



Gray Davis  
GOVERNOR

# STATE OF CALIFORNIA



Tal Finney  
INTERIM DIRECTOR

## LOCAL AGENCY FORMATION COMMISSION MUNICIPAL SERVICE REVIEW GUIDELINES

Governor's Office of Planning and Research

AUGUST 2003

FINAL

August 2003

### Message from the Director

The Governor's Office of Planning and Research is proud to announce the publication of the first *Municipal Service Review Guidelines* for Local Agency Formation Commissions (LAFCOs). These advisory *Guidelines* provide LAFCOs with an additional tool to fulfill their statutory responsibilities of promoting orderly growth and development, preserving the state's finite open space and agricultural land resources, and working to ensure that high quality public services are provided to all Californians in the most efficient and effective manner.

The requirement for LAFCOs to conduct reviews of local municipal services was established with the passage of AB 2838, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. In accordance with Government Code Section 56430, OPR developed these *Guidelines* through an extensive public participation process involving numerous interested parties and the public. I trust that these *Guidelines* will be valuable to LAFCOs in developing their processes for conducting municipal service reviews and addressing all of the substantive issues required by the law. I also hope that the *Guidelines* will be of value to Californians as a tool to participate more fully in local government decision making.

In all of its work, OPR attempts to encourage more collaborative and comprehensive land use planning at the local, regional, and statewide levels to achieve sustainable development goals of protecting the environment, maintaining a healthy economy, and ensuring equitable treatment of all people. The *Municipal Service Review Guidelines* joins a family of technical assistance and policy documents published by OPR that further these goals. OPR's *General Plan Guidelines* encourages comprehensive long-range planning for sustainable development at the city and county level. The *Municipal Service Review Guidelines* addresses the delivery of municipal services at a regional level, in a manner that informs other LAFCO boundary-setting decisions. Finally, the *Environmental Goals and Policy Report*, currently under preparation, will be a statewide plan that guides infrastructure investment decisions of state government in a manner consistent with new state land use planning priorities and sustainable development goals.

I encourage LAFCOs to take their rightful place as regional leaders in the public debate on growth and development, and to collaborate with local and state planning agencies to implement a sustainable future for California.



Tal Finney  
Interim Director

# LAFCO MUNICIPAL SERVICE REVIEW GUIDELINES FINAL

## The Governor's Office of Planning and Research

1400 Tenth Street, Sacramento, CA. 95812-3044, 916-322-2318, [www.opr.ca.gov](http://www.opr.ca.gov)

TAL FINNEY, INTERIM DIRECTOR

### Project Staff:

- Toni Symonds - Project Manager and Director of the Community Vitalization Unit
- Terry Roberts - Project Manager and Director of the State Clearinghouse
- Kathryn Winter - Task Force Chairperson and Senior Policy Advisor with the Community Revitalization Unit
- Brian Grattidge - Senior Planner with the State Clearinghouse
- Doreen Updike - Administrative Assistant with the Community Vitalization Unit

The Governor's Office of Planning and Research (OPR) would like to acknowledge and thank the members of the Municipal Service Review Task Force for their invaluable assistance in identifying key issues and for providing input into the development of the *LAFCO Municipal Service Review Guidelines*.

## **MUNICIPAL SERVICE REVIEW GUIDELINES TASK FORCE**

- Chairperson, Kathryn Winter, Senior Policy Advisor, Office of Planning and Research (OPR)
- Gary T. Arant, General Manager, Association of California Water Agencies, Valley Center Municipal Water District
- DeAnn Baker, Legislative Representative, California State Association of Counties
- Robert Braitman, Santa Barbara LAFCO Executive Officer and Braitman & Associates
- Roger Campbell, Mayor, City of Fillmore and Campbell Public Affairs
- Christopher Carlisle, Counsel and Legislative Director, Speaker Emeritus Robert Hertzberg
- Roseanne Chamberlain, League of Women Voters, Sacramento and Executive Officer, El Dorado County
- Harry Ehrlich, Board of Directors, California Special Districts Association and Deputy General Manager, Olivenhain Municipal Water District.
- Stephen Hall, Executive Director, Association of California Water Districts
- Scott Harvey, Executive Director, California Association of Local Agency Formation Commissions (CALAFCO) and Scott Harvey and Associates
- Peter Herzog, Council Member, City of Lake Forest and League of California Cities
- Jim Hill, Fire Districts Association of California
- Ted James, California Planning Association and Kern County Director of Planning
- S.R. Jones, Executive Officer, California Association of Local Agency Formations Commissions (CALAFCO) and Nevada County LAFCO Executive Officer
- Don McCormack, Executive Board Member, California Association of Local Agency Formation Commissions
- Dawn Mittleman, Vice President, Fire District Association of California and Director, Valley of the Moon Fire Protection District
- Michael Ott, San Diego LAFCO Executive Officer
- Bob Reeb, State Legislative Director, Association of California Water Districts
- Terry Roberts, Project Manager and Director of the State Clearinghouse, Office of Planning and Research, OPR
- Daniel Schwarz, Napa County LAFCO Executive Officer
- Rusty Selix, Executive Director, California Association of Councils of Government
- Rob Sherry, California State Association of Counties, Sacramento County Planning Department

- Brian Smith, California Chapter of the American Planning Association, City of Tracy
- Catherine Smith, California Special Districts Association
- Dana Smith, Orange County LAFCO Executive Officer
- Toni Symonds, Project Manager and Director, California Rural Policy Task Force
- Rita Valesquez, General Manager, Elk Grove Community Services District
- Jolena Voorhis, California State Association of Counties
- Ron Wootton, Chair, California Association of Local Agency Formation Commissions and San Diego County LAFCO Commissioner

OPR would also like to acknowledge and thank Barbara Graichen, Graichen Consulting, and her excellent consultant team which assisted OPR in the development and implementation of the extensive public outreach and stakeholder consultation process and the writing of the preliminary draft of the guidelines. Without Ms. Graichen and her team many of the specific examples of suggested documents and “real life” examples from California LAFCOs could not have been included in the guidelines. Her team included:

- Heidi and Ron Kolbe, The Kolbe Company
- Sabrina Okamura-Johnson, Okamura Johnson Associates
- Ivan Gennis, Gennis & Associates, Engineers
- Michael Okamura, Okamura International

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>PART I - PREPARING TO UNDERTAKE A MUNICIPAL SERVICE REVIEW</b> ....	<b>3</b>
<b>CHAPTER 1. INTRODUCTION</b> .....	<b>3</b>
A. STATUTORY BACKGROUND ON MUNICIPAL SERVICE REVIEW GUIDELINES.....	3
B. DEVELOPMENT OF GUIDELINES .....	4
C. INTEGRATED PLANNING GUIDANCE .....	5
D. HOW TO USE THE GUIDELINES .....	5
<b>CHAPTER 2. BASIC ROLES AND RESPONSIBILITIES</b> .....	<b>6</b>
A. MUNICIPAL SERVICE REVIEW: ROLE OF LAFCO .....	6
B. MUNICIPAL SERVICE REVIEW: ROLE OF THE SERVICE PROVIDER.....	8
C. MUNICIPAL SERVICE REVIEW: ROLE OF THE PUBLIC .....	8
<b>CHAPTER 3. DEVELOPING A SCHEDULE OF MUNICIPAL SERVICE REVIEWS</b> .....	<b>9</b>
A. DEVELOPMENT OF THE SCHEDULE: LAFCO PREPARATION.....	9
B. DEVELOPMENT OF THE SCHEDULE: SERVICE PROVIDER PREPARATION.....	12
C. PREPARING THE SCHEDULE.....	14
D. PUBLISHING THE SCHEDULE .....	16
<b>CHAPTER 4. DEVELOPING A WORK PLAN FOR INDIVIDUAL MUNICIPAL SERVICE REVIEWS</b> .....	<b>16</b>
A. DEVELOPING A STRATEGY FOR PREPARATION OF THE MUNICIPAL SERVICE REVIEW REPORT ...	16
B. WRITING THE WORK PLAN .....	17
C. REVIEWING EARLIER SCHEDULING DECISIONS .....	18
<b>CHAPTER 5. IDENTIFYING THE MUNICIPAL SERVICE REVIEW STUDY BOUNDARY</b> .	<b>18</b>
A. METHODS FOR IDENTIFYING AN APPROPRIATE MUNICIPAL SERVICE REVIEW BOUNDARY .....	19
B. EXAMPLES OF MUNICIPAL SERVICE REVIEW BOUNDARY DETERMINATIONS .....	19
<b>PART II - THE MUNICIPAL SERVICE REVIEW PROCESS</b> .....	<b>22</b>
<b>CHAPTER 6. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH OTHER LAFCO ACTIONS</b> .....	<b>22</b>
A. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH SPHERE OF INFLUENCE ACTIONS .....	22
B. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH OTHER PROPOSALS.....	23
C. MUNICIPAL SERVICE REVIEWS IN THE REGIONAL CONTEXT .....	24
<b>CHAPTER 7. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT</b> .....	<b>25</b>
A. APPLICABILITY OF CEQA .....	25
B. CEQA DETERMINATIONS.....	26

C. EXEMPTIONS .....	27
D. INITIAL STUDY .....	28
E. NEGATIVE DECLARATION .....	28
F. ENVIRONMENTAL IMPACT REPORT .....	28
<b>CHAPTER 8. ENVIRONMENTAL JUSTICE CONSIDERATIONS IN MUNICIPAL SERVICE     REVIEWS .....</b>	<b>29</b>
A. FEDERAL FRAMEWORK .....	30
B. STATE FRAMEWORK .....	31
C. FORMS OF INEQUITY .....	31
D. INFORMATION AND ANALYSIS .....	32
E. PUBLIC PARTICIPATION .....	33
<b>CHAPTER 9. DEVELOPING WRITTEN DETERMINATIONS .....</b>	<b>34</b>
1. INFRASTRUCTURE NEEDS AND DEFICIENCIES .....	35
2. GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA .....	36
3. FINANCING CONSTRAINTS AND OPPORTUNITIES .....	36
4. COST AVOIDANCE OPPORTUNITIES .....	37
5. OPPORTUNITIES FOR RATE RESTRUCTURING .....	37
6. OPPORTUNITIES FOR SHARED FACILITIES .....	38
7. GOVERNMENT STRUCTURE OPTIONS.....	38
8. EVALUATION OF MANAGEMENT EFFICIENCIES .....	41
9. LOCAL ACCOUNTABILITY AND GOVERNANCE .....	42
<b>PART III - TAKING ACTION ON THE MUNICIPAL SERVICE REVIEW .....</b>	<b>43</b>
<b>CHAPTER 10. PREPARING THE MUNICIPAL SERVICE REVIEW REPORT .....</b>	<b>43</b>
A. DRAFT MUNICIPAL SERVICE REVIEW REPORT .....	43
B. WRITTEN DETERMINATIONS .....	43
C. DISTRIBUTION AND COMMENT PERIOD .....	44
D. FINALIZING THE REPORT TO THE COMMISSION .....	44
<b>CHAPTER 11. ADOPTING THE MUNICIPAL SERVICE REVIEW REPORT .....</b>	<b>45</b>
A. INTRODUCTION .....	45
B. PUBLIC NOTICE FOR A MEETING OR A HEARING .....	45
C. ACTIONS AT MEETINGS AND HEARINGS .....	46
D. RECONSIDERATION .....	46

## APPENDICES

### APPENDIX A WHAT IS THE ENVIRONMENTAL GOALS AND POLICY REPORT (EGPR)?

- A. THE GOVERNOR'S STATE ENVIRONMENTAL GOALS AND POLICY REPORT IS:
- B. THE EGPR MUST BE CONSISTENT WITH:
- C. THE EGPR WILL DO THE FOLLOWING:

### APPENDIX B DEFINITIONS

### APPENDIX C ACRONYMS

### APPENDIX D BACKGROUND ON MUNICIPAL SERVICE REVIEWS

- A. BACKGROUND AND LEGISLATIVE INTENT
- B. STATUTORY MUNICIPAL SERVICE REVIEW REQUIREMENTS
- C. MUNICIPAL SERVICE REVIEW GOALS AND OBJECTIVES
- D. IMPLEMENTATION

### APPENDIX E EXAMPLE OF OPR RECOMMENDED MUNICIPAL SERVICE REVIEW PROCESS

### APPENDIX F DATA COLLECTION

#### I. GENERAL INFORMATION COLLECTION STRATEGIES

#### II. SPECIFIC INFORMATION SOURCES

- A. GOVERNOR'S OFFICE OF PLANNING AND RESEARCH
- B. THE STATE CONTROLLER'S OFFICE
- C. THE STATE DEPARTMENT OF FINANCE
- D. THE REGIONAL COUNCILS OF GOVERNMENTS
- E. THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
- F. LAFCO INFORMATION RESOURCES
- G. CITY AND COUNTY PLANS, AND REVIEWS
- H. MASTER SERVICES AND RESOURCE ACQUISITION PLANS, CAPITAL IMPROVEMENT PLANS AND SERVICE RELATED MAPS
- I. PUBLIC INFRASTRUCTURE FINANCING PLANS AND MECHANISMS

#### III. PROFESSIONAL ORGANIZATIONS

- A. OTHER STATE OR FEDERAL MANDATED PLANS AND PERMITS
- B. OBTAINING COMPARABLE INFORMATION

#### IV. SUMMARY

**APPENDIX G USE OF CONSULTANTS**

**APPENDIX H FUNDING OPTIONS**

**APPENDIX I EXAMPLE - COMMUNITY SERVICES DISTRICT PROFILE**

**APPENDIX J EXAMPLE - CITY PROFILE**

**APPENDIX K EXAMPLE - SPECIAL DISTRICT POWERS COMPARISON CHART**

**APPENDIX L EXAMPLE - SPHERE OF INFLUENCE STATUS LOG**

**APPENDIX M MULTI-COUNTY LAFCO REVIEW**

- A. DEVELOPMENT OF MUNICIPAL SERVICE REVIEW BOUNDARIES CAN TRIGGER MULTI-LAFCO REVIEWS
- B. COORDINATION OF MULTIPLE-LAFCO REVIEWS
- C. JOINT POWERS AGREEMENTS
- D. DETERMINING THE LEAD LAFCO
- E. STEPS FOR CONDUCTING A JOINT REVIEW
- F. EXHIBIT: JOINT POWERS AGREEMENT FOR THE CONDUCT OF MUNICIPAL SERVICE REVIEWS TEMPLATE

## EXECUTIVE SUMMARY

In 2003, OPR is issuing three sets of guidance documents which address how growth and development occur in California: The General Plan Guidelines, the LAFCO Municipal Service Review Guidelines and the Environmental Goals and Policy Report.

Each of these guidance documents primarily targets a single level of government: local, regional and state. However, each document promotes better integration of planning and development as a means for continual improvement of California communities.

These Guidelines are the result of legislation (Chapter 761, Statutes of 2000) signed by Governor Gray Davis relating to powers and authorities of a Local Agency Formation Commission (LAFCO).

Development of the legislation resulted from the recommendations of the Commission on Local Governance for the 21st Century. The Commission on Local Governance for the 21st Century published its recommendations in a final report, *Growth Within Bounds*, issued on January 20, 2000.

The report recommended and the legislation enacted a new process for LAFCO to review municipal services on a regular basis. As part of its review of municipal services, LAFCO is required to prepare a written statement of its determination with respect to each of the following:

1. Infrastructure needs or deficiencies;
2. Growth and population projections for the affected area;
3. Financing constraints and opportunities;
4. Cost avoidance opportunities;
5. Opportunities for rate restructuring;
6. Opportunities for shared facilities;
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
8. Evaluation of management efficiencies; and
9. Local accountability and governance.

### GUIDELINES v. REGULATIONS

Existing law requires OPR to prepare guidelines, not regulations. This document should therefore be considered advisory and not regulatory.

The Governor's Office of Planning and Research (OPR) is directed by statute to prepare these Guidelines to assist LAFCO in complying with the new requirements for

municipal service reviews.

**LOCAL CONDITIONS**

This document provides general guidance. LAFCOs may need to modify these recommendations to reflect local conditions, circumstances and types of services which are being reviewed.

The Guidelines were developed through five public workshops; numerous meetings of an OPR appointed stakeholder task force, and three public review periods.

Throughout the Guidelines, OPR has identified those actions which are required by law and those where OPR recommends a particular process or policy when undertaking the municipal service review. The Guidelines are divided into three parts: Part I -

Preparing to Undertake a Municipal Service Review, Part II - The Municipal Service Review Process, and Part III - Taking Action on the Municipal Service Review.

**Part I** describes the statutory framework and requirements of the municipal service review. This Part also provides guidance on how LAFCO, service providers and the public can prepare to most effectively engage in the municipal service review process including, but not limited to:

- Development of a long-term schedule of all municipal service reviews required to be undertaken by LAFCO during the five-year review cycle for Spheres of Influence (SOI).
- Development of a work plan for an individual municipal service review.
- Gathering of data and information related to undertaking a municipal service review.
- Identifying the boundary of the municipal service review study area.
- Development of a strategy for preparing a municipal service review report.

**Part II** includes guidance on the individual municipal service review process including integrating municipal service reviews with other LAFCO actions, application of the California Environmental Quality Act (CEQA) and federal and state anti-discrimination statutes, and the development of the nine determinations.

**Part III** contains information on how to draft the final individual municipal service review report, recommendations on how to ensure adequate public participation opportunities and the requirements for the meeting at which the report is accepted.

In developing the Guidelines, it is OPR's intent to provide a structure to assist LAFCOs in fulfilling their statutory responsibility of promoting orderly growth and development, preserving the state's finite open space and agricultural land resources, and working to ensure that high quality public services are provided to all California residents in the most cost effective and efficient manner.

## PART I - PREPARING TO UNDERTAKE A MUNICIPAL SERVICE REVIEW

The municipal service review provides a current, formal, and comprehensive look at the provision of services within a county. Effective implementation of these reviews will depend, in a large part, on the preparations made by LAFCO prior to initiation of the individual municipal service review.

### CHAPTER 1. INTRODUCTION

This Chapter provides background on the development of the Municipal Service Review Guidelines, an explanation of their purposes and information on the overall structure and use of this document.

#### A. STATUTORY BACKGROUND ON MUNICIPAL SERVICE REVIEW GUIDELINES

On September 26, 2000, Governor Gray Davis signed into law AB 2838 (Chapter 761, Statutes of 2000), authored by Assembly Speaker Robert M. Hertzberg. This legislation, titled the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) and codified as California Government Code (GC) [§56000](#) et seq, marked the most significant reform to local government reorganization law since the 1963 statute that created a LAFCO in each county.

Development of the legislation resulted from the recommendations of the Commission on Local Governance for the 21st Century. The Commission on Local Governance for the 21st Century, established through statute in 1997, published its recommendations in a final report, *Growth Within Bounds*, issued on January 20, 2000.

Pursuant to GC [§56430](#), the Governor's Office of Planning and Research (OPR) is required to prepare guidelines for LAFCO to conduct reviews of local municipal services.

Prior to the 2000 amendments, existing law authorized LAFCOs to conduct municipal service review studies. These LAFCO service studies generally provided evaluation tools to support future LAFCO actions or were part of a reorganization committee effort.

Existing law (GC [§56430](#)), now states that in order to prepare and update a Sphere of Influence (SOI), LAFCOs are required to first conduct a municipal service review of the municipal services provided in the county or other appropriate designated area.

The term "municipal services" generally refers to the full range of services that a public agency provides or is authorized to provide. The definition is somewhat

modified under the CKH Act, however, because LAFCO is only required to review services provided by agencies with SOIs. Therefore, general county government services, such as courts and social services, are not required to be reviewed.

As part of its review of municipal services, LAFCO is required to prepare a written statement of its determination with respect to each of the following:

1. Infrastructure needs or deficiencies;
2. Growth and population projections for the affected area;
3. Financing constraints and opportunities;
4. Cost avoidance opportunities;
5. Opportunities for rate restructuring;
6. Opportunities for shared facilities;
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
8. Evaluation of management efficiencies; and
9. Local accountability and governance.

These Guidelines have been developed to assist LAFCOs through the process of making these determinations.

## **B. DEVELOPMENT OF GUIDELINES**

Pursuant to the requirements of the CKH Act, the Municipal Service Review Guidelines have been developed in consultation with the California Association of Local Agency Formation Commissions and numerous other organizations representing service providers and the public. Participating organizations include the California Special Districts Association, the League of California Cities, the California State Association of Counties, the Association of California Water Agencies, the League of Women Voters, the Fire Districts Association of California, housing and environmental groups and dozens of representatives from cities, counties, special districts and interested parties.

Consultations and collaboration occurred during facilitated public workshops in Sacramento, Fresno, Santa Ana, Red Bluff and San Diego; five working group sessions with representatives from affected local government entities; and interviews and meetings with interested constituents.

An issues paper and draft outline of the Municipal Service Review Guidelines<sup>1</sup> was

---

<sup>1</sup> Prepared under contract with Graichen Consulting

published in May 2001 and subjected to a 21-day public review period. The Preliminary Draft<sup>2</sup> LAFCO Municipal Service Review Guidelines was issued for a 21-day review in August 2001 and comments were reviewed and incorporated into the Final Draft Municipal Service Review Guidelines as appropriate.

A 21-day public review of the Final Draft Guidelines was provided in October of 2002 with appropriate comments incorporated into the Final Municipal Service Review Guidelines.

California LAFCOs have been especially generous with their contributions of service studies, procedures, and other technical products. Special districts and cities have provided samples of model service practices. OPR wishes to recognize the contributions of the Napa County LAFCO in preparing Chapter 9 of this document. Every attempt has been made to incorporate successful procedures, processes and templates created by numerous public agencies.

## **C. INTEGRATED PLANNING GUIDANCE**

In 2003, OPR is issuing three sets of guidance documents which address how growth and development occur in California: The General Plan Guidelines, the LAFCO Municipal Service Review Guidelines and the Environmental Goals and Policy Report. Appendix A includes a description of the Environmental Goals and Policy Report

Collectively, these guidance documents reflect best practices at the local, regional and state levels related to good governance, equitable allocation of public resources and the continuing improvement in the quality of life for all Californians.

No single government entity has exclusive authority or responsibility over growth and development. Through statute, regulations, guidelines and common practice California has developed a complex and sometimes cumbersome process for approving and managing growth.

It is OPR's belief that through better integration of planning practices, increased transparency of decision making processes, early and more meaningful consultation with the public, stakeholders and other levels of government that government entities can better meet their missions and serve the people of California.

## **D. HOW TO USE THE GUIDELINES**

The Guidelines are organized into three parts: preparations for undertaking a municipal service review, the process of developing the municipal service review, and taking final actions on the municipal service reviews.

---

<sup>2</sup> Prepared under contract with Graichen Consulting

**Part I - Preparing to Undertake a Municipal Service Review** includes five chapters. Chapter 1 includes introductory comments and background on the guidelines. Chapter 2 contains a description of the basic roles and responsibilities of LAFCO, service providers and the public in the municipal service review process. Chapter 3 includes a strategy for developing an overall schedule for municipal service reviews. Chapter 4 contains information on developing a work plan for individual municipal service reviews. Chapter 5 provides guidance on determining the study area boundaries for a municipal service review.

