

September 27, 2005

To: Dan Schwartz, Chair and Members  
CALAFCO Legislative Committee

From: Sub-Committee on Spheres of Influence (SOI) and Municipal Service Reviews (MSR) - Sandor L. Winger, Deputy Executive Officer, LAFCO for the County of Los Angeles

Subject: Final Report on Review of SOI / MSR Statutes

Enclosures: MSR/SOI Subcommittee Report, dated today and  
CALAFCO Survey: Pros and Cons of Municipal Service Reviews, *Summary of Responses Received as of August 10, 2005*, Enclosure 2.

As part of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, State Assembly bill AB2838, LAFCO's throughout the state have been working diligently to implement the newly revised requirement contained in that bill that affect Spheres of Influence (SOI), Government Code Section 56425 and its associated new requirement for Municipal Service Reviews (MSR), Section 56430.

The Legislative Committee recognized there has been a sufficient period of time since the enactment of the Act so a comprehensive review of the MSR/SOI process can be made to be able to determine if improvements to the SOI/MSR process are necessary.

In that regard, the Chair of the Legislative Committee appointed a sub-committee that was charged with the task of reviewing the effectiveness of MSRs and SOI Updates and further provide recommendations for change, as warranted.

Sub-Committee Members

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The Sub-Committee developed a Workplan and Timeline to meet its final objective: to provide the Legislative Committee a final and comprehensive set of recommendations before the CALAFCO annual conference.

The Sub-Committee worked within the constraints of that Workplan and Timeline and is pleased to provide a set of commentary and recommendations which is contained in Enclosure 1. The Report, Enclosure 2., is a summarization of responses received from twenty seven of the LAFCOs across the state. Those responses reflect a balanced cross section of all urban, suburban and rural LAFCOs.

It must be noted that even the four sections of the summary report are quite extensive. An item discussed by the Sub-Committee and not part of the report is a recommendation that the Legislative Committee pursue merger of Sections 56425 and 56430.

Respectfully submitted,

Sub-Committee on Spheres of Influence (SOI) and Municipal Service Reviews (MSR)

Enclosure 1.

**CALAFCO Legislative Committee****MSR/SOI Subcommittee Report****August 11, 2005**

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The MSR/SOI Subcommittee presents the following report based on direction received from the Legislative Committee at its June 10, 2005 meeting in Sacramento.

**1. Conclusions**

When considering changes to Government Code Sections 56425-56430, it is of key importance that the changes do not limit or restrict the existing local flexibility and discretion in the code.

However, it would be beneficial if these areas of the code were defined more clearly. If changes are made, it would be helpful to clean up the terminology so that categories of SOI actions are better defined. It is important to note the timing and frequency of SOI actions, the differentiation between updates and amendments, and the link to MSRs affects funding issues, discussed above.

**2. Should sphere of influence “amendment,” “revision,” and “update?” be defined?**

The Subcommittee focused on the pros and cons of the current ambiguities in the CKH Act with regard to SOIs and the link to MSRs. We discussed several ideas and options for clarifying the code as currently written.

**State mandates with defined local flexibility**

The code could be revised to better clarify the specific mandates of the state with regard to the type and timing of SOI actions and the respective link to MSRs so as to specify those areas in which local LAFCOs have explicit discretion to be flexible, i.e., an “as necessary” or “as determined by the commission” clause.

To ensure that state mandates are applied with consistency by each LAFCO, a new code section could be added that requires each LAFCO to adopt local policies for SOIs. The policies would define each type of SOI action, define the criteria for determining when and with what frequency each type of action is required, and specify how each type of action is linked to MSRs.

### Two types of SOI actions

Regardless of terminology, SOI actions can be placed in one of two general categories.

- Sphere of Influence Update

The first, commonly referred to as a SOI Update, is broad, comprehensive, and evaluates the entire SOI of an agency. This type of action is most often initiated by LAFCO or by the agency in conjunction with a general plan update or other cycle.

- Sphere of Influence Amendment,

The second, commonly referred to as a SOI Amendment, evaluates a specific geographical area. This type of action is most often initiated by landowners, registered voters, or the affected agency in conjunction with a specific boundary change proposal or general plan amendment. Sometimes these are limited in terms of size or significance.

It is important to note that a SOI Amendment should not be defined statewide by geographic size, land use, development density, type and level of service, or other factors because local circumstances vary greatly among LAFCO jurisdictions. Also, individual LAFCOs often distinguish between “major” and “minor” amendments with varying implications for MSR.

Currently, there is ambiguity about the relationship between MSRs and SOI actions. Government Code §56430 requires MSRs for SOI updates but does not mention amendments. However, the code allows a LAFCO to determine the appropriate geographic area in which to study agencies. A LAFCO could conduct a MSR within the defined geographic area of a SOI amendment. The flexibility to make this determination should be left in the code.

### Timing and frequency

It is clear from §56430(a) that MSRs are required in order to update SOIs. It is clear from §56425(f) that LAFCOs must update SOIs not less than once every five years. Much of the discussion over the necessity and usefulness of MSRs has centered on the implicit requirement to conduct a MSR for every service provider on a five-year cycle. Many LAFCOs have interpreted this requirement differently. In our survey, many LAFCOs reported that they exclude non-essential or non-growth related agencies/services from the MSR process. The majority agreed that all agencies and services should not be reviewed on the same schedule.

To provide more local flexibility in determining the need for and frequency of MSR, §56245(f) could be revised to integrate the following language: “The Commission shall consider each local agency’s sphere of influence not less than once every five years. When considering an agency’s sphere of influence, the Commission shall determine if an update is required.” It would follow that per §56430(a), MSR are required for SOI updates, and hence MSR would not necessarily be required every five years as determined by the Commission.

