

## APPENDIX B

### **STANISLAUS LAFCO MUNICIPAL SERVICE REVIEW GUIDELINES** *(Amended December 5, 2012)*

---

#### **BACKGROUND**

Section 56430 of the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (CKH Act) requires LAFCO to conduct municipal service reviews prior to establishing or updating spheres of influence. The service reviews are intended to serve as a tool to help LAFCO, the public and other agencies better understand the public service structure and evaluate options for the provisions of efficient and effective public services.

These policies, along with the State Office of Planning and Research's Municipal Service Review Guidelines will provide guidance to LAFCO in preparing and conducting service reviews.

#### **A. Service Review**

A service review is a comprehensive review of municipal services within a designated geographic area and includes steps to:

1. Obtain information about municipal services in the geographic area.
2. Evaluate the provision of municipal services from a comprehensive perspective.
3. Recommend actions when necessary, to promote the efficient provision of those services.

LAFCO is not required to initiate boundary changes based on service reviews. However, LAFCO, local agencies or the public may use the service reviews to pursue subsequent changes in jurisdictional boundaries or spheres of influence.

#### **B. Service Review Preparation and Update**

1. Service review reports will be prepared and updated as necessary every five years in conjunction with or prior to SOI reviews and updates. Until a MSR has been conducted for an agency, any request to modify an existing SOI will trigger the preparation of a service review.
2. Service reviews may need to be updated independent of SOI reviews, to facilitate review of a pending application or other LAFCO action, unless LAFCO determines that prior service reviews are adequate for the purpose.
3. The scope and schedule of Municipal Service Reviews (MSR) and Sphere of Influence (SOI) updates should remain flexible enough to accommodate legislation changes and other changes in local conditions.

4. Participation and cooperation from representative agencies will be solicited and encouraged for all municipal service reviews.
5. In order to meet the MSR and SOI update mandate in the most practical and cost-effective manner, the Commission will utilize the best information and documents which are currently available from the public agencies rather than initiate new analyses. Local agencies, when preparing updates to their planning documents, including general plans, specific plans, community plans, master service plans, budgets, etc., are encouraged to work cooperatively with LAFCO and include information addressing the service review factors contained in Section 56430.
6. A minor amendment to the sphere of influence of any agency may be processed and acted upon by the Commission without triggering a MSR if the requested amendment is to accommodate the annexation of existing public owned facilities to that agency. In addition, if a requested amendment is less than 100 acres or three percent of the acreage within the subject agency's existing SOI, whichever is less, and a previous MSR has been conducted, the Commission may act upon the request without triggering a new or revised MSR.

**C. Types of MSRs & SOIs**

Cities and special districts require slightly different approaches to MSRs and SOI documents. Cities are municipal service providers that are generally created to provide a full range of urban services to dense populations at relatively high standard levels.

Some special districts, such as community services districts, sanitary districts, irrigation districts, and water districts can also provide municipal services, but generally on a smaller scale to unincorporated communities. Most of the other special districts within Stanislaus County provide a few specialized services to rural populations and land.

Recognizing the different levels and types of services provided by the public agencies in Stanislaus County, the Commission will conduct two levels of MSRs;

**Level 1** will include non-municipal services typically provided by single-purpose special districts, such as a cemetery, mosquito abatement, hospital, county service area, irrigation water, non-municipal flood and drainage control, and soil conservation districts. The MSR for these agencies will generally be less detailed and may not include all the factors in Government Code Section 56430, as some generally do not apply.

**Level 2** will include a detailed review for those agencies associated with urban development and will include such services as water, sewer, police, and fire.

**D. Boundaries**

1. A service review may be conducted for subregional areas within the county or on a countywide basis, it may review a single agency or multiple agencies and, it may review a single service or multiple services. LAFCO will determine how service reviews will be organized and conducted for an agency in Stanislaus County.
2. Generally, LAFCO will include in a service review the geographic area and agency(ies) that best facilitate a logical, comprehensive and adequate review of services in the area. LAFCO may need to include a service provider in more than one service review area; only review services of some providers to the extent that they affect the service review area and services under study; or only review a portion of services provided. Service reviews may extend beyond the county boundary in some cases, to provide a more useful and accurate analysis of service provisions, especially where multi-county service providers are involved.
3. Special districts providing non-municipal services will be generally reviewed individually or by service type in the specified geographic area.

