

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MARCH 22, 2006

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 #5: PUBLIC HEARING TO CONSIDER THE METHOD OF
PREPARATION OF MUNICIPAL SERVICE REVIEWS**

RECOMMENDATION

That the Commission:

1. Receive information regarding the State requirements for municipal service reviews;
2. Receive information regarding the current progress of municipal service reviews performed by El Dorado LAFCO; and
3. Allocate funds in Fiscal Year 2006-07 to outsource the completion of as many municipal service reviews as possible.

REASON FOR RECOMMENDED ACTION

State requirements are that the Commission updates the spheres of influence for all agencies within El Dorado County by January 1, 2008. State Law also requires that a municipal service review for an agency be performed before the Commission can update a sphere of influence. Of the 25 different types of services offered in the County, El Dorado LAFCO has completed and adopted one review and is in the middle of processing a second review. It is unlikely that staff will have sufficient time to complete all remaining reviews by the State deadline, warranting the need to outsource these studies to consultants.

BACKGROUND

State law indirectly requires that the Commission complete all municipal service reviews (MSRs) by January 1, 2008 since spheres of influence (SOIs) cannot be updated until LAFCO completes its MSRs (refer to Attachment A). This is logical because SOIs determine how fast and how much an agency may grow within a determinate period of time. In order for the Commission to make that determination, it must first analyze how well that agency is currently providing services so that it can extrapolate where the agency will be in ten to twenty years. The MSR is intended to be the tool to assist the

Commission in that analysis. An MSR is more comprehensive than an audit or an agency's management plan because it examines all facets of the agency, from infrastructure needs and deficiencies to management practices and financing. In other words, the intention behind the MSR is so that the Commission does not make annexation decisions in a vacuum: an MSR should provide solid, reliable information to support a boundary decision by the Commission.

Currently, governmental services within El Dorado County are provided by approximately 60 agencies. Some of these agencies are single-purpose districts, while others are multi-purpose; however, collectively there are 25 different types of services provided by public entities (refer to Attachment B). So far, the Commission has reviewed and adopted only one MSR (West County Parks, Recreation, Open Space and Related Services MSR, adopted in 2004) and is currently evaluating a second (Fire Protection and Suppression Services). Both of these reviews were prepared in-house and as time allowed while processing petitions. However, both reports consumed a considerable amount of time and required a significant amount of attention to research, coordinate and write. At this rate, and given the projected workload, staff is concerned that this LAFCO will not have sufficient time to meet the 2008 deadline. Staff's best estimate is that it may only be able to complete one, perhaps two, MSRs in-house per year.

It is unknown what "penalty" the State may impose on LAFCOs that do not complete their reviews by January 1, 2008; however, there may be perils at the local level. It is reasonable to conclude that a LAFCO may be a target for litigation if it acts based upon "outdated" information (that is, annexes territory to an agency whose SOI has not been recently updated). Given this risk, and El Dorado LAFCO's MSR completion trends, the more prudent course of action would be to complete all MSRs by the State mandated deadline.

However, while an MSR may be viewed by some as simply a means for the Commission to be in compliance with State Law, it also has effective applications to the subject agencies' day-to-day operations. Throughout the State and in this County, the MSRs have been found to be valuable, both to the agencies and to the public. Through the MSR, agencies can share information on service or managerial efficiencies, find new sources of revenue or find better ways to serve the public. In other counties, MSRs have led to district consolidations, thereby removing governmental and bureaucratic layers. There have been at least two instances known to staff where an MSR's documentation of agency difficulties with revenue, equipment and/or infrastructure has led to corrective action whereby the affected agencies' situations were either resolved or significantly improved. Consequently, in addition to providing information to the Commission, there is a practical benefit to MSRs in the arena of service provision.

LAFCOs have increasingly turned to outsourcing their MSR preparation because of the high requirements for this type of report. The need for expertise, high level of detail and attention is especially evident for studies of either services that are extremely specialized and technical (such as water and wastewater) and/or agencies whose internal structures are very complex (such as cities). Staff researched the approximate cost to LAFCOs that have outsourced MSRs (refer to Attachment C).

The responses and forwarded information strongly indicates there is no correlation between the cost of the MSR and the number of agencies involved. Instead, the consultant costs vary widely depending upon

- The types of services to be reviewed; what base information was known to LAFCO before the study was launched;
- Whether LAFCO staff provided additional support to the consultant (such as mapping and printing);
- Whether sub-consultants would be involved;
- The number of meetings consultants were required to attend and the amount of travel time involved to complete the study; and,
- How well a district was operating, how well it documents and published information regarding its finances and operations and whether that information was easily retrievable. The responding LAFCOs indicated that additional costs were incurred whenever a consultant spent significant amounts of time trying to track down information from the agency.

Based upon this information, staff recommends the allocation of at least \$130,000 in Fiscal 2006-07 to outsource some MSRs. Most of this amount will be absorbed through the salary savings that the agency has experienced through staff turnover. Because the amount of these savings will be one-time funds, the agency would be well advised to invest these funds towards the MSR effort. The goal is to maximize that amount to fund as many outsourced MSRs as possible in order for El Dorado LAFCO to be closer towards completing its MSRs before the State deadline. The Budget Ad Hoc Committee and staff believe that the twin efforts of outsourcing some MSRs while completing others in-house will achieve that.

The order in which MSRs would be outsourced and completed would be based upon the priorities of consultant cost, the complexity of the governmental service and Commission preference. Staff recommends the following process:

- A Request for Qualifications is circulated to as many qualified consulting firms and individuals ("consultant") as possible;
- Staff compiles the responses and performs a preliminary review of references and qualifications of the consultants
- An ad hoc committee composed of three Commissioners selects and recommends a consultant to the full Commission
- The Commission approves the contract with the consultant

Attachments:

- Attachment A: Government Code Sections 56425 and 54630
Attachment B: Types of Service Provided in El Dorado County
Attachment C: Survey of MSR Costs