In order to carry out its public purposes, LAFCOs should at least consider each agency’s SOI on a periodic cycle. The level and depth of review should be at the discretion of the individual LAFCO. If a SOI update is necessary, a MSR should be required as is currently written in the code.

### **3. Should the nine determinations in Government Code §56430 be revised? If so, what specific changes should be made?**

The Subcommittee agreed that the determinations should be consolidated and revised to make MSR more useful for LAFCOs to accomplish their purposes under the CKH Act, specifically in relation to SOIs. The goal was to focus the scope of MSR on those determinations that would be most effective and relevant to LAFCO. To that end, the Subcommittee proposes the following conceptual changes in the nine classes of determinations as written:

- (1) No change
- (2) Combine with (4) and (5), i.e. “Financial ability of agencies to provide services”
- (3) Delete/integrate with (3)
- (4) Delete/integrate with (3)
- (5) Change wording: “Status of and opportunities for shared facilities”
- (6) Combine with (8) and (9), delete explicit direction to study consolidation
- (7) Delete/integrate with (7)
- (8) Delete/integrate with (7)

The above changes were included in the survey and 87% of the respondents agreed that the changes would make MSR more effective.

To implement the conceptual changes, Government Code §56430 would be revised as shown below. Deletions are shown with strikethrough and additions are underlined.

- (1) Infrastructure needs or deficiencies.
- (2) Growth and population projections for the affected area.
- (3) ~~Financing constraints and opportunities~~ Financial ability of agencies to provide services.
- (4) ~~Cost avoidance opportunities.~~
- (5) ~~Opportunities for rate restructuring.~~

- ~~(6) (4) Status of and opportunities for shared facilities.~~  
~~(7) Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers. (5)~~  
Accountability for community service needs, including government structure and operational efficiencies.  
~~(7) Evaluation of management efficiencies.~~  
~~(8) Local accountability and governance.~~

The suggested determination (5) is based on direction from Government Code §56001 and incorporates the current determinations (7), (8), and (9).

Still to be resolved is the idea of combining the nine MSR determinations and the four SOI determinations, perhaps to be adopted only and whenever LAFCO Updates a Sphere of Influence.

#### **4. Funding issues**

Funding for MSRs and SOI updates is a serious, known concern. In many cases, funding issues have a direct effect on a LAFCO's ability and/or willingness to complete timely, useful MSRs. While LAFCOs have the ability to adopt an annual budget that includes funding for MSRs, pressure from the funding agencies, taxpayer groups, LAFCO staff, LAFCO Commissioners, and others can preclude the ability of an individual LAFCO to cover the full cost of timely, useful MSRs. LAFCOs also have the authority to charge fees, but similar pressures can prevent a LAFCO from imposing a fee for MSRs.

##### Local flexibility

Funding methods are ultimately decided by each individual LAFCO. The concept of local flexibility is true not only for the MSR process in general, but for MSR funding. When we asked LAFCOs throughout the state to share their methods for funding MSRs, we received a broad response. We found that some LAFCOs fund the studies out of their general budget and that some charge fees or take voluntary contributions from developers and boundary change proponents. One LAFCO commented that it may be easier to obtain outside funding for MSRs/SOIs for agencies that serve high growth areas, while MSRs/SOIs in slow growth areas usually require full funding from the LAFCO budget. The overarching concern is whether MSR funding creates inequities among the funding agencies and, ultimately, the taxpayers.

##### Should funding methodology be changed?

When we asked LAFCOs how they thought MSRs should be funded, we received an even broader range of responses. Many LAFCOs suggested that the state should fund all or part of the cost and recommended various cost apportionment formulas. Some, but not all (how many?) of the LAFCOs responded that MSRs

should be funded with the LAFCO budget, although most suggested alternate methods, such as?.

MSRs and SOIs are essential for LAFCO to accomplish its public purposes under the CKH Act. As such, MSRs are a legitimate LAFCO expense that merits adequate public funding, with or without the availability of supplemental private fee revenues. It is the opinion of this Subcommittee that the current funding mechanisms in the CKH Act allow for LAFCOs to fund MSRs and SOIs through the adoption of a budget funded by local agencies and/or through the collection of fees from boundary change proponents. The current funding methodology should not be changed. Aren't we really talking about **the law** as it relates to funding methodology?

#### Baseline MSRs vs. update MSRs

Government Code §56430 introduced new statutory responsibilities for LAFCOs in 2001. During this first "cycle" of MSRs, many LAFCOs are undertaking great efforts to gather baseline information on local agencies and services in their jurisdiction. It is reasonable to assume that the MSRs completed in the second "cycle" will be update reports rather than baseline reports and the workload will be somewhat decreased. Consequently, MSRs may require less funding in the second cycle and funding issues may have less of an impact on LAFCOs' ability and/or willingness to complete timely, useful MSRs/SOIs.

### **5. Summary of survey responses**

In May 2005, the Subcommittee circulated a survey to the CALAFCO membership on the pros and cons of municipal service reviews. The survey was designed to gather input on the various issues each LAFCO has encountered while implementing the first "cycle" of MSRs. Responses were received from nearly 50% (27 of the 56) of LAFCOs with a mix of urban, suburban, and rural LAFCOs responding. The results are summarized below.

#### Purpose of MSRs

Most LAFCOs agreed or strongly agreed that MSRs were helpful for LAFCO to accomplish its overall responsibilities. It was generally agreed that the concept of a comprehensive service review is beneficial for LAFCO in light of its purposes under the CKH Act. Many LAFCOs stated that while the MSR concept is good, changes need to be made to make MSRs more effective.

