agreement or other jurisdictions. The decision of several cities to consolidate their emergency communications systems can improve the effectiveness of fire, police, and emergency medical services. Such a decision does not reduce the fire hazards that result from a neighboring jurisdiction's zoning laws, and it cannot improve the effectiveness of emergency hospital care provided by another jurisdiction.

The major processes controlling the political and functional structure are:

- annexation and incorporation
- consolidation
- new county formation
- intergovernmental agreements.

Used properly, they can improve system performance by improving the structure. Used for special interest purposes, they can hinder performance by weakening structure.

Annexation and Incorporation - In 1963, the Legislature established a Local Agency Formation Commission (LAFCO) in each county to control the formation and territorial expansion of cities and special districts. The legislative purpose in creating LAFCOs was to prevent the disorderly development of political structures, particularly creation of special interest cities, proliferation of economically unlivable cities, and land annexation disputes among governments. Thus, LAFCOs have considerable authority to prevent irresponsible change, but little power to promote desirable change.

Each commission is composed of two county supervisors, two city representatives and a public member appointed by the other four. Some commissions also have members representing special districts. The method of ex officio appointment makes LAFCOs vulnerable to charges that they are invisible and overly powerful. Nevertheless, the LAFCOs are a key element in the current change process, ensuring that changes of political structure are sound.

The Municipal Organization Act (Chapter 1253, Statutes of 1977) and the District Reorganization Act (Chapter 2043, Statutes of 1965) contain the statutes regulating annexation. The laws are similar but differ in some details.

The law requires LAFCO approval for any annexation proceeding, according to criteria established in the law. In certain cases, specified in the law, annexation must be approved by the voters. In others, no election is necessary. For example, the Municipal Organization Act of 1977 allows city councils to initiate annexation proceedings by resolution. The city submits its petition to LAFCO, together with a plan for providing services in the affected area. LAFCO evaluates the petition and plan for compliance with the law and for conformance with previously established LAFCO policy. LAFCO then designates either the city council or the Board of Supervisors as the authority to conduct final hearings.

According to the law, the Board of Supervisors must be that authority if the proposal involves annexation of an island of 100 acres or less of unincorporated territory. In such cases, the Board of Supervisors may approve annexation without an election or may disapprove the annexation.

If the annexation involves more than 100 acres or is not an island, and LAFCO approves; it must name the city council as the authority to conduct hearings and determine the next step. The city can approve the annexation without election if there is little or no protest from residents or landowners. The city must call an election to approve annexation if more than 25% of the voters protest, or if more than 25% of landowners protest whose property value amounts to more than 25% of the total area's property value. If more than 50% of the voter's protest, the city must terminate the process.

The 1977 law permits incorporation proceedings to be initiated by resolution of the Board of Supervisors or by petition of 25% of the registered voters of the area. Incorporation of an area may also be proposed by a city. This can occur when a city is interested in reorganizing an area, part of which it wants to annex and part of which it wants to see incorporated. The initial

resolution or petition must be filed with LAFCO, which has the power to approve, disapprove, or amend the proposal.

If LAFCO approves, and opposition does not exceed 50% of the registered voters or 25% of the landowners holding 25% or more of the assessed valuation, the issue must go to election. If LAFCO disapproves, or protest is sufficient, the issue cannot go to election.

Consolidation Processes - Procedures for consolidation of two or more cities are established in the Municipal Organization Act of 1977 (Government Code, Sections 343000 et seq.). Essentially, the processes are the same as those described above for annexation and incorporation. Consolidation proceedings may be initiated by petition or resolution. After LAFCO review and hearings, the proposal is rejected or adopted subject to an election.

Procedures for the consolidation of two or more counties were established in 1974 (Government Code, Sections 23500 et seq.). Consolidation proceedings may be initiated by resolution of the boards of supervisors of the affected counties or by petition of 25% of the registered voters of each affected county. LAFCO is not involved. A commission appointed by the Governor studies the proposed consolidation and determines the potential financial effects of consolidation and the terms and conditions of transition. An election follows the commission's study.

New County Formation - The process leading to formation of new counties involves a petition, a study of the implications of the proposal, and an election. The election is mandatory if the petition qualifies. LAFCO is not involved. A new county formation commission appointed by the Governor conducts the study. The study establishes such factual matters as whether the new county could support itself financially, how its formation would affect the county or counties involved, and the terms and conditions of a transition period.

A petition for new county formation qualifies for an election if 25% of the registered voters from the area sign it. However, if the area contains less than 5% of the population of the affected county, then proponents of the new county must secure the signatures of 10% of the registered voters in the remainder of the affected county, as well as those of 25% of the voters in the county formation area.

Intergovernmental Agreements - Any government may contract with another to provide services in its jurisdiction. Several governments can form an agency to exercise jointly any power of each. Both these systems have been developed extensively in Los Angeles and Orange Counties.

By contracting with Los Angeles County government to provide services, approximately 31 cities maintain local democratic control but escape the economic disadvantages of their size.

The County offers 50 specific services to cities on a contract basis. The advantage of contracting to a city is that it can benefit from the County's scale economies without sacrificing its local control over the level and quality of service. Contract services are designed so that a city need not purchase all the services of any County department, but can select the mix of services it considers most advantageous. For example, the Sheriff offers a full range of policing services to cities. Some cities contract for all the services - patrol, detective service, helicopter patrol service, etc. Others select only some of the services offered.

Similarly, the County Engineer, Health Services Department, and Parks and Recreation Department offer a selection of services for contract.

Instead of contracting, a city may choose to annex its territory to a county operated special district, such as the Consolidated Fire Protection District in Los Angeles County.

In principle, the District could serve most of the County area - that is, it could include all cities and all developed unincorporated territory. At present, the District serves all developed unincorporated territory (except two small areas served by two separate County districts) and 41 cities.

Because it serves large aggregates of small cities, the District minimizes the overlap resulting from their jurisdictional boundaries. It has unified command, communications, training and other support functions, and is large enough to take advantage of available economies of scale. Thus, it represents an improvement in efficiency over fragmented fire services provided by multiple districts and multiple cities. Its special district form insures that taxation supporting the service is limited to those receiving it. Since membership of a city is voluntary, cities retain local control.

The 34 Sanitation Districts in Los Angeles County provide waste treatment and disposal and trunk sewerage systems in 75 cities and in unincorporated territory. Each district is governed by a board of directors consisting of the presiding officer of the governing body of each city in the district. The Chairman of the Board of Supervisors is a member of the board of directors of districts which include unincorporated territory. This arrangement insures local control at the community level. The system eliminates duplication of administrative and support functions, however, by centralizing administration at the County level. Agreements among the districts provide for joint construction, joint trucking operations, pumping plants, treatment plants and disposal, and joint acquisition and operation of disposal sites.

The structures of each of these systems - the contract city system, the Consolidated Fire Protection District, and the unified system of Sanitation Districts - are demonstrations of effective use of County government and joint powers agreements to take maximum advantage of the local responsiveness of

community based cities without sacrificing the potential efficiency and economy of centralized administration and support.

Joint powers agreements are also used by several cities to consolidate services without involving the County government. For example, five cities in the South Bay area have developed a joint powers agency to operate emergency communications systems. Similarly, the Contract Cities Association has developed a cooperative insurance program in which over 40 cities, including some independent cities, are participating.

Intergovernmental agreements do not change the political structure, but they can be used to diminish the inefficiencies caused by jurisdictional boundaries and by system complexity.

The Parties to Change

In order to be effective in the aftermath of Proposition 13, structural change must encompass the entire system of local government - counties, cities, special districts, joint powers agencies, nonprofit corporations, and their various combinations. Each of these must collaborate to insure the effectiveness of change, and each will be affected politically by the changes.

The State Constitution establishes the general underlying structure of the governmental system - forms of government, operations, and financing. The Constitution, however, leaves the details to the Legislature and to local municipal and county charters. The Legislature is responsible for establishing procedures enabling the public to form or dissolve local governments, set boundaries and modify them, identify public officials and assign their duties, and use the available methods of financing.

The State government has the principal authority to change local political structure. In some cases, development of a new governmental structure will depend on a statewide public referendum; in others, even minor

adjustments will depend on local referenda. Thus, State political leadership in the legislative and executive branches must play a key role in the development of a new system.

County boards of supervisors have little authority to mandate changes of the intergovernmental structure - whether major system overhaul or minor adjustments. Nevertheless, supervisors in urban counties represent larger voter constituencies than most locally elected officials and can, through effective leadership, influence both the public view and the course of legislation. Moreover, board policies directly affect cities, special districts, and other agencies. Consequently, board policy, when effectively administered by county officials, can be a useful tool to persuade cities and districts that change is in the best interests of the public. Similarly, the absence of board policy or inept and uneven implementation of policy essentially perpetuates the status quo. Therefore, the boards of supervisors and the County Supervisors Association of California have a central role in accomplishing structural change. That role includes influencing the course of State action. Moreover, once the State has established laws and procedures which assign responsibility to the County, the County can act independently.

