San Diego County
Local Agency Formation Commission
Regional Service Planning | Subdivision of the State of California

7b

AGENDA REPORT
Business | Discussion

November 4, 2024

TO: Commissioners

FROM: Keene Simonds, Executive Officer
Priscilla Mumpower, Assistant Executive Officer

SUBJECT: **Proposed Amendments to Policy L-106 | Conducting Municipal Service Reviews**

SUMMARY

The San Diego County Local Agency Formation Commission (LAFCO) will consider proposed amendments to Legislative Policy 106 (L-106) and its governing provisions related to conducting municipal service reviews. The proposed amendments incorporate Commission feedback provided as part of a scheduled discussion on October 7, 2024. Marking the proposed amendments involves formalizing current practice to provide all subject agencies an opportunity to review complete draft reports on the municipal service reviews prior to their public presentation while extending the courtesy to also include all draft recommendations. Other amendments include addressing the role of performance metrics. Staff recommends approval of the proposed amendments with an immediate effective date.

BACKGROUND

Statutory Direction and Local Policy on Conducting MSRs

State law directs LAFCOs in all 58 counties to review all local agencies' spheres of influence and update as needed approximately every five years in doing so actively manage what it believes to be the agencies' appropriate current and future boundaries and service areas.

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(All annexations and out-of-agency services must be consistent with the affected agencies' spheres with limited exceptions.) State law relatedly specifies LAFCOs inform sphere determinations by preparing municipal service reviews to independently assess the availability and adequacy of local services relative to community needs. LAFCOs also use municipal service reviews to inform any near-term boundary changes and – if appropriate – to initiate proposals to form, consolidate, merge, or dissolve special districts.[1]

San Diego LAFCO's policy on conducting municipal service reviews – L-106 – was last revised in May 2023. The policy provides local prescription in scheduling, preparing, and approving municipal service reviews. This includes directing LAFCO to maintain a five-year study schedule to draw from in annually scheduling municipal service reviews as part of the adopted workplan. Other notable features include setting baseline community engagement standards while delegating the development of scopes of work to the Executive Officer. A copy of the current policy is provided as Attachment One.

DISCUSSION

This item is for San Diego LAFCO to consider proposed amendments to L-106 and its governing provisions in conducting municipal service reviews. The item's genesis ties to discussions on the ongoing municipal service review of the Oceanside region and a request by the City of Oceanside for subject agencies to receive advance copies of all recommendations before draft reports are presented to the Commission. A focused discussion followed at the October meeting with the Commission providing general direction to staff to return at a future meeting with proposed amendments for formal consideration.

With the preceding context in mind, the following amendments are proposed in the order they are presented in L-106 and shown in track-change format as Attachment Two.

- **Reference to "Rolling" Feature of Five-Year Study Schedule**
  Amendments are proposed to now make explicit reference to the rolling feature of the Commission's five-year study schedule calendaring municipal service reviews.

- **Address Quantitative Measurements**
  Amendments are proposed to now emphasize the intentional use of performance metrics to prepare municipal service reviews along with providing an appendix with category examples (demographics, service delivery, resource utilization, etc.).

- **Formalize and Expand Subject Agencies' Review of Draft Reports**
  Amendments are proposed to formalize existing practice in providing subject agencies advance drafts of the municipal service reviews before they are made available to the Commission. These amendments also expand current practice to set the review period to 60 days as well as include all recommendations. Any written

[1] All municipal service reviews require LAFCOs to make determinative statements on a range of prescribed factors and headlined by addressing infrastructure needs, financial standing, and governance effectiveness.

comments on the recommendations received from the subject agencies will also now accompany the presentation of the draft report to the Commission.

- **Formalize Public Hearing for Draft Reports**
  Amendments are proposed to formalize existing practice to require presentations of the draft reports on municipal service reviews as part of voluntary noticed public hearings. (Statute does not require hearings for municipal service reviews.)