#### Effectiveness/Results

When asked to what extent MSRs have been beneficial, LAFCOs strongly agreed that MSRs effectively inform LAFCO about agencies, services, and issues. Most LAFCOs agree that MSRs strengthen LAFCO's role as a facilitator and, to a lesser extent, as a planner and regulator. Most LAFCOs also agreed that MSRs provide valuable information to support SOI updates.

When asked how MSR could be improved, the responses varied. Most LAFCOs agree that the purpose of MSR is not clearly defined, MSR are too general or too broad in scope, MSR do not have enough “teeth” to support real change, and MSR are not clearly linked to SOIs.

In sum, most LAFCOs agree that MSR are a useful tool in concept and that much of the information gathered through the MSR process is helpful to LAFCO and others. However, the mechanics of the MSR process, including the link to SOIs and the practical applications, are in need of improvement.

### Reaction to MSRs

LAFCOs agree that their Commissioners find MSR to be useful and effective, but the agencies do not. The question of whether the public finds them to be useful and effective received a mixed response.

### Determinations

We asked LAFCOs whether they thought each of the nine determinations in §56430 was useful and effective. The highest marks were given to:

- (1) Infrastructure needs or deficiencies
- (2) Growth and population projections for the affected area
- (3) Financing constraints and opportunities
- (6) Opportunities for shared facilities
- (7) Government structure options
- (9) Local accountability and governance

A mixed response was given to (4) Cost avoidance opportunities.

Low marks were given to:

- (5) Opportunities for rate restructuring
- (8) Evaluation of management efficiencies

We asked LAFCOs whether they agreed with the Subcommittee’s proposal for conceptual changes to the determinations (see #2, below). Almost all LAFCOs agreed that our suggested changes would make MSR more effective.

We received a **mixed response** on the question of whether the SOI determinations should be integrated with the MSR determinations, although the majority agreed that they should be integrated. Those who agreed commented that there is a need to better integrate the MSR/SOI process overall.

### MSR Methodology

LAFCOs are approaching the MSR process in a variety of ways, including by agency, geographic region, type of service, etc. Slightly more than half are preparing MSRs concurrently with SOI updates.

The majority of respondents are not specifically excluding non-essential or non-growth related agencies/services. Some of the comments indicated that LAFCOs are including all agencies and services in this first “cycle” in order to gather baseline information.

### Timing

Slightly more than half of the respondents indicated they do not think MSRs should be completed every five years, stating that MSRs should be completed only as needed and that the five-year requirement is arbitrary. Those that agreed that MSRs should be conducted on this timeline cited the benefits of MSRs.

Most LAFCOs agreed that MSRs should be completed in conjunction with SOI updates. However, most LAFCOs disagreed that all agencies and services should be reviewed on the same schedule.

### Funding

The questions relating to funding MSRs received the most comments, indicating that the issue is crucial for many LAFCOs. Additional discussion regarding funding is contained in #4, above.

Enclosure 2.

**CALAFCO Survey:  
Pros and Cons of Municipal Service Reviews**

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*Summary of Responses Received as of August 10, 2005  
LAFCOs Represented: 27*

Alameda*	Lake*	Orange	Shasta*
Butte*	Lassen*	Plumas	Sonoma
Calaveras*	Los Angeles*	Riverside	Stanislaus*
Colusa*	Merced*	Sacramento	Ventura
El Dorado*	Modoc*	San Diego*	Yolo*
Fresno*	Napa*	San Luis Obispo*	Yuba*
Imperial*	Nevada	Santa Clara	

\*Comments were received in time to reprint in this summary report

**NOTE:**      1. **5 = STRONGLY AGREE**                      1 = **STRONGLY DISAGREE**  
                   2. **BOLD** Denotes Greatest Response Amount

**1. Purpose of MSR's**

1-1 MSR's, in general, are helpful for LAFCO to accomplish its overall purposes and responsibilities.

  7   5              **10** 4                6   3                        0   2                        0   1

Comments:

- *MSR's for "cities" are fairly useless. The MSR requirement is, in my mind, aimed at special districts. MSR's as special studies (executed "just because") have minimal value because there is no specific "reason" for doing them. MSR's as part of SOI revisions have more value. However, the law requires MSR's for even the smallest change in an SOI and this is often ridiculous and meaningless.*
- *Provides sound information for decision making.*
- *The MSR provides us with good information, much like a background report for a General Plan. However, since there is no specific purpose other than as a precursor to a sphere update, I don't see where other agencies will receive value from the document.*
- *MSR's are useful in some situations, but also seem to represent an awful lot of work for very little value in most situations. A suggestion that the CALAFCO MSR/SOI Subcommittee should consider is to shift the trigger mechanism for preparing MSR's—For example, rather than using sphere updates as the*

*trigger for MSR, consideration should be given to requiring MSR whenever major jurisdictional reorganizations are proposed (e.g., consolidations, dissolutions, incorporations, activation of new service functions, large annexations of undeveloped territory, etc.). MSR would have much more value and relevance as a reorganization tool—than a long-range planning tool. In fact, MSR are only as valid as the relevancy of the data—and the data gets old very quickly. Experience will show that it will be an extraordinary burden to keep the data updated per provisions of current law. Consequently, MSR will not be updated and will grow even more ineffective. In addition, the lack of a nexus between spheres and MSR has been pointed out by many people (within the LAFCO community) and there is good reason—spheres and MSR have two different philosophical and legislative missions/underpinnings. Spheres are essentially “jurisdictional general plans,” while MSR are a short-term “jurisdictional audits” of local agency services. This whole nexus and connectivity issue can, perhaps, be addressed by shifting the trigger mechanism per the above discussion. Lastly, changing the trigger mechanism for MSR would be a much simpler process than rewriting the MSR determinations & creating a host of new ambiguities and problems.*

- *MSR program has helped us link spheres to planning documents and services.*
- *They are sometimes (not often) helpful, but the factors were already being discussed when reviewing or establishing a SOI.*
- *MSR help LAFCO encourage orderly and efficient government services through informed decisions.*

1-2 Are LAFCO’s MSR are accomplishing this purpose.