No city can unilaterally create changes in the overall structure of the government system. All cities, however, have a key role as the basic unit of local government. The actions of cities can significantly affect the success or failure of any change proposed by the Legislature, by boards of supervisors, or by public referendum. City governments, elected city officials, and such organizations as the League of California Cities and the American Society for Public Administration will have critical roles and responsibilities in implementing change. They will also have the key role in preventing any recommended changes they view as detrimental to the city form of government or as adverse to the interests of their constituents.

Thus, the feasibility and effectiveness of structural change will depend on the views, policies, and actions of three major public authorities: state government, county government, and city government.

Private institutions are also involved - public employee unions and major corporations. Public employees are directly affected by structural change of the governmental system they serve. Some could lose jobs in a shift of power, others could be transferred to another jurisdiction, and still others could experience a significant change in the scope of their responsibilities. They and their unions have formed powerful lobbies to protect their interests. For example, annexation of unincorporated territory to a neighboring city may involve the shift of all municipal functions from the county government to the city. County employee unions will view the loss of territory as adverse to the interests of their members if the city does not promise to reemploy all of them at the same levels of compensation paid now by the county.

Private corporations can be significantly affected by structural changes and are also likely to be involved to protect their interests. In the annexation example, again, the authority for controlling development and zoning land would shift from the county to the city. Affected corporations would support or oppose a change according to their perception of the change as adverse or beneficial. For example, private utilities may have to yield service territory to the city annexing an unincorporated area since the Constitution requires the city's own utility to serve all of its residents.

Summary

The laws involve rearranging jurisdictional territory as a condition for changing political structure. The Local Agency Formation Commission (LAFCO) in each county controls annexation, consolidation, and incorporation processes for cities and special districts. Resolutions by boards of supervisors or

petitions followed by an election control county consolidation. Petitions and elections control new county formation.

To change administrative and functional structures, governments may contract and may form joint powers agencies. Three model structures have been developed extensively in Los Angeles County to use these means: the contract city system, the Consolidated Fire Protection District, and the Unified Sanitation District System. They preserve the responsiveness and local control of community based government while taking advantage of County scale economies.

The parties to change include the State Legislature, all forms and agencies of local government, and private organizations. All must cooperate in the change process.

CHAPTER VII. CITY-COUNTY CONSOLIDATION

Councilman Ernani Bernardi of the City of Los Angeles has proposed that the City assume all County functions and become a city-county separate from the County of Los Angeles. The basic premises of this proposal are that it would reduce inefficiency by eliminating duplication of services and that it would relieve the financial problems by improving tax equity.

Supporters of this proposal believe that it would improve efficiency by eliminating duplication of services provided now by both the City of Los Angeles and the County. That is, City taxpayers would no longer be paying for two monolithic governments competing to provide the same services, only for one.

Supporters also contend that the City of Los Angeles "subsidizes" other cities in Los Angeles County and the unincorporated areas because County government uses revenues paid by residents of the City of Los Angeles to provide services to residents of contract cities and unincorporated areas. If the City were to become a county, it would receive all county revenues produced within the City. This would eliminate the inequity, because City taxpayers would no longer support the remainder of the County.

Our analysis shows that exactly the reverse is true. It would do nothing to correct the problems of duplication, size, financing, and complexity. Assumption by the City would increase inequities suffered now by City taxpayers. It would reduce the responsiveness of the overall governmental system, and it would accelerate the City's deterioration as the central core of a vast metropolitan region. In no way is this proposal in the interests of the citizens of the City.

Duplication

Forming a city-county in the City of Los Angeles would not reduce the duplication of services by the City and the County. Rather, it would aggravate the duplication that presently undermines efficiency. At present, the duplication of services falls into three categories:

- Area-wide services provided by both governments, such as regional parks.
- Overlapping service areas near jurisdictional boundaries which divide the service area of a unit such as a police patrol or fire company.
- Administrative services provided by both governments acting as agents for Federal or State programs, such as Senior Citizen and Manpower Programs.

These three forms of duplication would remain. The remainder of Los Angeles County would still be governed, as it is now, by Los Angeles County government, while the City would continue to conduct business as it now does. New forms of duplication would appear, because the City would be required to provide those services currently provided by the County alone, such as public assistance, courts, supervision of parolees and offenders on probation, hospitals, public health protection, prevention and treatment of mental health problems and substance abuse, advisory services to farmers and agricultural associations, agricultural pest control, adoptions, and many others. The escalation in administrative costs would be enormous.

Size

A city-county of Los Angeles could not make city government more responsive than it is now. Unless the size of the representative body is increased to more than 15 members, access to elected officials would remain the same. It could decline because of members' increased responsibilities. The average voting constituency of a city council member would remain at

78,000 people, which would require 80 contacts per day to guarantee access during one four-year term.

The size of the government would increase to accommodate the county functions. This increased size would bring increased managerial complexity. As we pointed out in Chapter III, while we believe large governments can achieve economies of scale by improving management techniques, one of the principal reasons large governments do not achieve such economies is managerial complexity. The geographic size of the city would not increase to include the entire population affected by area-wide problems. Therefore, the city would be no more able to cope with its problems than it is now. In fact, it would be more isolated from the region.

Financing

Taxpayers of the City of Los Angeles presently support nonresidents by providing them free services through such regional facilities as Griffith Park and by providing free economic benefits through the activities of the harbor and the international airport. In addition, 44% of the 3 million jobs in Los Angeles County are located in the City of Los Angeles. Some of these are filled by nonresidents, who thereby benefit from municipal services supporting employment. Thus, to the extent that it chooses to act as an area-wide government, the City "subsidizes" the rest of the region. The table below contains information supporting our conclusion.

Regional Services of the City of Los Angeles

<u>Service</u>	<u>Regional Criterion</u>
Griffith Park	30% of park users come from outside the City
Griffith Park Zoo	60% of Zoo visitors come from outside the City
Central City Library	35% of library users come from outside the City

Regional Services of the City of Los Angeles (cont.)

<u>Service</u>	<u>Regional Criterion</u>
L.A. International Airport	20% of the travel through the airport originated or terminated outside of Los Angeles County
Port of Los Angeles (Harbor)	The harbor generated \$6 billion in the regional economic base in the five-county area in 1976
1984 Olympics	Revenue producing events will take place outside the City of Los Angeles
Employment Base	1.3 million jobs, or 44% of total employment in Los Angeles County, are located in the City of Los Angeles. Since the City has a resident employed labor force of 1.1 million, it supplies at least 200,000 jobs to the rest of the area.

On the other hand, the rest of the region "subsidizes" the use of Countywide services by City residents. Although the City contributes only 43% of the County's total property tax base, only 37% of the total sales tax base, and 37% of the income tax base, the major share of County service clients are residents of the City of Los Angeles. The table below illustrates this point.

<u>County Service</u>	<u>% of Clients From City of Los Angeles</u>
Hospitals	58
Welfare	54
Mental Health	45
Juvenile Probation	45
Probation Camps	38
Adult Probation	35

If the City were to assume County functions, with at most 40% of the tax base, the City's burden would substantially increase because City residents alone would have to provide for their needy people. As the table shows, these people account for 58% of the hospital costs and 54% of the welfare load, which, as with the other services, are now paid for by all county residents.

Mayor Bradley's Ad Hoc Committee on City Finances, comparing the Los Angeles situation to New York's, stated in its 1976 report:

"New York City also functions as a county, and was thus forced to carry many of the burdens that Los Angeles City shares with the more populous and geographically larger Los Angeles County."

The City of Los Angeles is at the center of a vast metropolitan region comprising 10 million people and an area of 30,000 square miles. The proposal to create a city-county government within the present boundaries of the City of Los Angeles would complete the political separation of the City from most of its suburbs and create an urban-suburban situation like that in New York and in many other eastern cities.

Although the population of Los Angeles appears to have stabilized after slight declines in the early 1970's, the net migration of people to outlying areas of the County has continued. The table below summarizes the effects of this migration.

POPULATION CHANGES

<u>Area of County</u>	<u>Population 1970</u>	<u>Population 1976</u>	<u>Percent Change</u>
New County Formation Areas	493,223	537,087	+ 9
San Gabriel Valley	1,239,691	1,260,610	+ 2
Southeast County	664,194	674,806	+ 2
Antelope Valley	78,442	88,543	+13
San Fernando Valley	978,635	1,022,865	+ 5
Remainder of City of Los Angeles	1,913,779	1,842,391	- 4
Remainder of County	1,648,996	1,592,301	- 3
TOTAL 7,016,960	7,018,603	---	

Clearly, the exodus away from central areas of the city is continuing. Moreover, the principal beneficiaries of population growth include such suburbs of the County as the Palos Verdes Peninsula (up 22%) and the Santa Clarita Valley (up 25%). As we noted above, those who move out of the City of Los Angeles continue to benefit from its regional services, while those who remain continue to support most of the cost.

