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

SPECIAL MEETING AGENDA
CITIES ADVISORY COMMITTEE

Thursday, March 14, 2024
10:00 A.M. to 11:15 A.M.

County of San Diego Administration Center
1600 Pacific Highway, Room 302
San Diego, California 92101

Moderator, LAFCO Executive Officer

Carlsbad	Chula Vista	Coronado	Del Mar	El Cajon	Encinitas
Escondido	Imperial Beach	La Mesa	Lemon Grove	National City	Oceanside
Poway	San Diego	San Marcos	Santee	Solana Beach	Vista

The Cities Advisory Committee is responsible for helping to inform the Commission and Executive Officer on all germane items relating to San Diego LAFCO's regulatory and planning responsibilities affecting cities. The current Committee has been called by the Executive Officer to review and provide ongoing feedback on LAFCO's FY2023 and FY2024 adopted workplans. All 18 cities in San Diego County are represented on the Committee by the city manager or their designee and have one vote. Each city may also appoint one or more alternates. The Executive Officer is also a non-voting member and serves as moderator and is responsible for scheduling meetings.

The Committee will hold the March 14, 2024 special meeting in person at the County of San Diego Administration Center (1600 Pacific Highway, Room 302, in San Diego). Three-hour visitor parking is available using the Ash Street entrance. In person attendance by the public is welcomed. The public may also watch, listen, and otherwise participate in the meeting remotely by any of the following options.

1. The public may watch and listen to the meeting live on YouTube using the link provided on our website homepage (www.sdlafco.org).

2. The public may watch, listen, and participate in the meeting by Zoom (https://zoom.us/) or by telephone at (669) 900-9128 using Meeting/Webinar ID: 895 6767 7168 and Passcode 508649. Please use the "raise your hand" function in Zoom or push *9 by telephone if/when you wish to speak. Then wait until your name is called before speaking.

   a) The public may provide eComments on any item by emailing to michaela.peters@sdcounty.ca.gov
      - eComments received before 9:00 A.M. on Thursday, March 14, 2024, will be forwarded to the Committee and posted online before the meeting. They will also be referenced during the meeting.
      - eComments received during the meeting and before the subject item is concluded will be read into the record by staff subject to the three-minute limit.

1. **10:00 A.M. – CALL TO ORDER BY MODERATOR**

   a) **Roll Call**
   b) **Pledge Of Allegiance**

2. **AGENDA REVIEW**

3. **COMMITTEE MEMBER REPORTS**

4. **BUSINESS ITEMS**

   a) **Approval of Meeting Minutes for March 17, 2023 (action)**
   The Committee will consider draft summary minutes prepared for the last meeting held on March 17, 2023. Staff recommends approval as presented. (Page 5-10)

   Contact: Michaela Peters, Interim Committee Secretary

   b) **Informational Report |**
   Property Tax Allocations and Exchanges in San Diego County (information)
   The Committee will receive an informational report in the form of a brochure on property tax allocations and exchanges in San Diego County. The item has been prepared as an administrative holdover from the prior fiscal year workplan with a focus on the decision-making process with respect to whether property taxes will be reapportioned among local agencies in conjunction with LAFCO approving jurisdictional changes. The item is being presented for information. (Pages 11-20)

   Contact: Michaela Peters, Analyst I

   c) **Current Workplan Update on High Priorities (information)**
   The Committee will receive an update on the current adopted workplan and specific to San Diego LAFCO's highest placed priorities involving separate municipal service reviews on wholesale water service providers and healthcare districts. The update is provided for information with the opportunity for Committee members to provide feedback to staff in helping to address interests and/or priorities on behalf of cities in San Diego County.
   (Pages 21-24)

   Contacts: Chris Cate, LAFCO Consultant
   Adam Wilson, LAFCO Consultant

   d) **Review Proposed Workplan and Budget for 2024-2025 (discussion + possible advisory action)**
   The Committee will receive a presentation on San Diego LAFCO's proposed workplan and budget for 2024-2025. The draft workplan outlines 30 activities in priority order and headlined by continuing municipal service reviews on wholesale water service providers and healthcare districts as well as grant work evaluating economic conditions for certain agricultural crops. Several new projects round out the draft workplan and headlined by initiating a municipal service review on the San Diego Association of Local Governments. The draft workplan informs the draft budget, which totals $2.887 million in matching expenses and revenues. More than four-fifths of total expenses –$2.403 million– covers operating costs and represents an increase of 6.3% and largely ties to inflationary adjustments plus targeted enhancements in certain non-labor accounts as detailed. The item is for discussion and feedback with the option for the Committee to make any formal requests and/or recommendations to the Commission ahead of their anticipated consideration of both items in final form at its May 2024 meeting.

(Pages 25-32)

Contact: Priscilla Mumpower, Assistant Executive Officer

e) Draft Policy Update on Out-of-Agency Services (discussion)
The Committee will review an update of a draft policy to govern out-of-agency service activities in San Diego County. The preparation of the draft policy itself ties to the adopted workplan and premised on providing clear rules of engagement between local agencies and LAFCO with respect to the former complying with Government Code Section 56133 and receiving LAFCO approval before providing contract out-of-agency services. The draft has been further refined based on Commission and Special Districts Advisory Committee input. The item is being presented for discussion and possible action with respect to making recommendations.
(Pages 33-46)

Contact: Carolanne Ieromnimon, Analyst II

5. LAFCO EXECUTIVE OFFICER REPORT

6. OPEN EXPRESSION
This time is reserved for any member of the public to address the Committee on germane topics that are not directly part of the agenda. This includes requests for future Committee topics. Individuals are limited to three minutes.

7. ADJOURNMENT

Attest to Posting:



Michaela Peters
Interim Committee Secretary

Any person with a disability under the Americans with Disabilities Act (ADA) may receive a copy of the agenda or a copy of all the documents constituting the agenda packet for a meeting upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in a public meeting.

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4a

AGENDA REPORT
Business | Action

March 14, 2024

TO: Cities Advisory Committee

FROM: Michaela Peters, Interim Commission Clerk

SUBJECT: **Approval of Meeting Minutes for March 17, 2023**

SUMMARY

The Cities Advisory Committee ("Committee") will receive action minutes prepared for the last meeting held on Friday, March 17, 2023. The minutes are in draft-form and being presented for formal approval with any corrections identified by the Committee.

BACKGROUND

The Ralph M. Brown Act was enacted in 1953 and establishes standards for the public to attend and participate in meetings of local government bodies. The "Brown Act" requires – and among other items – public agencies to maintain written minutes for qualifying meetings.

DISCUSSION

This item is for the Committee to consider approving action minutes prepared by the Committee Secretary for the March 17, 2023 meeting consistent with the Brown Act.

ANALYSIS

The attached action minutes for the March 17, 2023 meeting accurately reflect the Committee's deliberations as recorded by the Committee Secretary. A video recording of the meeting has also been posted online at www.sdlafco.org/meetings.

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lafco@sdcounty.ca.gov

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Jim Desmond, County of San Diego
Nora Vargas, Alt., County of San Diego
Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann Alt., City of Chula Vista
Chair Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David A. Drake, Alt., Rincon del Diablo
Vacant, General Public
Harry Mathis, Alt., General Public

RECOMMENDATION

It is recommended the Committee approve the draft action minutes prepared for the March 17, 2023 meeting as presented and consistent with Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to the Committee through a single motion:

Alternative One (recommended):
Approve the draft action minutes prepared for the March 17, 2023 meeting with any desired corrections or clarifications.

Alternative Two:
Continue to the next regular meeting and provide direction to staff as needed.

PROCEDURES

This item has been placed on the Committee's agenda as part of the business calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Committee.

Respectfully,

Michaela Peters

Michaela Peters
Interim Commission Clerk

Attachment: as stated

DRAFT
SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION
AD HOC CITIES ADVISORY COMMITTEE
SPECIAL MEETING
March 17, 2023

San Diego County Administration Center
1600 Pacific Highway, Room 310
San Diego, California 92101

1. 11:00 A.M. – CALL TO ORDER BY MODERATOR

Moderator, Executive Officer Keene Simonds called the meeting to order at 11:04 a.m.

Item 1a
ROLL CALL

The Committee Secretary performed the roll call with the following attendance recorded. Thirteen cities were represented.