8 5      8 4      4 3      3 2      0 1

Comments:

- *Unfortunately, we are still in the early stages of completing MSR.*
- *While the nine determinations are useful, only five or six have the needed information to formulate a sound SOI determination.*
- *What purpose?*
- *MSR have “encouraged” us to update our outdated spheres and take a closer look at our boundaries.*
- *MSR program has made us a resource to other agencies and community.*
- *No additional information obtained than was already used in our LAFCO’s determination of a SOI.*
- *Our LAFCO has made changes to SOIs based on informed decisions with MSR.*
- *We all believe the MSR is a valuable tool in assessing the ability of a service provider to provide the service.*

**2. Effectiveness/Results**

2-1 To what extent have MSR been beneficial?

a. MSR effectively inform LAFCO about agencies, services, and issues.

12 5      9 4      2 3      0 2      0 1

b. MSR's effectively inform the public about agencies, services, and issues.

  6   5        5   4        8   3        2   2        2   1

c. MSR's effectively inform agencies of opportunities to provide more efficient services.

  7   5        7   4        6   3        2   2        1   1

d. MSR's encourage agencies to collaborate on growth and/or service issues.

  3   5        4   4        4   3       10   2        1   1

e. MSR's strengthen LAFCO's role as a regulator.

  4   5        6   4        5   3        6   2        2   1

f. MSR's strengthen LAFCO's role as a planner.

  5   5        7   4        8   3        2   2        1   1

g. MSR's strengthen LAFCO's role as a facilitator.

  5   5       10   4        6   3        2   2        0   1

h. MSR's provide valuable information to support SOI updates.

 10   5       11   4        2   3        0   2        0   1

Comments:

- *MSR's work for districts, not cities.*
- *MSR's are performed in a virtual absence of public knowledge or participation. The technical nature of MSR's inhibits agency collaboration on growth issues.*
- *MSR's can only be used as a tool in association with other applicable data depending on the intended use.*
- *MSR's have helped LAFCO to understand the strengths and challenges faced by a jurisdiction.*
- *In our county LAFCO has historically taken a minor role in countywide planning. While that role is slowly changing, it has been very difficult. The County and some cities have looked at LAFCO as trying to usurp their traditional role and have not taken kindly to the idea. However, for those more progressive agencies, they have figured out that LAFCO is actually providing them with good information that they don't have to generate and is acting more as a facilitator for change. Only time will tell if this whole process is effective or not.*
- *MSR's have also resulted in developing our first agency directory, and updating and digitizing our boundary/SOI maps. The MSR process has resulted in more frequent and direct interaction with agencies.*

- *The only problem we have had is how to cause change when we discover a problem with a district that does not have interest in its sphere. What is the incentive to work with LAFCO?*
- *The factors of the MSR require certain pertinent information to support a decision on a SOI.*
- *Not all of the information in an MSR is relevant for LAFCO.*
- *Some valuable information such as service capabilities were never apparent until documented in a MSR. This is important in evaluating proposals and Spheres of Influence.*

2-2 In what ways could MSRs be improved?

a. The purpose of MSRs is not clearly defined.

  5   5        8   4        5   3        2   2        3   1

b. MSRs are too general or too broad in scope.

  7   5       11   4        2   3        3   2        0   1

c. MSRs do not have enough “teeth” to support real change.

 11   5        6   4        6   3        0   2        0   1

d. MSRs are not clearly linked to spheres of influence.

  3   5        8   4        5   3        3   2        4   1

Comments:

- *Just preparing MSRs as special studies do not accomplish much other than to get the administrators and decision makers worried about nothing.*
- *Although we have linked MSRs and SOIs there could be a clearer connection in the prep of the two types of documents in the code. We have identified several instances where action should take place to correct service and structural issues. In cases where the Board of Supervisors is interested we have been able to request they initiate proceedings that improve services, but that is not true in all cases. It would be helpful if, at least in certain cases, esp. relating to health and safety issues, LAFCO could take some steps to improve a situation, beyond just notifying people.*
- *I recommend changing MSRs in accordance with Question 4-2, Items 1-9 as recommended by the CALAFCO MSR/SOI Subcommittee.*
- *Focus on what LAFCO has authority over, i.e. provision of existing services, provision of future services, infrastructure-service delivery challenges.*
- *The Legislature needs to define how the MSR will be used. The information is much better than that in a General Plan background report, yet counties and cities continue to spend hundreds of thousands of dollars on those reports. Why not use the MSR information for General Plan updates? Why not require the MSR be used in preparing CEQA documents? If an MSR shows that a fire district is bankrupt and there is a health and safety issue, I find it incongruous that a county planning agency can prepare an initial study for a major*

*subdivision stating that if the developer pays the county a fee the impact is mitigated. What does that do to bring the fire district out of bankruptcy?*

- *Need a clearer definition and better connection between MSRs and SOIs.*
- *We need the ability to submit determinations to a regulatory body that would be mandated to take them seriously.*
- *To be really effective, the concept of a “MSR” must be redefined, not mandatory, and/or included in 56425 factors.*
- *There seems to be a disconnect between MSRs and SOIs.*
- *It is really up to the LAFCO on what is in a MSR and how they use it. Why do a MSR if it is not useful? I would rather have a few usable MSR’s than all of them just giving lip service to the law.*
- *Funding provided by state or other resources (grants, agencies, etc.).*

**3. Reaction to MSRs**

3-1 Our Commissioners find MSRs to be useful and effective.