**E. Environmental Determination**

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

When LAFCO initiates the MSR, it will be the Lead Agency and will prepare the appropriate documentation pursuant to the California Environmental Quality Act.

**F. Service Review Funding**

1. LAFCO will include the funding for LAFCO initiated service reviews in its annual work plan and budget development process. The Commission has stated their desire not to use outside consultants. Therefore, cooperation and assistance in gathering the necessary information from the agency(ies) subject to the service review will be requested in order to make the service review document a valuable resource to LAFCO, the agency(ies) and the public.
2. Processing fees for conducting the service reviews will be charged when LAFCO applications (such as, a sphere of influence amendment) trigger the service review requirement or an applicable service review does not exist.

**G. Stakeholder Outreach and Public Participation**

1. LAFCO will encourage collaboration, cooperation, and information sharing among service review stakeholders.
2. LAFCO will encourage public participation in the service review process.

## H. Service Review Process

1. As an initial step, LAFCO will develop and mail a questionnaire to the agencies included in the service review. The questionnaire will request information pertinent to the seven evaluation categories stated herein. Meetings may be held as necessary, or additional questionnaires maybe sent out to gather further input.
2. LAFCO Executive Officer will prepare and issue a draft service review report which includes draft determinations required by state law. Notice of availability of the draft service review will be provided to all affected agencies and to interested persons who have submitted a written request for notice.
3. LAFCO will distribute and provide a minimum 21-day public review period for the draft service review.
4. LAFCO will conduct a noticed public hearing to consider and accept comment on the draft service review and appropriate CEQA review. At the hearing, LAFCO may:
  - a. Take the necessary CEQA action and find that the draft service review report, with any minor amendments, is adequate and final and adopt written determinations. A draft service review may be considered final if no substantive comments are received prior to the end of the hearing and LAFCO determines it satisfactory.
  - b. Direct staff to address substantive comments and concerns and prepare a final service review report, or
  - c. Continue the hearing.
5. If a revised final service review is necessary, the LAFCO Executive Officer will prepare it including comments received during the public review period and schedule it on the next appropriate agenda.
6. LAFCO may also take action on a SOI update at the same hearing.
7. LAFCO will distribute the adopted Service Review Report to all participating and interested local and regional agencies for use as a resource in their work.

## I. Municipal Service Review Evaluation Categories

As part of the service review process, the CKH Act requires LAFCO to make written determinations on seven evaluation categories. A general description of the categories and criteria used to evaluate these categories is included in Exhibit 1, attached. It should be noted that how these categories apply to each of the service reviews may vary and will depend mostly on the nature of the service being reviewed.

**J. Municipal Service Review Information Questionnaire**

In order to prepare the determinations addressing each of the evaluation categories in Exhibit 1, information will be solicited from each agency using the information questionnaire, Exhibit 2.

## EXHIBIT 1

### **MUNICIPAL SERVICE REVIEW EVALUATION CATEGORIES**

---

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCO's to conduct reviews of municipal services and make seven written determinations. The following factors to be considered provide examples of how Stanislaus LAFCO will fulfill the determination requirement (as *amended December 5, 2012*).

#### **Determination 1: 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 provider of municipal water must be prepared to supply water for existing and future levels of demand, as well as also be able to determine where future demand will occur. Municipal service reviews will enable LAFCO, affected agencies and the public the ability to examine both the existing and future need for public services and will evaluate whether the projections for future growth and population patterns are integrated into an agency's planning function.

#### **Determination 2: The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

A disadvantaged unincorporated community is defined as "inhabited territory that constitutes all or a portion of a community with an annual median income that is less than 80 percent of the statewide median household income (MHI)". Under LAFCO law, inhabited territory is defined as "territory within which there reside 12 or more registered voters". In accordance with State law, Municipal Service Reviews will identify the location and service characteristics of disadvantaged unincorporated communities within, or contiguous to an agency's sphere of influence, if any.