**Part II - The Municipal Service Review Process** includes four chapters. Chapter 6 provides guidance on integrating a municipal service review with other LAFCO actions, as appropriate. Chapter 7 includes information on compliance with CEQA. Chapter 8 describes the relationship between municipal service reviews and environmental justice. Chapter 9 includes guidance on the development of the nine required written determinations.

**Part III - Taking Action on the Municipal Service Review** includes two chapters. Chapter 10 provides guidance on preparing the draft and final municipal service review report for the Commission's consideration. Chapter 11 describes the public hearing process.

## CHAPTER 2. BASIC ROLES AND RESPONSIBILITIES

Beginning in January of 2001, LAFCOs became responsible for undertaking municipal

### IMPACT OF 2000 AMENDMENTS

The requirement to undertake municipal service reviews and make specified determinations is one of the most significant modifications to the role and responsibilities of LAFCO in the enacting legislation since the 1960's. OPR recommends that each LAFCO, service provider and public advocacy group take time to review and understand their roles in this new statutory environment.

service reviews prior to or in conjunction with the establishment of an entity's SOI. This chapter outlines the basic roles and responsibilities of LAFCO, the service provider and the public in implementing this requirement. Refer to **Appendix C** for general background information on the requirement for LAFCO to perform municipal service reviews.

### A. MUNICIPAL SERVICE REVIEW: ROLE OF LAFCO

In order to ensure that deliberations by LAFCO on municipal service reviews are consistent, OPR recommends that LAFCO include in its written policies and procedures information on the process by which it will conduct service reviews.

Not all municipal services are required to be reviewed - only those services for which a SOI has been adopted by LAFCO. In reviewing services, LAFCO should attempt to include public and private service providers. Only the public service providers are required to share information; however, LAFCO should make the same requests of all providers in order to demonstrate that the review was as comprehensive as possible.

#### WHAT SERVICES ARE COVERED?

Existing law requires that a service review be completed in preparation of the adoption and/or update of a SOI. Therefore, any municipal service which has a service area defined by LAFCO through a SOI will need to have a municipal service review. LAFCO may include one or more services in the review and the study area may be the whole county, multiple counties or any appropriate sub-area, as determined by LAFCO (GC [§56430](#)).

As part of the municipal service review process, LAFCO should convene stakeholders as appropriate and facilitate collaborative efforts to address issues and challenges.

Stakeholders may include affected and interested LAFCOs and other government agencies, other interested parties and members of the public.

Cooperatively developed municipal service reviews enable LAFCO and service providers to more effectively accomplish mutual public service objectives. To the extent possible, stakeholders should work together to evaluate existing and future service needs and determine what structures are needed to support healthy growth while preserving important agricultural and open space resources. Although LAFCO does not have direct land use authority and is not enabled to manage or operate a service provider agency, LAFCO can serve as an intermediary for the State in addressing specific growth challenges.

An effective municipal service review process should include early consultation with stakeholders, an inclusive municipal service review design, public review of municipal service review work plans and municipal service review report, and an overall collaborative process (see the process flow chart in **Appendix D**).

#### WHY COLLABORATE?

Through collaboration, LAFCO and interested parties can:

- Identify common goals and objectives and diffuse issues that foster competition rather than cooperation;
- Share expertise and help lower costs by assisting LAFCOs in determining what types of information need to be gathered and in what form;
- Identify information that is already available to streamline data collection;
- Develop strategies for augmenting LAFCO's technical capabilities by funding or loaning technical staff to work under LAFCO's direction;
- Develop strategies for constructively addressing overlapping service boundaries;
- Develop plans to implement recommendations developed as a result of a municipal service review.

## B. MUNICIPAL SERVICE REVIEW: ROLE OF THE SERVICE PROVIDER

Service providers play an important role in the collaborative process for conducting a municipal service review. The cooperation of service providers is important to ensure that LAFCO has access to all necessary information in a timely manner, and to assist LAFCO in interpreting that information. The service provider should view the municipal service review process as an opportunity to share accurate and current data, accomplishments and information that will allow LAFCO to make sound conclusions and determinations with respect to services. LAFCOs will use the information provided by service providers to review proposals for changes in services, including SOI updates, incorporations and other boundary decisions.

### JOIN THE COMMISSION

The California Special Districts Association (CSDA) encourages independent special districts to serve on LAFCOs and participate in special district committees. With LAFCOs’ increased role in determining public service delivery systems through municipal service reviews, special districts cannot afford to be absent from the process.

## C. MUNICIPAL SERVICE REVIEW: ROLE OF THE PUBLIC

LAFCOs should encourage and provide multiple public participation opportunities in the municipal service review process. To this end, LAFCOs should develop and maintain a list of interested parties to whom such outreach can be extended. Service providers can assist in involving the public by including municipal service review information in newsletters or billing statements. Public comments should be considered and incorporated into the municipal service review process and reports where appropriate and feasible.

The municipal service review process chart (**Appendix D**) recommends that LAFCO

### PUBLIC PARTICIPATION

A major goal of the CKH Act amendments was to increase public participation in public service planning and delivery. Consistent with that goal, public notice requirements for all LAFCO processes were strengthened or augmented. LAFCOs were also required to adopt service review determinations in a public forum.

provide several opportunities for the public to provide input in the process. These opportunities can include stakeholder meetings, public hearings or workshops to initiate municipal service reviews, a public review period of the draft municipal service review report, and a public hearing to consider adoption of written determinations.

## CHAPTER 3. DEVELOPING A SCHEDULE OF MUNICIPAL SERVICE REVIEWS

This Chapter provides information on the development of the overall schedule of municipal reviews including the gathering and organizing of information and key decisions that LAFCO needs to make in scheduling the individual reviews.

LAFCO should develop a schedule for undertaking municipal service reviews reflective of the individual needs of their county and as a workload management tool. Key internal and external considerations in the development of a schedule for municipal service reviews include:

- To what extent are your SOIs current?
- Are there any pending proposals involving changes to SOIs that may trigger the need for a municipal service review?
- What is the relative complexity of the service(s) being reviewed? (**Appendix E** includes information on data collection that may assist LAFCO to determine level of complexity.)
- What is the capacity of LAFCO to undertake municipal service reviews? (**Appendix F** includes information about the use of consultants for municipal service reviews and **Appendix G** includes examples of funding options.)
- What are the general operating practices of LAFCO? (i.e., frequency of meetings, length of meetings, number of items typically on the agenda)

OPR recommends that LAFCO take the time to establish a schedule and process for undertaking municipal service reviews which reflects agreement of the commission members, service providers, the public, the executive officer and LAFCO staff.

### A. DEVELOPMENT OF THE SCHEDULE: LAFCO PREPARATION

Since existing law requires SOIs to be reviewed and updated, if necessary, every five years, and municipal service reviews must be completed for SOI updates, municipal service reviews should be updated at least every five years. LAFCOs have flexibility in scheduling these reviews including identifying which services will be reviewed, whether similar services will be reviewed at the same time, and what service areas/geographic regions will be reviewed within an individual municipal service review.

#### REVIEW DEADLINES

The CKH Act's most recent amendments took effect on January 1, 2001. Although §56430 does not directly provide a specific date when all service reviews must be completed, a deadline can be inferred from §56425, which states, "Upon determination of a sphere, the commission shall adopt that sphere, and shall review and update, as necessary, the adopted sphere not less than every five years."

OPR recommends that LAFCOs develop a five-year schedule of reviews in order to ensure that all required municipal service reviews are completed in a timely manner. In developing any schedule of reviews, LAFCO should include policies and procedures on how it will handle reviews which occur due to changes in local circumstances such as proposals that may require changes to the SOI, proposed annexations, SOI amendments and incorporations.

LAFCO should also provide opportunities for service providers to be involved in the establishment of the schedule, development of the work plan for an individual municipal service review, the design of the review and consultation on the final municipal service review report for the Commission. Below are some tools to assist LAFCO in developing a schedule for individual municipal service reviews including service provider profiles, SOI status logs, maps, and matrices.

**Review Service Provider Profiles:** Many LAFCOs have developed service provider directories, profiles or inventories, which can be used as a resource. Service provider

- GETTING PREPARED**
- Notify Service Providers.
  - Review service provider profiles.
  - Review SOI status log.
  - Obtain service provider maps.
  - Create service provider matrices.
  - Create five-year schedule.

profiles vary from county to county but most include basic information such as service provider names, district maps, telephone numbers, key staff, size, population served, services provided, appropriate enabling legislation, authorized and latent powers, date of formation and some budget information.

Some directories only include information on service providers with SOIs. Others include data on most providers including private purveyors and districts that are not subject to SOI or other requirements.

When available, directories can also be used by cities and counties when updating plans, conducting CEQA reviews, and reviewing development projects, and by the public when seeking basic information about services in their communities.

LAFCOs that have not compiled agency profiles should consider using information obtained during municipal service reviews and SOI examples of service provider profiles for a Community Service District (CSD), city and special district.<sup>3</sup>

**TECHNICAL INPUT**

LAFCO municipal service review procedures should include a specific process for service providers and the public to identify unique challenges to providing services to a particular area.

**Review SOI Status Logs:** Some LAFCOs maintain a status log for all SOIs under their jurisdiction (See **Appendix K** for an example of a SOI status log). These logs identify

---

<sup>3</sup> Appendices referenced in this Chapter are provided as examples. The exact content and style are not specifically endorsed.

past actions of LAFCO relative to changes in the SOI of specific service providers. LAFCOs that have not kept status logs should consider keeping these logs and/or otherwise memorializing the information gained from the municipal service review.

**Organize Your Data:** Once LAFCO has assembled basic information about applicable services and service providers, it may want to use one or more of the following methods for organizing the information. Some suggestions include maps, matrices and timelines.

1. **Maps:** Countywide, regional and service area maps can be useful in identifying what geographic areas should be reviewed. Some of these maps may be obtained from existing sources such as service provider profiles. Some providers may also have GIS maps. Before creating new maps, LAFCO should check with local planning agencies to determine if they have prepared such maps as part of development reviews, EIRs or General Plan preparation. Useful maps include countywide, regional and service area maps. (**Appendix E** provides more information on how maps can assist in data collection.)
2. **Matrices:** LAFCOs may find it useful to prepare a matrix listing all service providers by the services that they provide or are authorized to provide. (See **Table 1** below, sample template.) It may also be useful to identify latent powers either on a separate or the same matrix. (**Appendix E** includes more information on data collection.)
3. **Timeline:** LAFCO may use the data compiled to develop a draft five-year timeline for initiating and completing all municipal service reviews. (**Appendix E** includes more information on data collection.)

**ADVANTAGES OF ORGANIZING INFORMATION ON SPREADSHEETS**

Data organized using a spreadsheet format or other flexible software, allows each column to be sorted individually. One service provider may provide several services which may or may not be reviewed at the same time. Also, the information can be resorted by area or region.

TABLE 1 - SERVICE PROVIDER MATRIX TEMPLATE <sup>4</sup>								
Provider	Area or Region	Fire (FI)	Sanitation (SA)	Water (WA)	Flood Control (FC)	Solid Waste (SW)	Recreation and Parks (R&P)	Other
ARFPD		FI*						
ARFCD					FC			
Arcade R&P							R&P	

<sup>4</sup> Example only

Provider	Area or Region	Fire (FI)	Sanitation (SA)	Water (WA)	Flood Control (FC)	Solid Waste (SW)	Recreation and Parks (R&P)	Other
Arcade Water				WA				
AM R&P							R&P	
Brannan-Andrus LMD					FC			
Citizens Utilities				WA				
CH ID				WA				
Clay Water				WA				
RD 369					FC			
Cordova R&P							R&P	
CSA9			SA					
CSD #1			SA					

\* Using letters facilitates sorts.