  4   5        8   4        5   3        3   2        1   1

Comments:

- *Commissioners find MSRs to be an unreasonable state mandate to be funded through agencies’ limited discretionary spending.*
- *The Commission is frustrated that even though the MSR provides good information about reorganization/dissolution needs, there is no way to cost effectively accomplish the needed changes. In our county, the cost of running an election could essentially bankrupt the districts.*
- *Not really sure yet, as we’ve only completed one out of three countywide reviews, and it resulted in no significant SOI changes. I believe our Commission has found that the one completed to date to be informative.*
- *Hopefully!*
- *They see them as another state unfunded mandate, especially since our SOI reviews already addressed these factors in other words.*
- *Our Commissioners are much more interested when we are reviewing their home district/city.*

3-2 The agencies find MSRs to be useful and effective.

  2   5        6   4        3   3        9   2        1   1

Comments:

- *Even though we have a good working relationship with most of our district boards, the MSR process, by many districts, is looked upon as a hostile action by LAFCO. That perception is slowly changing, but it has caused a lot of problems during this first round of studies.*
- *Not really sure yet, as we’ve only completed one out of three countywide reviews, and it resulted in no significant SOI changes. I believe the agencies have found that the one completed to date to be informative.*

- *We have been instrumental in building databases. We have also cleared up matters for the Grand Jury on more than one occasion.*
- *They are usually happy to see them finished.*
- *We received thank you letters from new board members who used our MSR's to learn about their district.*

3-3 The public finds MSR's to be useful and effective.

  1   5        4   4        6   3        4   2        6   1

Comments:

- *No one knows quite what to do with them. Why are they being imposed?*
- *I doubt that the public even looks at the MSR's.*
- *Not sure. Not much feedback.*
- *We get a lot of inquiries as a result of our MSR's.*
- *They don't even read them.*
- *We refer public inquiries to our MSR's.*

#### 4. Determinations

4-1 Are the nine required determinations useful and effective? Consider the purpose and scope of each determination in light of the overall purpose of MSR's and of LAFCO.

(1) Infrastructure needs or deficiencies

 12  5        6   4        3   3        1   2        0   1

Comments:

- *Works for some districts, but does not work for cities.*
- *Change title to infrastructure capabilities and needs.*
- *Easy to understand and determine.*
- *Infrastructure is key when determining service capabilities.*
- *This is where you document service capabilities. The most important things in a MSR. How much capacity is remaining.*

(2) Growth and population projections for the affected area

  6   5       10  4        4   3        2   2        0   1

- *Helpful for some districts, but most cities already know this info.*
- *This is the role of the city, county, and regional land use planning agencies.*
- *Easy to understand and determine.*

- *LAFCO must know where growth is occurring in the county.*
- *Population projections are rarely reliable if you have one and change frequently.*
- *Difficult to predict with limited resources.*

(3) Financing constraints and opportunities

  6   5        8   4        4   3        4   2        0   1

- *Works for some districts, but does not work for cities. With 218, limited choices.*
- *Local agencies are already aware of their limited funding opportunities.*
- *This determination should be combined with #4 (cost avoidance opportunities) and #5 (opportunities for rate restructuring). Furthermore, it is believed by some that the present finances, etc. may not necessarily be a determining factor for a future SOI boundary inasmuch as the proposed SOI expansion might be required to alleviate or improve a financial problem.*
- *Change title to financial and administrative capabilities and include #4,5,8, and 9.*
- *Can be a sore spot with agencies, but we have had success in developing criteria with them.*
- *We tend to throw all our financial analysis into this category. It could be better defined.*
- *This indicates the potential for an agency to correct deficiencies or sustain a level of service.*
- *Lack of knowledge on agency/LAFCO part makes accuracy and detail difficult to achieve.*

(4) Cost avoidance opportunities

  1   5        5   4        5   3        5   2        4   1

Comments:

- *Works for some districts, but does not work for cities. LAFCO does not have such jurisdiction over cities, why are we asking this question?*
- *Delete and combine with #3.*
- *Make part of #3.*
- *We have treated this one with kid gloves. It seems inappropriate to get into the level of detail this category takes.*
- *Seems more appropriate to include with #3.*
- *Lack of knowledge on agency/LAFCO part makes accuracy and detail difficult to achieve.*

(5) Opportunities for rate restructuring

  1   5        4   4        2   3        6   2        7   1

Comments:

- *Works for some districts, but does not work for cities.*

- *This is best left to local agencies. LAFCOs have no power to effect such changes.*
- *Delete and combine with #3.*
- *Make part of #3.*
- *We only comment if rates seem out of whack or no rate study is available to the public.*
- *What does this have to do with LAFCO?*
- *Lack of knowledge on agency/LAFCO part makes accuracy and detail difficult to achieve.*

(6) Opportunities for shared facilities

  2   5        9   4        5   3        1   2        3   1

Comments:

- *Works for some districts, but does not work for cities.*
- *Change to “status of and opportunities for shared facilities.”*
- *Delete.*
- *This is a key LAFCO matter.*
- *Should include shared service arrangements as well.*

(7) Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers

  6   5       12   4        3   3        1   2        0   1

Comments:

- *Works for some districts, but does not work for cities.*
- *Combine with #8 and #9. Remove the word “consolidation.”*
- *This is LAFCO.*
- *This determination is the most effective for SOI updates.*
- *An analysis of these options is important in determining who the best service provider is.*

(8) Evaluation of management efficiencies

  1   5        3   4        4   3        7   2        5   1

Comments:

- *Works for some districts, but does not work for cities.*
- *LAFCOs have no power to impose changes to management practices of agencies.*
- *Delete and include with #7.*
- *Delete or move to #3.*
- *This concept is too vague, and may be perceived as a “non-LAFCO” issue.*
- *What does it mean?!?*
- *Should be redefined—possibly operational or administrative efficiencies.*

- *This is outside the purview of LAFCO expertise and should be left to the individual district board.*

(9) Local accountability and governance

  3   5        6   4        5   3        4   2        1   1

Comments:

- *Works for some districts, but does not work for cities. LAFCO does not have such jurisdiction over cities, why are we asking this question?*
- *LAFCOs have no power to change accountability of local agencies.*
- *Delete and include with #7.*
- *Provides good info not now available to the public.*
- *Easy to understand and determine.*
- *How does this relate to SOIs?*
- *Again, difficult for LAFCO to make broad statements regarding.*

4-2 The MSR/SOI Subcommittee discussed modifying the nine determinations as follows (listed by determination number and proposed change):

- (9) No change
- (10) No change
- (11) Change wording to include (4) and (5), i.e. "Financial ability of agencies to provide services"
- (12) Delete/integrate with (3)
- (13) Delete/integrate with (3)
- (14) Change wording: "Status of and opportunities for shared facilities"
- (15) Change wording to include (8) and (9), delete explicit direction to study consolidation
- (16) Delete/integrate with (7)
- (17) Delete/integrate with (7)

a. Do you think any/all of these proposed changes would make MSRs more effective?

 20  Yes   3  No

Comments:

- *Need one set of determinations for districts and one set for cities. Uniform determinations do not work for both entities.*
- *The MSR process should be permissive and not mandatory. For example, if after a sphere review, a LAFCO determines that an MSR should be conducted, then an MSR should be prepared. The problem with the current law is that an MSR is categorically required for all situations involving a sphere update. The decision to prepare an MSR should be decided locally based on the conclusion of the sphere review/update.*

b. If yes, which proposed changes do you support?

Comments:

- *All of the above.*
- *I would say all would be beneficial to our work. I would like the “management efficiencies” to be better defined, but am not sure how that could be accomplished.*
- *As recommended by the Committee.*
- *I support all of the changes and would recommend that consolidation be changed to reorganization rather than just to delete consolidation.*
- *All.*
- *I think they are all excellent ideas.*
- *All.*
- *We mostly agree. I like your suggestions on # 6.*
- *All!*
- *3, 6, 7*

c. If no, please explain:

Comments:

- *These changes do not make much of a difference in my opinion. Why not start with defining the purpose and intent of the MSR requirement? What are we trying to accomplish?*
- *Marginally. In addition, the Subcommittee suggestions involve tweaking statute around the margins—a simpler solution would be to provide local discretion with respect to application of the statute.*
- *It would make more common sense to address these. I agree with the changes.*

4-3 Do you have other suggestions for adding, consolidating, or deleting any of the determinations in order to make MSRs more effective? How would you restructure or reword the determinations? Please explain.

Comments:

- *Can only respond after I understand why MSRs are required. What is the organizing principal? What is the why behind the requirement?*
- *I would like there to be a written connection between MSRs and SOIs. They seem to complement and strengthen each other and codifying that link would seem beneficial.*
- *The emphasis of the changes should not be on amending the determination, but instead on clarifying that the MSR process should be carried out according to local conditions.*
- *I would add something such as a quantitative evaluation of service capability which is easier to do for water districts than fire districts.*

**4-4 The following four determinations are required for spheres of influence (§56425):**

**(1) The present and planned land uses in the area, including agricultural and open-space lands.**

- (2) The present and probable need for public facilities and services in the area.
- (3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
- (4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

Do you think these determinations should be combined/integrated with the nine MSR determinations? 14 Yes 8 No

Why or why not?

Comments:

- *No—SOI revisions/updates are separate from the MSR requirement. These probably need to be expanded to reflect the required criterion in Gov. Code Section 56668, factors to be considered in the review of a proposal.*
- *No—Such determinations are already required to be considered as part of SOI updates and other LAFCO actions. To require them as part of MSR determinations is superfluous.*
- *Yes—Combining them provides a more integrated approach to the overall document.*
- *Yes—Simplicity, understanding and cohesion.*
- *No—Not yet. The nine determinations need to be condensed and then considered for integration.*
- *Yes—As I see it right now, the only real use for the MSR is to use in establishing a SOI. In my mind they need to be more closely tied together.*
- *No—The SOI determinations are not problematic and should not be tampered with. Amending the sphere determinations would be problematic and likely result in unanticipated problems, similar to the issues and ambiguity experienced with MSRs.*
- *No—MSR determinations tend to be broad commentary relative to the specifics of SOI determinations. Leave them separate.*
- *Yes—MSR factors rolled in here, not a separate requirement to complete a MSR as now required.*
- *Yes—They should be INTEGRATED, not just deleted or moved around.*
- *No—Not unless you change the law and require the MSR component with every SOI amendment also which I think is a good idea.*
- *Yes—Items 2 and 3 coincide with the determinations.*

5. MSR Methodology

5-1 Please describe the MSR process at your LAFCO. For example:

- a. Are you completing MSRs by:

11 Agency17 **Type of service**10 Geographic region 3 Other: please explain

## Comments:

- *We have divided the county into geographic regions and address agencies as they interface with each other, which means sometimes we do them by region and like agencies.*
- *Depends on the service or area.*
- *As need arises due to project status.*

Has your method been effective? 21 **Yes** 1 No

Why or why not?

Yes—Types of uses have common issues. But you can see that this methodology does not work for cities.