ANALYSIS

The proposed amendments to L-106 follows San Diego LAFCO's discussion at the October 7th meeting and intentions to enhance transparency and effectiveness in conducting municipal service reviews. This includes addressing recent comments from the City of Oceanside to allow subject agencies the opportunity to review and comment on draft reports' recommendations before they are presented to the Commission – and by extension the general public. Staff previously presented reasons for the current practice to share draft reports less specific recommendations to the subject agencies before any public hearings. Specific reasonings include helping to focus the subject agencies' attention on data accuracy in the draft reports as well as avoiding the potential for certain recommendations to become externally influenced and/or materially distorted before going to the Commission. Nonetheless, and as addressed as part of the proposed amendments, staff recognizes the priority preference of the Commission to provide the subject agencies complete drafts with the recommendations and in doing so better manage expectations ahead of the initial public hearing. Staff believes this and other proposed amendments to the policy as discussed in the preceding section align with the Commission's priorities and accordingly should improve the municipal service review process going forward.

RECOMMENDATION

It is recommended San Diego LAFCO approve the proposed amendments to L-106 and its policy procedures and related guidance in conducting municipal service reviews. This recommendation is consistent with Alternative One outlined in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternative actions are available to San Diego LAFCO:

Alternative One (recommended):
Approve the proposed amendments to L-106 as shown in track-change format as Attachment Two with any desired changes as well as set an immediate effective date.

Alternative Two:
Continue consideration of the item to a future meeting and provide direction to staff for additional information as needed.

Alternative Three:
Take no action.

PROCEDURES

This item has been placed on the agenda for action as part of San Diego LAFCO's business calendar. The following procedures, accordingly, are recommended.

1) Receive verbal report from staff unless waived.
2) Commission discussion.
3) Consider the alternative actions available to the Commission and the staff recommendation.

On behalf of the Executive Officer,



Priscilla Mumpower
Assistant Executive Officer

Attachments:

1) Current L-106 Written Policy
2) Proposed Amendments to L-106

LEGISLATIVE POLICY L–106

Subject:

MUNICIPAL SERVICE REVIEWS

Purpose

Serve as a framework to the Commission in conducting municipal service reviews with a commitment to community engagement.

Background

The Commission is responsible under State law to inform all regular sphere of influence updates by conducting comprehensive studies on the availability, demand, and performance of local municipal services within the county, region, or subregion (Government Code Section 56430).

Policy

It is the policy of the Commission:

1. Goals and Objectives:
    a. The Commission will use municipal service reviews as a principal resource to proactively inform future planning and regulatory actions under its purview and mission to facilitate orderly growth and development.
    b. The Commission will draw on the municipal service reviews to directly inform the appropriate scope and scale of sphere of influence updates performed for all local agencies under State law (Section 56425).
    c. The Commission will draw on the municipal service reviews to help inform proposed jurisdictional changes involving the affected agencies and/or territories over the proceeding 60-month period.
    d. The Commission will draw on recommendations in the municipal service reviews to initiate any related jurisdictional changes as allowed under State law (Section 56375).

e. The Commission will use municipal service reviews in consultation with Rule No. 4 to establish, amend, and regulate the nature, location, and extent of any functions or class of services provided by individual special districts.

f. As a general rule, the Commission will require a new municipal service review to be prepared before considering a proposal that necessitates one or more sphere of influence amendments where the subject agencies have not been evaluated in a study over the preceding 60-month period. Waivers may be considered - based on recommendations of the Executive Officer - on a case-by-case basis and/or under the following conditions:

- Public health or safety needs; for example, amending a jurisdiction's sphere to permit annexation of a parcel that requires public sewer service because of a failed septic system;

- Property under a single ownership split by a sphere if the split property shares characteristics including access, geography, communities of interest and the manner in which services will be provided;

- A reorganization involving two or more jurisdictions if the spheres are coterminous and each jurisdiction agrees to the sphere amendments and reorganization;

- If a city or special district can provide adequate documentation showing that conditions have significantly changed to warrant a sphere amendment.