Political separation from the County by the City of Los Angeles is the equivalent of secession from the City or the County by outlying communities. The same situation results from both: a dying central core with declining population, declining tax base, and an increasing proportion of needy population. By seceding from Los Angeles County, the City would become a mirror image of New York City, described as follows by the Mayor's Ad Hoc Committee on City Finances in 1976:

"When businesses leave the city, job holders go with them. When the well-to-do and middle classes move to the suburbs, their places are taken by the less affluent, possessing lower skills and less education. As the tax base of the city declines, the need increases for vastly higher levels of services, such as police, fire, welfare, and health. Indeed, many efforts to reverse the trend become self defeating; higher taxes to provide an increased level of service only hastens the flight of businesses and the more mobile families to areas where the tax burden is less."

Complexity and Fragmentation

The complexity of the governmental system addressing area-wide problems would increase. The region would contain six independent competing county governments instead of the current five. Consequently, the overall responsiveness of the system would decline. By assuming County functions, the City would be increasing its responsibilities to perform functions for which it was not designed.

Summary

We conclude that the formation of the City of Los Angeles into a city-county would have a negative impact on the citizens of the City. City services would remain regional, benefiting non-taxpayers in the outlying areas. At the same time, suburban taxpayers' support for the high-need population of the City would decline. The complexity of the overall system would increase. The end

result would be accelerating deterioration of the urban core. Councilman Bernardi's plan would not solve any problems and would have irreversible damaging effects on the City of Los Angeles.

CHAPTER VIII. METROPOLITAN CONSOLIDATION

Some scholars, professional administrators, and elected officials believe that the principal determinant of inefficiency and unresponsiveness in local government is the number of different governmental units. They believe that a reduction of the number of units of government would promote efficiency and economy in the provision of services by eliminating duplication. They also believe that the resulting financial structure would be more equitable, particularly in fiscal relationships between the major central city and its suburbs. Proponents of this view cite duplication of service as the principal cause of excess costs, and advocate consolidation of governmental units as a solution.

Supervisor Edmund Edelman of Los Angeles County has proposed, as a long-range plan, the formation of a single consolidated city-county for the entire County. His long-range proposal is the equivalent of eliminating the 81 city governments and replacing them with a single countywide metropolitan government. However, Supervisor Edelman makes a strong and clear distinction between long-range political consolidation of all governing units and the step by step short-range consolidation of specific services and functions. That is, he views complete political consolidation as a worthwhile future goal that may not be realizable in terms of practical politics. He views as desirable and practical the functional consolidation of specific services in the short term.

Functional Consolidation

Functional consolidation leaves the current political structure untouched and focuses instead on merging city-county functions, generally under a county, or developing such inter-governmental provider arrangements as contracts between governments, consolidated districts, and joint powers agreements. We

explained these devices in Chapter VI, under Mechanics of Change.

Since it is not clear which services should and can feasibly be consolidated, the Los Angeles County Board of Supervisors has formed the Los Angeles City-County Consolidation Commission to identify functions and services which are reasonable candidates for consolidation. The commission consists of members appointed by the Board of Supervisors, the President of the Los Angeles City Council, the Mayor of Los Angeles, the Association of Independent Cities of Los Angeles County, the California Contract Cities Association, and the Los Angeles County Division of the League of California Cities.

The commission filed its first progress report in October 1978. It has made substantial progress in establishing the need for consolidation and the issues affecting feasibility in such areas as animal control, airports, planning, land use, and building inspection. The commission is continuing research in these and other areas. We present our point of view on the subject of functional consolidation in the hope that the City-County Consolidation Commission will find our conclusions useful and supportive as its work continues.

The key to a realistic approach to functional consolidation is the recognition that, while it may not be feasible to merge entire departments, it may be feasible to merge service components of departments. The problems of jurisdictional boundaries (Chapter II) and the effects of size (Chapter III) differ for the various components of many services. The most efficient service area for crime investigation may differ from that for crime laboratories; neither is likely to resemble the effective area for a police precinct or fire station. On the other hand, all the components of such services as health care, beaches, and criminal prosecution may have the same Countywide service area.

Similarly, public concern over access to local officials depends on the service and its components. It is likely to be higher for police patrols

and fire companies than for crime laboratories and training centers. Thus, city officials and residents may strongly oppose consolidation of entire departments but may support consolidation of service components when it can be shown that consolidation will reduce costs or improve service.

We therefore support the efforts of the City-County Consolidation Commission to identify those service components which can benefit from merger, where the merger of departments is not economical and not politically practical.

Political Consolidation

Political consolidation, as opposed to functional consolidation, would merge all local governments into a single metropolitan unit. Its proponents believe that it would resolve the problems of duplication, size, financing, and complexity which are inherent in the current system.

We disagree. It is true that consolidation would reduce duplication by eliminating jurisdictional boundaries altogether. Instead of improving efficiency, however, this would eliminate the controls on cost and performance resulting from competition and comparisons among community based governments. Similarly, political consolidation would resolve the problems of financing by aggregating all resources into a single tax base and eliminating competing governments. In particular, this would give central areas access to the regional tax base. The price of this access, however, would be to relinquish political control over the use of funds to the majorities in the surrounding suburbs. Paradoxically, the reduced access of communities to elected officials would detract significantly from the value of their increased access to the tax base. Local communities would no longer, for example, control police policy. The performance and behavior of police would be uniform over the entire area.

Political consolidation would result in a serious deterioration of performance. The worst effect would be the

decline of governmental responsiveness resulting from its increased size. The governing body responsible for delivering services would be less representative and accessible than the Los Angeles County Board of Supervisors. At present, the Board delivers direct services to one million people. The metropolitan government would be delivering direct services to at least seven million people. Even a Board enlarged to 38 Supervisors would only be large enough to reduce representation levels to 186,000 people, or about the same as the City of Los Angeles. To guarantee access at the level of Long Beach would require a Board of 180 Supervisors - more than four times the size of the California Congressional delegation and one and one-half times the size of the California Legislature. Any conceivable increase in the Board's size large enough to improve accessibility would be unrealistic.

Performance depends not only on access but also on governmental effectiveness in resolving area-wide problems. Establishing a single metropolitan government in Los Angeles County would do nothing to solve or diminish the area-wide problems which cannot be contained within the boundaries of Los Angeles County. These include water and air quality, transportation systems, and law enforcement. Clearly, a metropolitan consolidation of all governments in Los Angeles County could perform no better on area-wide problems than the current system, since the boundaries would not change. Moreover, it could become even more difficult for the other four counties in the metropolitan area to deal with their largest neighbor. The problems of size would thus increase rather than decrease.

The problem of complexity in the current system results from the misassignment of functions to governmental units not designed to perform them. One of the most severe current examples of this problem is the obligation of counties to deliver direct municipal services in unincorporated urban territory. County government is not designed to deliver direct

services, except area-wide

State services. In a single consolidated metropolitan government, County government would deliver all services. The apparent simplicity of the proposed system would merely replace present complexity with the internal administrative complexity that would be necessary to deliver all services from one central government.

We conclude that creation of a single metropolitan unit of government is not a desirable goal. It would eliminate the community-based city. It would replace all the "we" governments in Los Angeles County with a single mammoth "they" government, accessible to no one and responsible only to a few highly organized groups.

Summary

Functional consolidation of departments or service components is a desirable goal. It can be accomplished through city-county merger or through intergovernmental contracts, consolidated districts, or joint powers agreements. The Los Angeles City-County Consolidation Commission should continue studying these forms of consolidation, focusing on service components as well as entire departments.

Political consolidation of all governmental units into a single metropolitan government is not a desirable goal. Its advantages are illusory. It would not have the necessary geographic size to effectively address area-wide problems. It would replace the community based "we" governments with a single massive "they" government.

SECTION THREE

PROPOSED STRUCTURE AND COMMISSION RECOMMENDATIONS

CHAPTER IX. FEDERATED GOVERNMENT

In this chapter, we explain our preference for a federated government as a desirable structural goal for the Los Angeles area. In the next chapter, we describe the legislative actions we recommend as necessary steps supporting progress toward that goal.

The Federated Structure

In the federated system we propose, the community based city is the basic unit of government. It performs or procures through contract those services which can reasonably be controlled at a local level. At a second level, an area government would address area-wide problems and provide consolidated services to cities on their request. Special districts would be retained where needed to limit the tax financing of a service to the territory benefiting from it. However, all special districts would be controlled by the governing board of one of the general-purpose governments.

As the basic unit of government, cities would control all service functions except those assigned to the area government by the State. Essentially, a city service is any service the community decides that it wants to pay for. Generally, these include services delivered directly to property owners, such as refuse collection, services with a locally contained impact, such as zoning and building regulation, and services where local control of public employee performance is critically important, such as police patrol and fire protection.