Committee Members Present:
Carlsbad | Paz Gomez (regular)
Chula Vista | Tiffany Allen (regular)
Coronado | Tina Friend (regular)
Del Mar | Clem Brown (alternate)
Encinitas | Portland Bates (alternate – joined at 11:18 a.m.)
Escondido | Christopher McKinney (alternate)
Imperial Beach | Tyler Foltz (regular)
National City | Roberto Yano (alternate)
Oceanside | Jonathan Borrego (regular)
Poway | Chris Hazeltine (regular)
San Diego | Adrian Granda (regular)
Santee | Michael Coyne (alternate)
Solana Beach | Greg Wade (regular)

Committee Members Absent:
El Cajon | Vince DiMaggio (regular)
La Mesa | Kerry Kusiak (regular)
Lemon Grove | Lydia Romero (regular)
San Marcos | Jack Griffin (regular)
Vista | John Conley (regular)

Carlsbad (Gary Barberio – alternate); Chula Vista (Laura Black – alternate); Coronado (Tony Winney – alternate); Del Mar (Ashley Jones – regular); Encinitas (Pamela Antil – regular and Jennifer Campbell – alternate); Escondido (Sean McGlynn – regular); National City (Brad Raulston – regular); Poway (Wendy Kaserman – alternate); and Santee (Marlene Best – regular).

The following members of San Diego LAFCO staff were present at roll call: Executive Officer Keene Simonds; Legal Counsel Aleks Giragosian; Local Government Analyst II Priscilla Mumpower; Local Government Analyst Carolanne Ieromnimon; Local Government Analyst Michaela Peters; GIS Analyst Dieu Ngu; Consultant Adam Wilson; Consultant Chris Cate; and Executive Assistant Erica Sellen serving as Committee Secretary.

Item 1b
PLEDGE OF ALLEGIANCE

Greg Wade (Solana Beach) led the Pledge of Allegiance.

2. AGENDA REVIEW

Executive Officer Keene Simonds stated no changes were needed to the agenda and gave an outline of the day's meeting. The Executive Officer also noted the meeting was being live streamed and provided instructions for members of the public on how to participate.

3. COMMITTEE MEMBER REPORTS

Executive Officer Keene Simonds noted the meeting has a stop-time of 12:30 p.m. and stated this Agenda Item will be moved to Agenda Item 6, Open Expression.

4. BUSINESS ITEMS

a) Approval of Meeting Minutes for October 27, 2022 (action)
The Committee considered draft summary minutes prepared for the last meeting held on October 27, 2022. Staff recommends approval as presented.

**

On motion by Jonathan Borrego (Oceanside), seconded by Roberto Yano (National City), the Committee unanimously approved the minutes for the October 27, 2022 meeting.

b) Update on the Proposed "Rainbow MWD and Fallbrook PUD Reorganizations: Wholesale Water Services" (discussion + possible advisory action)
The Committee received an update on the concluding administrative reviews involving two related proposals filed by Fallbrook PUD and Rainbow MWD to detach from the San Diego County Water Authority. It is anticipated that this Agenda Item will be taken to the Commission at its June 5th meeting.

Staff presentation provided by Local Government Analyst II Priscilla Mumpower.

The Committee Secretary confirmed there were two speakers who wished to directly address the Committee. Executive Officer Keene Simonds invited comments from the following persons:

- Tom Kennedy, General Manager, Rainbow Municipal Water District
- Mark Hattam, Special Legal Counsel, San Diego County Water Authority

BUSINESS ITEMS CONTINUED…

Item 4b continued

Committee members thanked Ms. Mumpower for the report. Committee discussion followed.

Adrian Granda (San Diego) noted Mayor Todd Gloria's position letter sent to LAFCO in November 2022 represents his motion.

**

On advisory motion by Adrian Granda (San Diego), seconded by Chris Hazeltine (Poway) the Committee disapproved the proposals without prejudice. (Option Z of the report, page 52 of the meeting agenda).

Roll call requested:

AYES:	Carlsbad, Chula Vista, Coronado, Del Mar, Encinitas, Imperial Beach, National City, Poway, San Diego, and Santee
NOES:	Escondido
ABSENT:	El Cajon, La Mesa, Lemon Grove, San Marcos, and Vista
ABSTAINING:	Oceanside and Solana Beach

The Committee Secretary confirms the advisory motion passes with 10 cities in favor.

Christopher McKinney (Escondido) noted that he would have supported Option Y of the report.

c) **Review of Proposed Workplan and Budget for FY2024 (discussion + possible advisory action)**
Due to time constraints, this Agenda Item was not heard by the Committee.

Executive Officer Keene Simonds stated this Agenda Item would be emailed to Committee members for their feedback. The comments received from Committee members by April 20th will be incorporated into the final report to be taken to the Commission at its May 1st meeting.

5. LAFCO EXECUTIVE OFFICER REPORT

None

6. OPEN EXPRESSION

Executive Officer Keene Simonds asked if there were any members of the public who wished to address the Committee on a germane topic that is not directly part of the agenda. The Committee Secretary confirmed there were no pre-registered speakers and no live email comments.

No comments or announcements were made by the Committee members present.

7. ADJOURNMENT

Due to the meeting stop-time of 12:30 p.m., the Cities Advisory Committee meeting was adjourned at 12:40 p.m.

Attest:

Erica Sellen
Committee Secretary

4b

AGENDA REPORT
Business | Information

March 14, 2024

TO: Cities Advisory Committee

FROM: Keene Simonds, Executive Officer
Michaela Peters, Analyst I

SUBJECT: **Informational Report |**
Property Tax Allocation and Exchanges in San Diego County

SUMMARY

The Cities Advisory Committee ("Committee") will receive an informational report in the form of a brochure on property tax allocations and exchanges in San Diego County. The item has been prepared as an administrative holdover from the prior fiscal year workplan with a focus on the decision-making process with respect to whether property taxes will be reapportioned among local agencies in conjunction with LAFCO approving jurisdictional changes. The item is being presented for information with the opportunity for the Committee to provide feedback only.

BACKGROUND

LAFCOs and Property Tax

The 1% property tax serves as a primary funding source for the majority of municipal services provided by the local agencies (cities and special districts) subject to San Diego LAFCO's regulatory and planning powers. As detailed, whenever LAFCO approves jurisdictional changes, State law requires a determination – either directly by the Commission or through negotiated agreements by the agencies – on whether exchanges should be made in the apportionments of the 1% property tax. The date of any reapportionments filed with the State Board of Equalization by December 1st will become effective on the following July 1st.

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Kristi Becker, City of Solana Beach
Dane White, City of Escondido
John McCann, Alt., City of Chula Vista
Chair Stephen Whitburn, City of San Diego
Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David A. Drake, Alt., Rincon del Diablo
Harry Mathis, General Public
Vacant, Alt., General Public

Adopted Workplan | Prior Direction to Prepare Informational Report on Property Taxes

San Diego LAFCO's activities are guided by an adopted workplan outlining specific projects in priority order and reset every fiscal year. Most projects remain on subsequent fiscal year workplans until they are completed unless the Commission determines to drop the item and reallocate resources to other priorities. Exceptions involve projects that are expected to be completed between the workplan's adoption in early May and June 30th or closely thereafter and require limited staff resources going into the new fiscal year. These exceptions are administrative holdovers with a current example from the prior fiscal year involving an informational report on property taxes and relationship to approved jurisdictional changes.

DISCUSSION

This item is for the Committee to receive an informational report in the form of a brochure outlining the relationship and related processes between jurisdictional changes overseen by the Commission and the allocation of the 1% property tax among local agencies. This includes providing context on the current allocation of the 1% property tax in San Diego County and the approval process to make any changes – or exchanges – in the apportionment to align with LAFCO approved jurisdictional changes. The item has been prepared by staff and presented to the Committee as an administrative holdover from the prior fiscal year workplan. The item is being presented for information with the opportunity for the Committee to provide feedback only.

ANALYSIS

See attachment.

RECOMMENDATION

Information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES FOR CONSIDERATION

This item has been placed on the Committee's agenda for information part of the business calendar. It will include a verbal presentation by staff paired with the opportunity for the Committee to discuss and provide feedback as it chooses.