## B. DEVELOPMENT OF THE SCHEDULE: SERVICE PROVIDER PREPARATION

Service providers can help shape municipal service reviews by getting involved early in the process, continuing to be available for questions and dialogue during the preparation and completion of the municipal service review report and assisting in the establishment of the overall schedule, development of the individual service review work plan, and collection of data/information.

### DESIGNATE STAFF CONTACT FOR MSR

OPR recommends that service providers designate a staff contact for municipal service reviews and notify LAFCO of the relevant contact information. By streamlining its own organization, a service provider will have a better opportunity to effectively interact with LAFCO.

A municipal service review is only as good as the data on which it is based. LAFCO will need specific information on the services being provided in the region and will probably need to request this information from the service providers. The types of information will vary from agency to agency and by the type of service being reviewed.

Below is a list of the types of information a service provider may wish to gather to expedite the municipal service review process. It is not necessary to collect all types of data listed below. Select only those items that are relevant to the type of services under review.

1. A list of relevant statutory and regulatory obligations.
2. A copy of the most recent master services plan.
3. A metes and bounds legal description of the agency's boundary.
4. Service Area Maps (to the extent already prepared) including (1) A service boundary map; (2) A map indicating parcel boundaries (GIS maps may be available from the land use jurisdiction); (3) A vicinity or regional map with provider's boundary, major landmarks, freeways or highways, and adjacent or overlapping service provider boundaries (note: more than one map may need to be prepared to show all data); and (4) Maps indicating existing land uses within city or district boundaries and on adjacent properties.
5. Applicable excerpts from regional transportation, water, air quality, fair share housing allocation, airport land use, open space or agricultural plans or policies, or other environmental polices or programs.
6. Copies of regulatory and operating permits.
7. Number of acres or square miles included within the service area.
8. Type of sphere or sphere boundaries.
9. Assessed valuation.
10. Estimate of population within district boundaries.
11. As appropriate, the number of people, households, parcels or units currently receiving service, or the number of service connections.
12. Projected growth in service demand or planned new service demand/capacity.
13. Special communities of interest or neighborhoods affected by service.
14. Capital improvement plans.
15. Current service capacity.
16. Call volume.
17. Response time.
18. Annual operating budget.

### **Don't Reinvent the Wheel**

Service providers may regularly submit reports to a regulatory or financing agency which contain the information LAFCO needs to complete the municipal service review. Use the information in these reports to respond to information requests by LAFCO.

Early consultation with LAFCO and meaningful input by the service provider can reduce the time and cost to both parties.

### Share Best Practices and Unique Challenges

Service providers should take the opportunity to let LAFCOs know about best practices and other accomplishments of the agency when service information is requested.

In addition, service providers should inform LAFCO about challenges that exist in providing services to a particular area so that this may be considered by LAFCO during the municipal service review.

## **C. PREPARING THE SCHEDULE**

Existing law does not provide for any specific schedule or order for completing reviews. It does however, require that a review be completed and available at the time that LAFCO reviews the SOI for potential revision which must occur not later than every five years.

The schedule can be as simple as a list of reviews by year, indicating the services to be reviewed, providers affected and anticipated study area boundaries. OPR recommends that LAFCO develop a multi-year schedule to provide adequate notice to service providers and the public as well as ensuring that all municipal service reviews are available when they are needed by LAFCO to review SOIs.

### Key Decision Points

In developing a multi-year schedule, LAFCO should begin with the list of services and providers. Chapter 3 includes recommendations on information gathering and organizing. Table 1 in Chapter 3 provides a sample of a chart which may be used for organizing basic information on services and providers. The LAFCO should review this information and any other information that has been collected including maps, service provider profiles, SOI status logs and published reports.

Scheduling for many of the municipal reviews will be obvious due to pending actions before LAFCO or lack of currency of the SOI review. After scheduling these reviews, LAFCO may choose to consider the following:

- **Growth and Service Patterns** - Determine whether there are particular patterns of development or services which need to be addressed in a more timely fashion in order to ensure that LAFCO is meeting its mission for

#### **MENTORING LAFCOS**

OPR recommends that experienced LAFCO's volunteer as "Mentor LAFCOs" to advise other LAFCOs in processing complex municipal service reviews. Completed reviews should also be shared to ensure that best practices can easily be modeled. The CALAFCO website, <http://www.calafco.org/>, contains a list of LAFCOs with contact information and a "Resource Page" which includes a list of completed municipal service reviews and other relevant documents.

supporting orderly development, preservation of agricultural lands and open space and/or supporting housing for all Californians (GC [§56000](#)).

- **Single Service or Bundled Services** - Decide whether to study individual or clustered services. Services do not necessarily need to be related in order to be bundled. There may be other relevant considerations including multiple services are provided by the same provider(s) or there are unique geographic challenges to the area which all service providers share.
- **Extent of the Consultation Process** - Decide, in general terms, which services are ready to be reviewed based on existing relationships between LAFCO, regional planning staff, city and county planning staff, service providers, stakeholder groups and the public. Some reviews may need to be scheduled later to allow time for a more effective relationship to be developed between all affected parties.
- **Multi-County Review** - Decide whether the municipal service reviews affects or overlaps adjacent LAFCOs. (See **Appendix L**.) Besides a full joint multi-county review, LAFCO may consider the effectiveness of coordinating data collection on similar geographic regions or services being provided.
- **Data Assessment** - Determine to what extent existing sources of information can be used and/or augmented. (**Appendix E** includes information on data collection.)
- **Impact of Pending Proposals** - Determine if coordinating the municipal service review with other LAFCO actions would provide for a better and/or more efficient review. OPR recommends that LAFCO meet with proponents of the proposal to identify issues, funding options, timeframes, and the potential for coordination of the municipal service review with the pending proposal and any required SOI update.
- **LAFCO Capacity** - Determine LAFCO's capacity to undertake the municipal service review. Identify potential funding, staffing, mentoring or consultant arrangements or options. Simple municipal service reviews may be undertaken within LAFCO's existing budget with current staff. Other reviews may need supplemental funding from service providers or applicants for LAFCO actions that require a municipal service review. **Appendix F** includes a discussion on the use of consultants.
- **Funding Shares/Cost Sharing** - Determine how municipal service reviews will be funded. Some LAFCOs have adopted written policies including fee arrangements while other have set annual contributions to the LAFCO budget sufficient to cover all previously scheduled municipal service reviews. **Appendix G** includes several examples of funding sources for municipal service reviews.

## **D. PUBLISHING THE SCHEDULE**

Once LAFCO has determined the schedule, OPR recommends that the schedule be posted on the LAFCO web site, distributed to individuals and organizations on its "interested parties mailing list" and to all affected service providers.

After the schedule is prepared and distributed, circumstances may arise that require it to be modified, especially if the schedule covers multiple years. OPR recommends that LAFCO review the schedule regularly and have policies which facilitate necessary modifications.

## **CHAPTER 4. DEVELOPING A WORK PLAN FOR INDIVIDUAL MUNICIPAL SERVICE REVIEWS**

This Chapter includes guidance on developing a work plan for undertaking an individual municipal service review. Existing law does not require that a work plan be developed as part of the municipal service review process; however, OPR recommends that a plan be developed to ensure compliance with existing laws, consistency in the review process and applicability to local conditions and circumstances.

### **A. DEVELOPING A STRATEGY FOR PREPARATION OF THE MUNICIPAL SERVICE REVIEW REPORT**

As part of its review of municipal services, LAFCO must prepare a written statement of its determinations with respect to each of the following (GC [§56430](#)):

1. Infrastructure needs or deficiencies.
2. Growth and population projections for the affected area.
3. Financing constraints and opportunities.
4. Cost avoidance opportunities.
5. Opportunities for rate restructuring.
6. Opportunities for shared facilities.
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers.
8. Evaluation of management efficiencies.
9. Local accountability and governance.

LAFCO will need to decide what information and level of analysis is necessary to support sound and defensible determinations. Because the Commission is responsible for making these determinations based on staff research, analysis and recommendations, it is important that the municipal service review report contain sufficiently detailed information that supports and justifies the recommended determinations. To this end, the LAFCO staff should consider how the general format will be structured to meet the content requirements of the municipal service review report.

The amount of information and analysis necessary to complete a municipal service review report will vary depending upon the particular service being reviewed, local circumstances, and any additional actions that might need to be taken based on the municipal service review. To the extent that LAFCO is aware of other proposals or pending actions that will be related to or dependent upon a particular municipal service review, LAFCO may wish to address other issues in the municipal service review report or require supplemental information and analysis in the municipal service review.

## **B. WRITING THE WORK PLAN**

OPR recommends that each municipal service review be undertaken pursuant to a formalized work plan. This work plan does not necessarily have to be approved by the Commission, but should be developed by staff with the Commission's knowledge and input.

OPR recommends LAFCO develop a consistent format for the work plan to streamline its preparation and encourage standardization of the process for conducting municipal service reviews. Consistency should be a primary goal in LAFCO's review of municipal services, not only for the benefit of LAFCO and its staff, but also for other stakeholders who will routinely be involved in the municipal service review process.

The work plan should minimally include the following elements:

- List of Service(s) to be reviewed.
- Service Providers that will be affected/involved.
- Study Area Boundaries for the municipal service review. (Chapter 5 includes more information on how to establish study area boundaries.)
- Data Collection process. (Chapter 3 and **Appendix E** includes a discussion of data collection.)
- Public Participation process. (Chapter 2 provides additional information on the role of public participation in the review of municipal services.)

- Public hearing process. (Chapter 11 contains more information on the hearing process. **Appendix D**, the process flow chart, illustrates how the hearing process may work if LAFCO chooses to integrate the municipal service review into other LAFCO actions.)

## C. REVIEWING EARLIER SCHEDULING DECISIONS

If LAFCO has previously developed a multi-year schedule of reviews based on a comprehensive and data-driven process (refer to Chapter 3), the development of the work plan will primarily consist of reviewing these early decisions to be sure that conditions have not changed as to necessitate alternative choices.

Potential changes which may have occurred include, but are not limited to:

- There are new service providers in the study area or in the county, in general.
- Due to recent events, there is now a need for inter-county coordination. (**Appendix L** includes a discussion of inter-agency coordination.)
- Due to recently proposed pending projects there is a need to integrate the municipal service review into another LAFCO action(s). (Chapter 6 includes a discussion of this issue.)
- Funding which had been proposed to be budgeted is not currently available, requiring an alternative funding process. (**Appendix G** includes additional information on funding options.)
- Permit violations, bankruptcy of affected local agencies, or service provider consolidations have occurred.

## CHAPTER 5. IDENTIFYING THE MUNICIPAL SERVICE REVIEW STUDY BOUNDARY

The statutory requirement to perform a municipal service review instructs LAFCO to comprehensively review all of the agencies that provide services within a designated geographic area (GC [§56430](#)).

**LAFCO TO LAFCO CONSULTATION**

LAFCOs should determine if consultation with other LAFCOs is appropriate when analyzing information for the establishment of the study boundary of a proposed municipal service review. This is especially important for municipal service reviews that may lead to the consideration of proposals that have the potential to cause significant environmental, fiscal or economic impacts on another county.

This Chapter includes guidance on how to determine the study boundary area. Some LAFCOs may choose to identify boundaries as part of developing the schedule of individual municipal service reviews. Other LAFCOs may choose to determine boundaries as each review is undertaken.