## Comments:

- *No—Development pressure and the number of individual applications filed with LAFCO has made it necessary to prepare all MSR's concurrently.*
- *Yes—Except that it is taking longer this way, although we believe it is a valuable and worthwhile approach.*
- *Yes—We have found that a number of agencies were operating with outdated information, substandard service capacity and in some cases over-extended both in capacity and financial wherewithal.*
- *Yes—Most district lines follow the natural water flow in the county.*
- *Yes—I would say this method is only partially effective because it's difficult to study types of services as a group and then do the city MSR's separately. No matter what method you use there will be a significant amount of overlap.*
- *Yes—It's been somewhat effective, more so for special district, single purpose agencies than for cities.*
- *Yes—Each study is different.*
- *Yes—Easier to relate with the agency's SOI.*
- *Yes—Every place and situation is different. You have to let LAFCOs use their discretion on which is the best method.*

b. Are you adopting MSR's and SOI updates:

13 **Concurrently** 11 Separately

## Comments:

- *Some exceptions.*

- *We are trying to do the sphere updates within 6 months of the MSR so that the information is fresh.*
- *Both, but I prefer separately.*

Has your method been effective? 18 Yes 1 No

Why or why not?

Comments:

- *Yes—Typically only prepare an MSR when an SOI request is made.*
- *Yes—Efficiency.*
- *Yes—Provides an integrated and community related analysis of services.*
- *Yes—There is a need for district data to support the city determinations.*
- *No—We don't have enough staff time or money to accomplish what we need to do.*
- *Yes—It's been somewhat effective, more so for special district, single purpose agencies than for cities.*
- *Yes—We treat the SOI study as a second phase with its own questions.*
- *Yes—They go hand in hand, especially since we have already included these factors anyway.*
- *Yes—One comprehensive review of service issues, then individual SOI updates for each agency.*

5-2 Do you have an adopted MSR workplan? 20 Yes 3 No

How do you prioritize the completion of your MSRs?

Comments:

- *Typically only prepare MSRs when we have an SOI application.*
- *Growth inducing and public safety services are reviewed first.*
- *Tried to approach by need (oldest SOIs done first), but sometimes altered by actual boundary change actions/proposals.*
- *By geographical regions.*
- *Based on areas where growth is occurring.*
- *We continue to revise the workplan in order to accomplish the MSRs for "active" agencies. Unfortunately, when this process started, we worked on the "easy" MSRs in order to gain experience. This caused us to prepare studies for non-active agencies leaving us in our current bind.*
- *We grouped our MSRs into three large categories: Public Safety (i.e., police, fire, health care and emergency medical) which is now complete; Utilities (i.e., water, wastewater, flood, resource conservation, solid waste) which is currently in draft; and "All Other Municipal Services" under LAFCO's purview (i.e., library, parks and rec, street maintenance, lead abatement, mosquito and vector control) which is pending. We wanted to get one review "under our belt" before we tackled our most difficult—Utilities. We have no project-driven reviews.*
- *Priorities are established through the budget process based on a forecast of jurisdictional issues for the fiscal year.*

- *The Commission holds a workshop every two years. The schedule is examined at the workshop.*
- *Easy first, cities with General Plan updates and others as necessary.*
- *Growth-supporting services and development-driven MSR first.*
- *Growth inducing vs. non-growth inducing.*
- *Project history, projected need.*

5-3 Are you specifically excluding any agencies or services from your MSR (i.e., non-essential or non-growth related agencies/services)? 9 Yes 13 **No**

Why or why not?

Comments:

- *Yes—Hospitals, some rural water districts, schools, etc.*
- *No—We are addressing each agency that is defined as a special district in the Cortese-Knox-Hertzberg Act.*
- *No—All LAFCO agencies should be included.*
- *No—Our legal counsel has advised us that we need to address all agencies with a sphere, including CSAs.*
- *No—Although we are reviewing most municipal services (per CKH), we will conduct a more cursory review of the “other services” as they are non-growth related.*
- *No—Not this round. But we have not studied everything that others have studied.*
- *No—But should. The purpose and definition of municipal services should be clearly defined.*
- *No—All agencies should be reviewed, even if the MSR is a one-page statement of determinations.*
- *No—This is the first time and we need the background information.*
- *Yes—Need due to lack of staff time.*

## 6. Timing

6-1 Do you think MSR should be completed every five years? 11 Yes 13 **No**

Why or why not?

Comments:

- *No—Because this requirement is capricious and arbitrary. MSR as special studies should be at the discretion of each LAFCO. MSR as part of SOI updates for districts should be mandatory. Updating master service delivery plans for cities is more important than MSR for cities.*
- *No—This is excessive for non-essential or non-growth related agencies/services.*

- *No—Non-development related spheres (i.e., irrigation water and other related agencies) should be every ten years, or as needed based on health and safety issues. We could require a review of those districts every 5 years that would just entail confirming no significant changes.*
- *Yes and No—Depends partially on the growth of the area and the changes in services that are provided. One shoe does not fit all so we would suggest that rather than a five year mandate it be per local LAFCO policy with no more than 8 years.*
- *In the future, now that every agency has been reviewed for initial CKH compliance, more emphasis should be placed on the “need” for an MSR as required in Section 56425. Our county has more than 25 cities whose boundaries are totally contiguous and constrained by other cities or natural borders such as the ocean. The question of those cities spheres and boundaries are pre-determined by those limitations.*
- *Yes—Key capacity information should be updated to allow informed decisions.*
- *Yes—If we are required to prepare a sphere update every five years we need accurate information on which to establish the boundaries. As I see it, if there is no sphere update needed, the Commission can just bless the existing MSR and sphere and call it done.*
- *No—They should be conducted as needed or in conjunction with a major SOI change.*
- *No—MSRs should be completed as necessary.*
- *Yes—Because old studies should be updated and new topics visited. The Commission can determine which studies do not need to be repeated.*
- *No—The MSR term, concept, etc. should be eliminated and the factors integrated into 56425.*
- *Yes—LAFCO needs updated information. The level of review should not be the same each time, however.*
- *Yes—And sooner if the situation changes.*
- *Yes—Basic review should suffice.*
- *No—Time constraints and time consuming.*

6-2 Do you think MSRs should be completed in conjunction with SOI updates?