Respectfully,

Michaela Peters

Michaela Peters
Local Government Analyst I

Attachment:

1) Property Tax Basics

LOCAL AGENCY FORMATION COMMISSION
SAN DIEGO COUNTY

Property Tax

ALLOCATIONS, EXCHANGES, + MORE

The Basics of the 1% Property Tax in San Diego County

Key Takeaways

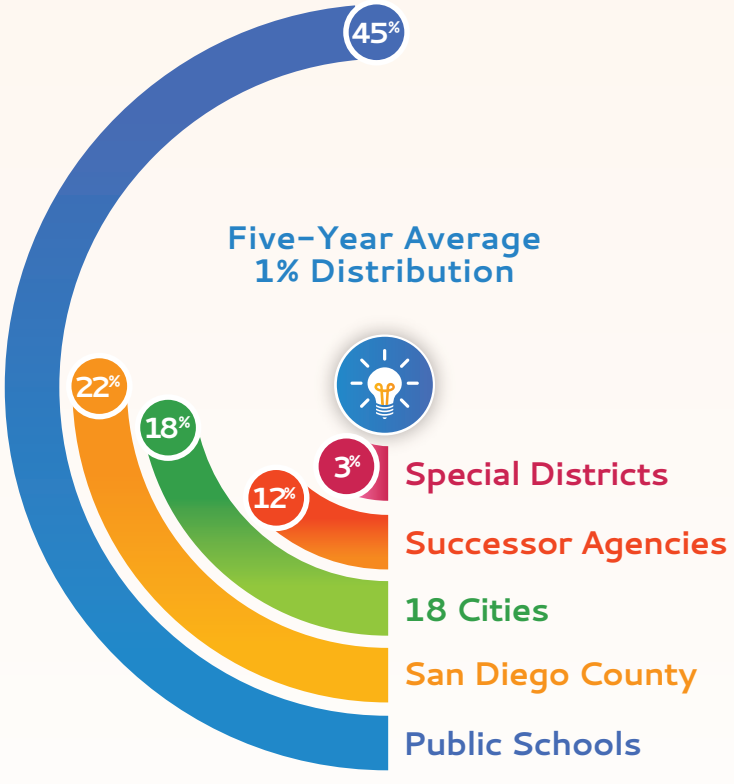
- The 1% property tax serves as the primary funding source for most local government agencies (County, cities, special districts, & school districts) in San Diego County and has generated an average annual sum of $5.9 billion over the last five years.
- Almost half of all property tax – $0.47 cents out of every $1.00 – collected in San Diego County goes to local school districts.
- Most of the remaining property tax collected in San Diego County – about $0.38 cents out of every $1.00 – goes to the County and the18 cities.
  - 40% of the County of San Diego's general fund revenue currently comes from property taxes.
  - 34% of the 18 cities combined general fund revenue comes from property taxes.
- Most jurisdictional changes processed by LAFCO include an exchange where property taxes are reapportioned among the subject agencies.
- LAFCO decides the exchange for incorporations and special district formations while the rest – annexations, detachments, etc. – are negotiated between local agencies.
  - There are several "master tax exchange" agreements dating back to the early 1980s to govern exchanges in property taxes between the County and cities, should an annexation (to the city) or detachment (to the County) be approved.
- The master agreements provide for the reapportionment of the County's existing allocation of the 1% in property taxes anywhere between 34% (Lemon Grove) to 53% (Oceanside).
- At any time, the County, cities, and special districts can request individual negotiations.
  - A seven-step process in statute guides the negotiations for exchanges between the County and cities.



Covering The Basics

Property Taxes in California

With limited exceptions, all property (land and improvements) in California are taxed at 1% of their assessed value. The 1% rate was set by Proposition 13, which was approved by voters in June 1978 by nearly two-thirds of the electorate. It also reset all properties' market value to 1975 levels while limiting increases going forward to no more than 2% annually. All monies generated from the 1% property tax goes to local government — and specifically counties, cites, special districts, and school districts — and can be used for any general public purpose.



Property Taxes in San Diego County

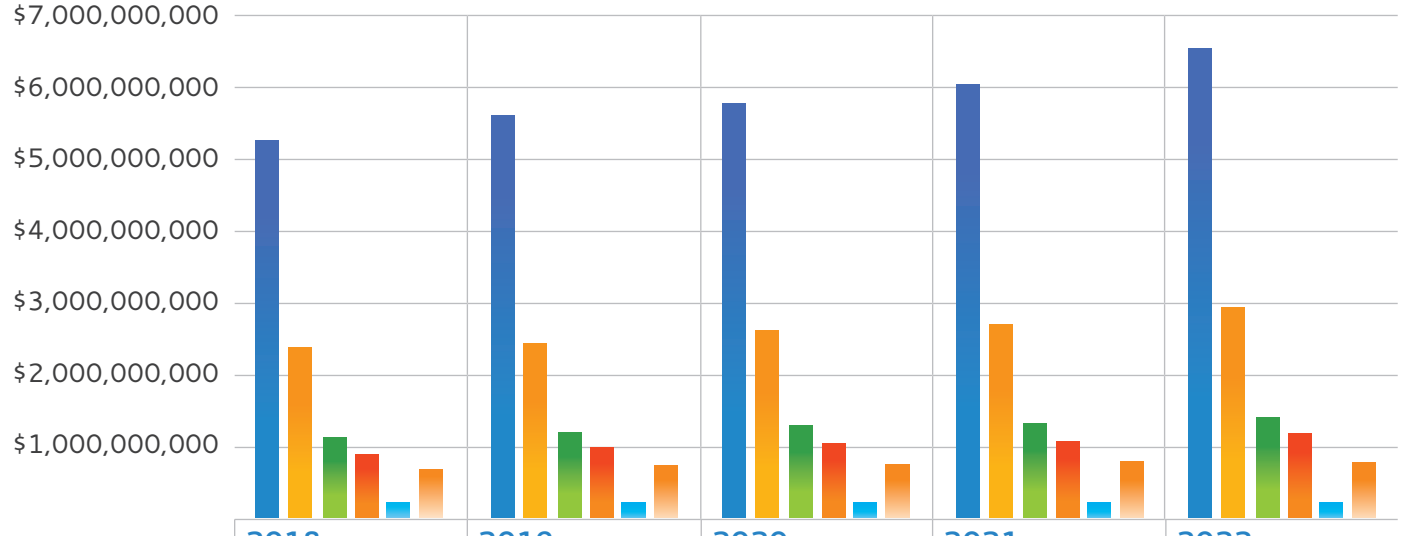
The average annual amount of the 1% of property tax collected and allocated in San Diego County has been $5.862 billion over a five-year period ending in 2022-2023.

Almost one-half — specifically 45% — of all property tax collected during this 60-month period has gone to 47 local public-school districts (elementary, high school, unified, and community college). Another 22% of the overall total has gone to the County of San Diego with a majority therein funding public safety and general administrative services. The remaining collection is divided between the 18 cities at 18%, redevelopment successor agencies at 12%, and special districts at 3%. Overall, the total amount of the 1% property tax revenue collected in San Diego County has increased by 20% over the five-year period and results in an average year adjustment of 4%.

Almost half of all property tax – $0.47 cents out of every $1.00 – collected in San Diego County goes to local school districts.



San Diego County 1% Property Tax Allocations



	2018	2019	2020	2021	2022
Total 1% Property Taxes	$5,260,273,094	$5,526,032,550	$5,856,551,713	$6,061,700,823	$6,569,133,623
45% Allocated to Public School Districts	$2,367,122,892	$2,502,914,648	$2,635,448,271	$2,727,765,370	$2,956,110,130
22% Allocated to County of San Diego	$1,157,260081	$1,223,647,161	$1,228,441,377	$1,333,574,181	$1,445,209,397
18% Allocated to the Other 18 Cities	$946,849,157	$1,001,165,859	$1,054,197,308	$1,091,106,148	$1,182,444,052
3% Allocated to Special Districts	$157,808,193	$166,860,997	$175,696,551	$181,851,025	$197,074,009
12% Redevelopment Successor Agencies	$630,180,717	$666,331,499	$701,614,894	$726,191,759	$786,982,208

LAFCO extends its appreciation to the County of San Diego Assessor's Office for the tax allocation information.

Significance of Property Tax Revenue

Revenue collected from the 1% property tax serves as primary funding source for most local government agencies' general purpose activities in San Diego County with the notable exception of enterprise special districts (i.e., water and wastewater providers). For example, the County of San Diego's use of the 1% property tax equals 39.5% of all operating revenue for the 2021–2022 fiscal year. Amounts and related percentages of the 1% property tax revenue collected by the 18 cities follows.

Cities' Collection of the 1% Property Tax and Overall Significance

Fiscal Year 2021–2022

City	Actual Revenue Recieved	% of Total Operating Revenue
Carlsbad	$81,012,000	51.4%
Chula Vista	$69,565,097	30.2%
Coronado	$34,299,322	58.2%
Del Mar	$7,771,396	34.6%
El Cajon	$23,485,978	25.5%
Encinitas	$55,505,022	60.2%
Escondido	$31,209,631	25.7%
Imperial Beach	$6,779,578	25.8%
La Mesa	$16,687,577	23.2%
Lemon Grove	$3,518,827	22.4%
National City	$16,753,096	25.6%
Oceanside	$74,505,579	40.0%
Poway	$26,360,676	58.5%
San Diego	$684,513,000	35.0%
San Marcos	$26,695,907	18.0%
Solana Beach	$10,523,133	41.7%
Santee	$21,363,100	41.9%
Vista	$28,981,824	22.9%
Average	**$67,751,708**	**34.3**

The Mechanics

The Journey from Assessment to Distribution

A four-part process underlies the administration of the property tax in San Diego County with respect to its journey from assessment to distribution. A building permit automatically triggers notice to the Assessor and the opportunity to initiate a reassessment if warranted. Additionally, a property owner is entitled to request a property value reassessment if they felt their assessment to be inaccurate.