GC [§56430](#) states, “the commission shall include in the area designated for municipal service review the county, the region, the sub-region, or such other geographic area as is appropriate for an analysis of the service or services to be reviewed.”

## A. METHODS FOR IDENTIFYING AN APPROPRIATE MUNICIPAL SERVICE REVIEW BOUNDARY

There is no single method for identifying an appropriate municipal service review boundary. Within the State, there are numerous combinations of services, and types of service regions and community service areas within counties.

Each LAFCO will need to work with affected and interested agencies and planning jurisdictions, if different, to define logical municipal service review study boundaries that respond to local conditions, geography and circumstances. This work includes:

- Selecting a service or group of services for review;
- Determining who provides, uses and is affected by that service (those services);
- Determining what topographic features, tax zones, joint powers agreements, shared facilities, resources and infrastructure, among other factors, link a service to a particular location or locations that could be studied; and
- Mapping or otherwise identifying the area for study.

### TAILOR BOUNDARIES TO SERVICES AND LOCAL AREA

LAFCO should have a clear methodology for establishing boundaries based on these and other factors.

- Study boundaries should reflect local conditions and the specific service under review.
- There are widely varying local conditions including numerous types of geologic, topographical and climate zones. Some counties have isolated rural and mountain communities. Other counties are densely populated.
- Some counties have an agriculture based economy; others have urban or urban/suburban economies.
- There are large and small drainage basins, and counties with mountains or large lakes. Some districts cross county boundaries, provide regional services, or serve a single isolated town.

## B. EXAMPLES OF MUNICIPAL SERVICE REVIEW BOUNDARY DETERMINATIONS

The following are examples of municipal service review study areas based on hypothetical conditions and circumstances.

**Example 1 - Using Geographic and Growth Boundaries:** County A is a rural county generally bisected by a mountain range. The County’s western slope contains two adjacent rapidly urbanizing communities with mainly large lot residential housing. Each of two community service districts provides parks and recreation, street lighting

and landscaping, and road maintenance services to one of the communities. Only one district provides fire protection and emergency services. There are five fire districts that surround the potential study area and are planning to serve areas that are approved for urbanization, some of which are within CSD boundaries.

All fire districts are planning to construct new facilities near or in the two communities. There are definable areas where there is little relationship between the fire service providers' boundaries and first response fire protection and emergency service responsibilities. All of the districts have substantial territory within a State Responsibility Area, and, therefore, receive fire-fighting assistance from the California Department of Forestry (CDF). The CDF provides fire protection services by contract to one of the community services district. The County provides overlapping park and open space services in the area.

Analysis: OPR suggests that this study area's boundary include the western slope of the mountain ridge with the urban limit line forming a possible southern boundary. To maximize efficiency, this municipal service review should probably include multiple services.

**Example 2 - Using Geographic Boundaries:** Nine sanitation service districts serve territory contained in a well-defined drainage basin. District A owns and operates a wastewater treatment plant in the basin. All districts are parties to a joint powers agreement to use the facility and share maintenance and operation costs. Other major service providers' boundaries are based on the location of urban areas and have little relationship to drainage basin boundaries.

Analysis: OPR suggests that this study area's boundaries be generally coterminous with drainage basin boundaries. Only wastewater service should be studied, although LAFCO could determine whether a similar structure exists for water providers and consider the potential for a combined water/sanitation municipal service review.

**Example 3 - Using Existing Planning Areas:** Two small cities are located in the southern portion of a rural county. Each city provides most of its own municipal services with the exception of water, sanitation, and mosquito abatement/vector control. Three regional districts provide those services.

Analysis: OPR suggests that this study area's boundary include the planning areas of both cities. Services to be studied would be limited to those provided by the two cities although an overview of the three regional districts could also be included. LAFCO could streamline the process by conducting joint SOI updates concurrent with the municipal service review, and a single CEQA review.

**Example 4 - Using the Geo-political Boundaries:** County A is a large county with substantial rural, suburban and urban areas. During the past eleven years, the number of fire districts in County A has decreased from 25 to 16 due to service

provider initiated consolidation proposals. Several fire districts are considering initiating consolidation proposals when their fire chiefs retire. Four of the service providers serve isolated rural areas. One urban/rural provider provides emergency services to smaller, adjacent rural districts. None have overlapping boundaries. All participate in mutual aid agreements. Developers on the east side of the county have been approaching fire service providers in an adjacent county for the purpose of obtaining fire service for proposed isolated senior citizen communities.

Analysis: OPR suggests that this study area's boundary include the entire county and include all fire protection service providers. The fire protection service providers from adjacent counties should be asked to participate in stakeholder meetings, and/or provide other input into the study. Providers could be clustered by geographic location, or urban/rural characteristics.

**Example 5 - Using Multi-County Study Areas:** One hundred thirty-five (135) flood control, drainage, land reclamation or levee maintenance service providers serve a 100 square mile drainage area with deteriorating or insufficient infrastructure. Property values in the area are depressed. Many share insurance, capital facilities, attorneys or staff. Several have no paid staff. There is significant variation in assessed service rates, which, in many cases, bears a direct relationship to levels of service. There are few overlapping boundaries. The districts are located in four counties.

Analysis: OPR suggests that study area's boundary include the entire 100 square mile area. The affected LAFCOs could develop a joint powers agreement and conduct a joint municipal service review study for flood control, drainage and levee maintenance.

## PART II - THE MUNICIPAL SERVICE REVIEW PROCESS

The Municipal Service Review Process offers an opportunity for integration with other LAFCO actions including SOI creation or updates, CEQA evaluations and consideration of civil rights impacts. The early identification of potential partners, issues, recommendations and impacts of LAFCO actions on the environment and underserved communities will contribute to the successful collection of comprehensive information to enable LAFCO to make effective determinations based on the nine categories.

### CHAPTER 6. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH OTHER LAFCO ACTIONS

This Chapter provides guidance on how to integrate municipal service reviews with other LAFCO actions. LAFCOs are not required to review a SOI at the same time that it performs a municipal service review. Some LAFCOs may find, however, that integrating municipal service reviews with other LAFCO business proves a better context in which to review the information and streamlines both the municipal service review and SOI processes. **Appendix D** provides a flow chart, which illustrates how an integrated municipal service review may be undertaken.

#### WHEN TO DO MUNICIPAL SERVICE REVIEWS

The CKH Act's most recent amendments took effect on January 1, 2001. Although GC [§56430](#) does not directly provide a specific date when all service reviews must be completed, a deadline can be inferred from GC [§56425](#), which states, "Upon determination of a sphere, the commission shall adopt that sphere, and shall review and update, as necessary, the adopted sphere not less than every five years."

#### A. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH SPHERE OF INFLUENCE ACTIONS

The information, recommendations and determinations, contained in a municipal service review, are intended to guide and inform SOI decisions. This includes actions to create or update an SOI. GC [§56430\(c\)](#) states,

"The commission shall conduct a municipal service review before, or in conjunction with, but no later than the time it is considering an action to establish a SOI in accordance with GC [§56425](#) or [§56426.5](#) or to update a SOI pursuant to [§56425](#)."

Any SOI adopted prior to December 31, 2000 must be reviewed and updated, as necessary, but at least by January 1, 2006. Some updates may simply involve an

affirmation of the existing SOI boundaries or some modifications to the SOI to achieve consistency with the CKH Act. GC [§56430](#) states that municipal service reviews must

**INTEGRATE MUNICIPAL SERVICE REVIEWS WITH OTHER ACTIONS**

Some LAFCOs may find that integrating service reviews with other LAFCO business proves a better context in which to review the information and streamlines both the service and SOI processes. **Appendix D** provides a flow chart which illustrates how an integrated service review may be undertaken.

be conducted prior to, or concurrent with, those updates. Therefore all municipal service reviews must be completed by January 1, 2006.

A LAFCO may have several reasons for prioritizing a specific municipal service review. Perhaps there is a pending proposal to create, update or substantially amend an SOI; a pending health and safety issue; or the SOI is many years old. Whatever the reason,

LAFCO should consider whether it is feasible and more efficient to combine municipal service reviews and related SOI processes. Reasons for combining municipal service reviews with SOI reviews include:

- SOI actions, staff reports, planning documents and public hearings may be consolidated to maximize the time of commission members, stakeholders, and the general public.
- Prudent clustering of SOI actions and related municipal service reviews may reduce processing costs, and enable costs to be spread among more affected or interested parties.
- CEQA encourages the consideration of multiple related actions where appropriate. It may be possible to evaluate a municipal service review and its associated SOI action(s) in a single CEQA review.
- Service review determinations and SOIs actions may be viewed from a more inclusive or regional perspective.

## **B. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH OTHER PROPOSALS**

During the conduct of a municipal service review, LAFCO may determine that study conclusions will strongly support specific government organization or reorganization proposals or actions. In those cases, LAFCO, or affected service providers, may desire to initiate recommended actions concurrent with the municipal service review. With concurrent processing, the municipal service review report could be drafted to fully discuss the proposed recommendations or follow-up actions. This expanded report format could save LAFCO time and money by eliminating or reducing the need for future hearings. The public may benefit by having a more complete understanding of the municipal service review analysis and potential outcomes.

## C. MUNICIPAL SERVICE REVIEWS IN THE REGIONAL CONTEXT

While LAFCO does not have any direct land use authority, the CHK Act assigns LAFCOs a prominent role in regional planning issues by charging it to consider a wide range of land use and growth factors when it acts on matters under its jurisdiction. LAFCO has broad statutory responsibility to consider planned, orderly, efficient patterns of urban development which may assist in preserving agricultural lands and achieving a share of the region's housing needs. (GC [§56001](#))

LAFCOs can have a powerful influence on local land use planning decisions through participation in city and county general plan processes<sup>5</sup>. GC [§65352\(a\)](#) of state planning law requires cities and counties to refer their general plans to LAFCO before adopting or amending their general plans. This is an example of many opportunities that LAFCO has to influence local and regional land use decisions in ways that are consistent with LAFCO's charge. On one hand, LAFCO must consider consistency with local general plans when it makes boundary decisions, but LAFCO also has the ability to influence the nature of those local general plans through active participation in their development.

Regional planning initiatives are another opportunity for LAFCO to collaborate with planning agencies and encourage development of coordinated goals and policies. Examples of regional initiatives include habitat conservation plans, regional transportation plans, regional housing needs allocation and watershed management plans, to mention a few.

Service reviews occur in the larger context of county and regional planning efforts that are not always in harmony. LAFCO should use every opportunity to engage in these other planning efforts to ensure that LAFCO's concerns are reflected in land use planning decisions.

LAFCO should also take advantage of the opportunity to use its municipal service review process as a means of encouraging collaboration with planning agencies on important policy issues. By both participating in these other planning efforts and using information gained from these activities LAFCO can help improve the quality and consistency of data. Service reviews should help put into context the relationship between service options and regional issues, goals and policies.

Refer to GCs [§56377](#), [§56378](#), [§56386](#), [§56430](#), [§56668](#), and [§56668.5](#) for specific requirements for LAFCOs to consider regional issues or coordination with regional planning agencies.

---

<sup>5</sup> General Plan Guidelines, Governor's Office of Planning and Research, 2003, [www.opr.ca.gov](http://www.opr.ca.gov)

## CHAPTER 7. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

The Public Resources Code [§21000](#) et seq, also known as the California Environmental Quality Act (CEQA), requires public agencies to evaluate the potential environmental effects of their actions. Only discretionary actions that are defined as projects are subject to CEQA. A project is the whole of an action, which has the potential for resulting in either a direct physical change to the environment, or a reasonably foreseeable indirect physical change to the environment (CEQA Guidelines [§15378](#)).