2. Timing:

a. The Commission will maintain a five-year study schedule for municipal service reviews to provide advance notice of timing to local agencies, the public, and other stakeholders as well as encourage project syncing whenever practical.

b. The Commission will consult the five-year study schedule in initiating specific municipal service reviews through the annual workplan process.

3. Funding:

   a. The Commission will be responsible for funding municipal service reviews calendared in the five-year study schedule and subsequently added to adopted annual workplans.

   b. The Commission will collect maintenance fees on applicant proposals to proportionally contribute to the funding of future municipal service reviews.

   c. The applicants will be responsible for funding municipal service reviews undertaken outside the five-year study schedule and necessitated to accommodate proposed spheres of influence amendments.

4. Preparing:

   a. The Commission delegates responsibility to the Executive Officer to prepare municipal service reviews. This includes approving scopes of work and associated timelines in consultation with the subject agencies.

   b. The Executive Officer should consult with the Cities and Special Districts' Advisory Committees in establishing appropriate performance measures within the municipal service reviews.

   c. The Executive Officer shall prepare a written report on the municipal service review with recommendations and related determinative statements that address the factors required for consideration in statute (Section 56430(a)).

5. Community Engagement:

   a. The Commission will prioritize budgeting resources to accommodate proactive community engagement as part of the municipal service review process and as a direct means to identify community needs.

b. The Commission tasks the Executive Officer to ensure the following baseline measures for community engagement are practiced in preparing municipal service reviews:

- Staff shall establish a dedicated page on the LAFCO website to serve as an ongoing repository for key project materials in step with initiating new municipal service reviews.

- Staff shall attend regularly scheduled public meetings for each subject agency to directly advise the council/board and their constituents of the initiation of municipal service reviews.

- Staff shall regularly utilize social media accounts to timely disseminate information on municipal service reviews, and this includes translating posts as appropriate under the Commission's translation policy.

- Staff will provide formal public review and comment periods of no less than 45 days between the draft and final presentations of municipal service reviews to the Commission.

c. As appropriate, and as an enhancement to the above baseline measures, the Executive Officer should consider taking any of the following additional outreach efforts for initiated municipal service reviews:

- Hold public workshops – especially with respect to engaging any disadvantaged and/or historically marginalized communities.

- Conduct surveys within the affected communities to – and among other topics – help identify community needs.

- Solicit opportunities to make staff presentations to subject agencies and other organized stakeholders on the municipal service reviews to highlight and receive community input on key topics.

6. Commission Action:

   a. The Commission will consider all final municipal service reviews as part of scheduled public hearings that are noticed consistent with sphere of influence actions under State law (Section 56427).

   b. The Commission's consideration of final municipal service reviews will culminate with the following two completing actions:

      - Receive and file the written report on the municipal service review and in doing so attest the document provides sufficient information for the Commission to make informed decisions under statute.

      - Adopt a resolution making determinative statements that draw from the final municipal service review on all prescribed factors required under statute and local policy (Section 56430).

7. Post Commission Action:

   a. The Executive Officer will provide prompt written notice of completed municipal service reviews to all subject agencies with a request that the document be forwarded to the full council/board.

   b. The Executive Officer shall ensure posting of all completed municipal service reviews online as well as provide bounded copies to local libraries with a request they be added to the circulation catalog.

