

# **Santa Barbara LAFCO Municipal Service Reviews**

## **Municipal Service Review Work Plan**

### **SECTION 1 - INTRODUCTION**

One of the Santa Barbara Local Agency Formation Commission's (LAFCO's) primary responsibilities is developing and determining a sphere of influence for each city and special district in Santa Barbara County. Spheres of influence define the probable future geographic boundaries and service area in order to plan and shape the "logical and orderly development and coordination of local government agencies" (California Government Code §56425).

Legislative amendments approved in 2001 and known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (AB 2838) now require that each LAFCO conduct sphere of influence reviews at least every five years for each city and special district within their jurisdiction.

In addition, AB 2838 requires that the Commission conduct a municipal service review (MSR) before, or in conjunction with, considering an action to establish or modify a sphere of influence. This new requirement went into effect on January 1, 2002, so the first round of MSRs must be completed no later than January 1, 2006.

LAFCO is developing this MSR Work Plan to define the Commission's approach to completing this mandated periodic review. Municipal service reviews involve analyzing each member agency's services and making a series of written determinations regarding the city and special district infrastructure, organizational structure and cost-effectiveness. Specifically, the Commission is required to adopt written determinations (Government Code §56430) regarding the following nine topics:

1. Infrastructure needs or deficiencies;
2. Growth and population projections for the affected area;
3. Financing constraints and opportunities;
4. Cost avoidance opportunities;
5. Opportunities for rate restructuring;
6. Opportunities for shared facilities;
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
8. Evaluation of management efficiencies; and
9. Local accountability and governance.

This MSR Work Plan has been prepared based on the Governor's Office of Planning and Research Municipal Service Review Guidelines Final Draft 2002 which was released for public comment by OPR on October 3, 2002. Since the guidelines are not regulations, they provide detailed suggestions but not mandates on how the Commission may conduct the MSRs and make the required written determinations. Required actions are also identified in the MSR Guidelines.

The Technical Task Force created by LAFCO in April 2002 has developed this MSR Work Plan. Task Force members include city, county, special district and COG representatives who have worked together to identify an approach that meets statutory requirements and focuses on issues of concern. With the assistance of a facilitator, the task force members initially identified the goals for the Santa Barbara County MSR process as described in Section 2.

Next the task force developed an overall schedule to complete the municipal service reviews within a five-year period. This proposed research, preparation and adoption schedule also suggests logical groups of agencies to study together because they provide similar services or provide services within a regional area. This will provide an economy of scale and facilitate addressing some of the required written determinations.

Detailed questions that should be addressed for each written determination topic are provided in Section 5. These questions have been somewhat modified from the draft state MSR guidelines to concentrate on issues within LAFCO's jurisdiction and reflect issues relevant to Santa Barbara County.

Integrating the MSR process with other LAFCO activities is addressed in Section 6. The Process Flow Chart (Figure 1) depicts how the MSR process is coordinated with Sphere of Influence reviews, agency and stakeholder input and reviews, CEQA compliance, public hearings and adoption of the final Municipal Service Review recommendations and written determinations.

The Technical Task Force wants to emphasize that the procedures described in this MSR Work Plan are intended to be general in nature. During the scoping period prior to each group of municipal service reviews, modifications to the work plan may be adopted to customize the data gathering process, written determination questions, the agency and public review process or other plan elements to match the type(s) of services being evaluated.

## **SECTION 2 – GOALS FOR MSR PROCESS**

The Technical Task Force met three times during 2002 and early 2003 to discuss the MSR process. At the first meeting on July 17, 2002, there was a lengthy discussion of how the MSR process could be most useful to Santa Barbara County residents. This discussion evolved into Santa Barbara LAFCO MSR process goals that are summarized below and have been incorporated into this recommended MSR Work Plan.

Task Force participants directed that a useful and effective MSR process should address the following goals:

1. Provides an opportunity to consider future services planning from a regional perspective.
2. Produce data, analysis and recommendations that are useful to local agencies.
3. Be a collaborative and cooperative effort with cities, the county and special districts rather than an investigative process.