In order for CEQA to apply to a municipal service review, it must be considered a project under CEQA. Several court cases have addressed the issue of CEQA applicability to LAFCO actions, including annexation, deannexation, adoption of a SOI, and adoption of SOI guidelines, all of which were interpreted to be projects under CEQA.<sup>6</sup> While there is no case law related to municipal service reviews, existing case law establishes that certain LAFCO decisions are clearly subject to CEQA when those decisions constitute a project. The main question that LAFCO must consider is whether its action may have a potential to cause significant environmental impacts, either directly or indirectly. Adoption of municipal service reviews may meet this test if the action could influence future growth patterns or otherwise affect land use in a way that impacts the environment.

### A. APPLICABILITY OF CEQA

Service reviews are intended to support SOI updates, which may include expansions or reductions in SOI boundaries, the creation of new SOIs, or SOIs amendments that trigger a need to update the pertinent SOI. The language of GC [§56430](#) of the CKH Act requires that LAFCO will:

- Consider municipal service reviews, and municipal service review recommendations, during noticed public hearings;
- Render determinations regarding a number of issues including various government options, the advantages and disadvantages of the consolidation

---

<sup>6</sup> Bozung v. Local Agency Formation Commission  
(1975) 13 Cal.3d 263 [118 Cal.Rptr. 249]

City of Agoura Hills v. Local Agency Formation Commission  
(2d. Dist. 1998) 198 Cal.App.3d 482 [243 Cal.Rptr. 740]

City of Livermore v. Local Agency Formation Commission  
(1<sup>st</sup> Dist. 1986) 183 Cal.App.3d 681 [228 Cal.Rptr. 384]

People ex rel. Younger v. Local Agency Formation Commission  
(4<sup>th</sup> Dist. 1978) 81 Cal.App.3d 464 [146 Cal.Rptr. 400]

and reorganization of service providers, and the identification of infrastructure needs; and

- Use the reviews when rendering future decisions to create, update or amend an SOI, or approve or disapprove government organization or reorganization proposals.

In some cases, a municipal service review, and its required determinations, will provide policy guidance for future LAFCO decisions that may direct or affect the location and pattern of growth. Because of the nature of the analysis required, municipal service reviews may be perceived or interpreted by some as the first step in creating, updating or amending SOIs or initiating other government organizations or reorganizations. In other cases, municipal service reviews may actually be an integral part of a larger project. Service reviews may frequently be triggered by pending applications to LAFCO for SOI amendments, or for annexations that cannot proceed without an SOI update.

To ensure compliance with CEQA, and avoid unnecessary legal challenges, OPR recommends that LAFCOs consider municipal service reviews as projects subject to CEQA. The LAFCO would be the "lead agency" responsible for complying with CEQA because it is the entity with the principal responsibility for approving or carrying out the municipal service review (i.e., the project) (Public Resources Code [§21067](#)). As the CEQA lead agency, LAFCO must ensure that all required elements of the CEQA review process are conducted consistent with the requirements of CEQA and LAFCOs' own adopted CEQA procedures.

## **B. CEQA DETERMINATIONS**

CEQA requires a lead agency to make one of three basic environmental determinations with respect to the potential environmental effects of a project. The project may qualify for an exemption, which requires no further analysis. If the project is not exempt and there are no potentially significant environmental effects, the lead agency may prepare a Negative Declaration (ND). If the project is not exempt and there is the potential for one or more significant environmental effects, an Environmental Impact Report (EIR) must be prepared.

No two municipal service reviews will be exactly alike and each needs to be evaluated on its specific merits and characteristics. Each LAFCO should ensure that its own locally adopted CEQA procedures and guidelines are updated to account for environmental determinations on municipal service review activities.

## C. EXEMPTIONS

Each lead agency must first review a project to determine if it is exempt from CEQA review. There are three types of exemptions that LAFCO could review for applicability to a specific municipal service review: statutory, categorical and "general rule" exemptions. The lead agency should support its reliance on an exemption with substantial evidence in the record.

A municipal service review may potentially qualify for a statutory exemption as a Feasibility and Planning Study:

"A project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted, or funded does not require the preparation of an EIR or negative declaration but does require consideration of environmental factors. This Chapter does not apply to the adoption of a plan that will have a legally binding effect on later activities." (CEQA Guidelines [§15262](#)).

There are two categorical exemptions that might apply to a municipal service review. These are Class 6 and Class 20 categorical exemptions. Categorical exemptions may not be used if there are special circumstances that would raise the potential for the project to have a significant environmental effect (CEQA Guidelines [§15300.2](#)).

"Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted or funded." (CEQA Guidelines [§15306](#))

"Class 20 consists of changes in the organization or reorganization of local government agencies where the changes do not change the geographical area in which previous existing powers are exercised. Examples include but are not limited to: (a) Establishment of a subsidiary district; (b) Consolidation of two or more districts having identical powers; and (c) Merger with a city of a district lying entirely within the boundaries of the city." (CEQA Guidelines [§15320](#))

A general rule exemption may apply to a project, where it can be seen with certainty that there is no possibility that the activity in question may have a significant adverse environmental effect (CEQA Guidelines [§15061\(b\)\(3\)](#)). LAFCOs are advised to use this exemption with particular caution because legal challenges to the use of this exemption may be more difficult to defend.

If LAFCO determines that an exemption is appropriate, it is recommended that LAFCO prepare and file a Notice of Exemption (NOE) as described in [§15062](#) of the CEQA

Guidelines. If an NOE is not filed, the statute of limitations is 180 days from the date of the lead agency's decision to approve the project, as opposed to 35 days if an NOE is filed.

## **D. INITIAL STUDY**

If LAFCO determines that a municipal service review project is not exempt, then an Initial Study must be prepared to determine whether a Negative Declaration or an EIR is the appropriate level of review under CEQA. LAFCO is required to consult with responsible and trustee agencies prior to its determination of the appropriate environmental document to prepare (see CEQA Guidelines [§15063](#).)

## **E. NEGATIVE DECLARATION**

A Negative Declaration may be prepared by LAFCO for a project when the Initial Study shows that there is no substantial evidence that the project may have a significant effect on the environment (CEQA Guidelines [§15070-§15075](#)).

The Negative Declaration must be made available to the public and others who have expressed an interest in the project, not less than 20 days before the project is heard by LAFCO. Prior to approval of the project, the Commission must consider any comments received on the Negative Declaration.

If LAFCO determines to carry out or approve the project, a Notice of Determination (NOD) must be filed with the County Clerk within five working days. The County Clerk must post the NOD within 24 hours of receipt. The posting of the NOD starts a 30-day statute of limitations for challenges under CEQA. If a NOD is not filed, the statute of limitations is 180 days from the date of the lead agency's decision to approve the project.

## **F. ENVIRONMENTAL IMPACT REPORT**

If a municipal service review is subject to an EIR process because of potentially significant effects, LAFCO should rely upon [§15080-§15097](#) of the CEQA Guidelines for guidance on the preparation of an EIR. An EIR may be required where the municipal service review is closely tied to a larger action, such as an SOI update, that may have a significant effect on the environment.

An EIR may require up to a year to complete, and associated costs can reach \$50,000 or more. Where LAFCO resources to prepare an EIR are limited, it is recommended that LAFCO consider using the services of a consultant.

## CHAPTER 8. ENVIRONMENTAL JUSTICE CONSIDERATIONS IN MUNICIPAL SERVICE REVIEWS

In undertaking municipal service reviews and making the nine determinations, LAFCO commissioners should consider their responsibilities under federal and state civil rights and environmental justice laws. This chapter describes the framework for developing an effective municipal review process which reflects the laws and policies related to civil rights and environmental justice.

The purpose of the municipal service review is to undertake the comprehensive review of existing municipal services prior to the review of the sphere of influence of an individual service provider. In order for civil rights and environmental justice to be properly considered, OPR recommends that relevant information be collected at the municipal service review stage and considered when developing the nine determinations.

### LAFCOs AND EJ

As the primary agency with responsibility for approving changes in boundaries, LAFCOs play an important role in coordinating growth and ensuring that proposed changes are consistent with environmental justice obligations.

In general, federal and state civil rights laws prohibit actions by public entities which disproportionately affect one category of individuals including, but not limited to, race, creed, ethnicity, disability, family status, sexual orientation and income.

Environmental justice is defined in state law as the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies (GC [§65040.12\(e\)](#)).

Environmental justice has particular implications for municipal service reviews, as the nine determinations relate to the provision of services to whole communities including those that may have been historically underserved and/or environmentally overburdened.

### Staff and Board Training

OPR recommends that LAFCOs provide for ongoing training of staff and board members relative to the application of federal and state civil rights statutes which apply to local government entities.

In addition, the information gained in the municipal review process will be used to analyze future proposals before LAFCO. A LAFCO decision to approve an extension of a service area or a change in city boundaries could have a significant environmental justice impact especially if it results in the siting of a major industrial, residential or public works project. The 2000 amendments to CKH Act also recognize the potential impact of LAFCO decisions on environmental justice. (GC [§56001](#)):

“Encourage orderly growth and development which are essential to the social, fiscal, and economic well-being of the state.....The Legislature also recognizes that providing housing for

persons and families of all incomes is an important factor in promoting orderly development. Therefore, the Legislature further finds and declares that this policy should be effected by the logical formation and modification of the boundaries of local agencies, with a preference granted to accommodating additional growth within, or through the expansion of, the boundaries of those local agencies which can best accommodate and provide necessary governmental services and housing for persons and families of all incomes in the most efficient manner feasible. ”

Chapter 9 provides guidance on specific issues that LAFCO may wish to consider in developing the nine determinations related to municipal service reviews, including environmental justice and civil rights issues and factors.

## A. FEDERAL FRAMEWORK

The Constitutional basis for environmental justice lies in the Equal Protection Clause of the U.S. Constitution. The Fourteenth Amendment expressly provides that the

**LAFCO EJ PROGRAMS**

In response to these recent federal actions, many state and local agencies that receive federal funding have initiated environmental justice programs of their own. OPR recommends that LAFCOs consider whether it would be useful to implement their own environmental justice program in order to further their responsibilities under CKH Act.

states may not “deny to any person within [their] jurisdiction the equal protection of the laws” (U.S. Constitution, amend. XIV, §1).

On February 11, 1994, President Clinton signed Executive Order (E.O.) 12898, titled “Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations.” The executive order followed a 1992 report by the U.S. Environmental Protection Agency (U.S. EPA) indicating that

“racial minority and low-income populations experience higher than average exposures to selected air pollutants, hazardous waste facilities, and other forms of environmental pollution.” E.O. 12898 directed federal agencies to incorporate environmental justice into their missions.

In a memorandum accompanying E.O. 12898, President Clinton underscored existing federal laws that could be used to further environment justice. These laws include Title VI of the Civil Rights Act of 1964 and the National Environmental Policy Act (NEPA), among others. Title VI prohibits any recipient (state or local entity, or public or private agency) of federal financial assistance from discriminating on the basis of race, color, or national origin in their programs or activities (42 USC §2000d to §2000d-7).

State and local agencies that receive federal funding must comply with Title VI. Under the Civil Rights Restoration Act of 1987, this requirement is not limited to the programs and activities that receive direct federal funding, but applies to all agency activities.

## B. STATE FRAMEWORK

Anti-discrimination laws existed in California prior to the passage of the first environmental justice legislation in 1999. The California Constitution prohibits discrimination in the operation of public employment, public education, or public contracting (Article I, §31). State law further prohibits discrimination under any program or activity that is funded or administered by the state ([§11135](#)).