15 Yes 6 No

Why or why not?

Comments:

- *Yes—Only for districts.*
- *Yes—MSRs are almost meaningless outside of the context of SOI updates.*
- *Yes—I believe the MSRs do provide a structural and service related information base valuable to the sphere document.*
- *No—It is difficult, sometimes, to make determinations for a city without knowing the support a city is receiving.*
- *Yes—MSRs were designed to support the SOI update process. Info can become dated if an SOI is not updated in a timely manner.*
- *Yes—MSRs should be completed as necessary, in conjunction with or separate from sphere updates. Consideration should also be made to*

*requiring MSRs for major jurisdictional reorganization proposals (i.e., consolidations), similar to the way comprehensive fiscal analyses are required for incorporations.*

- *No—Some services, such as water, should be reviewed every five years. However, some water districts have spheres that will never change.*
- *Yes—The factors should be considered, not the MSR.*
- *No—Perhaps amendments also.*
- *Yes—Obvious link to service provision.*
- *No—Jurisdiction may not be ready to revise sphere boundary.*

6-3 If no to #1 or #2, when do you think MSRs should be completed and why?

Comments:

- *I really do not see the value in regulated special studies. So I do not know why they should be prepared.*
- *Non-development related spheres (i.e., irrigation water and other related agencies) should be every ten years, or as needed based on health and safety issues. We could require a review of those districts every 5 years that would just entail confirming no significant changes.*
- *When the Commission wants them completed, or when a sphere update is planned or proposed.*
- *I believe you should have correct data before amending or updating the SOI*

6-4 Do you think all agencies and services should be reviewed on the same schedule?

  6   Yes  15  No

Why or why not?

Comments:

- *Yes—Mainly practical reasons, very difficult to meet that timeline given everyday workload.*
- *Yes—The only opportunity for local agencies to interact.*
- *No—The Commission should have the flexibility to adopt an appropriate schedule.*
- *No—SOIs should be reviewed when relevant, not just because 5 years have gone by.*
- *No—Should we do cemetery districts at the same interval as we do water districts??*
- *No—Some needs are more apparent, others withstand years prior to scheduled updates.*

## 7. Funding

7-1 How are you currently funding your MSRs?

Comments:

- *LAFCO pays a private consultant.*
- *Annual budget of LAFCO and voluntary fair share contributions by developers who will face delays if statutory deadlines are not met.*
- *Some are prepared in-house by salaried staff, some are contracted out and financed through the LAFCO budget, a few have been funded through applicants whose proposals for boundary changes have triggered the update earlier than scheduled in the workplan. Those funded by outside applicants have, on some occasions, been prepared by consultants and some by LAFCO staff. Estimated split has been about 75% in-house and 25% applicant funding. About 50/50% between in-house and consultant preparation.*
- *By the agency!*
- *Through tactful negotiation, luck, deceit and strong arm tactics.*
- *LAFCO budget.*
- *We have funded our MSR's from annual budget savings for the last three years. The 2005/06 FY budget is the first to include funding from contingency as well as from our sphere fee trust fund. We are at a point right now where developers are asking for studies to be done in order to achieve sphere amendments and are willing to pay the freight. However, there is no way to generate developer money for the smaller districts that aren't substantively affected by development.*
- *Included as part of the LAFCO annual operating budget, over a three-year period (FY 2003-04, FY 2004-05 and FY 2005-06). We are using a combination of outside consultants and LAFCO staff to conduct the reviews.*
- *LAFCO and/or developers/agencies pay for MSR's.*
- *Internally.*
- *LAFCO budget.*
- *LAFCO budget and an MSR cost share charged to SOI amendment proposals.*
- *Some contributions by developers, mostly paid by the LAFCO funding agencies.*
- *Barely! Staff time as funded by LAFCO, some (few) funded by developers as agencies grow.*
- *LAFCO budget—county and 6 cities.*

## 7-2 How do you think MSR's should be funded?

### Comments:

- *Proponents of SOI revisions should pay. Otherwise LAFCO should pay.*
- *MSR's should be funded in equal parts by local agencies in accordance with Gov. Code Section 56381 and a statewide legislatively-imposed fee on building permits for new residential, commercial, and industrial development.*
- *Difficult to say. Most small special districts would find it difficult to pay for the studies. We do not have district representation for this same financial reason. The cities and county are already paying for LAFCO through their contributions. Our approach has been to do most studies in-house and then for special situations, early preparation out of order, to be paid independently by the requestor.*

- *60% state, 20% by general fund proportionate allocation for cities, 20% by dependent and independent districts less those termed as “non-backbone” such as mosquito vector/abatement, cemetery, etc.*
- *LAFCO budget or state-funded.*
- *I think that if the state wants these studies done they should pay for them. It's evident that the majority of special districts in our county are on the brink of bankruptcy and should not be liable for these studies. By including the cost in our budget, the cities and county are having to pay a larger share of cost and there is no equity.*
- *Proponent of major SOI change; otherwise, LAFCO.*
- *LAFCO and/or developers/agencies should pay for MSRs.*
- *Internally.*
- *State—this is another unfunded state mandate.*
- *LAFCO budget, possibly an MSR surcharge on proposals.*
- *Developers, LAFCO funding agencies and processing fees.*
- *State mandate=state funding.*