4. Integrate with Sphere of Influence reviews. MSR will raise issues and identify options and recommendations that will be resolved by LAFCO through the SOI review process.
5. Clearly focus on issues within LAFCO's area of authority. This means that the analysis will evaluate organizational structure, levels of service and cost-effectiveness rather than personalities.
6. Be simplified as much as possible and incorporate existing available data. Using data templates adapted for each type of agency will standardize data gathering, facilitate comparisons between agencies and streamline future MSR updates.
7. Incorporate GIS capabilities into the population forecasts and the database when beneficial.
8. The MSR phasing should:
  - Group like services together.
  - Give priority to geographical areas with pending sphere of influence issues.
  - Ensure that the initial MSRs for all agencies are completed by January 1, 2006.
  - Spread the MSR phases over the five-year recurring cycle.
  - Provide flexibility since agency or developer initiated Sphere of Influence reviews will require MSRs. The geographic areas covered by these MSRs may not require further review for another five years.
9. The MSR and SOI Update process will be conducted in conformance with the California Environmental Policy Act (CEQA).
  - For MSRs conducted as part of a Sphere of Influence review, CEQA determinations will be made for the overall SOI project.
  - For other MSRs where a Sphere of Influence will not be created or modified now or in the near future, CEQA exemptions may apply. This determination will be made on a case-by-case basis.
  - If LAFCO finds that the MSR review will be independent of a Sphere of Influence review and no CEQA exemption applies, LAFCO will act as the "lead agency" for CEQA compliance.

### **SECTION 3 - INITIAL MSR AGENCY GROUPINGS**

It is useful to group together MSRs for a geographic region or for agencies which provide similar services. This grouping facilitates comparing levels of service, costs of service and management capabilities between similar agencies, identifying gaps and overlaps in service area boundaries, and evaluating overall infrastructure capacity and condition.

The proposed schedule in Table 1 groups most agencies into six geographic areas: Lompoc, Santa Maria, Santa Barbara/Goleta, Eastern South Coast, Santa Ynez Valley and Cuyama Valley. Some agencies that provide services countywide or provide services not typically provided by cities or most districts are grouped by type of service provided. These include: cemeteries, libraries, airports, vector control, health care, and resource conservation

### **Proposed Research, Preparation and Adoption Schedule**

A proposed schedule for conducting MSR and SOI Updates is presented as Table 1. The initial round of preparing MSRs and updating SOIs for all agencies will be completed by January 1, 2006 as required by the statute.

In the future, MSRs may be conducted in conjunction with proposed SOI changes requested by local agencies. If no event triggers a MSR, LAFCO will conduct MSRs and SOI Updates on a periodic basis so that every subject agency receives an MSR at least once every five years.

### **Standard Cycle to Consider MSRs and Adopt/Update SOIs**

A typical MSR will take from four to nine months to collect and analyze the data, to prepare the draft and final reports and to conduct the public and agency review process. The standard cycle, which will be repeated for each MSR, is summarized in Table 2. The actual timeframe for each MSR will depend on the complexity of the proposed General Plan and SOI boundary changes, the availability of existing data, and what issues must be evaluated.

### **Section 5 - Written Determinations**

As part of the Municipal Service Review process, Government Code Section 56430 requires LAFCO to make written determinations in nine areas:

1. Infrastructure needs and deficiencies
2. Growth and population projections for the affected area
3. Financing constraints and opportunities
4. Cost avoidance opportunities
5. Opportunities for rate restructuring
6. Opportunities for shared facilities
7. Government structure options
8. Evaluation of management efficiencies
9. Local accountability and governance

This section is intended to provide general guidance regarding the nine written determinations that LAFCO must make. MSRs will cover a wide range of services that agencies provide including: utilities such as water, sewer, and flood control; community services such as parks, and recreation and cemeteries; public safety such as fire protection and law enforcement; and other types of local services. Different types of services may require different approaches to data collection and analysis. Consequently, each MSR will focus on applicable industry standards for level of service, unit costs (e.g., cost per capita or cost per HCF of water delivered,) and issues

appropriate for each type of service and geographic area. Existing available plans and studies and regular reports to regulatory agencies will be used whenever possible.

When LAFCO initiates a service review, it will begin with a scoping session so the participating agencies and analysts can tailor the analysis to actual services, agencies, geographic area and key issues under consideration. Some of the factors described below under each of the nine written determinations will be modified to target key issues and industry standards; other factors may be deleted because they do not apply. Written determinations are required for each of the nine areas listed in Government Code Section 56430.

### ***Infrastructure Needs and Deficiencies***

**Purpose:** To evaluate a jurisdiction's infrastructure needs and deficiencies in terms of condition of the infrastructure, level of service, service quality and capacity relative to the service needs of existing and future service users.

