

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF JUNE 27, 2018

REGULAR MEETING

TO: Shiva Frentzen, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

PREPARED BY: Erica Sanchez, Assistant Executive Officer

AGENDA ITEM #11: **DISCUSSION ON THE PREPARATION OF THE MUNICIPAL
SERVICE REVIEW FOR THE EL DORADO IRRIGATION
DISTRICT**

RECOMMENDATION

Staff recommends that the Commission receive the following update regarding the status of the next scheduled Municipal Service Review (MSR) and Sphere of Influence Study (SOI) for the El Dorado Irrigation District (EID) and provide direction to staff on how to proceed with the preparation of the next EID MSR. Options for the Commission include:

1. Authorize staff to explore options for outsourcing the EID MSR, including allocating funds in the 2019-2020 budget, and bring back the information for Commission consideration; or
2. Direct staff to prepare EID's next MSR in-house, beginning in fiscal year 2019-2020 in accordance with Third Cycle MSR Project Plan.

REASON FOR RECOMMENDED ACTION

State requirements are that the Commission update the spheres of influence for all agencies within El Dorado County every five years. State Law also requires that a municipal service review for an agency be performed before the Commission can update its sphere of influence. For reasons explained below under 'Background', EID has not been reviewed since it's 2008 MSR and SOI Update, which was completed during the First Cycle of MSRs; EID is next scheduled to be reviewed in 2019-20 as part of the current Third Cycle MSR Project Plan (***Attachment A***).

BACKGROUND

EID MSR History – How We Got Here

EID was studied in two MSR cycles during the first MSR cycle: The *Water, Wastewater and Power MSR*, adopted by the Commission in January 2008, and the *General Government Services I MSR*, adopted February 2008. The latter MSR studied EID's parks and recreation services. Both MSR cycles were prepared by outside consultants.

EID was originally scheduled to be studied again in the second MSR cycle in fiscal year 2010-11, but that review was postponed, per Commission direction in 2010. In that August, then-LAFCO Commissioner and EID Director, Harry Norris, proposed that EID staff update the agency description part of the MSR in order to streamline the report and minimize LAFCO staff time and/or the need for an outside consultant. The Commission instructed staff to allow the EID MSR to be updated by EID staff; EID would furnish LAFCO with a description of all relevant changes involving the District and its services, and LAFCO staff would use that updated information to prepare the required MSR and SOI determinations for the Commission to consider. Director Norris provided similar instructions to EID staff in September 2010. Commissioner Norris also recommended the EID MSR be postponed until after the District completed its *Integrated Water Resources and Wastewater Facilities Master Plans* and its *Urban Water Management Plan*, which were in-progress at the time. As a result, the EID MSR was postponed to the Third MSR Cycle.

Third MSR Cycle Status

The expectation was that EID staff would update the upcoming EID MSR with the most recent district financial information, capital improvement plans, operations and management information. Following the completion of EID's *Integrated Water Resources and Wastewater Facilities Master Plans* in 2013 and its *Urban Water Management Plan* in 2016, staff followed-up with EID staff in 2016, 2017, and again in 2018 regarding the progress of the MSR. Each time, EID staff reported that due to limited staff resources, internal reorganization and a recent increase in activity, they have been unable to dedicate much staff time to working on the MSR. MSR cycles are not a legislative directive for the District; therefore, the MSR is not a top priority for EID staff when faced with more pressing District responsibilities. At our most recent meeting in June 2018, EID staff confirmed that they would be unable to update the MSR within the requested timeframe.

The current, third MSR cycle is based on an 8-year cycle for 2013-2021; EID is scheduled to be reviewed in fiscal year 2019-20. To complicate matters, as the Commission is aware, staff has steadily fallen behind on its Third Cycle of MSR cycles. We are currently working to complete the remaining four MSR cycles scheduled for 2015-16; after that, twelve agencies are scheduled to be reviewed in 2016-17, fourteen agencies in 2017-18 (including a county-wide review of fire districts), ten in 2018-19, and three in 2019-20, including EID. The backlog itself is a cause of uneasiness, but that EID has not been reviewed in 10 years is an acute concern. It is the only large agency that has not had a fairly recent review.

