

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF FEBRUARY 27, 2013

REGULAR MEETING

TO: Ron Briggs, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

**AGENDA ITEM #10: PUBLIC HEARING TO CONSIDER AND ADOPT THE
PROJECT PLAN FOR THE NEXT CYCLE OF MUNICIPAL
SERVICES REVIEWS**

RECOMMENDATION

Staff recommends that the Commission consider the following information on the various options for the next municipal service review cycle and direct staff to implement the Commission's preferences. Staff's recommendations include:

1. Continue to conduct MSRs on a per-agency basis;
2. Adopt an eight-year project plan schedule; and
3. Continue to fund MSR studies as part of this agency's administrative functions.

REASON FOR RECOMMENDED ACTION

Beginning on or before January 2008, the Cortese-Knox-Hertzberg Act requires the Commission to update the spheres of influence for all agencies every five years. Prior to such updates, however, the Commission must conduct municipal service reviews. Because the next cycle begins in 2013, staff recommends the following project plan to manage this workload in a methodical manner.

BACKGROUND

As the Commission is aware, part of the responsibilities of LAFCO is the creation of two important studies, the Municipal Service Review (MSR) and the Sphere of Influence Study (SOI). Each of those analyses are required by Government Code §§56430 and 56425, respectively. Although these two studies perform different functions, they are related. The MSR is a snapshot in time, containing information as to how an agency is providing service and how it is doing financially. The SOI is the Commission's extrapolation of how much and how fast an agency may grow over time, with the MSR's

data, theoretically, providing the foundation justifying the SOI. Attachment A contains a useful summary of how and why LAFCO was required to create MSR and SOI. Please note that the determinations listed for each report have changed since 2010; however, the basis and history is still valid.

This LAFCO's experience in the inaugural cycle of MSR/SOIs (2001-2008) was not pleasant. Because work had been delayed and unfunded, the Commission spent considerable resources in 2006-2008 to complete all of the necessary studies, including the hiring of consultants to supplement staff's work. For the second cycle (2008-2013), the Commission expressed its unwillingness to enter into this cycle without instituting a methodical plan. After months of discussions, the Commission adopted the current MSR/SOI project plan to spread the work across five years (Attachment B).

Differences in Methodology of MSR/SOIs

	<u>Inaugural Set (2001-2008)</u>	<u>Second Cycle (2009-2013)</u>
Process	MSR studied a type of service across multiple agencies. Separate SOI documents were prepared for each agency.	Studied all services with an agency. Reports integrated SOI analysis, determinations and recommendations.
Funding	No dedicated source. Commission invested \$185,000 to hire consultants to supplement staff	No dedicated source. Commission added MSR/SOI work to administrative functions of staff.
Scope	All agencies were reviewed.	Commission categorized agencies into three groups: "Always," "Assessment-only Agencies" and "By Score."
Timing	No project plan. Most work completed between 2006-2008.	Commission adopted five-year project plan.

The table above summarizes the different methodologies the Commission used in the first two MSR/SOI cycles. The Process, Funding and Timing are self explanatory, but the categories behind Scope needs further explanation.

- 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 the remaining 46 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”). For the Second Cycle, the Commission determined that it would study 34 “By Score” agencies whose combined score was three or higher. Twelve agencies, whose score was 2, were given a “To be studied as time allows” status (three of these were subsequently re-categorized and studied).

Progress Report

The direction from the Commission was to update the inaugural cycle of MSR/SOIs with new or current information, not to reinvent the proverbial wheel. While the plan made the update of MSRs and SOI manageable, time is running out before it is fully implemented. Due to other events, such as staff layoffs, complex and unforeseen projects (such as the Rancheria Reorganization and the administration of Citygate’s *Fire and Emergency Services Study*) and some projects taking longer than expected, staff is

behind in updating the MSR/SOIs from the inaugural cycle. The current status of the project plan is:

- **Fiscal Year 2008-2009** – All complete except for Fallen Leaf Lake CSD (FLL). The FLL MSR/SOI is complete and an administrative draft of the report was submitted to the district for review and comment on March 2012. No response has been received despite three attempts to contact district staff.
- **Fiscal Year 2009-2010** – All complete except for Rising Hill Road CSD, whose MSR/SOI was de-prioritized by LAFCO staff.
- **Fiscal Year 2010-2011** – Cameron Park and El Dorado Hills CSDs and Georgetown Divide PUD are complete. The Commission took action on South Tahoe PUD earlier in this agenda. Work on the Grizzly Flats CSD is in its initial stages. In 2010, the Commission instructed staff to allow the EID study to be updated/written by El Dorado Irrigation District staff.
- **Fiscal Year 2011-12** – Work on the City of Placerville is in its very initial stages. Work on South Lake Tahoe has not begun.
- **Fiscal Year 2012-13** – No work on any district has begun

