

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF AUGUST 22, 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 #7: **UPDATE ON THE COSTS OF OUTSOURCING THE
MUNICIPAL SERVICES REVIEW/SPHERE OF INFLUENCE
STUDY ON THE EL DORADO IRRIGATION DISTRICT AND
FIRE DISTRICTS**

RECOMMENDATION

Staff recommends that the Commission receive the following information relating to the costs of outsourcing a municipal services review (MSR) and sphere of influence (SOI) study and provide direction to staff on the following two items:

1. Determine which MSR(s) to outsource in fiscal year 2019-2020. Options for the Commission include:
 - a. Outsourcing only the El Dorado Irrigation District (EID) MSR;
 - b. Outsourcing only the Countywide Fire Districts MSR; or
 - c. Outsourcing both the EID and Fire Districts MSRs; and
2. Determine the amount of money to be allocated in the fiscal year 2019-2020 budget to fund the outsourced MSR(s).

REASON FOR RECOMMENDED ACTION

At the June 27 meeting, the Commission authorized staff to explore options for outsourcing the EID and fire districts MSRs, including allocating funds in the 2019-2020 budget, and directed staff to bring back cost estimates for contracting out the MSRs, for further Commission consideration.

BACKGROUND

After a discussion on the preparation and potential outsourcing of the EID MSR at the June meeting, the Commission affirmed that completion of the next EID MSR was a top priority, and directed staff to bring back cost estimates for outsourcing the study to a qualified consultant. The Commission additionally discussed the next scheduled fire districts MSR and stated that this study was also a very high priority for the Commission and directed staff to include cost estimates for outsourcing a countywide fire districts MSR as well.

Item 1 – Which MSR(s) to Outsource

At the June meeting, the Commission expressed a strong preference to expedite both the EID and fire MSRs. The first item the Commission is being asked to consider, is which MSR(s) should be contracted out in FY 2019-2020. Options include outsourcing only one, either the EID or the fire districts MSR, or outsourcing both MSRs.

Previous MSRs

State requirements are that the Commission prepare an MSR and update the sphere of influence for all agencies every five years. El Dorado LAFCO has adopted an eight-year MSR Project Plan for 2013-2021.

EID was reviewed in the first MSR cycle in 2008, in two service-based MSRs (*Water, Wastewater and Power MSR* and the *General Government Services I MSR*); the District was not reviewed in the second MSR cycle. Both MSRs were prepared by outside consultants, at a cost of \$85,000 and \$22,000, respectively. EID is next scheduled to be reviewed in 2019-20 as part of the current Third Cycle MSR Project Plan.

The fire districts were last collectively reviewed in the *2011 Countywide Fire Suppression and Emergency Services MSR* in the second MSR cycle, and before that in the *2006 Countywide Fire Suppression and Emergency Services MSR* in the first MSR cycle. Both of these MSRs were prepared in-house by LAFCO staff. The fire districts were scheduled to be reviewed in 2017-18 as part of the current eight-year Third Cycle MSR Project Plan. The review has not started because staff has fallen behind in its project plan.

Staff Recommendation

Staff agrees that the timely completion of both MSRs within the current Third MSR Cycle is a top priority; however, the outsourcing of one or both studies will have a significant impact on this agency's budget. If the Commission decides to contract out for only one MSR in 2019-2020, staff recommends that it be the EID MSR, based on the following considerations:

- EID has not been reviewed in ten years, which is outside of both the State's five-year requirement and this LAFCO's adopted eight-year Third Cycle MSR Project Plan. The fire districts are still, at this time, within the eight-year cycle.
- EID is the only large agency in the county that has not had a fairly recent review, but LAFCO processes more boundary changes for EID than for any other public service provider.

- EID is arguably the most complex special district reviewed by El Dorado LAFCO, in both size and technical operations. This has factored into previous Commission decisions to contract out both of EID’s previous MSR’s to qualified consultants.
- Both of the previous countywide fire districts MSR’s have been prepared by LAFCO staff. Staff is familiar with the local circumstances, history, and politics of the fire districts, and is in a better position to update the fire districts MSR in-house, if necessary.

Item 2 – How Much Money Should be Allocated to the 2019-2020 Budget?

The second item the Commission is being asked to consider, is how much money the Commission should allocate in the FY 2019-2020 budget to fund the outsourced MSR(s). Staff and the Budget Ad Hoc Committee will consider this amount when preparing the FY 2019-2020 budget for Commission approval in Spring 2019.