Cities would retain the options they now have to deliver services by producing them or by contracting with the area government, another City, a joint powers agency, or a private firm to produce them. The system would provide

for variation among communities by assigning political control over policy and service levels and quality to the cities.

The principal function of the area government is area-wide problem solving. It would assume the functions now performed by such State and Federal agencies as the Southern California Association of Governments (SCAG), the Air Quality Management District (AQMD), and the Coast Zone Conservation Commission. It would address these problems over a single geographic area, rather than over the different areas now covered by these special purposes agencies. The area government could deliver State services, such as public assistance, health care, the courts, area-wide public protection, and food product inspection. It would also control and supply basic services in rural unincorporated areas. In that case, the area government would be an expanded county, consolidating all or parts of the present five counties. On the other hand, the area government could be a metropolitan council and its functions limited to the problem solving and regulatory functions now performed by the State and Federal agencies. In the latter case, the present county governments would retain their service delivery responsibilities.

Other government services could reasonably be delivered either by cities, or on a larger scale by the area government. These include services available to all citizens of the area regardless of residence, such as beaches, cultural centers, and parks; and those with regional social, economic, or fiscal implications, such as tax collection, property assessment, and prisoner custody. Cities would retain the option to deliver such services in any case where the community chooses to finance them. However, the cities may find that such services can be more efficiently delivered or more equitably financed on an area-wide basis. In those cases, the area government could supply the necessary services.

The central feature of a federated government system is that the political decision making authority over the service function of government is vested in community based cities. The only services assigned to the area government by design are State services and services that cannot reasonably be controlled and financed at the community level because of the territorial limitations of cities.

Federation is designed to maximize the degree of local community control over services available within a system which can also effectively address regional and area-wide problems. It would extend functional consolidation of service components without diminishing local political control. All developed territory would be part of a city and participate in local policy control within that city. The city, through its elected representatives, could make local decisions on its level of participation in contract services, consolidated districts, and joint powers agencies.

Federation is also designed to maximize the ability of the area government to establish policy on issues of area-wide concern. Thus, in a federated system, the area government would set standards for minimum levels and quality of service in local matters. In this way, the potential regional impact of locally provided services such as zoning could be controlled.

This, we believe, is the general framework which should govern the assignment of services and functions among the community based governments, the counties, and the area government. Until the political structure is rearranged, it is inappropriate to attempt a case-by-case assignment of specific services and their components to one or the other level of government. These decisions should not be made on an a priori basis. They will be made by the jurisdictions themselves - not always in a uniform manner, since some cities may provide certain services, others may contract with the area

government, and still others may contract with the private sector or set up a joint powers agency. Thus, these decisions will evolve as a necessary part of the change process in the establishment of a federated structure.

Establishing a Federated Structure

Local government in the Los Angeles metropolitan area has the basic ingredients of a federated system. In Los Angeles and the other counties, the contract city system, the consolidated district system, and the unified Sanitation Districts system are effective models of federation. They provide community based cities with the means to purchase countywide services or service components while retaining the decision making authority of the local community. However, the local government system in the Los Angeles metropolitan region diverges from federation in significant details. The community based city is not the basic unit of government everywhere in urban areas. Each of the five counties delivers direct services in developed unincorporated areas and is thus the basic unit of government for residents there. In addition, the City of Los Angeles is so large that it operates more as a supplier of area-wide services than as a community based decision-maker for its residents. The City consists of multiple communities, none of which has a community based government. Although each of the five counties is large enough to produce services on contract to cities, none is geographically large enough to solve area-wide problems. Finally, the area-wide State agencies have sufficient jurisdiction to address area-wide problems but do not qualify as governments. None has an elected governing body, and each is a special purpose agency which has the legal authority to address only one problem and cannot consider priorities among problems, their interactions, or local diversity.

Establishing a federation in the Los Angeles metropolitan area would therefore require the following changes:

- Counties would stop supplying services directly to residents in urban areas, except State services.
- The City of Los Angeles would establish community based governments.
- All governments in the metropolitan area would cooperate to form an area-wide unit to assume the function of area-wide problem solving.

Although the required changes are stated in functional terms, they represent fundamental territorial changes and shifts of political power. The only way a county can divest itself of the responsibility to provide direct services is by eliminating unincorporated territory. Community based cities can be established in Los Angeles City primarily by secession of communities from the city or by the formation, within the City, of neighborhood councils of government. Forming an area government will require either establishing a new form of multi-county government or consolidating the present counties in the area.

We present a discussion of the details of our federation proposal in the sections below.

Unincorporated Areas

Federation of the system of government will require the elimination of developed unincorporated territory. Otherwise, county government must continue to provide direct community services - a job, we have stressed, for which it was not designed.

Undeveloped, sparsely inhabited county territory need not be in cities. Since the population of such areas is small, county government would be less inaccessible. The mountain and desert areas involved are so vast that the inefficiencies created by jurisdictional boundaries are minimized. Development

and population density in such areas would not be sufficient to support a city government in any case. However, if these areas become developed In the future, some provision must be made to insure that they are either incorporated as cities or annexed into existing cities. Until such time, the counties or area government would continue to provide them with necessary government services.

The question remains, which developed unincorporated areas should be incorporated as cities and which should be annexed? Local Agency Formation Commissions (LAFCOs) in Los Angeles County and elsewhere have completed studies to determine which cities should annex adjacent unincorporated communities. These "sphere of influence" studies provide some guidelines on balanced programs of annexation and incorporation under the present financing system. Present law requires cities or unincorporated communities to initiate the processes of annexation and incorporation. We believe that the decisions should be based on LAFCO "sphere of influence" determinations as a guide for the allocation of unincorporated areas among existing and new cities.

The City of Los Angeles

In its present form, the City of Los Angeles is a serious impediment to the feasibility of government federation. It is in no sense a community based government. Moreover, it competes with the counties to supply area-wide services, and the influence of its economic decisions is felt throughout the five counties.

Division of the City into community based units would require mechanisms to decentralize political decision making power to its diverse communities. This can be accomplished in two ways - by secession from the City or other division of the City into two or more smaller cities, and by development of neighborhood governments or boroughs within the current political structure of the City.

Los Angeles City government and its residents will remain solely responsible for tolerating the continued Inaccessibility of the City officials and the inequity of its area-wide services. No State or county agency can assume responsibility for the City of Los Angeles. The City itself has the power to decentralize political decision making by establishing neighborhood governments or a borough system. The City also has the power to divest itself of its area-wide functions by delegating them to the area government.

We therefore believe that the details of implementing federation within the City of Los Angeles should be left to the City. As federation is established in the remainder of the metropolitan area, the performance of the City of Los Angeles will be compared to that of other cities. We would therefore anticipate increased frequency of popular secession movements if the City fails to act to correct its internal political structure.

The Area Government

The principal function of the area-wide government in a federation is problem solving. Those problems created by the interdependence of urban society and by the geophysics of the region extend far beyond the jurisdiction of the community based city government. They also extend beyond the jurisdictions of the City of Los Angeles and beyond any one of the counties.

Area-wide State agencies such as the Air Quality Management District (AQMD) and Coastal Conservation Commissions; city-county joint powers agencies, such as the Southern California Association of Governments (SCAG); and single county agencies, such as Transportation Commissions and Health Systems Agencies, are at present the only governmental units addressing area-wide problems.

These agencies have three major deficiencies which degrade their performance. First, each is a special purpose agency or district. No organization coordinates, for example, the related functions of air quality management,

transportation system planning, health care, and pest control. Second, each of these agencies serves a different geographic area. Third, none of these agencies is directly accountable to the public for its performance, because none has an elected governing body. Each instead has an administrative staff which coordinates the inputs of those placed on the governing board from several competing member jurisdictions. If federation is to succeed, the area government must be designed to correct these deficiencies.

In addition, area government should be an organization capable of strong interactions with the State and Federal governments. First, in the aftermath of Proposition 13, the importance of State and Federal financing for local programs will increase. Controls and regulations affecting local ability to resolve problems will accompany the dollars. Only organizations with the experience to negotiate with State and Federal agencies will be capable of insuring that regulations imposed as conditions of financing will not weaken the effectiveness of problem solving efforts. Second, the agencies now assigned problem solving functions were designed and established by the State. A strong relationship with the State will be required for continuity.

The detailed design questions then are: (1) What form of government should be assigned the area-wide function? (2) What geographic area should it cover?

The Form of Area Government

The alternative forms of area government include a joint powers agency formed by the five counties, a new metropolitan council formed by the electorate of the five counties, and a new county formed by consolidating all or parts of the five counties.

A joint powers agency formed by the five counties would be governed by a Board of Governors, consisting of one or two members from each Board of

Supervisors.

A new area-wide government formed in the territory covered by the five counties would not necessarily involve the county governments. For example, some experts have recommended election of the Board of Directors of SCAG. Alternatively, an area government could be created independent of SCAG. For example, the electorate of three counties in the Portland, Oregon, area recently formed a new government and assigned all area-wide responsibilities to it. A governing board of 12 members is directly elected by the voters of the three counties.