EID MSR Options

EID is arguably the most complex special district reviewed by El Dorado LAFCO, based on both size and technical operations. Water and wastewater services are high demand

services which have a significant impact on how fast and by how much local communities may grow. LAFCO processes more boundary changes for EID than for any other public service provider in the county. This item is being brought to the Commission for discussion and to put a plan in place to ensure that EID's next MSR/SOI is completed within this Third MSR Cycle.

The Third MSR Project Plan assumed a limited amount of staff time to review the information updated in the MSR by EID staff and to prepare the agency determinations. However, that assumption is no longer valid since, as stated earlier, EID staff indicated that it will not provide these updates. As a result, LAFCO will start at square one when it comes to creating the MSR. Staff is requesting the Commission provide direction to staff as to whether the next EID MSR/SOI should be prepared in-house by LAFCO staff or contracted out to a qualified consultant.

Outsourced

Considering the level of expertise and magnitude of scope that will be required for the EID MSR, staff recommends that the Commission consider outsourcing the EID MSR to a qualified consultant. However, contracting out for the EID MSR will have budgetary implications for fiscal year 2019-20. If the Commission authorizes staff to explore outsourcing options, staff will research and bring back additional information for a more informed discussion, including identifying potential funding within the 2019-20 fiscal year budget, and outlining a process for selecting consultants.

For preliminary comparisons, the cost to outsource the MSRs for the Cities of Placerville and South Lake Tahoe was just under \$38,000, in total for both MSRs (the two city MSRs were contracted out to the same consultant under one contract, to be prepared separately). The SLT MSR took approximately one year to complete; the Placerville MSR took almost twice that amount of time, due to how long it took to receive requested information from city staff. The 2008 Water, Wastewater and Power MSR, also prepared by an outside consultant, took approximately one year to complete at a total cost of \$85,000; however, that particular MSR was done by service and, therefore, covered a total of six service agencies. The following is a cost and time summary of all MSRs contracted out by this LAFCO, thus far:

MSR:	Contracted Cost:	Time to Complete:
Cities of Placerville and South Lake Tahoe MSRs – <i>by agency, one contract, two separate MSRs</i>	\$38,000	One year (SLT) Two years (PV)
Water, Wastewater & Power MSR – <i>by service, 6 agencies reviewed</i>	\$85,000	One year
Streets and Highways Services MSR – <i>by service, 28 agencies reviewed</i>	\$26,000	One year
General Government Services I MSR – <i>by service, 23 agencies reviewed</i>	\$22,000	One year
General Government Services II MSR – <i>by service, 9 agencies reviewed</i>	\$34,000	7 months

Given that none of these contracts were for a single MSR, covering a single agency, it is difficult to make direct comparisons. The summary is intended to provide a general idea of the costs that may be involved in outsourcing the EID MSR. Also, the time spans given above are for the preparation of the MSRs only, after the Commission selection of the consultant and signing of the contract.

In-House

The Commission could also direct staff to update the EID MSR as a priority beginning in fiscal year 2019-20 or amend the adopted Third Cycle Project Plan to schedule EID's MSR/SOI earlier than the FY 2019-20 date. Either way, if the Commission directs staff to prepare the EID MSR in-house, it will undoubtedly further delay staff's completion of the Third Cycle MSR Project Plan.

If the Commission directs staff to prioritize the EID MSR immediately, staff will cease work on all other MSRs until the EID MSR is complete; if the Commission directs staff to begin work in fiscal year 2019-20, staff will complete as many MSRs as possible before that time, then cease working on all other MSRs until the EID MSR is complete. Given the size, scope and complexity of the EID MSR, it will likely take staff at least one full year to complete the report, and possibly up to two years, depending on timing and cooperation with EID staff, active proposals and other workload priorities, including the upcoming Fire Service MSR which is also included in the Third MSR Cycle.

Attachment:

Attachment A: Third Cycle MSR Project Plan (2013-2021), adopted by the Commission February 27, 2013