- The County Assessor's Office is responsible for determining the taxable value of property (land and structures) and preparing the annual assessment roll. This includes applying allowable exemptions.
- The County Auditor's Office draws from the assessment roll generated by the Assessor's Office to compute tax rates and applies them to the properties' taxable value to generate tax bills.
- The County Tax Collector mails the tax bills generated by the Auditor's Office, collects monies, and updates taxpayer accounts.
- The Auditor's Office completes the administrative process and allocates and distributes monies collected by the Tax Collector to local agencies.

40% of the County of San Diego's general fund revenue currently comes from property taxes.

Adjusting Property Values



The assessed value of a property – and by extension, the amount subject to the 1% property tax charge – is limited to an increase no greater than 2% each year under Proposition 13 unless a change in ownership or new construction occurs. The 2% increase is applied to the base year value. The maximum 2% increase per year continues to be applied until a change in ownership or new construction occurs. The latter category – new construction – also includes improvements considered substantive by the County Assessor's Office. This commonly includes addition to land or improvements (e.g., lot combination, square foot expansion) as well as physical alternations (i.e., remolding, rehabilitation, or moderation) to a "like new" condition. Issuance of a building permit automatically triggers notice to the Assessor and the opportunity to initiate a reassessment if warranted. Additionally, a property owner is entitled to request a property value reassessment if they felt their assessment to be inaccurate. *For more information on assessment appeals, scan the QR code.

Use your phone's camera for a link!

Exchanges

Since jurisdictional boundaries are subject to changes, so too are the distribution of monies collected from the 1% property tax among local agencies. All jurisdictional changes under LAFCO oversight are subject to mandatory reviews and/or negotiations to determine what, if any, property tax exchanges shall apply. Approval of an exchange is made either by LAFCO or the subject local agencies depending on the type of jurisdictional change as provided below.

- LAFCO independently determines the property tax exchange for city incorporations and disincorporations as well as special district formations. All other jurisdictional changes require negotiated tax exchanges between the subject agencies.
- Board of supervisors are responsible for negotiating tax exchanges for jurisdictional changes involving – and with input – from one or more special districts.
- Board of supervisors and city councils are responsible for negotiating tax exchanges involving the annexation and/or detachment of lands between their jurisdictions.
- State law allows local agencies to mutually adopt "master tax exchange agreements" to govern all future jurisdictional changes between the signatories. However, the local agencies retain the ability to request individual negotiations on a case-by-case basis.

The exchange ultimately identifies the allocation of future 1% property taxes associated with the affected territory among the subject agencies going forward, should LAFCO approve the associated jurisdictional change. The exchange may also – and significantly – include other negotiated items among the subject agencies, such as the distribution of sales tax revenues, infrastructure purchases, or redistribution of regional housing assignments.

Master Tax Exchange Agreements in San Diego County

Most common jurisdictional changes – but not all – in San Diego County are covered under existing master tax exchange agreements dating back to the early 1980s. This involves annexation of unincorporated lands to certain cities as well as annexation of lands to enterprise special districts (e.g., water and wastewater agencies).

- **Annexation of Unincorporated Land to 15 Cities**

  The County of San Diego has adopted a master property tax exchange agreement that includes individually negotiated agreements with 15 of the 18 cities. These individual agreements were established during a two-year period between 1984 and 1985 and governs the percentage of 1% property tax revenues to be transferred to annexing cities. This master agreement specifies the base property tax revenues and annual tax increment generated from the affected territory shall be apportioned to the annexing city by an agreed-upon percentage as follows:

Carlsbad, 48%	National City, 46%
Chula Vista, 41%	Oceanside, 53%
Coronado, 53%	Poway, 43%
Del Mar, 41%	San Diego, 45%
El Cajon, 38%	San Marcos, 23%
Escondido, 36%	Santee, 43%
La Mesa, 38%	Vista, 41%
Lemon Grove, 34%	

  The annexing city's percentage is applied to the combined County and detaching special districts' share of the base property tax revenue and annual tax increment. The remaining balance of the base property tax revenue and annual tax increment is then transferred to the County General Fund. There are no master tax exchange agreements between the County of San Diego and Cities of Encinitas, Imperial Beach, and Solana Beach. Any annexation to these cities would require negotiated agreements per jurisdictional change proposal.

- **Annexation to Enterprise Districts: New Services**

  The County of San Diego has adopted a master tax exchange agreement on behalf of all enterprise special districts specific to annexing lands – whether incorporated or unincorporated – involving the establishment of new services. The agreement specifies no exchange of the 1% in property taxes will be provided.

- **Annexation to Enterprise Districts: Existing Services**

  The County of San Diego has adopted a master tax exchange agreement on behalf of all enterprise special districts specific to annexing lands – whether incorporated or unincorporated – involving existing service functions. The agreement specifies a full – 100% - exchange of the 1% in property taxes will be provided.



Negotiating Tax Exchange Agreements

The process for negotiating tax exchange agreements for applicable jurisdictional changes (e.g., annexations, detachments, latent service power activations, etc.) involving the 1% of property tax is prescribed under State law and ultimately covers seven steps as follows.



LAFCO Provides Dual Notice of Proposal to County Assessor and Auditor's Offices

Once in receipt of a jurisdictional change proposal, LAFCO provides dual notice to the County Assessor and Auditor's Offices. The dual notice requests information be provided to the subject agencies' whose boundaries and/or service areas would be altered irrespective of whether an applicable master tax exchange agreement exists. There is no timetable for LAFCO to issue the notice.



Assessor's Determination and Transmittal

Following receipt of the request by LAFCO, the County Assessor's Office determines the assessed value and tax rates for the affected territory subject to the jurisdictional change. The Assessor's Office shall make the determination and transmit the information to the County Auditor's Office within 30 days of notice from LAFCO.



Auditor's Estimates and Transmittal

After receiving the request by LAFCO as well as information provided by the Assessor, the County Auditor's Office estimates the amount of revenue generated from the 1% in property tax within the affected territory subject to the jurisdictional change. The Auditor also estimates the current apportionments of the 1% in property tax assigned to each local agency during the current fiscal year. The Auditor's Office shall transmit the estimates to all subject agencies within 45 days of notice from LAFCO.



Apply Master Tax Agreement or Negotiate New Agreement

Once in receipt of the information from the County Auditor's Office, the subject agencies shall consider whether to apply an existing negotiated master tax exchange agreement if one exists and/or negotiate a new agreement. The subject agencies must provide notice to LAFCO of their decision within 60 days unless otherwise specified by LAFCO. Any subject agency may extend the period up to 90 days.



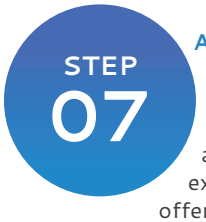
Consultation Process, If Needed

If a master tax agreement does not apply and/or a separate agreement has not been reached through open negotiations, the subject agencies shall mutually select and fund a third-party consultant to prepare a recommendation on a tax exchange agreement. The consultant's recommendation shall utilize existing policies and plans of the annexing city in determining the value of the tax exchange going forward. The analysis and recommendations shall be completed within 30 days.



Mediation Process, If Needed

If no agreement has been reached through the consultation process, the subject agencies shall mutually select and fund a third-party mediator to facilitate a tax exchange agreement. The mediator's services shall be completed within 30 days.



Advisory Arbitration, If Needed

If no agreement has been reached through the mediation process, the subject agencies shall mutually select and fund a third-party advisory arbitrator to determine an appropriate tax exchange agreement based on the best and final offer made by the subject agencies. The arbitrator's determination shall be presented to the governing boards as part of a noticed public hearing and either accepted or rejected. The arbitrator shall present their determination within 30 days.

If an agreement has not been accepted by all subject agencies through the advisory arbitration process, then LAFCO shall re-commence the process beginning with noticing the Assessor and Auditor's Offices. This will continue until an agreement is reached.

