

CALAFCO University – Shared Services and
Service Efficiencies

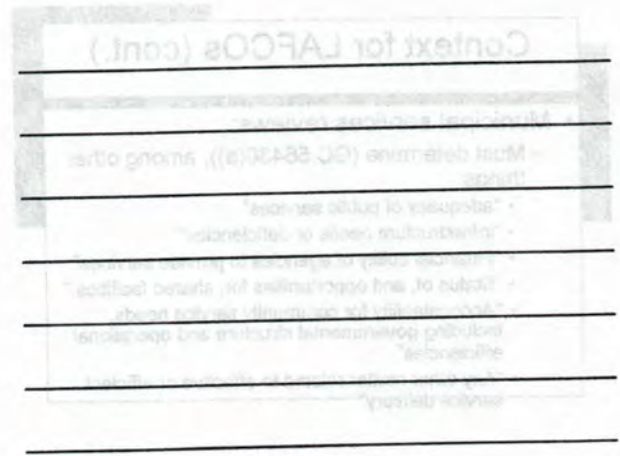
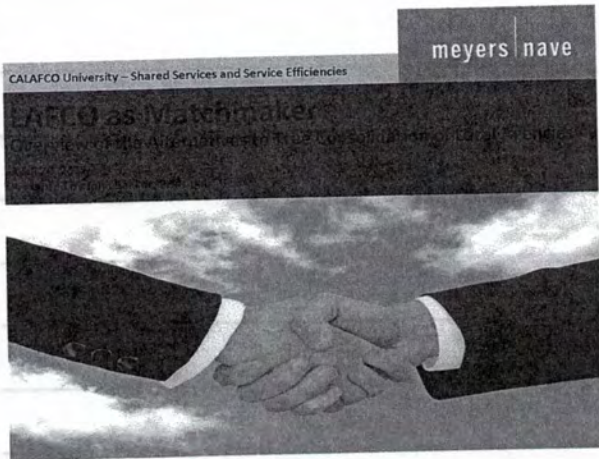
LAFCO as Matchmaker

Overview of the Alternatives to True Consolidation of Local Agencies

April 24, 2012

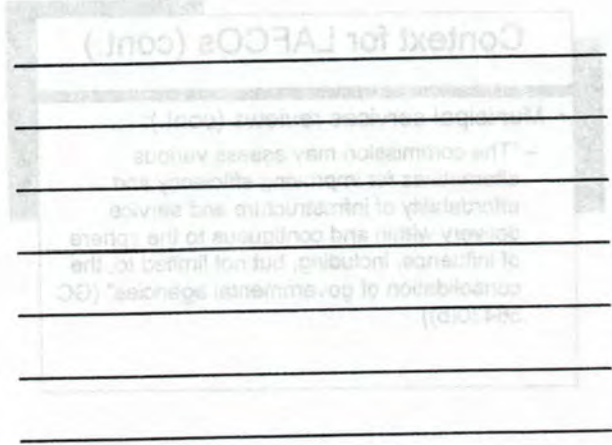
Presented by John Bakker, Principal





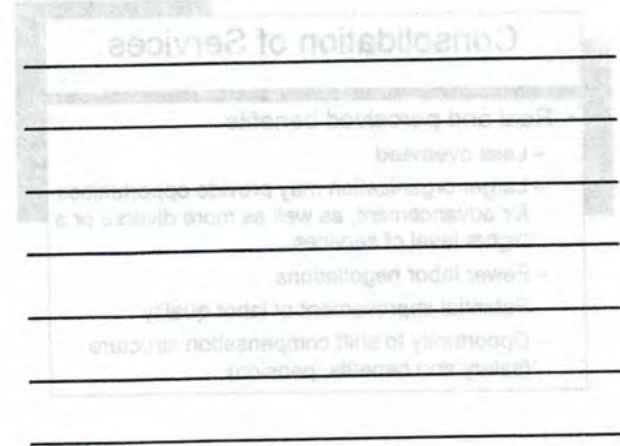
Consolidation of Services

- Consolidation trend is accelerating because of governmental fiscal crisis
- Consolidation can take many forms
- Presentation focuses on two forms:
 - Contracting for service
 - Joint powers agreements
- Alternatives to true consolidations/mergers



Context for LAFCOs

- In determining spheres, LAFCO "may assess the feasibility of governmental reorganization of particular agencies and recommend reorganization of those agencies when reorganization is found to be feasible and if reorganization will further the goals of orderly development and efficient and affordable service delivery." (GC 56425(h))



Context for LAFCOs (cont.)