The Planning and Zoning Law prohibits any local entity from denying any individual or group of the enjoyment of residence, landownership, tenancy, or any other land use in California due to the race, sex, color, religion, ethnicity, national origin, ancestry, lawful occupation, or age of the individual or group of individuals (GC [§65008](#)).

The Fair Employment and Housing Act (FEHA) specifically prohibits housing discrimination on the basis of race, color, religion, sex, sexual orientation, marital status, national origin, ancestry, familial status, disability, or source of income ([§12900](#), et seq)

### GUIDANCE ON ENVIRONMENTAL JUSTICE

OPR has been statutorily directed to be the coordinating body for state agencies on environmental justice issues (§65040.12).

Further, OPR is required to provide guidance to cities and counties for integrating environmental justice into their general plans (§65040.12(c)).

LAFCOs may also consult with OPR on issues related to environmental justice and the approval of SOIs and annexation which may have environmental justice implementations.

In 1999, Governor Davis signed SB 115 (Solis, Chapter 690, Statutes of 1999), that defines environmental justice in statute and establishes OPR as the coordinating agency for state environmental justice programs (GC [§65040.12](#)).

As the primary agency with responsibility for approving changes in boundaries, LAFCO play an important role in coordinating growth and ensuring that proposed changes are consistent with environmental justice obligations.

## C. FORMS OF INEQUITY

Problems of environmental justice can be broken down into two categories: procedural inequity and geographic inequity. In other words, unfair treatment can manifest itself in terms of process or in terms of results.

Procedural inequity occurs when the planning process is not applied uniformly. Examples of procedural inequity include:

- “Stacking” commissions or committees with certain interests while ignoring the interests of other segments of the community, such as minority and low-income residents.

- Holding meetings at times or locations that minimize public participation by certain groups or individuals.
- Using English-only written or verbal communication when a non-English speaking population will be affected by a planning decision.
- Requiring lower levels of mitigation for projects affecting low-income or minority populations.
- Unevenly enforcing environmental rules.

Geographic inequity describes a situation in which the burdens of undesirable land uses are concentrated in certain areas of the county while the benefits are received elsewhere. Municipal service reviews can play a key role in identifying these inequities. Examples of geographic inequity include:

- Certain areas of the county have a disproportionate share of industrial facilities that handle or produce hazardous waste, while the economic benefits are distributed to other areas (in the form of jobs and tax revenue).
- Certain areas have a disproportionate share of waste disposal facilities, while the benefits of such facilities are received by the community or region as a whole.
- Certain areas experience more of the environmental benefits associated with community centers, parks, and open space, while other neighborhoods have fewer such amenities.

## **D. INFORMATION AND ANALYSIS**

As discussed throughout these guidelines, informed decisions regarding the municipal service reviews requires good information. Strategies for data collection are discussed in Chapter 3 and **Appendix E**. A clear identification of the lands, population and facilities (existing and proposed) is essential in analyzing the information for the nine determinations. When evaluating the issues identified in this chapter that relate to environmental justice, LAFCO may wish to consider the following data layers:

- Base map of the study area
- General plan designations of land use (existing and proposed)
- Current demographic data: Population (location and density); Income (distribution of very-low, low, moderate and above moderate income groups); Ethnicity (distribution of minority populations); Age (distribution of seniors and children throughout the community)
- Location of public facilities that enhance community quality of life, including open space, water quality, and fire protection.

- Location of industrial facilities with its existing and projected service needs and other uses that contain or produce materials that, because of their quantity, concentration, or physical or chemical characteristics, pose a significant hazard to human health and safety
- Location of existing and proposed schools
- Location and density of existing and proposed residential development

Preventing and reversing historical problems of procedural and geographic inequity requires accurate information in order to develop policies and prioritize implementation measures.

#### EJ INFORMATION HAS MANY USES

Data obtained in the municipal service review process can be used by LAFCO and other public agencies for:

- Improving the community participation process
- Identifying low-income/minority neighborhoods under-served by public facilities and services that enhance quality of life
- Considering the equitable distribution of public facilities and services
- Considering infrastructure and housing needs
- Identifying low-income/minority neighborhoods where facilities and uses that pose a significant hazard to human health and safety may be over-concentrated
- Screening of issues for potential environmental justice implications

## E. PUBLIC PARTICIPATION

These guidelines include a number of recommendations which encourage broad public participation and municipal service review analysis which would affirmatively support the civil rights and environmental justice responsibilities of LAFCO including:

- Educate the public on the role of LAFCOs and the importance of municipal service reviews.
- Adopt general policies and procedures relative to the undertaking of the municipal service review. This will avoid any appearance of an unequal review of some services.
- Develop and publish a five-year schedule for municipal service reviews to maximize the ability of the public to participate in the process.
- Convene stakeholders and facilitate collaborative efforts to address issues and challenges that are identified during the municipal service review process.
- Undertake municipal service reviews across county lines if that would more appropriately address the community of interest.

- Adopt the work plan for the individual municipal service review at a public meeting.
- Incorporate the municipal service review with other LAFCO actions (such as a SOI update) for the purpose of demonstrating the context in which the information gained in the municipal service review will be used.
- Publish the Draft Municipal Service Review Report and provide for a 21-day public review period before scheduling the report to be considered by LAFCO.
- Hold meetings and public documents in language other than English, where affected populations are reasonably expected to be non-English speakers.
- Sponsor public workshops prior to the hearing at which the Final Municipal Service Review Report will be adopted.

## CHAPTER 9. DEVELOPING WRITTEN DETERMINATIONS

This Chapter provides guidance for evaluating each of the nine categories for which written determinations must be rendered pursuant to GC [§56430](#).

The tables contained in this Chapter were developed to illustrate the factors or issues LAFCO may wish to consider when making the nine mandatory municipal service review determinations pursuant to GC [§56430](#). Each LAFCO should use the issues identified in the tables to the extent that they are appropriate to the service being reviewed and local conditions.

For example, the review of a cemetery service will not include the complex evaluation of items applicable to an infrastructure-intensive provider such as a sanitation district. A cemetery municipal service review discussion for water supply would at most pertain to on-site drinking or irrigation water needs, not the complex water rights and water supply negotiations affecting major urban water service providers. The level of evaluation and discussion should be driven by the specific service or issues relating to that service.

### WORK TOGETHER TO TAILOR ISSUE LISTS

The lists of issues in this Chapter are very general and were designed to encompass a variety of services provided in all parts of the state.

LAFCOs and service providers are encouraged to work together to develop regionally appropriate and service specific lists of issues.

The individual LAFCO can then work from these more focused lists and further tailor lists to reflect the services being studied in a specific area.

The nine municipal service review determinations are interdependent. Therefore, some of the issues related to each of the nine determinations may overlap, and information about one determination may substantially affect other determinations. For example, Subsection 7, Government Structure Options, includes issues which may be pertinent to all other subsections because those categories provide input into an

evaluation of the advantages and disadvantages of various government structure options.

## 1. INFRASTRUCTURE NEEDS AND DEFICIENCIES

In identifying an agency’s infrastructure needs and deficiencies, LAFCO may wish to address the following factors in its review:

	FACTOR / ISSUE
1.	Government restructure options to enhance and/or eliminate identified infrastructure needs and/or deficiencies.
2.	Expansion of services to eliminate duplicate infrastructure construction by other agencies.
3.	Condition of infrastructure and the availability of financial resources to make necessary changes.
4.	Level of service and condition of infrastructure in light of revenue and operating constraints.
5.	Infrastructure capabilities to accommodate future development with flexible contingency plans.
6.	Reserve capacity for properties not served within current boundaries and estimate of properties within current boundaries not eligible for service.
7.	Provisions for adequate service for properties not currently being served within current boundaries.
8.	Location of existing and/or planned facilities.
9.	Location of existing and/or planned facilities in relation to area demographics.
10.	Location of existing and/or planned infrastructure in relation to affordable housing programs.
11.	Compliance with environmental and safety standards.
12.	Income levels of existing households and earnings of businesses within the study area.
13.	Current placement of infrastructure in the county as a whole and in the study area.
14.	Applicable permit status (i.e. CEQA, etc.).
15.	Consistency with service and/or capital improvement plans and local and regional land use plans/policies.

## 2. GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

In identifying an agency’s growth and population projections, LAFCO may wish to address the following factors in its review:

	FACTOR / ISSUE
1.	Projected growth and demographic changes in and around the agency’s service areas.
2.	Historic and expected land use absorption trends.
3.	Estimate of future service needs.
4.	Impact of land use plans and growth patterns on service demands.
5.	Impact of service plans and policies on growth and/or land use patterns for adjacent areas, on mutual or regional social and economic interests, and on the local governmental structure of the county.
6.	Relationship between an agency’s boundary and SOI with the projected growth in the study area.
7.	Compatibility of service plan(s) with other local agency land use/development plans.
8.	Projected household size of new and existing residential dwellings.
9.	Compatibility between agency service plans, regional growth projections and efficient urban development.

## 3. FINANCING CONSTRAINTS AND OPPORTUNITIES

In identifying an agency’s financing constraints and opportunities, LAFCO may wish to address the following factors in its review:

	FACTOR / ISSUE
1.	Implementation of appropriate financing/funding practices.
2.	Potential for shared financing and/or joint funding applications.
3.	Combination of enterprise and/or non-enterprise financing functions.
4.	Comparative analysis of financing rates among other agencies in study area.
5.	Bond rating(s).
6.	Ability to obtain financing.
7.	Existing and/or proposed assessment district(s).
8.	Debt-to-services ratio by area and subarea incomes.
9.	Opportunities for additional revenue streams, including joint agency grant applications, untapped resources, or alternative government structures.
10.	Methods to pay down existing debt(s), including using excess revenues.

#### 4. COST AVOIDANCE OPPORTUNITIES

In identifying an agency’s cost avoidance opportunities, LAFCO may wish to address the following factors in its review:

	FACTOR / ISSUE
1.	Opportunity for joint agency practices, including shared insurance coverage opportunities.
2.	Availability of outsourcing for financial and administrative duties, and cost-benefits of outsourcing versus in-house management.
3.	Duplication of services.
4.	Impact of service practices and/or facilities in relation to land: available for infill; where excess capacity exists; planned for growth; easiest to serve; with the fewest topographic and geographic constraints; and in a manner that supports affordable housing objectives.
5.	Impact of service practices and/or facilities in relation to benefit/detriment of service cost.
6.	Impact of growth inducement measures on construction costs and near-term infrastructure deficiencies.
7.	Policies and/or plans to extend services to an area proposed for annexation or new development, particularly with respect to the impact of extending services on existing customers.
8.	Impact of service practices and/or facilities on affordable housing objectives.
9.	Impact of additional services/capacity on agency’s fiscal viability, including cost and adequacy of services in existing or proposed service areas and/or areas served by other special districts, cities, or the county.
10.	Relationship between current level of service and customer needs and preferences.
11.	Opportunities for savings or augmentation in overhead, including employee salary or benefits, elected official compensation or benefits, equipment purchases, planning, etc.
12.	Pro-rata service costs for customer/ratepayer and/or taxpayer.
13.	Application and/or bid process for contractor assistance, including comparison of rates.

#### 5. OPPORTUNITIES FOR RATE RESTRUCTURING

In identifying an agency’s opportunities for rate restructuring, LAFCO may wish to address the following factors in its review:

	FACTOR / ISSUE
1.	Agency’s methodology for determining rates.
2.	Availability of revenue enhancement opportunities to lessen and/or stabilize rates.
3.	Relationship between rate differences among service providers and levels of service.
4.	Rate comparison between service providers with similar service conditions.
5.	Cost of services versus fees.

