



## CALIFORNIA (un)INCORPORATED

*A coalition of unincorporated communities in California whose residents and businesses are effectively denied a municipal level of government.*  
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### LEGISLATIVE NEEDS SUMMARY

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The current process to form a city in California is broken. The state should fix the process with legislation to support fair and democratic representation for the 5-6M Californians who live in urbanized unincorporated areas. The pathway to create a new municipality is costly and cumbersome, with data deficiencies and no central clearinghouse of information to inform and assist ordinary citizens who seek local control of their municipal affairs. We suggest simple legislative solutions as outlined below.

**SOLUTION 1 – Reform the LAFCO law.** Revise Government Code §56000 et seq for a streamlined, cost-effective process whereby local governments can pass a resolution or citizens can submit signatures to demonstrate community will and request the State Controller to: 1) Conduct a certified financial analysis (CFA) for the formation of a new city and 2) Request LAFCO review and comment on any boundary considerations. The CFA and LAFCO boundary memo would then be the basis of a ballot measure to consider incorporation and the formation of a new charter or general law city. This solution requires a budget change proposal (BCP) for the Controller's Office. The BCP can be deferred in lean budget years unless cityhood proponents choose to be billed. Costs can be held down if cityhood proponents submit a CFA for review and approval. For the CFA to ensure the proposed city's costs and revenues do not inappropriately subsidize countywide responsibilities, legislation must either require counties to: 1) present revenue and expense information for each unincorporated community; or 2) be able to run the analysis based on a solid set of assumptions and basic community tax base and service provision information. Alternatively, but less desirably, the State could offer a well-defined application process to fund (approx. \$300-500K) the CFA.

**SOLUTION 2 - Remove the CEQA requirement.** Provide a statutory exemption from CEQA as recommended in Jan. 2000 by the State Commission on Local Governance for the 21st Century. The Commission found CEQA analysis of a new municipal incorporation was inappropriate because a municipal incorporation is a reorganization of local government, not an environmental action.

### SOLUTION 3 - Create a viable financial future for a newly approved incorporation

1. Enact Vehicle License Fee (VLF) reform legislation that would give new cities equity with previously incorporated cities as to the revenue stream from the VLF property tax element.
2. Reduce LAFCO revenue neutrality to 1-5 years, limited to negotiations between the new city and its county pertaining to the county's current infrastructure construction contracts.
3. Provide State funds or grants for the launch of the new municipal government.
4. Require sales taxes to be collected based on rates for point-of-sale locations per CA Dept. of Tax & Fee Administration (<https://maps.cdtfa.ca.gov/>) instead of allowing sellers to use algorithms that default to higher tax levels that have been levied by nearby cities that share zip codes or postal naming conventions with an unincorporated community or allocating revenues to remote distribution sites.

### RELATED REFORMS – Local Governance, annexations

1. Revise Government Code §31010 to stipulate elections, rather than appointments, for Municipal Advisory Councils (MACs) and to consolidate various land-use, planning and zoning authorities into one council for each unincorporated community, with appeals directly to the Board of Supervisors.
2. Require annexation proposals to LAFCO to mandate revenue neutrality and a vote of the affected citizens in the proposed annexation area.

*Participating communities (counties): Ashland, Castro Valley (Alameda) • El Dorado Hills (El Dorado)  
• McKinleyville (Humboldt) • Stratford (Kings) • Lamont (Kern) • Altadena, East Los Angeles, Willowbrook, West Athens, Westmont (Los Angeles) • Ladera Ranch (Orange) • North Lake Tahoe (Placer) • Winchester/Homeland (Riverside), Antelope, Arden Arcade, Orangevale, Rio Linda Elverta, Vineyard (Sacramento) • Mentone (San Bernardino County  
• Isla Vista, Orcutt (Santa Barbara) • Guerneville/Lower Russian River (Sonoma) • Salida (Stanislaus)  
"Alumni Club": Mountain House (San Joaquin)*