

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF DECEMBER 5, 2007

REGULAR MEETING

TO: Ted Long, Chairman, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

**AGENDA ITEM #11: CONTINUED PUBLIC HEARING TO CONSIDER AND ADOPT
THE PROJECT PLAN FOR THE NEXT CYCLE OF
MUNICIPAL SERVICES REVIEWS**

RECOMMENDATION

Staff recommends that the Commission

1. Receive the following information regarding the “categorization” of agencies;
2. Adopt staff’s recommendation of studying 55 agencies in the next five-year MSR cycle; and
3. Provide direction for staff on the agencies the Commission chooses not to study, if any.

REASON FOR RECOMMENDED ACTION

Staff presented a proposed project plan for the next five-year MSR cycle. After the receipt of this information, the Commission directed staff to categorize agencies to ensure that staff resources were employed to the agencies that most need them. Staff’s recommendation is to study at least 55 of the 57 agencies in the next cycle.

BACKGROUND

At the October meeting, staff presented a project plan for the next five-year municipal service review cycle composed of four dimensions:

- Process
- Scope
- Funding Mechanism
- Timing

Although the Commission took no formal action on the project plan, the Commission seemed to agree only on staff's recommendation on the process (create MSRs on a per-agency basis). Commissioners were hesitant to direct staff on adopting the timing of the reviews or implementing a funding mechanism unless it was confident that the scope of the project was better defined. The specific concerns were:

- Whether it was necessary to study all 57 agencies in the county and
- Whether LAFCO staff resources were better utilized by reviewing the agencies that are more active.

To that end, the Commission directed staff to categorize the agencies on a three-point scale based upon level of activity.

It must be noted that the original staff recommendation to study all agencies was grounded on determining the direction of each agency's ability and capacity to provide services. The current set of MSRs provides both valuable background information and establishes benchmarks for each agency in order to highlight the items the agency is doing well and to document the challenges it is facing. As a result, agencies that are not doing well should be monitored to establish the direction they are heading: Whether the noted difficulties were corrected, whether they are on their way to being corrected, or whether the situation is getting worse. A similar trend could be established for agencies that are performing adequately or were found to be in firm financial footing.

Based upon that, staff recommends against determining the scope of the MSR project based on activity level alone. Limiting the scope to activity level may be detrimental to the Commission and to residents of an agency. For example, Golden West CSD was found to have a high number of issues relating to finances, service provision and management. Golden West also has a "positive sphere" (it can expand its boundaries) but very little activity. If the issues continue, there is sufficient information to determine that the agency should not expand, have its sphere shrunk or to reorganize it into some other entity. However, if the issues are resolved and the district is performing well, then LAFCO can determine whether it should expand. But that trend could not be established unless Golden West CSD is subsequently studied in the next MSR cycle.

Staff Recommendation

As noted above, during last month's discussion on the "Scope" of the MSR project for the next cycle, staff recommended against a blanket exclusion from reviewing any specific agency or service for reasons discussed immediately above. Staff amends last month's recommendation to be the review of all agencies except for CSAs 7 and 10, since these are only pass-through agencies (CSA 5, while also just an assessment-only district, is included for further study because the current review has found that it has not expended any collected revenues on drainage services for the last two years and that situation may be problematic in the long term). This results in the study of 55 agencies, spread out across five years as indicated in Attachment A.

Other Options

If the Commission still has concerns over this recommendation and does not wish to adopt it, then staff recommends that the Commission consider two other options, both based on a project plan that utilizes three different categories. A summary of staff's

categorization is found on Attachment B, but the methodology behind it is based upon the categories of “Always,” “Assessment-only Agencies” and “By Score.”