Proposed Project Plan for Third Cycle

Staff recommends that the third cycle retain the following elements from the current project plan:

- **Process** – MSRs are conducted on a per agency basis covering all services provided by that agency. A comprehensive report on an agency allows the Commission and the public to gain insight on the agency without having to piece together information from multiple reports.
- **Funding** – Each fiscal year's budget will consider MSR/SOI work as part of the administrative function of the agency
- **Scope** – The current categorization methodology used to determine whether an MSR/SOI study is necessary

On the Timing element, staff does recommend deviating from current practice by recommending an eight-year project plan. In Attachment A, there is a discussion that the Legislature wanted the SOI's to be the LAFCO equivalents of a land use agency's general plan. Further, the Legislature included a five-year horizon in Government Code §56425 because it wanted the SOIs to be updated as regularly as general plans were updated. In 2000, the only general plan element required to be periodically required, specifically every five years, was the housing element. The connection the Legislature wanted to make between the housing elements and SOIs was clear: Housing is a significant force behind growth and LAFCO needed to be partners with the land use authorities and service agencies in order to accommodate and guide such growth and development in a logical manner. The local land use authorities (the two cities and the County) are in the process of updating their respective housing elements in 2013, which happens to coincide with the next cycle.

When the Legislature adopted SB 375 (Steinberg, the "Sustainable Communities Strategy" or SCS) in 2008, it changed the period for housing element updates from five

years to eight years. LAFCO Law, specifically Government Code §56425, was not similarly updated. It stands to reason that if the Legislature meant for a nexus to exist between 56425 and the housing element update requirement, then there is also a connection in the amount of time given for the updates to occur.

Staff is not alone in advocating for adjusting the SOI update horizon; the personnel at other LAFCOs share that sentiment. In late 2010, CALAFCO proposed the idea of extending the timeframe for MSR/SOIs to eight years in instances where the following parameters are met:

- There is an adopted Regional Transportation Plan (RTP) and SCS; and
- The California Department of Housing and Community Development (HCD) has approved the housing element from the local jurisdictions and those jurisdictions are placed in an eight-year element update cycle.

In addition to reducing LAFCO's annual cost for MSR/SOIs by spreading them out, the goal was to time these studies so they would be completed just prior to the local COG updating its regional SCS/RTP, ensuring that it had the most current information on spheres and agency performance.

While HCD and the COGs are supportive of the idea, there is the technical challenge that there is not a specific adoption date for each RTP. This is because the adoption dates for RTPs vary by COG location and are all over the calendar. Without a common RTP date, it became difficult to determine how GC56425 could be rewritten in a way so that it is specific on that date in which the MSR/SOI update cycles would begin and end and be applicable to all LAFCOs.

In addition, given staff levels – LAFCO has not had a Commission Clerk since 2008, reducing workforce power by 33% – and the experience with the second cycle, it is apparent that a five-year project plan is too short a time to complete updates on 45 agencies. The Fire MSR/SOI was delayed because of both its own inherent complexity plus the County and the fire districts asked your Executive Officer to administer the 2010 Fire and Emergency Services Study on their behalf. The Shingle Springs Rancheria Reorganization delayed your Policy Analyst from starting the Grizzly Flats CSD MSR/SOI. Consequently, one large project or a series of small projects prevents the existing staff from being able to work on MSR and SOIs.

For these three reasons, staff recommends that the Commission consider a project plan with a longer, eight-year horizon. The proposal includes:

- Carryover the completion of the studies for the two cities into FY2013-14;
- Taking the agencies that should have been studied in FY2012-13 and study them in FY2014-15;
- Re-evaluating the “By Score” agencies that were studied in the Second Cycle to determine whether they will be reviewed in the third cycle (refer to Attachment C);
- Study the “As time allows” agencies in the third cycle; and
- The project plan will recognize the Fire MSR/SOI and the study of larger districts take two fiscal years to complete.

Attachment D contains the project plan for the third cycle for the Commission's consideration and adoption.

Attachments

- Attachment A: Summary of events leading to MSR/SOI requirement, as documented by staff memo and its attachments from the March 24, 2010 meeting
- Attachment B: Second Cycle MSR/SOI Project Plan
- Attachment C: Re-evaluation of the "By Score" agencies reviewed in the Second Cycle
- Attachment D: Recommended Project Plan for the Third MSR/SOI Cycle (2013-2021)