A new county formed by consolidating all or parts of the five counties in the metropolitan area could be organized as a general law county but is much more likely to require a new charter. The new county would not differ as a legal entity from any other county. Because of its size, however, and because of its federated relationship to the community based cities, its new charter should contain provisions for a structure - such as an expanded board of supervisors - specifically designed for its unique role in the federated system.

The final choice of the form of area government will be a matter of public vote. We discuss here the advantages and disadvantages of each form.

A joint powers agency formed by the five counties would correct two of the three major deficiencies in the current system. It could be designed to address all problems and their relationships over the same five-county geographic area. Thus, it eliminates the need for the single purpose area-wide agencies which are now independently addressing these interrelated problems. Second, it would unify the approach to these problems over the same geographic area. The State was forced to create the single purpose agencies because counties had no multi-county administrative structure to perform the functions.

A further advantage is the feasibility of almost immediate implementation. It would require development and acceptance of a joint powers contract by the five county boards of supervisors. It would require that the State delegate to the new organization the functions of the special purpose agencies. These goals are attainable because they don't require the major effort of a general election and because they do little to disrupt the present territorial powers of each county.

The joint powers approach, however, does not solve the third problem - direct political control by the electorate over area-wide problem solving and its costs. That is, it would not be an elected, general-purpose government, but would depend on the voluntary cooperation of and participation of member jurisdictions. The voluntary nature of its membership, from competing jurisdictions, would be a significant weakness. The Southern California Association of Governments (SCAG), the current area-wide joint powers organization, is subject to membership withdrawal by all 150 of its members. Recently, when SCAG released plans calling for dispersal of low income housing throughout the area, several cities withdrew their membership and others continue to threaten withdrawal.

In addition, a joint powers agency formed by the five counties would have the significant problem of consolidating area-wide regulatory powers without providing participation or an appeals mechanism for the city governments.

An area government formed by directly electing its governing board would have the same advantages as a joint powers agency. Unlike joint powers, it would resolve the problem of accountability to the electorate. This form would also have the advantage of leaving the five present county governments intact with their experience in providing the social, health, welfare, and environmental services designed to meet the particular needs and desires of their citizens.

The new government. would have two major disadvantages. First, it would create another layer of government, thus increasing the complexity and cost of governmental systems. Second, the new layer would not be a county and could not have the unique ability of counties to act as administrative units for the State. Consequently, counties would continue to act unilaterally whenever authorized to do so by the State. Counties thus would have the power, guaranteed by the State Constitution, to make the new metropolitan unit ineffective.

County government meets most of the requirements for an effective area government in a federated system. It is designed as an area-wide agent of the State. It has experience in delivering State programs under the constraints of State and Federal financing. It has an elected governing body and is accountable for its performance. It can unify programs and area-wide responsibilities for all related problems under a single governing board. It is experienced in contracting with cities.

Using county government would also have disadvantages. First, none of the five current counties is large enough geographically to address area-wide problems. Second, this would involve mixing the additional area-wide problem solving and regulatory functions with the already significant county responsibilities to deliver State services designed for their particular needs. Third, the participation of city governments in area-wide policy setting could be weakened.

It is clear that overcoming these disadvantages - if they can be overcome - would take a long time. All or part of the five counties would have to be consolidated. It would require major election efforts in the whole area. A new charter would have to be designed; the roles, responsibilities and protection of city governments would have to be agreed on; boundaries

would have to be determined; and a new county seat would have to be selected.

Thus, although we prefer a new county as a long-term design goal in a federated system. the more practical goal may be a metropolitan council which leaves the present counties intact as service providers.

In any case, the most appropriate goal may only be reached if all governments in the area cooperate in a series of interim steps.

The first step should be that all governments petition the Legislature to establish a multi-purpose agency in the region with the principal purpose of developing into an elected area government. Subsequent steps would require the agency to determine most appropriate long-term forms of an elected area-wide government and would require the Legislature to assign the responsibilities of the present area-wide special purpose agencies to the new organization.

The Area-wide Territory

The area government must have jurisdiction in an area covering more than one or two counties in the Los Angeles metropolitan area. The developed areas are highly inter-dependent. Approximately one-third of all trips originating in Los Angeles County terminate in one of the other four. Approximately 16% of the travel originating in the other four counties terminates in Los Angeles County. Approximately 20% of the travel through Los Angeles International Airport originates or ends in the other counties. Workers from the other four counties fill approximately 200,000 jobs in Los Angeles County, while some 65,000 workers from Los Angeles work in the other four. In addition, 7,000 workers from Riverside and San Bernardino Counties commute to Orange County. The evidence thus shows that the metropolitan area extends over Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties.

Although little information is available to determine the geographic extent of these interactions, we suspect that it is contained within the urban

area of the five counties. Commuting between Los Angeles County and the San Bernardino-Riverside area more likely reflects interaction between the Claremont area and the Rialto-Corona area than interaction between Santa Monica and Needles or Blythe.

On the other hand, it is common knowledge that there is some interaction between the Los Angeles urban center and remote parts of neighboring counties. People from the urban area own land and take recreation along the Colorado River. Students of desert ecology from Los Angeles do not pause at the San Bernardino County border. The regulatory actions of San Bernardino and Riverside Counties do not exempt rock hunters, owners of motorcycles and snowmobiles, or mountain climbers from the other three counties. Therefore, those problems of environmental protection which can be attributed directly to recreational travel extend well beyond the area contained by developed urban territory of the five counties. Initially, socio-economic criteria should lead to a definition of the metropolitan area that excludes little, if any, of the territory now covered by the five counties.

Such geophysical criteria as watersheds, air sheds, mountain ranges, and valleys could lead to boundaries substantially different from those based on socio-economic interdependence. As we explained in Chapter I, each of the State agencies currently addressing area-wide environmental problems has different boundaries. The Coastal Zone Conservation Commission includes Los Angeles and Orange Counties, while the Air Quality Management District covers Los Angeles, Orange, Riverside, and San Bernardino Counties.

The boundaries of these State agencies were established by the State as sub-state districts. Since each agency has a special purpose, shared with similar agencies elsewhere in the State, the sub-state boundaries were established for the convenience of State officials administering the program. Most

important, they are based on criteria peculiar to the special purpose of the agency. For example, such topographic features as mountain ranges have significant effects on the movement of air masses and pollutants. Consequently, the boundaries of sub-state air basins coincide with major ranges. It is reasonable for those administering air quality programs to separate counties or parts of counties into different sub-state regions depending principally on the location of mountains. Similarly, those administering coastal programs could not reasonably include such landlocked counties as Riverside and San Bernardino in any sub-state district. Those concerned with health care planning must base their decisions on the central political role of the present counties in health care delivery.

The determining factor in each case is the single purpose nature of the agency. The boundaries of a multi-purpose jurisdiction responsible for air quality management and coastal conservation would be based on a compromise among the technical criteria best for each. The question then is: What criteria should be used to establish the boundaries of a multi-purpose jurisdiction responsible not only for air quality and coastal conservation but also for desert conservation, mountain conservation, water quality, transportation, health care, and problems of the aging?

The final boundaries of the jurisdiction cannot reasonably be prescribed at this time. Too little is known about the interactions among the various problems of environmental quality, conservation, health, and the state of the economy. Nevertheless, we believe that enough is known to show that these problems are not independent of one another or of the activities of the population they affect. The emphasis must shift from technical administrative criteria to political criteria. That is, boundaries must be based on the population affected by the problems rather than on the geophysical features believed

to be important by technicians administering current single purpose programs in each problem area.

The territory of the interim multi-purpose jurisdiction should be the entire area covered now by the five counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura. The populations of those five counties are the most affected by the problems and include most of the people whose activities cause the problems. The boundaries of the federation may change as new approaches to the problems are developed and criteria based on their interrelationships become better understood.

Advantages of a Federated Structure

A federated system would provide the community and its political leaders with a structure in which the problems of duplication, size, financing, and complexity can be minimized.

By placing decision making responsibility to control services and their costs with community based cities, federation would accelerate the use of currently available intergovernmental methods of reducing service duplication. Cities would retain the full range of options in selecting efficient and effective means to produce services. Functional consolidation, through merger of area-wide services or through intergovernmental agreements, may become more attractive. Currently, city governments tend to resist functional consolidation because they view it as a prelude to full scale political consolidation. In a federation, the integrity of the community based city government would be unassailable. The cities would plan, set standards, and arrange to finance each service. The area government would supply it on request. The cities would yield no political power over policy and no control over the levels, quality, and cost of service.

On the other hand, nothing in the design of a federated structure would force any city to consolidate in order to reduce duplication caused by its boundaries. City governments which do not take advantage of improved efficiency when available through contracting or joint powers would be subject to censure by the local community, which would be paying higher costs than the citizens of cities using these more efficient options.