Adopted: April 7, 2003
Technically
Updated: August 25, 2008
June 23, 2015
Comprehensively
Updated: February 6, 2023

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LEGISLATIVE POLICY L–106

Subject
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Purpose
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Background
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    c. The Commission will draw on the municipal service reviews to help inform proposed jurisdictional changes involving the affected agencies and/or territories over the proceeding 60-month period.

    d. The Commission will draw on recommendations in the municipal service reviews to initiate any related jurisdictional changes as allowed under State law (Section 56375).

e. The Commission will use municipal service reviews in consultation with Rule No. 4 to establish, amend, and regulate the nature, location, and extent of any functions or class of services provided by individual special districts.

f. As a general rule, the Commission will require a new municipal service review to be prepared before considering a proposal that necessitates one or more sphere of influence amendments where the subject agencies have not been evaluated in a study over the preceding 60-month period. Waivers may be considered - based on recommendations of the Executive Officer - on a case-by-case basis and/or under the following conditions:

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- Property under a single ownership split by a sphere if the split property shares characteristics including access, geography, communities of interest and the manner in which services will be provided;

- A reorganization involving two or more jurisdictions if the spheres are coterminous and each jurisdiction agrees to the sphere amendments and reorganization;

- If a city or special district can provide adequate documentation showing that conditions have significantly changed to warrant a sphere amendment.

2. Timing:

a. The Commission will maintain a rolling five-year study schedule for municipal service reviews to provide advance notice of timing to local agencies, the public, and other stakeholders as well as encourage project syncing whenever practical.

b. The Commission will consult the rolling five-year study schedule in initiating specific municipal service reviews through the annual workplan process.

3. Funding:

a. The Commission will be responsible for funding municipal service reviews calendared in the rolling five-year study schedule and subsequently added to adopted annual workplans.

b. The Commission will collect maintenance fees on applicant proposals to proportionally contribute to the funding of future municipal service reviews.

c. The applicants will be responsible for funding municipal service reviews undertaken outside the five-year study schedule and necessitated to accommodate proposed spheres of influence amendments.

4. Preparing:

a. The Commission delegates responsibility to the Executive Officer to prepare municipal service reviews. This includes approving scopes of work and associated timelines in consultation with the subject agencies.

b. The municipal service review shall focus on pragmatic quantitative measurements in assessing service performance. A listing of common quantitative performance measurements is provided as an appendix for illustrative purposes.

~~b.~~c. The Executive Officer should consult with the Cities and Special Districts' Advisory Committees in establishing appropriate performance measures within the municipal service reviews.

~~c.~~d. The Executive Officer shall prepare a written report on the municipal service review with recommendations and related

determinative statements that address the factors required for consideration in statute (Section 56430(a)).

e. The Executive Officer shall allow all subject agencies an opportunity to review a complete draft report on the municipal service review with recommendations as part of the preparation process and before making the draft publicly available. This review period shall extend to no more than 60 days. Any written comments received from the subject agencies shall accompany the publication of the draft report.

5. Community Engagement:

a. The Commission will prioritize budgeting resources to accommodate proactive community engagement as part of the municipal service review process and as a direct means to identify community needs.

b. The Commission tasks the Executive Officer to ensure the following baseline measures for community engagement are practiced in preparing municipal service reviews:

- Staff shall establish a dedicated page on the LAFCO website to serve as an ongoing repository for key project materials in step with initiating new municipal service reviews.

- Staff shall attend regularly scheduled public meetings for each subject agency to directly advise the council/board and their constituents of the initiation of municipal service reviews.

- Staff shall regularly utilize social media accounts to timely disseminate information on municipal service reviews, and this includes translating posts as appropriate under the Commission's translation policy.

- Staff will provide formal public review and comment periods of no less than 45 days between the draft and final report presentations of municipal service reviews to the Commission.

c. As appropriate, and as an enhancement to the above baseline measures, the Executive Officer should consider taking any of the following additional outreach efforts for initiated municipal service reviews:

- Hold public workshops – especially to engage any disadvantaged and/or historically marginalized communities.

- Conduct surveys within the affected communities to – and among other topics – help identify community needs.

- Solicit opportunities to make staff presentations to subject agencies and other organized stakeholders on the municipal service reviews to highlight and receive community input on key topics.