- A. Capital Improvement Plans/Studies
- B. Master Service Plans/Studies
- C. Water and Wastewater Plans/Studies
- D. Level of Service by Industry Standards
- E. Facility and Equipment Analysis - location, size and capacity, age and condition
- F. Existing Capacity Analysis
  - 1.) Number of service units currently allocated to existing users within service boundary
  - 2.) Number of service units currently allocated to existing users outside service boundary
  - 3.) Number of service units available to serve other users
  - 4.) Reserve capacity policy
- G. Future Development
  - 1.) What infrastructure is needed?
    - a.) Infrastructure replacement and rehabilitation
    - b.) Service and regulatory upgrades
    - c.) Capacity improvements
  - 2.) Description of additional facilities
  - 3.) Comparison of planned facilities and projected requirements.
  - 4.) Construction schedule for facility improvements
  - 5.) Funding Plan

### ***Growth and population projections for the affected area***

**Purpose:** To evaluate service needs in relation to existing and anticipated development patterns and population projections

- H. Population Forecasts
  - 1.) Existing service area and Sphere of Influence population estimates
  - 2.) Future agency population forecasts - allocated geographically and by jurisdiction
  - 3.) Demographics

- I. General Plans
  - 1.) Population, housing and land use projections
  - 2.) Existing and Future Land Use Maps
  - 3.) Compatibility with agency service area plans
  - 4.) Compatibility with SOI boundaries for neighboring/overlapping agencies

***Financing constraints and opportunities***

**Purpose:** To evaluate factors that affect each agency's ability to finance needed improvements.

- J. Financial Plans
  - 1.) Infrastructure replacement and rehabilitation
  - 2.) Service and regulatory upgrades
  - 3.) Capacity improvements
  - 4.) Planned revenue sources
  - 5.) Reserve size and purpose
- K. Revenue Sources
  - 1.) Identify sources and reliability
  - 2.) What additional revenues will be needed for future?
  - 3.) How can revenues be expanded?
- L. Bond Rating and Basis of Rating
- M. Investment Policies
  - 1.) Identify policies
  - 2.) Evaluate policies
- N. Joint Financing Projects
  - 1.) What joint projects currently exist?
  - 2.) What are policies?

**2. Cost avoidance opportunities**

**Purpose:** To identify policies, procedures and opportunities that may reduce or eliminate unnecessary expenditures.

- A. Overlapping/duplicative services - Internal to agency and with other agencies
- B. Opportunity for joint agency practices (e.g., shared insurance coverage)
- C. Rely on other agencies
  - 1.) Administrative functions
  - 2.) Grant management
  - 3.) Compare in-house versus outsourcing cost
- D. Comparison of level of service with customer needs and preferences
- E. Impact of adding capacity - fiscal impact on agency and level of service changes
- F. Growth Management Strategies
  - 1.) Direct growth to infill areas with infrastructure cost savings
  - 2.) Direct growth, including affordable housing, to areas with excess capacity
  - 3.) Conservation practices to limit demand

- 4.) Reduce infrastructure construction and operations and maintenance (O&M) costs by directing growth to areas with fewest topographic and geographic constraints
- 5.) Annexation policies to direct growth
- G. Comparison with similar agencies - Per-unit service charges and fiscal comparison of levels of service

### ***Opportunities for rate restructuring***

**Purpose:** To identify opportunities to positively impact rates without decreasing service levels

- A. Rate setting methodology
  - 1.) Equitable distribution of costs to users
  - 2.) Tie rates to level of service received
  - 3.) Public comment and/or voter approval in rate setting process?
- B. Opportunities to stabilize or lessen rates
  - 1.) Revenue enhancement
  - 2.) Reasonable emergency reserves
  - 3.) Use of annual savings
  - 4.) Standby rates, if applicable
- C. Fees for infrastructure to serve new development
  - 1.) Pay direct charges or fees for connections and/or service
  - 2.) Impact on existing customers
- D. Use of assessment/fee districts
  - 1.) Maps of districts
  - 2.) Basis for establishing and maintaining districts
- E. Rate comparisons
  - 1.) Similar service providers with similar levels of service and infrastructure condition
  - 2.) Agency rate history in relationship to consumer price index

### **3. Opportunities for shared facilities**

**Purpose:** To evaluate opportunities for jurisdictions to share facilities and resources to increase cost-effectiveness of expenditures and to avoid costs.

- A. Shared Facilities and Personnel
  - 1.) Existing joint-use or conjunctive use projects – stormwater detention/parks, schools/parks, water resources, etc.
  - 2.) Existing shared activities and personnel with other service providers
  - 3.) Future opportunities/options
- B. Existing or Future Duplication of Facilities and Personnel by Other Service Providers
- C. Excess capacity/seasonal fluctuations
  - 1.) Infrastructure
  - 2.) Buildings and equipment
  - 3.) Personnel
  - 4.) Availability to serve customers of other agencies

- D. Personnel
  - 1.) Overall productivity ratings for staff
  - 2.) Seasonal workload variations
  - 3.) Comparison of job descriptions, training, required certifications, and hiring practices (for positions with joint-use opportunities)

***Government structure options***

**Purpose:** To consider the advantages and disadvantages of various government structures and potential annexations and detachments.