4c

AGENDA REPORT
Business | Information

March 14, 2024

TO: Cities Advisory Committee

FROM: Priscilla Mumpower, Assistant Executive Officer
Carol Ieromnimon, Analyst II
Chris Cate, LAFCO Consultant
Adam Wilson, LAFCO Consultant

SUBJECT: **Current Workplan Update on High Priorities | Municipal Service Reviews on Wholesale Water Agencies & Healthcare Districts in San Diego County**

SUMMARY

The Cities Advisory Committee ("Committee") will receive an update on the current adopted workplan and specific to San Diego LAFCO's highest placed priorities involving separate municipal service reviews on wholesale water service providers and healthcare districts. The MSR on wholesale water agencies will include a comprehensive review of the San Diego County Water Authority and a proportional review of the Metropolitan Water District of Southern California. The latter MSR will focus on the four healthcare districts in San Diego County: Fallbrook; Palomar; Grossmont; and Tri-City and will be divided into two parts. The update is provided for information with the opportunity for Committee members to provide feedback to staff in helping to address interests and/or priorities on behalf of cities in San Diego County.

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Marni von Wilpert, Alt., City of San Diego
Vice Chair Barry Willis, Alpine Fire Protection
Jo MacKenzie, Vista Irrigation
David Drake, Alt., Rincon del Diablo
Harry Mathis, General Public
Vacant, Alt., General Public

BACKGROUND

Adopted Workplan & MSRs on Wholesale Water Agencies and Healthcare Districts

San Diego LAFCO's current fiscal year workplan includes 30 projects and is divided into two distinct categories – statutory and administrative – along with priority assignments set by the Commission. A scheduled MSR covering wholesale water agencies tops the priority list and covers LAFCO's statutory responsibility to perform an independent review of the San Diego County Water Authority and – albeit proportionally to its role in San Diego County – the Metropolitan Water District of Southern California. The scheduled MSR on the four healthcare districts in San Diego County comes in second and will highlight: Fallbrook; Palomar; Grossmont; and Tri-City. Specific statutory factors required under the MSR statute (Government Code 56430) include the following:

- Growth and Population Projections
- Present and Planned Service Capacities
- Adequacy of Services Relative to Community Needs
- Financial Standing
- Opportunities for Shared Facilities
- Accountability of Governmental Structure and Alternatives

DISCUSSION

This item is for the Committee to receive an update on the current adopted workplan and specific to San Diego LAFCO's highest placed priorities involving separate municipal service reviews on wholesale water service providers and healthcare districts. It follows Commission action in August 2023 to direct staff to regularly provide updates on the MSRs and in doing so provide opportunities in real-time for Commissioners, Committees, and the public to provide feedback on current and pending activities. The presentation will be provided by lead consultants Chris Cate and Adam Wilson.

ANALYSIS

None.

RECOMMENDATION

This item is presented to the Committee for information.

ALTERNATIVES FOR ACTION

None.

PROCEDURES FOR CONSIDERATION

This item has been placed on the Committee's agenda for information as part of the business calendar. The following procedures are recommended:

1) Receive verbal presentation from staff unless waived.
2) Invite comments from interested audience members if any.
3) Discuss and provided general feedback as needed.

On behalf of the Consultant Team,



Priscilla Mumpower
Assistant Executive Officer

Attachments: none

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AGENDA REPORT
Business | Discussion + Possible Action

March 14, 2024

TO: Cities Advisory Committee

FROM: Priscilla Mumpower, Assistant Executive Officer

SUBJECT: **Proposed Workplan and Budget for 2024-2025**

SUMMARY

The Cities Advisory Committee ("Committee") will review a proposed LAFCO workplan and budget for 2024-2025. The draft workplan outlines 30 activities in priority order and headlined by continuing municipal service reviews on wholesale water service providers and healthcare districts as well as grant work evaluating economic conditions for certain agricultural crops. Several new projects round out the draft workplan and headlined by initiating a municipal service review on the San Diego Association of Local Governments (SANDAG) and its housing and transportation functions as well as an informational report on governmental homeless services. The draft workplan informs the draft budget, which totals $2.887 million in matching expenses and revenues. More than four-fifths of total expenses – $2.403 million – cover operating costs and represents an increase of 6.3% and largely ties to inflationary adjustments plus targeted enhancements in certain non-labor accounts. Local agencies' apportionments continue to represent nine-tenths of all operating revenues and set to increase in line with the rise in operating expenses at 6.3%. The item is for Committee review and feedback with the opportunity to forward specific recommendations and/or requests to the Commission.

BACKGROUND

San Diego LAFCO is responsible under State law to adopt a proposed budget by May 1st and a final budget by June 15th. A mandatory review by all local funding agencies is required between the two adoption periods.

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Jo MacKenzie, Vista Irrigation
David A. Drake, Alt., Rincon del Diablo
Harry Mathis, General Public
Vacant, Alt., General Public

DISCUSSION

This agenda item is for the Committee to review and provide feedback on a proposed (a) workplan and (b) budget for the upcoming fiscal year. LAFCO adopted both items at its March 4, 2024 meeting with direction to staff to initiate a formal public review period. A user-friendly guide on the proposed workplan and budget is available as Attachment One.

ANALYSIS

San Diego LAFCO's proposed draft workplan and budget for 2024-2025 largely reflects a status quo with respect to continuing existing service and funding levels with limited exceptions. The status quo is reflected in the draft workplan, continuing the Commission's practice to set a full and otherwise proactive workplan with 30 special projects over the 12-month period. The status quo is similarly reflected in the draft budget and highlighted by labor costs increasing by only 0.5% over the current fiscal year while retaining core staffing resources as detailed above. Most non-labor costs are also staying relatively flat with limited exceptions and highlighted by a targeted enhancement to increase funding for consultants and their technical expertise and done so to better reflect recent fiscal year actuals. Cost-savings in other labor and non-labor accounts are helping to reduce the overall increase in operating expenses to 6.3% – or $142,114 – and only slightly above the current annual inflation estimate of 5.8% for the San Diego region.

RECOMMENDATION

Consider the proposed workplan and budget and provide feedback to staff as well as any formal recommendations and/or requests to the Commission.

ALTERNATIVES FOR ACTION

The following alternatives are available to the Committee:

Alternative One (recommended):
Take no action other than providing feedback to LAFCO staff.

Alternative Two:
Provide specific recommendations and/or requests directly to the Commission.

PROCEDURES FOR CONSIDERATION

This item has been placed on the agenda under the business calendar with the potential to take actions as described above. The following procedures are suggested.

1) Receive verbal report from staff unless waived.
2) Consider the Committee's preferences.

Respectfully,



Priscilla Mumpower
Assistant Executive Officer

Attachment:

1) Guide to the Proposed Draft Workplan and Budget for FY2025

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PROPOSED DRAFT

Workplan & Budget Guide

FOR 2024–2025

About Us

Local Agency Formation Commissions – or LAFCOs – are boundary makers that oversee the creation and expansion of cities and special districts in all 58 counties of California. LAFCOs exercise regulatory and planning powers to coordinate publicly provided services, such as water or fire protection, and match them with community needs. **The goal of every LAFCO is to facilitate smart growth while avoiding urban sprawl.**

San Diego LAFCO operates within the second largest county in California as measured by population and currently tasked with overseeing over 100 local governmental agencies.

A summary of San Diego LAFCO's proposed draft workplan and budget for 2024–2025 follows.

2024-2025 Workplan Guide

The proposed draft workplan list 30 targeted projects for 2024–2025 comprising both new and continued activities. The targeted projects complement LAFCO's baseline commitment to process jurisdictional proposals and related service requests in a timely manner and are divided between three priority categories – high, medium, and low. An outline of all 30 projects with additional details on the "Top 10" follows.