MSR Costs

As discussed in June, contracting out for the EID and/or fire district MSR’s could have significant budgetary implications for fiscal year 2019-20. Staff reached out to other LAFCOs across the state to get cost estimates for recently outsourced MSR’s, specifically for agencies which provide water, wastewater and hydroelectric power, or fire suppression. The following is a summary of responses received, sorted by Water/Wastewater, Fire, and Other/Nonspecific MSR’s:

Water/Wastewater MSR’s

Reported costs to outsource a water/wastewater MSR ranged from \$40,000-\$85,000 and averaged \$63,300 per report. Water/wastewater service providers tend to have more complex operations, infrastructure, and facilities than other types of municipal service providers and their service reviews tend to include more technical data than other MSR’s.

LAFCO	Cost	Type of MSR: Water/Wastewater	Agencies	Consultant
Nevada	\$40,000	Wastewater MSR	4	SWALE Consultants
Nevada	\$43,000	Water MSR	5	E. Mullberg & Associates / Project Resource Specialists
Orange	\$49,700	Water/Wastewater MSR: Fiscal Assessment	1	Berkson Associates
Orange	\$83,800	Water/Wastewater MSR: Infrastructure Assessment	1	Policy Consulting Associates (PCA) <i>QK subcontractor for engineering</i>
El Dorado	\$85,000	Water, Wastewater & Power MSR	6	Dudek & Associates
Average Water/Wastewater MSR Cost: \$60,300				

Fire MSR’s

Comparable costs for fire studies ranged from \$60,000-\$100,000 and averaged \$76,800 per report. Fire service MSR’s tend to be among the highest cost MSR’s, due to the

interdependent operations of fire service providers and the tendency to review fire services at a countywide level, including a larger number of individual agencies.

LAFCO	Cost	Type of MSR: Fire	Agencies	Consultant
Placer	\$59,500	Fire MSR	12	SWALE Consultants
Sonoma	\$60,000	Fire MSR	6	Economic & Planning Systems (EPS)
Yolo	\$82,000	Fire MSR	15	Citygate Associates
Placer	\$82,500	West Slope Fire Study	14	Policy Consulting Associates (PCA)
El Dorado	\$99,900	Countywide Fire Study (Not an MSR)	14	Citygate Associates
Average Fire MSR Cost: \$76,800				

Other/Non-Specific MSRs

Other/non-specific MSRs was the catch-all category for all responses for services other than water/wastewater and fire. The studies ranged from small, single-purpose special districts, to large all-purpose cities. Likewise, the MSRs studied anywhere from one to 28 agencies providing similar services. Reported costs to outsource the ‘other’ MSRs ranged the most, from \$22,000-\$75,000, averaging \$46,500 per MSR.

LAFCO	Cost	Type of MSR: Other/Nonspecific	Agencies	Consultant
El Dorado	\$22,000	General Gvt. Services I MSR	23	Pacific Municipal Consultants (PMC)
El Dorado	\$26,000	Streets & Highways MSR	28	Pacific Municipal Consultants (PMC)
El Dorado	\$34,000	General Gvt. Services II MSR	9	Public Financial Management (PFM) / Burr Consulting
Fresno	\$35,000	City MSR	1	
El Dorado	\$38,000	City MSRs (2 MSRs)	2	QK Planning
San Mateo	\$38,000	Special District MSR	1	
Yolo	\$40,000	Special Districts MSR	4	
Napa	\$62,000	Special Districts MSR	5	
San Mateo	\$67,000	Cities & Special Districts MSR	8	
Alameda	\$75,000	Special Districts MSR	21	
Santa Clara	\$75,000	Cities MSR	15	Management Partners
Average Nonspecific MSR Cost: \$46,500				

MSR Timeline

After approval of the 2019-2020 budget (March-May 2019), staff can prepare and circulate a request for proposal (RFP) for one or both MSRs. Assuming an aggressive pace, the consultant selection process (RFP circulation for 30-45 days, staff and Ad Hoc Committee review of responses, candidate interviews, consultant selection and contract negotiations) will take several months, ideally allowing for actual work on the MSR(s) to begin shortly after the beginning of the fiscal year on July 1, 2019.

Completion of the MSR, including agency workshops/kick-off meetings, requests for and receipt of district information, analysis and preparation of the report, administrative draft review, public review of the draft MSR, and presentation and adoption of the final MSR will be dependent on the timeline proposal submitted by the selected individual or firm. Based on past studies contracted out by this LAFCO, the process could potentially take up to one year to complete.