Until the passage of Proposition 13, the pressure of taxpayer dissatisfaction has not been sufficiently severe to overcome the reluctance of many city officials to take advantage of these arrangements. Today, any city official who recommends cutting services rather than seeking economies is bound to incur political risk.

Finally, federation would eliminate the present duplication of regional services by the City and County of Los Angeles. No one, of course, except its own citizens could force the City of Los Angeles to stop providing such regional services as parks, the harbor, and the airport. The City's citizens would have the choice of how long to tolerate these inequities. However, the Federal and State governments would likely allocate to the area government the responsibility to administer their programs. In this way, federation could reduce the absurd inefficiencies of two regional agencies competing to provide identical administrative services in the same area.

The problems of size would be less severe in a federated system, because each government would be performing functions suited to its size. The accessibility of elected officials makes the small cities the most responsive form of local government. They provide citizens with the broadest range of public choices in selecting a living environment - from the moderately industrialized, diversified city to the residential city formed to maintain local control of land use and zoning. Federation would provide these "we" governments

with the organizational, technical, and financial resources to provide community services and to cooperate in addressing contemporary social and environmental problems.

By placing all responsibility to provide local services on these cities, the federated system would improve access to local elected officials, thereby increasing the responsiveness of government. The multiplicity of cities would also act as a control on governmental costs and policies. Cities would continue to compete with one another to provide the level and quality of service required by the community, at a cost acceptable to the community.

The area government would also be placed in a competitive arena. Those cities contracting services from the area government could demand economy and efficiency, since they could always exercise the choice of providing the service themselves or contracting from another city or a private firm. They would be in an appropriate position to determine how effective and efficient the area government services are. Thus, While the area government would continue to have the characteristics of a "they" government to the public, its performance to a large extent in delivering services would be controlled by the "we" governments. The resulting pressure on the area government to improve efficiency and reduce costs should create strong incentives for the management system improvements necessary to enable this large government to benefit from economies of scale.

Federation would unify the functions concerned with area-wide environmental and social problems in a general purpose organization with the necessary geographic size. Federation would thus free the metropolitan area of State dominance over problem solving functions. Priorities and policies in these areas would be unified and established for the Los Angeles metropolitan community by officials from the area, rather than by distant and inaccessible State administrators.

Federation would also provide a structure in which financing problems could be resolved. State legislation to modify the financing system will be required. We cannot predict whether the financing formulas adopted by the

Legislature will promote structural change or merely continue to finance the present structure. We treat this subject in more detail in the following chapter on recommendations. We should note, however, that community based cities would retain the decision making power to determine the level and quality of services they can pay for with local resources. State services assigned to the area government or to the counties would be financed by the State.

Federation would reduce the complexity of the local government system by insuring the assignment of governmental functions only to units designed to perform them. Counties, in particular, would no longer provide urban municipal services except when under contract to a city or within the framework of a consolidated district system with voluntary membership. The point of access to the system for every citizen of a developed area would be the community based city. Federation would thus simplify the governmental system. Clear delineation of the responsibilities of city governments and the area government would reduce duplication and insure the allocation of functions to the governmental units best designed to perform them.

Summary

In a federated system, the community based city is the basic unit. All urban territory is in such cities. The area government supplies services to cities on their request and according to their specifications. In addition, the area government would assume all area-wide problem solving functions.

The local government system in the Los Angeles metropolitan area has the basic ingredients of a federated system¹ but diverges from federation in significant details.

Effective federation in the metropolitan area will require the elimination of unincorporated urban areas, the establishment of community based units within the City of Los Angeles, and the establishment of an elected, multi-purpose government responsible for area-wide problem solving.

CHAPTER X. RECOMMENDATIONS

No single government body or organization can alone effect the changes discussed in Chapter IX necessary to progress toward a federated system of local government in the Los Angeles area. Full realization of the goal will require a number of elections on incorporation, annexation, and consolidation. Boards of supervisors of the five counties, the city governments, and the State Legislature can take the lead in action encouraging and supporting progress toward the goal of federation.

This chapter contains seven recommendations directed toward initiating this process.

Local Governments

The Ventura County Board of Supervisors has adopted an explicit policy on urban governance. The Board developed the policy jointly with the County's Local Agency Formation Commission and Regional Planning Department. The policy declares that all urban territory should be in cities and establishes a system of intergovernmental agreements to strengthen the role of cities in the governance of the area.

Los Angeles County and the others lack explicit policy on the structure of urban government for the Los Angeles metropolitan area. The boards of supervisors should adopt explicit policy supporting federation as a goal. Then, as specific proposals come before the boards or the Legislature for action, their effects can be evaluated in terms of this policy, insuring that the decision makers will have appropriate information to adopt or reject the proposed action.

To support the goal of federation, each county's principal long-range

objective should be to insure that all urban territory is in cities. The boards have jurisdiction to cooperate with cities requesting annexation of unincorporated islands less than 100 acres in size. While the boards have no direct jurisdiction to require annexation of larger areas or incorporation of any areas, they can take specific steps leading to those results. All such steps are methods of reducing the scope of county activities in unincorporated areas.

We emphasize again that the basic elements of federation are present in the current local government system. Effective current models include the contract city system, the consolidated district systems, and the unified Sanitation Districts system in Los Angeles County. Similar systems are operating in Orange County and, to some extent, in Riverside and San Bernardino Counties. Our recommendations are not directed at interfering with such systems, but with promoting their continued area-wide development in order to insure orderly progress toward federation.

The principal need is for political leadership from the county boards. They can provide it only if they adopt clear policy and enforce it.

The six recommendations in this section cover the actions which local governments should take to promote the development of a federated structure.

RECOMMENDATION 1

Counties should contract with city governments to provide municipal services for which the county is responsible in developed unincorporated areas adjacent to or within a city when such contracting would improve the economy and effectiveness of the service.

County governments are responsible for delivering services to inhabitants of unincorporated areas, even when the area is within or adjacent to a city that provide the same service. In some cases, county personnel must travel

through a city, past city facilities, to provide the service. For example, Los Angeles Sheriff patrol cars serving unincorporated areas within Claremont travel as far as seven miles, while the City's police station is one and one-half miles away.

Counties could reduce such inefficiencies by contracting with the city to deliver the service. At the same time, residents of the unincorporated areas would be gradually introduced to the quality and efficiency of city services and to the advantages of city accessibility. In such cases, if the service is satisfactory, residents should be better prepared to support annexation to the city when proposed. Thus, by contracting, the boards would be improving efficiency and, more important, supporting progress toward a federated system of government.

Such "reverse contracting with a city government may not, of course, always maximize efficiency. It may be more effective in some cases for the city to contract with the county or for the city, the county and neighboring cities to establish a joint powers agency or special district to provide the service to the entire area.

The choice among these alternatives must be based on a case by case evaluation of the potential effects of each. Reverse contracting with a city government should always be considered as an alternative. It should be favored over the others when feasible, because it supports the goal of federation.

The counties will continue to provide services in rural areas. County government was designed to provide for the needs of residents in such areas, and can provide them equitably using a special district system. The decision of which areas in the county can reasonably be considered rural under contemporary conditions should be based on "sphere of influence" determinations of the Local Agency Formation Commission (LAFCO).

Before federation can be achieved, county government must divest itself of all direct service responsibility in urban areas, except for the State services it is designed to deliver. A policy of reverse contracting would provide a simple and effective way to progress toward this goal.

RECOMMENDATION 2

The boards of supervisors should adopt LAFCO recommendations enabling cities to annex unincorporated areas without an election, when permitted by the Municipal Organization Act of 1977 (Government Code, Sections 34300 et seq.).

We recommend that the boards approve all such annexations, when LAFCO recommends approval, after the required public hearings. The LAFCO recommendation means that its analysis shows that residents of the affected unincorporated area would benefit from city services. Therefore, board disapproval of such an annexation would be entirely inconsistent with policy objectives supporting governmental federation. Los Angeles County's experience with island annexations has so far been positive. The City of Claremont has annexed three small islands without significant voter opposition, and the City of Glendora has annexed eighteen. However, some island annexations may be protested by the property owners affected. They may protest because they fear adverse zoning action by a city, even though a city may assure them that it will not act to change the zoning of their property.

It will require strong and effective leadership by the boards of supervisors in all such cases to act in the public interest to approve annexations rather than cater to the fears of a few landowners with special interests. The fact is, the law now allows orderly progress toward elimination of unincorporated urbanized areas. The boards of supervisors must take advantage of that process if we are to develop an effective system of government in the Los Angeles metropolitan area.

RECOMMENDATION 3

In areas which are too large or improperly located to qualify as islands but too small to qualify as newly incorporated cities, the boards of supervisors should encourage annexation to cities as recommended in LAFCO "sphere of influence" findings.