No. 1
Municipal Service Review on Wholesale Water Service Providers
San Diego County Water Authority + Metropolitan Water District

No. 2
Municipal Service Review on Healthcare Districts
Fallbrook, Grossmont, Palomar, + Tri-City Healthcare Districts

No. 3
Transition External Accounting System
Implement Cloud Conversion for Quickbooks and Add Public-Facing Features

No. 4
Municipal Service Review on the Greater Carlsbad Region
City of Carlsbad, Carlsbad Municipal Water District, + Leucadia Wastewater District

No. 5
State Planning Grant Award (SALC 2.0): "Greening Agriculture"
Return-on-Investment and GAP Analyses in Support of Small Farming Operations

No. 6
RCD Ad Hoc Committee, Year Two: Transitioning OSAs to Boundary Changes
Greater San Diego, Mission, + Upper San Luis Rey Resource Conservation Districts

No. 7
Municipal Service Review on Greater San Marcos/Vista Region: Part I
Cities of San Marcos and Vista

No. 8
Municipal Service Review on Greater San Marcos/Vista Region: Part II
San Marcos and Vista Fire Protection Districts, Vista Irrigation District, Vallecitos Water District, + Buena Sanitation District

No. 9
Policy Review on Accounting + Auditing Procedures
Modernize and Harmonize Accounting + Auditing Policies to LAFCO's Needs

No. 10
Staffing + Professional Development
Fill Budgeted Positions + Establish In-Service Days to Enhance Professional Development

Medium Priorities

- **No. 11** | Policy Review: Job Descriptions
- **No. 12** | MSR: SANDAG
- **No. 13** | Custom Project Manager Tracker
- **No. 14** | Staffing Special Districts Advisory Committee
- **No. 15** | Info Report on Homeless Services
- **No. 16** | Staffing Cities Advisory Committee
- **No. 17** | MSR: Greater Encinitas Region
- **No. 18** | Complete FY2023 Audit
- **No. 19** | MSR: Greater Del Mar/ Solana Beach Region
- **No. 20** | Website Content Expansion + Enhancement

Lower Priorities

- **No. 21** | Annual Local Agency Directory
- **No. 12** | Policy Review: Applicant Forms + Requirements
- **No. 23** | Authorizing Credit Card Payments
- **No. 24** | CALAFCO Legislative Committee
- **No. 25** | Legislative Proposal on G.C. 56133
- **No. 26** | SDAC Bylaws
- **No. 27** | Info Report on Community Choice Aggregations
- **No. 28** | Liaison with Local Native American Tribes
- **No. 29** | Online Service + Fiscal Indicators
- **No. 30** | Policy Review: Public Member Appointments

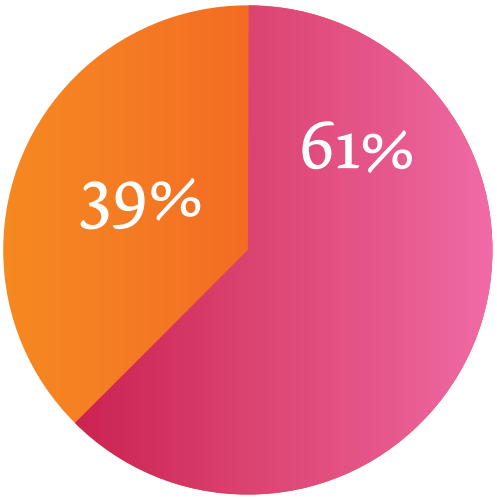
For a complete listing of the draft workplan, please visit: **sdlafco.org**

2024-2025 Draft Budget Guide

San Diego LAFCO's proposed draft budget for 2024-2025 ties directly to funding the associated workplan and sets total matching expenses and revenues at $2.888 million. Four-fifths of total expenses tie to operating costs, which tally $2.403 million and represents a change over the current fiscal year of 6.3% - or $142,14 and slightly above the 5.8% annual inflation rate for the San Diego area. The remaining portion of the total budget involves non-operating units and largely tie to transacting revenues and expenses involving a State planning grant and debt service.

Key budgeted operating expenses and revenues follow.

Operating Expenses: $2.403 Million



Salaries and Benefits Cost

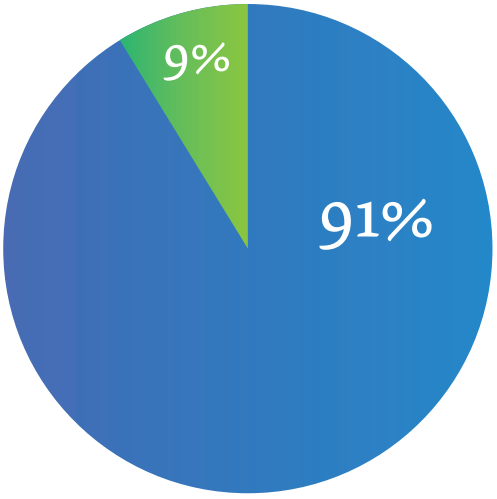
- $1.444 million; an increase of 0.5% over current year
- Amount equals 61% of all operating expenses
- Reduces budgeting staffing from 9.0 to 8.0 FTE
  - Eliminates vacant executive assistant position
- Accommodates previously approved 2.75% COLA
- Also accommodates anticipated merit increases
- Also accommodates CPI increase to meeting per diems to $291
- All line-item accounts show decreases expect pension

Services and Supplies Cost

- $0.959 million; an increase of 16.3% over current year
- Amount equals 39% of all operating expenses
- Two line item accounts underlie increase:
  - Increase in professional services to cover increase need for consultants and their technical expertise in preparing MSRs
  - Increase in memberships to cover new partnership with Assura Group to implement and host online project management tracking



Operating Revenues: $2.377 Million



Application Fees

- $0.215 million; same as current year
- Amount equals 9% of all operating revenues

Local Agency Contributions

- $2.162 million; an increase of 6.3% over current year
- Amount equals 91% of all operating expenses
- Allocation set by State law as follows:
  1. County of San Diego covers $0.618 million
  2. Cities less San Diego cover $0.618 million
  3. Special districts cover $0.618 million
  4. City of San Diego covers 0.309 million

Amounts for specific cities and districts further apportioned by Auditor's Office based on each agency's percentage of revenues relative to all revenues collected by their city/district peers

UNRESTRICTED FUND BALANCE

(estimate as of June 1, 2024)

Committed:	$750,000
Assigned:	$62,500
Unassigned:	$836,154
TOTAL:	$1,648,654

TOP CITY ALLOCATION

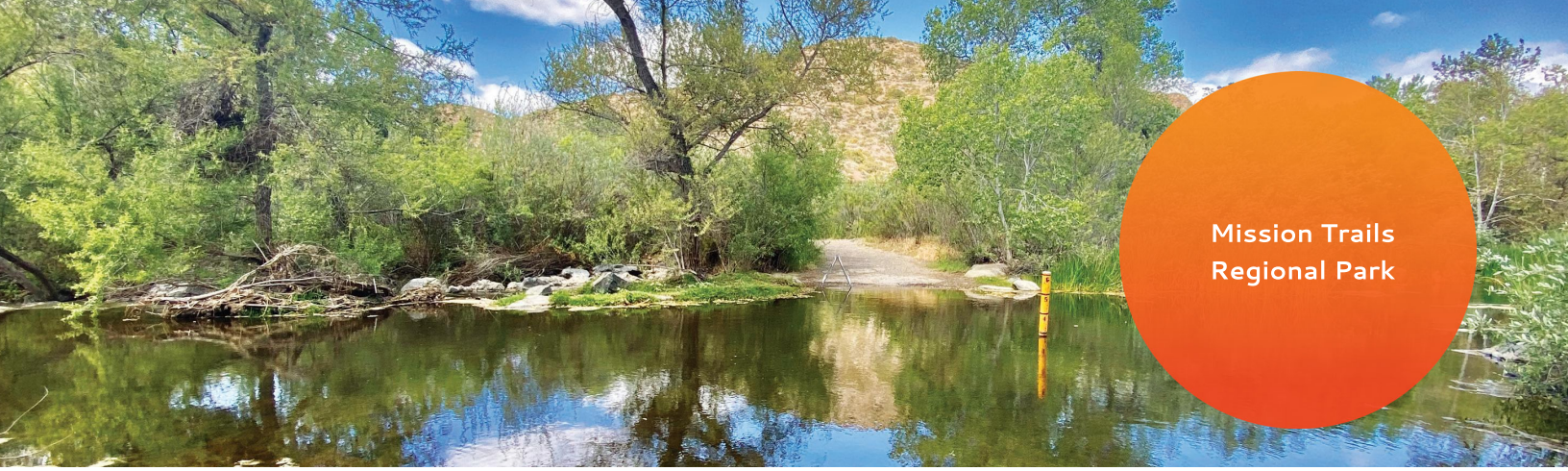
1. San Diego
2. Chula Vista
3. Carlsbad
4. Oceanside
5. Escondido

(based on FY2023 contributions)

TOP DISTRICT ALLOCATIONS

1. Otay Water District
2. Helix Water District
3. Padre Dam Municipal Water District
4. Olivenhain Municipal Water District
5. Vallecitos Water District

(based on FY2023 contributions)



San Diego LAFCO's Commission

San Diego LAFCO is governed by a 13-member "Commission" comprising county, city, special district, and public members. All Commissioners are appointed elected officials with the exception of the two public members. Commissioners serve four–year terms and divided between "regulars" and "alternates" and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. Commissioners are subject to standard disclosure requirements and must file annual statements of economic interests. The Commission has sole authority in administering its legislative responsibilities and decisions therein are not subject to an outside appeal process.



