

Municipal Service Review Guidelines

I. PURPOSE

To provide guidance to the San Diego Local Agency Formation Commission (LAFCO) in preparing and conducting municipal service reviews.

II. BACKGROUND

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCO to review municipal services. The requirement for service reviews is in response to the identified need for a more coordinated and efficient public service structure, which will support California's anticipated growth. The service review provides LAFCO with a tool to comprehensively study existing and future public service conditions and to evaluate organizational options for accommodating growth, preventing urban sprawl, and ensuring that critical services are efficiently and cost-effectively provided.

III. GOALS and OBJECTIVES

Effective January 1, 2001, Government Code Section 56430 requires LAFCO to conduct municipal service reviews and prepare a written statement of determination with respect to each of the following:

- A. Infrastructure needs or deficiencies;
- B. Growth and population projections for the affected area;
- C. Financing constraints and opportunities;
- D. Cost avoidance opportunities;
- E. Opportunities for rate restructuring;
- F. Opportunities for shared facilities;
- G. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
- H. Evaluation of management efficiencies; and
- I. Local accountability and governance.

The municipal service review process does not require LAFCO to initiate changes of organization based on service review findings; it only requires that LAFCO make determinations regarding the provision of public services per the provisions of Government Code Section 56430. However, LAFCO, local agencies, and the public may subsequently use the determinations to pursue changes to services, local jurisdictions, or spheres of influence.

IV. WHEN PREPARED

LAFCO will determine when municipal service reviews are necessary. Generally, reviews will be prepared in conjunction with sphere of influence studies or updates; however, service reviews may also be conducted independent of the sphere of influence process. Minor amendments to a

sphere of influence, as determined by LAFCO, will not require a municipal service review.

V. SERVICES ADDRESSED

Municipal service reviews will address those public services within an agency's boundary and sphere of influence, which are associated with growth and development. Target services include—but are not limited to—water, sewer, drainage, libraries, roads, parks, police, and fire protection. General government services such as courts, social services, human resources, treasury, tax collection, and administrative services will generally not be included. LAFCO will determine which services will be included in each service review.

VI. AGENCIES INCLUDED

Local agencies that are subject to LAFCO review, or are required to have a sphere of influence, are subject to municipal service reviews.

VII. BOUNDARIES

LAFCO will determine the final geographic boundary and agency(ies) that will be the subject of a service review. LAFCO will consider information received from affected agencies and public scoping meetings when determining boundaries. Generally, service reviews will be conducted for sub-regional areas within the County of San Diego; however, a service review may be done for a single agency, multiple agencies, subregional areas, or on a countywide basis. Agencies, which have 70% or more of their territory within the boundary of a targeted service review, and agencies within the boundary that have service provision issues—as identified by LAFCO—will be included in the service review.

VIII. ENVIRONMENTAL DETERMINATION

Local Agencies that submit municipal service review proposals to LAFCO will be considered lead agencies for purposes of environmental review and should approve whatever environmental determination is appropriate under the California Environmental Quality Act (i.e., exemption, negative declaration, environmental impact report).

IX. PREPARATION

- A. LAFCO will determine the priority, schedule, procedure and content for service reviews. Portions of the Municipal Service Review Guidelines prepared by the State of California's Office of Planning and Research (OPR) may be incorporated into individual reviews.
- B. At the start of each fiscal year, LAFCO will develop a priority work plan of service reviews to be addressed during the fiscal year. LAFCO may alter the annual service review work program at any time in response to

changing circumstances, new information, or direction from the Commission.

- C. LAFCO will mail a survey/questionnaire to the affected agency(s) identified in the service review work plan.
- D. LAFCO may hold public scoping meetings, as necessary, for selected service reviews to gather additional input on the following issues:
 1. Additional agencies to be included within a service review;
 2. Geographic area of a service review;
 3. Concerns of affected agencies;
 4. Areas of concern to be addressed in a service review.

Public notice will be given for scoping meetings. All affected agencies, interested agencies, and persons or entities requesting notice will receive a mailed notice.

- E. Municipal service reviews will fall into two general categories:
 1. **Routine reviews** are anticipated to be uncomplicated and straightforward with few concerns about the adequacy of public services. Routine service reviews may be conducted for single agencies or for multiple agencies that provide similar services. The boundary of a routine service review may cover a sub-region, region, or the County of San Diego.
 2. **Intensive reviews** are anticipated to require detailed analysis of complex and controversial issues. Categorizing a service review as *intensive* may be the result of analysis of pending LAFCO proposals, or of service provision concerns otherwise identified by LAFCO, other agencies, or the public,
- F. If a service review is determined to be intensive or involve significant controversy, LAFCO staff may establish a service review committee to provide technical and/or policy advice to LAFCO staff. The service review committee may consist of the existing LAFCO Special District and City Advisory Committees or it may be composed of other members as determined by LAFCO.
- G. LAFCO staff will prepare a final municipal service review report that includes the determinations required by State Law. The report may identify future studies or actions, which LAFCO or other agencies may take to implement the recommendations of the report. The Commission will consider the municipal service review report and determinations at a noticed public hearing. The report will be available for a public review period prior to the hearing.
- H. San Diego LAFCO has established a fee for conducting municipal service reviews. If necessary, LAFCO may recover reasonable costs for preparation of a service review study, which are beyond the adopted fee.