The boards of supervisors have no direct role in this process. However, they can exercise forceful leadership to encourage annexation. First, they can encourage cities and city councils to initiate proceedings when LAFCO sphere-of-influence studies indicate that an unincorporated area should be annexed. Second, they can encourage residents and landowners of the area to support annexation by disseminating information showing that the annexation is in the residents' best interests and in the interest of the area as a whole. Finally, if the issue is brought to an election as required by law, the boards can support annexation and take an active part in seeking public support.

Bloomington in San Bernardino County and Ladera Heights and Lennox in Los Angeles County should not remain unincorporated. These and similar areas are adjacent to or surrounded by incorporated cities. It is absurd for the counties to continue providing direct services to these areas, in some cases from miles away, when an adjacent city could provide services. The most effective way for counties to eliminate this source of inefficiency and unresponsiveness is to support annexation of areas where incorporation of a new city is not feasible.

RECOMMENDATION 4

The boards of supervisors should actively support incorporation of new cities where it is feasible, desired by major community interests, or in the public interest, when consistent with LAFCO recommendations.

LAFCOs have successfully halted incorporation of special interest cities with boundaries that enclose only revenue producing areas and exclude

areas with a high need for service. They have also halted incorporation efforts by communities that are unable to show that a new city would be economically viable. On the other hand, LAFCOs have approved responsible incorporation efforts for election. Recently, Lancaster, La Canada, Flintridge, La Habra Heights, Rancho Cucamonga, and Rancho Palos Verdes have incorporated with voter approval. Attempts to incorporate East Los Angeles, Malibu, and West Hollywood have failed at the polls.

Boards of supervisors have a de facto role in incorporation proceedings, particularly after the LAFCO has approved an effort for election. If the board, or the supervisor from the area, is opposed or neutral, then forces opposed to incorporation can gain enough strength to defeat it. If, on the other hand, the board and the supervisor representing the area support incorporation, the effect will be positive. Such support would weaken the effectiveness of county institutions and organizations opposed to incorporation. It would also bring to the campaign for incorporation the persuasive power of an elected official from the area.

Supervisor Baxter Ward publicly supported incorporation of Lancaster and La Canada-Flintridge; these incorporations passed. We do not claim, of course, that the success or failure of incorporation at the polls depends solely on the attitude of the supervisors. We believe, however, that the attitude of the supervisors can have a significant effect.

The boards of supervisors could also accelerate the process of incorporation by taking an active part in initial proceedings. The law allows a Board to initiate proceedings by resolution. The boards could, therefore, renew efforts to incorporate communities where LAFCO has recommended it but the voters have defeated it. Then, the nature and intensity of opposition to incorporation could be reviewed and analyzed during the hearings on the subject.

Once the specific reasons for opposition are known, design of the incorporation proposal could be modified to reflect necessary changes.

We are confident that adoption of specific incorporation policy by the boards would lead to significant progress toward incorporation of viable cities and eventual area federation.

RECOMMENDATION 5

The boards of supervisors should encourage formation of Municipal Advisory Councils and Area Planning Commissions in unincorporated communities where incorporation of a new city is impossible or annexation is prevented by strong opposition.

In such areas as Diamond Bar, East Los Angeles, West Hollywood, and Newhall-Valencia, incorporation efforts have failed at the polls or been disapproved by LAFCO. In addition, annexation of these areas to adjacent cities is unfeasible or so strongly resisted that it is impractical. In these cases, State law permits several methods of local self-determination which fall short of full city incorporation but nevertheless allow for an elected local body which interacts with the County Board of Supervisors. The easiest of these to implement are the Municipal Advisory Council and the Area Planning Commission.

A Municipal Advisory Council (MAC) is a community group formed to advise the Board of Supervisors on the needs and status of residents of an unincorporated community. Members of a MAC may be appointed by the Board or elected by the community. An Area Planning Commission (APC) is similar to a MAC, but has specific powers to produce and recommend a general plan and to decide on zoning and subdivision matters subject to appeal to the Board of Supervisors.

In 1977, there were 19 MACs in the five county area. Most operate with voluntary resources and spend no funds, although a few have a locally

financed budget. Fourteen of the 19 MACs operate in San Bernardino County. They represent communities ranging in population from Wrightwood, with 1300 people, to Bloomington, with 12,000. Three MACs are active in Ventura County. Their communities range in population from 2300 to 17,600. One MAC is active in Orange County. It represents the 33,000-person population in Mission Viejo.

Los Angeles County has had experience with one successful MAC and with several unsuccessful attempts to form others. The successful MAC represents the community of Diamond Bar, in the southeast corner of Los Angeles County's First Supervisorial District (Supervisor Schabarum). Its 1976 population was 33,750, including about 9,200 voters. The best example of an unsuccessful attempt to form a MAC was in the Canyon County area, where community leaders rejected the proposal to consider a MAC. Instead, the public in Canyon County (northwest Los Angeles County) petitioned for new county formation, after Supervisor Ward rejected their proposal to form an APC.

MACs and APCs provide an initial form of community based government in unincorporated areas that cannot readily be incorporated as a city or annexed to a neighboring city. Official status in the community gives each credibility with the county board of supervisors. Whether elected or appointed, its members are in a position to represent the community before the board of supervisors, before the councils of neighboring cities, and before other elected officials. Thus, the MAC or APC functions principally as an organizing forum within the community to accomplish what is needed locally.

MACs and APCs have two principal advantages in areas where incorporation is unfeasible or untimely. First, they can help resolve the severe responsiveness problem of County government providing direct service in unincorporated areas. For example, the 33,750 residents of Diamond Bar amount to only 9.4% of the 358,000 citizens of unincorporated territory in the First

Supervisorial District of Los Angeles County. Before formation of the MAC, the residents' interests were represented by 72 separate community organizations. The MAC coordinates and unifies these organizations, and provides the residents with a single voice before the Board of Supervisors, with the legitimacy derived from an elected membership. Since the Board of Supervisors formed and supports the MAC, it can respond more effectively to it than to communities with more fragmented representation. Those we interviewed reported significant improvement in County responsiveness after formation of the MAC in Diamond Bar.

The second advantage is that the MAC can improve the performance of County agencies serving the area and of other agencies whose actions influence the area. For example, the Diamond Bar MAC reports significant upgrading of police services, zoning services, and street maintenance since its formation. In addition, the activities of two neighboring cities, Walnut and Pomona, of two school districts, various water agencies, and numerous other districts can have an impact on Diamond Bar. The MAC has worked to coordinate the activities of these agencies with County agencies, where joint action can benefit the Diamond Bar community.

The feasibility of forming effective MACs and APCs has declined since passage of Proposition 13. While the counties can adopt and pursue a policy of formation, they are unlikely to commit direct funding to support MAC or APC activities. Further, the scarcity of staff to carry on routine county functions will reduce the availability of staff support for them. Thus, any new MAC or APC will depend on voluntary community resources for the major part of its work.

The lack of monetary and staff resources should not prevent the counties from forming MACs or APCs. All but one of the 19 MACs in the area have been operating effectively with community resources. In any unincorporated area with active community organizations, there should be sufficient interest

in the voluntary sector to support a MAC or an APC. The influence of the county supervisor representing the area could be a dominant factor ensuring its effectiveness.

We believe that MACs and APCs would benefit the citizens of all unincorporated county territory and provide a reasonable first step toward eventual incorporation or annexation to adjacent communities. They bring government closer to the people by providing a single reference point that the county supervisors can use to determine community priorities and needs. We therefore recommend that the boards of supervisors vigorously pursue an active policy to encourage MAC and APC formation in the unincorporated communities within their districts.

RECOMMENDATION 6

All county, city and district governments in the five county region should petition the Legislature to establish a multipurpose agency in the region with the principal purpose of developing into an elected area government.

The policy to improve local responsiveness and efficiency by eliminating unincorporated territory, outlined in Recommendations 1-5, will not by itself resolve the structural problems of the local government system. Although the service delivery functions will be assigned to governments designed to perform them, no elected general-purpose government will function to solve area-wide problems until some government is formed whose jurisdiction corresponds to the area affected by the problems.

That government must also have sufficient authority to address area-wide problems. That is, it must assume the responsibilities of the special purpose agencies now addressing them, namely, the Southern California Association of Governments (SCAG), the Air Quality Management District (AQMD), the Transportation Commissions, the Coastal Zone Commissions, the Transit Districts,

and the Health Systems Agencies. These organizations have been created and given power because counties, as presently structured, are not equipped to address regional problems. Thus, while metropolitan problems have accompanied the development of a metropolis, the evolution of governmental forms to address them has not kept pace. State agencies perform area-wide governmental functions without the direct popular control which limits the powers and activities of general-purpose city and county government.