#### **Determination 3: Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.**

The State Legislature, in authorizing the preparation of municipal service reviews, 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 currently in place. 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 4: Financial ability of agencies to provide services**

A community's public service needs should be viewed in light of the resources available to fund the services. Through a municipal service review, the financial 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 sewer provision agencies that are each deficient in treatment capacity, and which individually lack financial resources to construct additional facilities, may benefit from creating a joint venture to finance and construct regional treatment facilities. Service reviews may also disclose innovations for contending with financing constraints, which may be of considerable value for numerous agencies.

#### **Determination 5: Status of, and 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 Stanislaus County currently share 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 6: Accountability for community service needs, including governmental structure and operational efficiencies**

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(s), LAFCO, local agencies, and the public may pursue subsequent changes to governmental structure.

LAFCO's 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 Government Code Section § 56000 et seq.

Local accountability and governance refers to public agency decision making, as well as operational processes. Ideal local government is marked by processed and actions 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.

**Determination 7: Any other matter related to effective or efficient service delivery, as required by Commission Policy**

This determination may include other information that relates to the ability of the subject agency's to provide effective or efficient service delivery (such as level of service for fire and police protection).



## EXHIBIT 2

### **MUNICIPAL SERVICE REVIEW INFORMATION QUESTIONNAIRE**

---

The following questions are designed to help agencies and LAFCO compile information needed to complete the Municipal Service Review. Answers to these questions will be used by LAFCO to prepare the service review which will be used to update the agency's Sphere of Influence (as amended December 5, 2012).

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

Purpose: To evaluate service needs based upon existing and anticipated growth patterns and population projections.

- a. What is the agency's existing population (e.g. residents, landowners)?
- b. What is the size of current area served by the agency (e.g., acres, miles, parcels)?
- c. Has the agency developed and/or adopted population projections for the next 5, 10, 15, 20 years?
- d. How does the projected growth of the proposed SOI areas compare with present city/county land use designations?
- e. How have surrounding city/county land use patterns evolved and what impacts have they caused on infrastructure, i.e. water, sewer, drainage, fire, police?
- f. Will changes as proposed in the SOI increase pressure to develop surrounding county lands causing an increase in growth potential?
- g. Has the agency identified possible significant growth areas (and/or expansion of SOI)?
- h. Does the agency have plans for serving territory outside of existing SOI?

Information Sources: County and City General Plans, EIRs, Local and Regional Land Use Maps, US Census Website, State Department of Finance, Planning Departments, and Council of Government.
--

#### **2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.**

Purpose: To identify the existence of any disadvantaged unincorporated communities within or contiguous to the agency's sphere of influence. This information will be used to further evaluate infrastructure needs or deficiencies in Determination 3.

- a. Are there any known unincorporated communities with annual median incomes less than 80 percent of the statewide median household income (MSI)?

Information Sources: County and City General Plans, Housing Elements, EIRs, Local and Regional Land Use Maps, US Census Website, State Department of Finance, Planning Departments, and Council of Government.

**3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.**

Purpose: To evaluate the present and planned capacity of public facilities, infrastructure needs and deficiencies of an agency in terms of capacity, condition of facility, service quality and levels of services and its relationship to existing and planned services users.

Also required is an evaluation of the present and planned infrastructure and/or service needs or deficiencies for disadvantaged unincorporated communities within or contiguous to the agencies sphere of influence.

- a. What are the current capacities of public services? Are the agency's resources and facilities adequate to meet the existing needs of the community and to serve the area in the existing boundaries?
- b. What are the infrastructure needs or deficiencies for the identified disadvantaged unincorporated communities?
- c. What are the age and/or condition of the agency's facilities and/or infrastructure?
- d. What are the agency's plans for future growth?
- e. Does the agency have plans to acquire new property, facilities, and/or equipment within the next 5 years?
- f. Does the agency have a Reserve Capacity policy?

Information Sources: Water Master Plans, Urban Water Management Plans, Department of Water Resources Annual Reports, Wastewater Master Plans, Storm Drainage Plans, General Plan, **Housing Element**, EIRs Capital Improvement Plans, Master Service Plans/Studies, Insurance Service Office PPC rating, Websites, Questionnaires, and Interviews.

