

Municipal Service Review Guidelines

NOTE: These Guidelines do not reflect recent statutory changes and all interested parties should consult with LAFCO staff.

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

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

- A. Growth and population projections for the affected area;
- B. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies;
- C. Financial ability of agencies to provide services;
- D. Status of, and opportunities for, shared facilities;
- E. Accountability for community service needs, including governmental structure and operational efficiencies;
- F. Any other matter related to effective and efficient service delivery.

The municipal service review process does not require LAFCO to initiate changes of organization based on service review conclusions; 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 and related analysis to consider whether to pursue changes to service delivery, government organization, 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 be conducted prior to 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 cover the analysis of the service or services provided by all of the agencies within the designated geographic area subject to the service review. 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 in the service review. 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

Service reviews are information documents and are generally exempt from environmental review. However, 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(ies) 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.

Local agencies may assist in the preparation of service reviews and submit service review proposals to LAFCO. Public notice will be given for scoping meetings, and to all affected agencies, interested agencies, and persons or entities requesting 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 activities, that LAFCO or other agencies may wish to consider. 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 six written determinations. The following factors to be considered provide examples of how San Diego LAFCO will fulfill the determination requirement.

Determination 1: Present and planned capacity of public facilities and adequacy of public services, including 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. Evaluating the present and planned capacity of public facilities and adequacy of public services is a primary component of this mission. The evaluation will frequently yield information about the condition of infrastructure. 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: Financial ability of agencies to provide services.

LAFCO 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: Opportunities for sharing facilities

Public service costs may be reduced and service efficiencies increased, if service providers develop strategies for sharing resources. Examples of resource sharing include the use of regional communication centers, wastewater treatment facilities and distribution lines, etc. Sharing facilities and excess system capacity decreases duplicative efforts, may lower costs, and minimize 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.

LAFCO's role in encouraging efficiently provided public services depends, in part, on helping local agencies explore cost avoidance opportunities. Cost avoidance opportunities may also include facility sharing arrangements, the use of joint powers agreements, or other innovative measures that can reduce costs and improve services. The municipal service review will evaluate the status of, and opportunities for, sharing facilities, with the goal of: (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, etc.

Determination 5: Accountability for community service needs, including government structure and operational efficiencies

In reviewing local accountability and governance, LAFCO will consider the degree to which an agency fosters local accountability, especially when assessing community service needs. *Local accountability* 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 community service needs and infrastructure plans; and (5) evaluate outcomes of plans, programs, and operations and disclose results to the public.

Local accountability for determining community service needs may produce operational efficiencies. 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 operational efficiency by analyzing agency functions, operations, and practices—as well as the agency's ability to meet current and future service demands.

The San Diego LAFCO may also examine operational efficiencies that could be gained through: (1) functional or structural reorganizations of existing agencies; (2) amendment or update of spheres-of-influence; (3) boundary changes, such as annexations or detachments from cities or special districts; (4) formation of new special districts; (5) special district dissolutions and consolidations; (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 6: Any other matter related to effective and efficient service delivery

The municipal service review is not limited to the five mandatory determinations contained in State Law. Accordingly, the service review may contain analysis of additional subject areas related to the effective and efficient delivery of services.