Stephen Whitburn
Chair
City of San Diego



Baron Willis
Vice Chair
Alpine Fire Protection



Jim Desmond
Past Chair
County of San Diego



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Commissioner
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Commissioner
City of Solana Beach



Jo MacKenzie
Commissioner
Vista Irrigation



Dane White
Commissioner
City of Escondido



David Drake
Alternate
Rincon Del Diablo



Harry Mathis
Alternate
General Public



John McCann
Alternate
City of Chula Vista



Nora Vargas
Alternate
County of San Diego



Marni von Wilpert
Alternate
City of San Diego

4e

AGENDA REPORT
Business | Discussion

March 14, 2024

TO: Cities Advisory Committee

FROM: Carolanne Ieromnimon, Analyst II

SUBJECT: **Draft Policy on Out-of-Agency Services**

SUMMARY

The Cities Advisory Committee ("Committee") will review the latest version of a draft policy to govern out-of-agency service activities in San Diego County. The latest version is the fifth overall and builds on feedback provided by the Special Districts Advisory Committee in September 2023 (second version), Commission in October 2023 (third version), and Special Districts Advisory Committee in December 2023 (fourth version) respectively. The preparation of the draft policy itself ties to the adopted workplan and premised on providing clear rules of engagement between local agencies and LAFCO with respect to the former complying with Government Code Section 56133 and receiving LAFCO approval before providing contract out-of-agency services. Staff anticipates drawing on the Committee feedback in presenting a final draft version to the Commission for action in May 2024.

BACKGROUND

Government Code Section 56133

State law was expanded in January 2001 to require cities and special districts to request and receive approval from LAFCOs before providing new or extended services outside their jurisdictions by contracts or agreements. The addition is codified in Government Code Section 56133 and includes a limited number of exemptions where LAFCOs' approval is not needed. The includes agreements between two or more public agencies where the contract service is an equal substitute for services already provided.

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Vacant, alt., General Public

Annual Workplan & Direction to Prepare Policy on Out-of-Agency Services

LAFCO's current annual workplan was adopted at a noticed public hearing in May 2023 and includes 30 specific projects for the fiscal year with several having been caried over from the prior fiscal year. One of these carried over projects involve establishing formal policies to govern out-of-agency service approvals at LAFCO and in doing so focus on formalizing and expanding on existing practices.

Earlier Draft Policy Versions on Out-of-Agency Services

LAFCO staff prepared an initial draft policy on out-of-agency services for discussion by the Commission in November 2022. The initial version was marked by staff proposing the establishment of local definitions for "new" and "extended" services as well as local exemptions in which certain out-of-agency services would not require formal review and approval. Staff also included an explicit policy in the initial version that the Commission determines exemption (statute and local) eligibility. This initial version was subsequently shared with the Special Districts Advisory Committee in December 2022 given their invested interest in the topic. The resulting feedback informed a second draft version, which expanded local exemptions along with other refinements and presented back to the Special Districts Advisory Committee in September 2023. This latter meeting informed a third draft version presented to the Commission in October 2023 that no longer included an explicit policy advising the Commission determines exemption eligibility. Most recently, the Special Districts Advisory Committee meeting in December 2023 informed of the fourth version which reintroduced the explicit policy advising the Commission determines exemption eligibility.

DISCUSSION

This item is for the Committee to review the fifth version of a draft policy governing the process in receiving, evaluating, and acting on out-of-agency service requests. The fifth version incorporates feedback generated from the Commission at its October 2023 meeting and marked by reinstating an earlier policy statement that LAFCO determines exemption eligibility. The fifth version also incorporates most of the revisions requested by a consortium of district general managers led by Brian Olney with Helix Water District as well as the feedback staff received at the last Special Districts Advisory Committee meeting in December 2023. This latter grouping of revisions is marked by expanding on the list of exemptions, specific to agreements between two or more agencies, as they relate to cost and scope, the re-commencement of service already being provided as well as adding to the list of activities under the shared services between cities and special districts. This latter grouping also includes revising language throughout the document to be more inclusive/exact specifically to the policy's premising goals and priorities.

A summary of all key provisions reflected in the fifth versions follows.

- Make explicit the Commission's policy preference to consider out-of-agency service requests on an exception basis when otherwise merited new or extended municipal services cannot be accommodated through jurisdictional changes.

- Premise the policy on the Commission's preference to consider out-of-agency service requests on an exception basis when otherwise merited services cannot be accommodated through jurisdictional changes.

- Establish local definitions for "new" and "extended" services and in doing so, frame the overall extent of the Commission's regulation of out-of-agency services as follow.

  - New services would involve the actual delivery of municipal functions or classes to previously unserved non-jurisdictional lands and/or the re-commencement of functions or classes after a discontinuous period of one or more years.

  - Extended services mean the intensification of municipal functions or classes to served (actual) non-jurisdictional lands facilitated by a zoning change.

- Establish local exemptions in which Commission review and approval – which is separate from determining eligibility – is not required for the following activities:

  - Advisory or automatic aid services provided by a city and/or special district where no monetary compensation is provided other than reimbursements.

  - Temporary access to a city and/or special district's potable water or wastewater collection, treatment, and discharge facilities.

  - Shared services between two or more agencies where monetary compensation is provided beyond reimbursements for any of the following:

    - Abandoned Vehicle Abatement
    - Accounting, Billing, and Payroll
    - Animal Care and Control
    - Building and Code Enforcement
    - Customer Service
    - Dispatch
    - Grant Writing
    - Heavy Equipment Exchange and/or operation
    - Human Resources
    - Information Technology
    - Laboratory Services
    - Legal
    - Pooled Equipment Purchasing and Use
    - Pooled Materials Purchasing and Use
    - Pooled Services Purchasing and Use
    - Public Affairs/Outreach

- Training
- Water, Wastewater, Recycled Water, Stormwater and Advanced Purification Plan Operations

- Make explicit LAFCO via the Executive Officer determines exemption eligibility with related no-cost request procedures.

- Amend the existing delegation to the Executive Officer to approve out-of-agency service requests tied to public health or safety threats to only water and wastewater functions. All other requests are redirected to the full Commission.

A copy of the fifth draft version is attached.

ANALYSIS

The draft policy before the Committee serves to remedy an ongoing omission with respect to providing clear and formal direction on how San Diego LAFCO chooses to meet its delegated duty to regulate out-of-agency services. Addressing this omission – markedly – has become a higher priority given increased conversations with cities and special districts through the municipal service review process and the Commission's overall interest to sync spheres of influence to reflect and accommodate orderly service areas. LAFCO staff believes the fifth draft version to establishing a policy to govern out-of-agency service activities appropriately reflects both Commission and Special Districts Advisory Committee input to date with deference to the Commission where differences exist. This latter statement applies to the reinstatement of an explicit policy that LAFCO determine exemption eligibility. However, as noted in the preceding section, the balance of the changes requested by the Special Districts Advisory Committee at its September and December 2023 meeting are reflected in the fifth version along with similar revisions requested by Brian Olney with Helix Water District on behalf of several district general managers – including members on the Special District Advisory Committee.

RECOMMENDATION

Review and discuss as requested.

ALTERNATIVES FOR ACTION

None. Any related action by the Committee – including making formal recommendations to the Commission and/or LAFCO staff – can be accommodated through a successful motion.

PROCEDURES

This item has been placed on the Committee's agenda for discussion and possible action as part of the business calendar. The following procedures are recommended in the consideration of this item:

1) Receive verbal presentation from staff unless waived.
2) Invite comments from interested audience members.
3) Discuss item and provide feedback as requested.

Respectfully,



Carolanne Ieromnimon
Analyst II

Attachments:

1) Draft Policy on Out-of-Agency Services, Fifth Version
2) Section 56133

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Proposed Policy
The track-changes reflect differences only from the third version of the draft policy presented to the Commission on October 2nd as well as the one suggestion from the Special Districts Advisory Committee at its December 2023 meeting.

Subject:
OUT-OF-AGENCY SERVICES
(Exclusive of Fire Protection Services)

Purpose:
Serve as a guide to the Commission in receiving, evaluating, and acting on requests by cities and special districts to provide new or extended services other than fire protection outside their jurisdictional boundaries.