**4. Financial ability of agencies to provide services**

Purpose: To evaluate factors that affect the financing of needed improvements.

- a. What is the current fiscal status of the agency? What are the indicators?
- b. Will the fiscal impacts of the proposed changes to the SOI be greater or lesser than the fiscal benefits?

- c. Does the agency have financial reserves? If so, what percent of the general fund do the reserves represent?
- d. How will the agency fund needed capital improvement projects, i.e. bonds, loans, other?
- e. Does the agency have financing plans in place for service upgrades, capacity improvements within the next 5 years? What are the revenue sources to implement these plans?
- f. Does the agency have (written) investment policies? If so, what are the policies?
- g. Is the agency participating in any joint financing projects?
- h. What is the agency's existing source of revenue (e.g. property tax, special assessment, developer fees, entitlements, fundraisers, etc.)
- i. When were rates/fees last adjusted?
- j. Does the agency have an adopted budget?
- k. If applicable, has the agency submitted its annual (audit) report to the appropriate review body? (e.g. districts - County Auditor, cities - State Auditor's office)

Information Sources: Budgets for Last 3 Years, City/District Manager, State Cities, Special District Annual Reports, Department of Finance, Retail Sales, Transient Occupancy Tax (TOT), City/District Fiscal Policies, Development Impact Fees Information, Debt Information, and Joint Financing Efforts.

## **5. Status of, and opportunities for, shared facilities**

Purpose: To evaluate the opportunities for an agency to share facilities and resources to develop more efficient service delivery systems.

- a. Does the agency share facilities with other agencies?
- b. Are there presently any shared relationships for services between agencies in the SOI areas? Are there opportunities for the future?
- c. Is there any, or will there be duplication of facilities in the SOI area?
- d. Is there excess capacity available to outside customers?

Information Sources: Capital Improvement Plans, Shared Facility Construction Plans, Open Space Preservation Plans, Shared Wastewater Facilities, Water Storage and Distribution Facilities, Police and Fire Facilities, etc.

## 6. Accountability for community service needs, including governmental structure and operational efficiencies

Purpose: To evaluate the accessibility and levels of public participation associated with the agency's decision-making and management processes. To consider the advantages and disadvantages of various government structures to provide public services.

- a. How does the agency strive to involve the public in decision-making?
- b. How does the agency facilitate public access to their services? (e.g., hours of operation, media coverage, newsletters, website, cable/public access, public information programs/events).
- c. Are the elected and/or appointed representatives made accessible to their constituents?
- d. How does the agency respond to customer complaints?
- e. With regards to agency operations, what is the number of paid staff vs. volunteers?
- f. Are the agency's files records available for public review?
- g. How is the public and/or interested parties notified of meetings?
- h. Are the meetings open to the public?
- i. Does the agency prepare mid-year progress reports (major projects, change in operational costs)? Are they made available to the public?
- j. Who runs the agency's day-to-day operations (e.g. on-site manager)?
- k. Does the agency employ contractual (consultants) services?
- l. What government structure actions could be taken to enhance the effectiveness of the agency's ability to provide services?
- m. How will services to the SOI areas be enhanced by the agency?
- n. Will services to the SOI areas proposed for exclusion from the SOI be enhanced, decreased, or remain the same?
- o. Has the agency experienced previous consolidations/reorganizations within the past 5-10 years? If so, were there any hurdles experienced?

Information Sources: Public Involvement Policies, Website, Public Information Programs, Customer Complaint Process, Customer Surveys, Interviews, Public Works Departments, Redevelopment Agencies, Consolidation of Districts, Creation of New Districts, Mello-Roos Districts, and Utilities Districts, and Independent Studies..

**7. Any other matter related to effective or efficient service delivery, as required by Commission Policy**

Purpose: To evaluate whether any other matter relating to the agency's ability to provide effective or efficient service delivery is consistent with Commission policy.

- a. Does the agency have adopted measures to ensure that services are delivered in an effective and/or efficient manner? (Example: "levels of service" as commonly used for fire and police protection.)

Information Sources: County and City General Plans, EIRs, Specific Plans, Master Service Plans/Studies, Planning Departments, Insurance Service Office PPC rating, Questionnaires, etc.