6. Commission Action:

a. The Commission will receive all draft reports on the municipal service reviews as part of voluntarily noticed public hearings. The Commission will review the draft reports for purposes of advising staff on any areas meriting additional analyses before or in step with proceeding with the public review periods.

~~a.~~b. The Commission will consider all final municipal service reviews as part of scheduled public hearings that are noticed consistent with sphere of influence actions under State law (Section 56427).

~~b.~~c. The Commission's consideration of final municipal service reviews will culminate with the following two completing actions:

- Receive and file the written report on the municipal service review and in doing so attest the document provides sufficient information for the Commission to make informed decisions under statute.

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Appendix 106-A:
Quantitative Measurements in Municipal Service Reviews

Adopted: April 7, 2003
Updated: August 25, 2008
June 23, 2015
February 6, 2023
November 4, 2024

APPENDIX L-106A

Quantitative Measurements in Municipal Service Reviews (MSRs)

Municipal Service Reviews (MSRs) often involve the collection and analysis of quantitative data to assess the efficiency, effectiveness, and cost-effectiveness of municipal services. Here are some common quantitative measurements used in MSRs:

Demographics Metrics

- **Residential Population Estimates:** Recent and current data on population figures.
- **Housing Units, Types, Costs, and Vacancy Rates:** Provides insights into quality of living with respect to residential availability and affordability.
- **Age Distribution:** Examines influences of age with respect to labor, retirement, etc.
- **Income Characteristics and Socioeconomic Indicators:** Assesses income levels, poverty rates, and other relevant economic-social metrics.
- **Unhoused Needs:** Analyzes volume of estimated homeless populations and available resources.
- **Environmental Justice Considerations**: Assesses pollution burdens and at-risk populations and other pollutant metrics.

Service Delivery Metrics

- **Response Times:** Average response times for emergency services (e.g., fire, police) and other municipal services.
- **Service Levels:** Measures of the quality and availability of services, such as water pressure, wastewater treatment efficiency, and road maintenance standards.
- **Customer Satisfaction:** Surveys and feedback to gauge public satisfaction with service delivery.

Resource Utilization Metrics

- **Staffing Levels:** Number of employees per service area or population served.
- **Equipment and Infrastructure:** Age, condition, and utilization of equipment and infrastructure (e.g., vehicles, facilities, water and sewer systems).
- **Operating Costs:** Expenditures on personnel, equipment, supplies, and other operating expenses.

APPENDIX L-106A

Cost-Effectiveness Metrics

- **Cost per Unit of Service:** The cost of providing a specific service (e.g., cost per fire call, cost per gallon of water treated).
- **Cost-Benefit Analysis:** Evaluation of the benefits of a service relative to its costs.
- **Economies of Scale:** Assessment of whether larger agencies can achieve lower costs per unit of service than smaller agencies.

Efficiency Metrics

- **Productivity:** Measures of output per unit of input (e.g., miles of road paved per employee).
- **Utilization Rates:** The percentage of capacity that is used (e.g., utilization of fire engines, wastewater treatment plants).
- **Turnaround Times:** The time it takes to complete tasks or processes.

Fiscal Metrics

- **Budget and Actuals:** Compares planned versus actual revenues and expenses.
- **Funds and Balances:** Reviews financial reserves and available funds.
- **Audited Financial Statements:** Assessment and evaluation of detailed financial health indicators (e.g., liquidity, capital, and operational margins).
- **Employee Pensions and Related Obligations:** Reviews fiscal responsibilities related to employee pensions and other related obligations.

Benchmarking

- **Comparison to Other Jurisdictions:** Comparing performance metrics to similar agencies in other cities or regions.
- **Industry Standards:** Comparing performance to industry benchmarks or best practices.

By collecting and analyzing these quantitative measurements, MSRs can provide valuable insights into the efficiency, effectiveness, and cost-effectiveness of municipal services, helping to inform decision-making and improve service delivery.