- Municipal services reviews:
 - Must determine (GC 56430(a)), among other things:
 - "adequacy of public services"
 - "infrastructure needs or deficiencies"
 - "Financial ability of agencies to provide services"
 - "Status of, and opportunities for, shared facilities."
 - "Accountability for community service needs, including governmental structure and operational efficiencies"
 - "Any other matter related to effective or efficient service delivery"

Context for LAFCOs (cont.)

- Municipal services reviews (cont.):
 - "The commission may assess various alternatives for improving efficiency and affordability of infrastructure and service delivery within and contiguous to the sphere of influence, including, but not limited to, the consolidation of governmental agencies" (GC 56430(b))

Consolidation of Services

- Real and perceived benefits
 - Less overhead
 - Larger organization may provide opportunities for advancement, as well as more diverse or a higher level of services
 - Fewer labor negotiations
 - Potential improvement of labor quality
 - Opportunity to shift compensation structure (salary and benefits, pension)

Considerations Across Options

- Labor issues
 - Hiring and layoffs
 - Meet and confer?
 - Helpful to have labor buy-in early in process
- Review of obligations, assets, resources, liabilities
 - Debt
 - Equipment, facilities, and office space may be surplus and have value
 - Adequacy of property tax revenues
 - Financial stability of partners across the term of the arrangement—how well do you know your intended?
 - Workers' compensation: focus on the movement of employees rather than the form of consolidation; examine options for shifting or sharing risk of injuries incurred prior to consolidation

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Agreements for Services

- Various statutes permit one agency to provide municipal services to another agency
- Typical example is the Sheriff providing police services to a city
- Legal authority
 - Gov. Code, §§ 54981 [any local agency to another], 55632 [police and fire to a neighbor], 51301 [counties to cities]

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Agreements for Services

- Pros
 - Simple for agency being served
 - No governance issues
 - Parties have complete control/flexibility to implement
 - No LAFCO/voter approval required
 - Once in place tends to be less political, with issues resolved at the administrative level

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Agreements for Services

- Cons
 - Highly dependent upon competency of parties, particularly of the service provider
 - Difficult to enforce standards of service
 - Difficult to develop an equitable formula for allocating overhead costs
 - Can be difficult to transition existing employees to new service provider
 - Loss of local control (real or perceived)
 - Initial success may depend on competency of individuals managing or providing services; risk of decline after those individuals leave

Joint Powers Agreements

- Can be crafted to facilitate transition of
- Overhead costs easily allocated

Joint Powers Agreements

- Legal authority
 - Government Code section 6502 allows two or more public agencies to "jointly exercise any power common to the contracting bodies"
- Can jointly exercise powers without creating a separate agency (JPA)
- Sometimes overlooked that the two agencies must both be able to perform the service to be provided by the JPA

Joint Powers Agreements

- Governance issues when one party is larger
- Loss of local control

Joint Powers Agreements

- Typical examples:
 - Transit service
 - Fire service
- Atypical example:
 - Cities creating a single police department

Joint Powers Agreements

- How it all works: have uniform standards of service
- Consistent financial management or cost management by parties
- Division of administrative services (e.g. billing for
- Shared with equipment in their
- Changes with member organizations
- Allocation of assets and facilities upon dissolution

Joint Powers Agreements

- Pros
 - Can be crafted to facilitate transition of existing employees to JPA
 - Overhead costs easily allocated
 - Parties have complete control/flexibility to implement
 - No LAFCO/voter approval required

Joint Powers Agreements

- Cons
 - Governance issues when one party is larger than another
 - Loss of local control
 - "Political" disputes
 - Perception that one party receives better service
 - Location of JPA's offices
 - Loss or gain of facilities, equipment, land

Joint Powers Agreements

- Other considerations:
 - Helps if all parties have uniform standards of service
 - Completely separate management or joint management by parties?
 - Organization of administrative aspects (e.g. billing for services)
 - Selecting which equipment to retain
 - Adjustment of cost sharing based on demographic changes within member communities
 - Allocation of assets and liabilities upon dissolution

Questions?

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