Municipal Service Review Determinations Factors of Analysis

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCOs to conduct reviews of municipal services and make nine written determinations. The following factors to be considered provide examples of how San Diego LAFCO will fulfill the determination requirement.

Determination 1: Infrastructure needs or deficiencies

In authorizing the preparation of municipal service reviews, the State Legislature has focused on one of LAFCO's core missions—encouraging the efficient provision of public services. Infrastructure needs or deficiencies, which refers to the adequacy of existing and planned public facilities in relation to how public services are—and will be—provided to citizens, impacts the efficient delivery of public services. Infrastructure can be evaluated in terms of capacity, condition, availability, quality, and correlations among operational, capital improvement, and finance plans. It is recognized that there may be unmet infrastructure needs due to budget constraints or other factors; however, identification of deficiencies may promote public understanding and support for needed improvements.

Determination 2: Growth and population projections for the affected area

Efficient provision of public services is linked to an agency's ability to plan for future need. For example, a water purveyor must be prepared to supply water for existing **and** future levels of demand, and also be able to determine **where** future demand will occur. Municipal service reviews will give LAFCO, affected agencies and the public the means to examine both the existing and future need for public services and will evaluate whether projections for future growth and population patterns are integrated into an agency's planning function.

Determination 3: Financing constraints and opportunities

LAFCOs must weigh a community's public service needs against the resources available to fund the services. During the municipal service review, the financing constraints and opportunities, which have an impact on the delivery of services, will be identified and enable LAFCO, local agencies, and the public to assess whether agencies are capitalizing on financing opportunities. For example, a service review could reveal that two or more water agencies that are each deficient in storage capacity and, which individually lack financial resources to construct additional facilities, may benefit from creating a joint venture to finance and construct regional storage facilities. Service reviews may also disclose innovations for contending with financing constraints, which may be of considerable value to numerous agencies.

Determination 4: Cost avoidance opportunities

LAFCO's role in encouraging efficiently provided public services depends, in part, on helping local agencies explore cost avoidance opportunities. The municipal service review will explore cost avoidance opportunities including, but not limited to: (1) eliminating duplicative services; (2) reducing high administration to operation cost ratios; (3) replacing outdated or deteriorating infrastructure and equipment; (4) reducing inventories of underutilized equipment, building, or facilities; (5) redrawing overlapping or inefficient service boundaries; (6) replacing inefficient purchasing or budgeting practices; (7) implementing economies of scale; and (8) increasing profitable outsourcing.

Determination 5: Opportunities for rate restructuring

When applicable, the municipal service review will review agency rates, which are charged for public services, to examine opportunities for rate restructuring without impairing the quality of service. Agency rates will be scrutinized for: (1) rate setting methodologies; (2) conditions that could impact future rates; and (3) variances among rates, fees, taxes, charges, etc., within an agency and region. Service reviews will identify strategies for rate restructuring, which would further the LAFCO mission of ensuring efficiency in providing public services.

Determination 6: Opportunities for shared facilities

Public service costs may be reduced and service efficiencies increased, if service providers develop strategies for sharing resources. For example, service providers in San Diego County currently share communication centers, wastewater treatment facilities and distribution lines. Sharing facilities and excess system capacity decreases duplicative efforts, may lower costs, and minimizes unnecessary resource consumption. The service review will inventory facilities within the study area to determine if facilities are currently being utilized to capacity and whether efficiencies can be achieved by accommodating the facility needs of adjacent agencies. Options for planning for future shared facilities and services will also be considered.

Determination 7: Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers

The Municipal Service Review provides a tool to comprehensively study existing and future public service conditions and to evaluate organizational options for accommodating growth, preventing urban sprawl and ensuring that critical services are efficiently and cost-effectively provided. While the service review does not require LAFCO to initiate changes of organization based on service review finding, LAFCO, local agencies, and the public may subsequently use service reviews to pursue changes to services, local jurisdictions or spheres of influence. LAFCOs may examine efficiencies that could be gained through: (1) functional reorganizations within existing agencies; (2) amending or updating spheres-of-influence; (3) annexations or detachments from cities or special districts; (4) formation of new special districts; (5) special district dissolutions; (6) mergers of special districts with cities; (7) establishment of subsidiary districts; or (8) any additional reorganization options found in Govt. Code § 56000 et. Seq.

Determination 8: Evaluation of management efficiencies

Management efficiency refers to the effectiveness of an agency's internal organization to provide efficient, quality public services. Efficiently managed agencies consistently implement plans to improve service delivery, reduce waste, eliminate duplications of effort, contain costs, maintain qualified employees, build and maintain adequate contingency reserves, and encourage and maintain open dialogues with the public and other public and private agencies. The service review will evaluate management efficiency by analyzing agency functions, operations, and practices—as well as the agency's ability to meet current and future service demands. Services will be evaluated in relation to available resources and consideration of service provision constraints.

Determination 9: Local accountability and governance

In making a determination of local accountability and governance, LAFCO will consider the degree to which the agency fosters local accountability. *Local accountability and governance* refers to public agency decision making and operational and management processes that: (1) include an accessible and accountable elected or appointed decision making body and agency staff; (2) encourage and value public participation; (3) disclose budgets, programs, and plans; (4) solicit public input when considering rate changes and work and infrastructure plans; and (5) evaluate outcomes of plans, programs, and operations and disclose results to the public.