- E. Previous Consolidations/Reorganizations in last 10 years
  - 1.) Accomplished
  - 2.) Considered and not implemented
- F. Agency Recommendations
  - 1.) Government structure options
  - 2.) Annexations/detachments
  - 3.) Advantages and disadvantages for customers
- G. Funding proposals and fiscal impacts
- H. Hurdles to Consolidation/Reorganization
- I. Recommended Options
  - 1.) Description of how services to be provided
  - 2.) Time frame
  - 3.) Comparison of boundaries to logical service boundaries and adopted land use plans
  - 4.) Advantages and disadvantages for customers

***Evaluation of management efficiencies***

**Purpose:** To evaluate the efficiency of the overall organization of local agencies and the management capabilities of individual agencies.

- J. Organizational Chart
- K. Mission Statement
  - 1.) Goals and objectives
  - 2.) Strategic plan
- L. Long-term Service Plans
- M. Human Resources
  - 1.) Staffing levels – Availability of resources to provide selected level of service
  - 2.) Personnel
  - 3.) Training opportunities
- N. Performance evaluations
  - 1.) Continuous improvement plans
  - 2.) Customer satisfaction programs
- O. Accounting Practices - Conformance with government accounting standards
- P. Management Information Systems
  - 1.) Budget development



- 2.) Accounting
- 3.) Billing systems
- 4.) Data collection and analysis for management oversight
- Q. Budget Process
  - 1.) Policies
  - 2.) Analysis – revenues, expenditures, reserves
  - 3.) Budget review and adoption process
- R. Interagency Agreements – Identify and Describe
  - 1.) Joint-Power agreements
  - 2.) Memoranda of Understanding
- S. State and Federal Actions
  - 1.) Status of compliance with state and federal permitting and regulatory requirements (e.g., safety and environmental compliance.)
  - 2.) Incidents of non-compliance
    - a.) Investigations/litigation
    - b.) Violations
    - c.) Corrective actions taken by agencies

***Local accountability and governance***

**Purpose:** To evaluate the agency’s public accessibility and public participation levels in decision-making and management processes.

- T. Governing Body
  - 1.) Selection process
  - 2.) Representation (at-large or by district)
  - 3.) Meeting frequency and meeting times
  - 4.) Brown Act compliance
  - 5.) Compensation and benefits
- U. Customer Feedback Program
  - 1.) Frequency and content of surveys
  - 2.) Complaint tracking
  - 3.) Evaluation and response to customer comments
- V. Public Outreach Program
  - 1.) Office hours
  - 2.) Public information program
  - 3.) Efforts to disseminate minutes
  - 4.) Voter participation
- W. Regular Progress Reports
  - 1.) Master Plans
  - 2.) Budgets and Audits
  - 3.) Operations
  - 4.) Capital Improvement Programs
  - 5.) Regulatory compliance

## Section 6 – Integration With Other LAFCO Actions

While Government Code Section 56430 mandates that LAFCOs conduct MSR when modifying a SOI, this review is only one of the factors LAFCO must consider when updating a SOI for a city or special district. Figure 1 illustrates that in updating SOIs several factors must be considered. These include, in addition to the MSR, population forecasts, regional plans, land use maps and general plans adopted by the cities and county, and housing elements.

- **Population forecasts** are developed by the California Department of Finance, County of Santa Barbara (see 2030 Newsletter), Santa Barbara County Association of Governments (*Regional Growth Forecast 2000-2030*), Santa Barbara County Economic Forecast Project at UCSB and individual cities and districts. These population forecasts provide the basis for projecting future public services and infrastructure demand.
- **Regional planning** efforts provide the big picture perspective to consider the quantities and geographic distribution of transportation systems, housing units and land uses that will be needed countywide to support the future population.
- **Land use** regulatory authority resides with each city and the county. These jurisdictions adopt general plans that provide land use plans and policies to direct future growth.
- **Housing elements**, which the county and each city adopt as part of their general plans, define how each community will meet its fair share of the future housing need.

Over time, these forecasts, studies and adopted plans change and interact. Each element is important for LAFCO to consider when it conducts SOI updates and decides where to set each city and special district sphere boundary.

### MSR Process Flow Chart

Figure 2 provides a flow chart depicting the MSR process LAFCO will use. LAFCO anticipates reviewing the need to modify each agency's SOI at the time that it conducts the MSR.