We will not have a valid approach to solving regional problems until all governments are accountable to the electorate. Independent creatures of the Legislature cannot be effective because they are not accountable to the electorate and depend on intergovernmental cooperation and coordination. Consequently, the public should call for development of sub-state regions, one of which should incorporate all or most of Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties. The State Council on Intergovernmental Relations (now the Office of Planning and Research) made progress in defining meaningful geophysical regions, and SCAG and other Councils of Government have the essential background for defining regions based on socio-economic criteria.

Developing such a government will require deliberative, cooperative processes involving boards of supervisors, cities, and districts in each county. As we explained in Chapter IX, the long-term solution is likely to be a new county. However, formation of a new county by consolidating all or parts of the five counties will involve numerous controversial and time-consuming steps, each of which must secure approval of the affected electorate. Among these are development of a charter, establishment of boundaries, agreement on a county seat, and development of organizational details.

The urgent need for immediate action can be met most effectively by

formation of an area-wide multi-purpose agency. The specific purpose of the agency should be to exercise powers related to the problem solving function of government. The intent of the agency should be to assume the powers and functions of SCAG and the other State or Federal created special purpose agencies. The multi-purpose agency cannot perform these functions until the State Legislature dissolves these special purpose agencies and assigns their functions to it.

Our proposal would not involve the 1,604 public agencies in the area, many of which are governed by cities or counties. It would include the five counties, 147 cities, and 300 independent special districts - a total of 452 public agencies. It may seem impractical to expect even this number of agencies to cooperate in determining the organizational structure, governing board and powers of the multi-purpose agency. It should be recognized that the League of California Cities, the Special District Association of California, and the County Supervisors Association of California represent highly organized institutional forums for the development of unified positions and their presentation to the Legislature.

Development of an elected area-wide government is essential to effective federation. It will not destroy local control and home rule, as its opponents fear. It will strengthen local democratic control by eliminating appointed agencies that now threaten local governments. The most effective interim form that the area government can take is a multi-purpose agency formed by the Legislature.

State Government

The Legislature has the authority from the Constitution to establish uniform procedures governing the formation, consolidation or dissolution of counties and cities, and to establish laws governing taxation, including

collection and distribution. Over the next decade, the major task of the Legislature in this regard will be to implement Proposition 13. In order to deal effectively with the new financial situation created by Proposition 13, we believe that development of federated governmental systems in urban areas should be a principal legislative goal.

To support this goal, the Legislature should create fiscal incentives and sanctions encouraging incorporation or annexation of unincorporated areas. It should strengthen the local decision making processes to expedite incorporation, annexation, and consolidation. It should create incentives to encourage the formation of area-wide governments.

Our recommendations incorporate specific steps that the Legislature can take to initiate progress toward federation. However, the key recommendation affects legislative process. New laws will be developed through a process of legislative deliberations, hearings, and compromise. Specific recommendations are therefore less important than the process designed to formulate them as law.

Although the Legislature has passed several laws governing the formation, annexation, dissolution, and consolidation of cities, counties, and special districts, the laws are not organized into a coherent and integrated program. The Legislature lacks explicit and comprehensive policy on the governance of metropolitan areas.

Moreover, the Legislature lacks an effective internal structure insuring high priority oversight of urban government structure. The Assembly and the Senate have standing local government committees which consider legislation affecting local governments and recommend action to the Legislature. However, the Legislature has no joint committee considering the overall problems of local government and developing a program to effect structural change.

RECOMMENDATION 7

The Legislature should establish a joint standing committee to hold hearings, conduct studies, and propose legislation encouraging the development of federated governments in metropolitan areas.

The San Gabriel Valley Association of Cities made a similar recommendation in 1977, after rejecting the proposal of a group of its members to begin a petition drive for secession from Los Angeles County; The Association was concerned with County government and the relationships among counties and cities. It proposed that a joint standing committee undertake a comprehensive analysis of the structure of local government and recommend changes to the Legislature.

The League of California Cities also adopted a resolution at its September 1977 conference, calling for the formation of a joint legislative committee to study the organization of urban counties.

We propose that the committee first establish and recommend a legislative finding of policy that supports federated systems in metropolitan areas. Subsequently, the committee should focus on the most effective means to achieve that end. In particular, the committee should evaluate all proposals for implementing Proposition 13 in terms of their implications for governmental federation in urban areas.

The San Gabriel Valley Association recommended that the joint committee consist of three members of the Assembly, appointed by the Speaker of the Assembly, and three members of the Senate, appointed by the Senate Rules Committee. We believe that the Committee should have seven members, at least three from each house. The Governor should appoint one member, the Speaker of the Assembly should appoint three, and the Senate Rules Committee should appoint three. We suggest that the appointments include the following:

- One member of the Assembly Local Government Committee
- One member of the Assembly Revenue and Taxation Committee
- One member of the Senate Local Government Committee
- One member of the Senate Revenue and Taxation Committee.

This structure will give the committee the necessary balance of viewpoints among political leaders, legislators specializing in local government, and legislators specializing in government finance.

The Governor's Commission on Government Reform, appointed to prepare and recommend legislation to implement Proposition 13, should also consider its financial recommendations as initial steps leading to federation in urban areas.

The Legislative Committee and the Governor's Commission should consider the following as proposals to be supportive of the federation goal:

- Refinancing, with State funds, County health, welfare, and court functions.
- Establishing tax base growth sharing to reduce harmful intergovernmental competition for revenue producing development.
- Providing mechanisms, including property tax distribution formulas, for funding new cities, newly annexed city territory, and cities choosing to contract with area government for service.

The most effective specific formulas for reallocating financial resources as outlined above will be the subject of legislative deliberation. In each case the formulas should be designed to encourage federation without increasing State domination of local and regional governments.

For example, two formulas that have been discussed are undesirable because they would not encourage federation. The State could refinance County health, welfare, and court functions by giving County government a block grant of all sales taxes collected by the State from that County. The County would then determine policies and priorities for spending the funds. This formula would improve local democratic control over County services, and it could

reduce intergovernmental competition for sales tax revenue. However, by taking sales tax revenue away from city governments, the block grant formula would weaken community based government. Thus, it could not be effectively used to support federation.

Under a second formula, the State could reimburse County government for health, welfare, and court services meeting State specifications. Political control over levels and quality of service would accrue to the State government. State reimbursement would eliminate local political control over the level and quality of County services. This result would also be contrary to the goal of federation.

A third formula would utilize income taxes collected by the State and distributed on a block grant basis. All, or a proportion, of the State income taxes collected from the five counties could be returned, as though the income tax were a regional levy rather than a State levy. However, instead of distributing the tax to the political jurisdiction where it originated, the State could base distribution on a measure of each County's need, such as the percentage of the total area's welfare clientele from that County. This kind of formula could be designed to support federation, since local and area-wide services would, in effect, be financed and controlled locally.

Thus, the effects of a financing proposal on the feasibility of developing a federated system depend on the specific formula used. Such effects should be a primary consideration of the Legislature when evaluating the refinancing proposals of cities, counties, and the Commission on Government Reform.

In addition to financial formulas, the Legislature should consider direct methods of facilitating progress toward federation. We propose the following as steps which are favorable.

- Granting authority to LAFCOS to initiate annexation and incorporation proceedings based on sphere-of-influence findings.
- Adopting a schedule for repeal of the Gonsalves Act (Government Code Section 51350), which prohibits counties from charging certain overhead costs in providing contract services to cities. This should be done after cities and urban counties have had sufficient time to organize a federation.
- Establishing a five county multi-purpose agency as petitioned by the governments in the area, and reassigning the powers and functions of State agencies to it.

Granting LAFCOs the authority to initiate proceedings would accelerate progress toward federation. LAFCOs have conducted detailed studies of urban development patterns, and their "sphere of influence" findings should guide the program of annexation and incorporation. The present law, by requiring LAFCO approval of any annexation or incorporation proposal, insures that cities cannot obtain revenue producing territory while unfairly excluding areas of need. However, present law leaves the initiative with cities and communities. Thus, in the absence of sound proposals, no change is accomplished at all. Providing LAFCOs with the authority to initiate proceedings would establish a source of proposals based on impartial analysis of the most appropriate balance between revenue producing and other territory.

The Gonsalves Act currently prohibits counties from charging a city which contracts for services with any overhead costs that cannot be directly attributed to the contract city. The law is fair, as long as the County provides direct services in unincorporated territory, because it is impossible to distinguish among the overhead benefiting the County as a whole, that benefiting unincorporated territory, and that benefiting the contract city. Once a federated system is established, it will be possible to partition overhead and allocate it on the basis of the level of services provided to each city.

In Recommendation 6 above, we recommended that counties, cities, and districts petition the Legislature to form a multi-purpose agency in the region. The agency's principal purpose would be to develop into an elected area government, with responsibility for area-wide problem solving. Once such a government is operating, the Legislature should act to assign to it the powers of the various special purpose agencies now responsible for area-wide problem solving.

We conclude that the new Legislative Committee should focus on two general tasks evaluating financial proposals in terms of their effects on federation, and developing laws which directly facilitate progress toward federation.