- Always – These agencies either provide vital services to residents; serve a significant percentage of county residents; or both. Agencies under this category will be studied in every cycle and include:
 - Cameron Park CSD
 - City of Placerville
 - City of South Lake Tahoe
 - El Dorado Hills CSD
 - El Dorado Irrigation District
 - Georgetown Divide PUD
 - Grizzly Flat CSD
 - South Tahoe PUD
- Assessment-only Agencies – These agencies were organized to levy assessments only, do not directly provide services, have no staff, and no staff salaries are dependent on these revenues. The Commission can determine that, since they do not provide any services that can be studied, agencies in this category do not have to be studied in the next cycle. These pass-through agencies include:
 - County Service Area Number 5 (on the other hand, General Government Services I MSR found that the revenues CSA 5 collected have not been expended on services for two years)
 - County Service Area Number 7
 - County Service Area Number 10
- By Score – For agencies that could not be categorized under “Always” or under “Assessment-only Agencies,” staff created a ranking based on the total score of two dimensions. These dimensions were “activity level” and “number of issues that were found in the current set of MSRs.” The intent was to capture the Commission concern of concentrating resources on those agencies that were active and staff’s recommendation of determining service level trends:
 - Activity levels were ranked by “high” (3), “somewhat active” (2) and “little or no activity” (1). A level 3 would be given to agencies that have or will soon have pending applications to LAFCO. A level 2 was given to agencies that have potential applications based on information the agency provided to LAFCO staff and/or on the discussion found in the MSR. A level 1 was given to agencies that did not fall into either category.
 - Challenges were ranked based on whether the MSR found “multiple” challenges (3), an “average or moderate” number (2) or “little or no” challenges (1). An agency would be given a level 3 if the MSR found that the agency was having problems with significant items, such as service provision, financing, pending legal questions, “free riders” or with government and management. A level 2 would be given to an agency if its challenges encompassed no more than one or two of the challenges listed in level 3. Level 1 would be given to an agency that was found not to have any significant challenges.

These two dimensions created a spectrum where at one end, an agency is neither active or has any significant issues (combined score of “2”), and at the other end, an agency is very active and has a significant number of issues (combined score of “6”). Attachment A contains the individual score of each agency, but in summary:

- Agencies with a Score of 2 (12):

- o Arroyo Vista CSD
- o CSA 3
- o East China Hills CSD
- o El Dorado RCD
- o Fallen Leaf Lake CSD
- o Garden Valley Ranch Estates CSD
- o Georgetown RCD
- o Happy Homestead Cemetery District
- o Hickok Road CSD
- o Mosquito FPD
- o Sierra Oaks CSD
- o Tahoe RCD

- Agencies with a Score of 3 (21):

- o Audubon Hills CSD
- o Cameron Estates CSD
- o Cameron Park Airport District
- o Connie Lane CSD
- o CSA 2
- o CSA 9
- o El Dorado Hills County Water District
- o Georgetown Divide Recreation District
- o Grassy Run CSD
- o Greenstone Country CSD
- o Holiday Lake CSD
- o Lake Valley CSD
- o Lakeview CSD
- o Marble Mountain Homeowners CSD
- o Mortara Circle CSD
- o Nashville Trail CSD
- o Rising Hill Road CSD
- o Showcase Ranches CSD
- o Springfield Meadows CSD
- o Tahoe Paradise Resort Improvement District
- o West El Largo CSD

- Agencies with a Score of 4 (7):

- o Cosumnes River CSD
- o Garden Valley FPD
- o Golden West CSD
- o Hillwood CSD
- o Kelsey Cemetery District
- o Knolls Property Owners CSD
- o Meeks Bay FPD

- Agencies with a Score of 5 (6):

- o Pioneer FPD
- o Rescue FPD
- o Georgetown FPD
- o Latrobe FPD
- o Diamond Springs/El Dorado FPD
- o El Dorado FPD

Agencies with a Score of 6: None

Option A – The Commission could determine that for the next cycle of MSRs, it will study only the agencies under the “Always” category and those agencies with a score of 3 or higher under the “By Level” category. If the Commission leans towards this preference, then it results in the study of 42 agencies spread out across five years as indicated in Attachment C.

Staff cautions that agencies with a score of 2 in the “By Level” category should be studied in the 2013-2018 MSR cycle in order to track their trends.

Option B – Same as Option A other than the Commission could determine whether it wants to study an agency with a score of 2 even though there is little activity or no

significant issues were identified. Conversely, the Commission could determine it will not study an agency with a score of 3, even though it could be either active or is facing some challenges. However, staff cautions against a determination of not studying an agency with a score higher than 3 in the "By Level" category.

Attachments

- Attachment A: Staff Recommended Agency Schedule/Timeline for the Next MSR Cycle
- Attachment B: Summary of Three Categories for Determining Optional Agency Schedule/Timeline
- Attachment C: Optional Agency Schedule/Timeline for the Next MSR Cycle