Background:
State law requires cities and special districts to request and receive Commission approval before providing new or extended outside services by contracts or agreements with limited exemptions (Government Code Section 56133).[1]

Policy:
It is the policy of the Commission:

1. Goals and Priorities:

   a) ~~a)~~ The Commission will consider out-of-agency service requests whenever otherwise merited new or extended services cannot be reasonably accommodated through annexations or other jurisdictional changes.

   b) The Commission will review out-of-agency service agreements not previously considered by the Commission in conjunction with future applications for related changes to organization and not unilaterally seek out and review out-of-agency service agreements for compliance with Government Code Section 56133.

   b) The Commission shall only approve out-of-agency service requests for cities and special districts involving territory within their spheres of influence in anticipation of future jurisdictional changes.

      i. The Commission will exercise independent discretion in potentially prescribing the timing of future jurisdictional changes through its authority to condition out-of-agency service approvals.

   c) The Commission shall only approve out-of-agency service requests for cities and special districts involving territory outside their spheres of influence in

[1] Contracts involving fire protection services are separately addressed under Government Code Section 56134 and are not covered under this policy.

response to efficient utilization of regional government resources and existing or impending public health and safety threats.

i. The Commission will exercise its independent discretion in determining efficient utilization of government resources and when existing or impending public health and safety threats exist with consideration of State Water Resources Control Board Division of Drinking Water, Regional Water Quality Control Board, California Department of Public Health and San Diego County Department of Public Health regulatory guidance and based on available documentation and analysis provided by LAFCO staff.

2. Definitions:

a) "Agreement" and/or "contract" shall mean a formal written arrangement contemplated under Section 56133.

b) "Service" shall mean any authorized municipal service functions and/or classes provided by cities and special districts other than fire protection as well as those exempted by the Commission within Section 4 of this policy.

c) "New service" shall mean the actual provision of municipal service functions or classes to previously unserved non-jurisdictional lands.

i. New service shall also mean the re-commencement of actual services after a discontinuous period of one year or more.

d) "Extended service" shall mean the intensification of municipal service functions and/or classes to served (actual) non-jurisdictional lands that require a zoning change by the land use authority.

3. Applicability:

a) The Commission determines exemption eligibility of all statutory exemptions under 56133(e) as well as local exemptions provided under this policy.

~~a)~~b) The Commission shall emphasize the "point of delivery" in assessing the applicability of Section 56133.

~~b)~~c) Cities and special districts may request a no-cost determination from the Commission as to whether any proposed out-of-agency services are eligible for exemption under 56133 (e) and/or Section 4 of this policy.

i. The Commission delegates all inquiries for exemption eligibility under 56133(e) and/or Section 3 of this policy to the Executive Officer. The Executive Officer shall provide written notice of their determination to the city or special district to either accept, deny, or deny pending additional information all exemption inquiries within five business days.

ii. Should the Executive Officer determine an inquiry does not qualify for exemption, the city or special district may appeal directly to the full Commission. The appeal request must be made in writing and signed by the city manager or special district manager.

4. Exemptions

a) In addition to those provided by the Legislature under Section 56133(e), which includes agreements established prior to 2001, the Commission establishes the following local exemptions in which approvals are not required:

i. Advisory or automatic aid services provided by a city and/or special district where no monetary compensation other than reimbursements are exchanged.

ii. Agreements solely involving two or more public agencies where the public service to be provided (by Agency A) is an alternative to, or substitute for, public services already being provided by an existing public service provider (by Agency A) is consistent with the level of service contemplated by the existing service provider (Agency B).

a. For the purposes of this section, "already being provided" means the services are within the agency's (Agency B) jurisdictional boundary and an established service area wherein services are being actively provided by the agency (Agency B).

b. For the purposes if this section, "contemplated" means:

i. The service level is anticipated in a master plan or some long-range planning document of Agency B.

ii. Sufficient infrastructure and capacity exists (by Agency A) to provide the service.

~~i.~~

iii. Service agreements between cities and.or special districts for the use, installations, and maintenance of meter or operational technology (OT)

communications infrastructure similar to wireless ethernet, cellular towers, fiber optic, etc.

iv. Agreements involving Cathodic protection of pipelines.

~~ii.~~v. Temporary access to cities and/or special districts' potable water supplies due to an interruption – planned or otherwise.

vi. Temporary access to cities and/or special districts' wastewater collection, treatment, or discharge facilities.

~~iii.~~vii. Temporary access to cities and/or special districts' potable, raw, or recycled water when deemed the best and most efficient use of resources.

~~iv.viii.~~ Shared services between cities and/or special districts where monetary compensation is exchanged beyond reimbursements for any of the following activities:

- Abandoned Vehicle Abatement
- Accounting, Billing, and Payroll
- Animal Care and Control
- Building and Code Enforcement
- Customer Service
- Dispatch
- Grant Writing
- Heavy Equipment Exchange and/or operation
- Human Resources
- Information Technology
- Laboratory Services
- Legal
- Pooled Equipment Purchasing and Use
- Pooled Materials Purchasing and Use
- Pooled Services Purchasing and Use
- Public Affairs/Outreach
- Training
- Water, Wastewater, Recycled Water, Stormwater and Advanced Purification Plan Operations

4. Request Procedures:

a) All approval requests for out-of-agency services shall be made in writing by cities and special districts and filed with the Executive Officer. Requests

shall be made in letter form by the city or special district manager and include all of the following information:

i. Identification of the affected territory by parcel number or another appropriate geographic marker.
ii. Description of the ability of the agency to provide the contract service and relationship – including impacts – on existing and/or planned infrastructure and resources.

iii. Application fee.

iv. Any other information required by the Executive Officer.

5. Consideration Procedures:

a) The Commission shall consider all requests for out-of-agency service approvals at a public meeting unless otherwise provided in this policy.

b) The Executive Officer shall ensure all procedures under Section 56133 are completed and responsible for placing the request on the first available meeting agenda thereafter. The Executive Officer shall include his or her written recommendation on the request to the Commission.

c) Should requests involve purported public health or safety threats, the Commission delegates approval authority to the Executive Officer under the following circumstances.

i. The request involves water and/or wastewater services only. If approved, the Executive Officer shall provide notice to the Commission at the next public meeting for information only.

d) All other requests involving purported public health or safety threats shall be considered by the Commission at the earliest time possible – including the scheduling of a special meeting with no less than 24-hour notice.

7. Reconsideration:

a) Should an out-of-agency service request be approved with conditions or denied, the applicant may request reconsideration.

8. CEQA

a) All out-of-agency service request approvals shall be subject to concurrent review under the California Environmental Quality Act (CEQA).

b) The Commission assigns all functions and related responsibilities provided under CEQA Guidelines Section 15025 to the Executive Officer – including, but limited to, making exemption findings and related fillings.

Government Code Section 56133

56133.
(a) A city or district may provide new or extended services by contract or agreement outside its jurisdictional boundary only if it first requests and receives written approval from the commission.
(b) The commission may authorize a city or district to provide new or extended services outside its jurisdictional boundary but within its sphere of influence in anticipation of a later change of organization.
(c) If consistent with adopted policy, the commission may authorize a city or district to provide new or extended services outside its jurisdictional boundary and outside its sphere of influence to respond to an existing or impending threat to the health or safety of the public or the residents of the affected territory, if both of the following requirements are met:
(1) The entity applying for approval has provided the commission with documentation of a threat to the health and safety of the public or the affected residents.
(2) The commission has notified any alternate service provider, including any water corporation as defined in Section 241 of the Public Utilities Code, that has filed a map and a statement of its service capabilities with the commission.
(d) The executive officer, within 30 days of receipt of a request for approval by a city or district to extend services outside its jurisdictional boundary, shall determine whether the request is complete and acceptable for filing or whether the request is incomplete. If a request is determined not to be complete, the executive officer shall immediately transmit that determination to the requester, specifying those parts of the request that are incomplete and the manner in which they can be made complete. When the request is deemed complete, the executive officer shall place the request on the agenda of the next commission meeting for which adequate notice can be given but not more than 90 days from the date that the request is deemed complete, unless the commission has delegated approval of requests made pursuant to this section to the executive officer. The commission or executive officer shall approve, disapprove, or approve with conditions the extended services. If the new or extended services are disapproved or approved with conditions, the applicant may request reconsideration, citing the reasons for reconsideration.
(e) This section does not apply to any of the following:
(1) Two or more public agencies where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider.
(2) The transfer of nonpotable or nontreated water.
(3) The provision of surplus water to agricultural lands and facilities, including, but not limited to, incidental residential structures, for projects that serve conservation purposes or that directly support agricultural industries. However, prior to extending surplus water service to any project that will support or induce development, the city or district shall first request and receive written approval from the commission in the affected county.

(4) An extended service that a city or district was providing on or before January 1, 2001.
(5) A local publicly owned electric utility, as defined by Section 9604 of the Public Utilities Code, providing electric services that do not involve the acquisition, construction, or installation of electric distribution facilities by the local publicly owned electric utility, outside of the utility's jurisdictional boundary.
(6) A fire protection contract, as defined in subdivision (a) of Section 56134.
(f) This section applies only to the commission of the county in which the extension of service is proposed.