	FACTOR / ISSUE
6.	Rate comparison between sub-regions based on demographic information.
7.	The services that ratepayers and/or assessed properties are receiving for which they are paying.
8.	Financial impacts on existing customers caused by the funding of infrastructure needed to support new development.
9.	Impacts of standby rates (charges assessed to under-or-undeveloped land used for rural, agricultural or open space uses) on open space and affordable housing plans.
10.	Relationship between rate and service polices and the provision of decent and affordable housing.
11.	Availability of reasonable emergency reserves.
12.	Use of annual savings.

## 6. OPPORTUNITIES FOR SHARED FACILITIES

In identifying an agency’s opportunities for shared facilities, LAFCO may wish to address the following factors in its review:

	FACTOR / ISSUE
1.	Current shared activities with other service providers, including shared facilities and staff.
2.	Suggested existing and/or future shared facility opportunities by the agency.
3.	Opportunities for conjunctive and/or joint use projects, such as groundwater storage/parks, schools/parks, or flood detention/parks.
4.	Duplication of existing and/or planned facilities of other service providers.
5.	Availability of excess capacity to serve customers of other agencies.

## 7. GOVERNMENT STRUCTURE OPTIONS

In identifying an agency’s government structure options, LAFCO may wish to address the following factors in its review:

	FACTOR / ISSUE
1.	Available government options to provide more logical service boundaries to the benefit of customers and regional planning goals and objectives.
2.	Recommendations by a service provider and/or an interested party for government options.
3.	Anticipated proposals to LAFCO that will affect the service provider.
4.	Prior proposals or attempts by the agency to consolidate and/or reorganize.
5.	Availability of government options that improve public participation, local accountability, and governance.
6.	Impacts of government structures on the potential for displacement of current residents.

**Governor’s Office of Planning and Research  
LAFCO Municipal Service Review Guidelines**

---

	FACTOR / ISSUE
7.	Opportunities to create definite and certain boundaries that conform to lines of assessment or ownership and/or eliminate islands, corridors of unincorporated territory, and other difficult or illogical service areas.
8.	Existing boundary disputes.
9.	Elimination of overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase in the cost of infrastructure, exacerbate rates and/or undermine good planning practices.
10.	Reevaluation of boundaries, including downsizing SOI boundaries and/or approving other boundary modifications that remove important open space and agricultural lands from urban services areas.
11.	Availability of government options that stabilize, steady and/or clarify the government process in order to reduce costs or increase customer satisfaction.
12.	Availability of government options that may produce economies of scale and improve buying power in order to reduce service and housing costs.
13.	Availability of government options that allow appropriate facilities to be shared and avoid the construction of extra and/or unnecessary infrastructure.
14.	Making excess capacity available to other service users in order to eliminate duplicate infrastructure construction by multiple agencies and reduce costs to customers.
15.	Opportunities to improve the availability of water rights and/or supplies (surface, reclaimed or groundwater) to a larger customer base through a change in government organization.
16.	Availability of government options that could facilitate construction, financing and/or eliminate the need for new facility construction.
17.	Cost-benefit of restructuring current governing body and/or administration to any proposed alternative.
18.	Cost-benefit of restructuring overhead, including staff, capital outlays, allocation of reserves or savings, loaded administrative charges for grant administration, accounting, and other contracted services.
19.	Cost-benefit of restructuring the direct distribution of costs or debts from shared facilities to a larger user population.
20.	Opportunities for the sale of surplus properties through a change in government organization.
21.	Availability of excess reserves for service improvements and/or rate reductions through a change in government organization.
22.	Opportunities to enhance capital improvement plans and programs through a change in government structure.
23.	Opportunities to streamline services through the reorganization of service providers that no longer provide services for which they were formed.
24.	Opportunities for early debt repayment and related savings through a change in government structure.
25.	Elimination of rate structures that impose growth pressures on open space resources.

**Governor’s Office of Planning and Research  
LAFCO Municipal Service Review Guidelines**

---

	FACTOR / ISSUE
26.	Identification of illogical boundaries and their effect on rates.
27.	Impact of government structure options on an agency’s financial stability.
28.	Rationale for an agency’s emergency and/or undesignated reserves (fund equity or balance), particularly in relation to their gross annual revenue.
29.	Changes and/or modifications in boundaries in order to promote planned, orderly, and efficient patterns of urban development.
30.	Changes and/or modifications in boundaries in order to avoid premature inducement, facilitation, or conversion of existing open space lands, including: the direction of growth away from prime agricultural and important open space lands towards infill areas or areas containing nonprime agricultural land; the development of vacant land adjacent to existing urban areas and within existing spheres of influence.
31.	Boundary adjustments in order to minimize the amount of land needed to accommodate growth in the next 5-10 years within the spheres of influence of special districts and cities.
32.	Prevention of extensions of urban services to important agriculture and open space areas not planned for growth or within the boundaries of the city or special district.
33.	Impact of a change in government structure on the implementation of regional transportation, water quality, air quality, fair share housing allocation, environmental justice, airport land use, open space, agricultural, and other environmental polices or programs.
34.	Impacts of government structures on fair housing programs.
35.	Available government options that improve the ability to provide and explain budget and financial data.
36.	Opportunities for improvement in the quality and/or levels of service through changes in government structure.
37.	Impact of investment policies on service levels and quality.
38.	Evaluation of bond rates, ability to borrow or obtain grants, budget practices and other aid.
39.	Ability to gain environmental benefits (wetland restoration, water conservation, and other conservation policies) through government structure options.
40.	Opportunities to integrate services without excessive cost.
41.	Cost-benefit analysis of potential changes in government structure through merging staff, staff reduction by attrition, phasing out of elected or appointed positions, and management staff.
42.	Opportunities for improved service delivery and/or an increase in system standards by system integration through changes in government structure.
43.	Identify prohibitions in the affected Principal Acts that would affect government structure options, including pending litigation, court judgments, other legal issues, restricted assets, financial or other constraints.
44.	Integration of debts and obligations analyses.
45.	Potential successor agencies.

	FACTOR / ISSUE
46.	Impact on existing systems (upgrades) due to government structure changes.
47.	Impact on operating cost (short and long term) due to government structure changes.
48.	Evaluation of long term savings through government structure changes versus related transition costs.
49.	Evaluation of permit status upon integration.

## 8. EVALUATION OF MANAGEMENT EFFICIENCIES

In evaluating an agency’s management efficiencies, LAFCO may wish to address the following factors in its review:

	FACTOR / ISSUE
1.	Evaluation of agency’s capacity to assist with and/or assume services provided by other agencies.
2.	Evaluation of agency’s spending on mandatory programs.
3.	Comparison of agency’s mission statement and published customer service goals and objectives.
4.	Availability of master service plan(s).
5.	Contingency plans for accommodating existing and planned growth.
6.	Evaluation of publicized activities.
7.	Implementation of continuous improvement plans and strategies for budgeting, managing costs, training and utilizing personnel, and customer service and involvement.
8.	Evaluation of personnel policies.
9.	Availability of resources (fiscal, manpower, equipment, adopted service or work plans) to provide adequate service.
10.	Available technology to conduct an efficient business.
11.	Collection and maintenance of pertinent data necessary to comply with state laws and provide adequate services.
12.	Opportunities for joint powers agreements, Joint Powers Authorities, and/or regional planning opportunities.
13.	Evaluation of agency’s system of performance measures.
14.	Capital improvement projects as they pertain to GC <a href="#">§65401</a> and <a href="#">§65103c</a> .
15.	Evaluation of accounting practices.
16.	Evaluation of maintenance of contingency reserves.
17.	Written polices regarding the accumulation and use of reserves and investment practices.
18.	Impact of agency’s policies and practices on environmental objectives and affordable housing.

	FACTOR / ISSUE
19.	Review of environmental and safety compliance measures.
20.	Current litigation and/or grand jury inquiry involving the service under LAFCO review.

## 9. LOCAL ACCOUNTABILITY AND GOVERNANCE

In evaluating an agency’s local accountability and governance structure, LAFCO may wish to address the following factors in its review:

	FACTOR / ISSUE
1.	Compliance with state disclosure laws and the Brown Act.
2.	Level of public participation (i.e. open meetings, accessible staff and elected officials, an accessible office open to the public, a phone and/or message center, a web site, customer complaint and suggestion opportunities).
3.	Agency representatives (i.e., board members, employees, and staff).
4.	Public outreach efforts (i.e. newsletters, bill inserts, TV, web site).
5.	Media involvement (i.e. meetings publicized, evening board meetings, evening or weekend public planning sessions).
6.	Accessibility of meetings (i.e. meetings publicized, evening board meetings, evening or weekend public planning sessions and translations for non-English speakers and the hearing impaired).
7.	Election process.
8.	Participation of service users in elections (i.e. elections publicized, day and evening voting).
9.	Public access to adopted budgets.
10.	Budget reports’ compatibility with state law.
11.	Audits.
12.	Access to program progress reports.
13.	Current provision of service(s).

## **PART III - TAKING ACTION ON THE MUNICIPAL SERVICE REVIEW**

### **CHAPTER 10. PREPARING THE MUNICIPAL SERVICE REVIEW REPORT**

After collecting and evaluating municipal service review information, the LAFCO Executive Officer should prepare a written report to document the analysis and determinations.

#### **A. DRAFT MUNICIPAL SERVICE REVIEW REPORT**

OPR recommends that the report include the following:

- An Executive Summary.
- Review of baseline data and information related to the service or services being reviewed.
- A description of the public participation process.
- An analysis of services, service providers and other issues consistent with the intent of the CKH Act (GCs [§56001](#), [§56300](#), [§56301](#)), and including, but not limited to, factors to be considered ([§56668](#)), areas of required determination ([§56430](#)), SOI concerns ([§56425](#), [§56425.5](#)) and environmental justice issues, if any.
- Draft Determinations. (see Section B below for more information).
- Follow-up recommendations, if any.
- Appropriate maps that identify service areas, and clearly delineate overlapping areas using GIS generated maps, if available, to ensure consistency among agencies.

#### **B. WRITTEN DETERMINATIONS**

The nine determinations that are required to be made by the Commission are critical because they represent the culmination of the municipal service review process. The CKH Act does not identify a particular format for the nine required determinations nor does it dictate the substance of these determinations.

OPR provides the following recommendations for preparation of written determinations, and recommends that each LAFCO establish its own policy or procedure for using a consistent method of preparing written determinations.

A determination is one or more declaratory statements that make a conclusion, based on all the information and evidence presented to the Commission (i.e., the administrative record), with respect to the nine factors enumerated in GC [§56430](#).

These determinations must be supported by information placed in the record of the municipal service review process, including all of the information collected, LAFCO's analysis and interpretation of the information, verbal and written information presented by the public, and verbal and written testimony given at public meetings or hearings.

Each of the nine determinations must be adequate to bridge the gap between raw data and the final conclusion about the status or condition of the municipal service under review. OPR recommends that the determinations be written in qualitative and quantitative terms, as appropriate, and refer to specific information or examples relative to the municipal service under review and the particular factor (determination) being considered.

While the Commission is ultimately responsible for making these determinations, OPR recommends that the LAFCO staff report include proposed determinations for the Commission to consider.

## **C. DISTRIBUTION AND COMMENT PERIOD**

OPR recommends that LAFCO provide a formal public review period on the draft municipal service review report and hold at least one public meeting and/or workshop prior to the report being considered by LAFCO. It may be helpful to conduct a stakeholder meeting during the review period to obtain constructive input from those who helped shape the municipal service review.

## **D. FINALIZING THE REPORT TO THE COMMISSION**

Comments received during the public review period should be considered and incorporated in the final report as appropriate. Any person or entity that submits comments should receive a copy of the final municipal service review report and a mailed notice of the public meeting or hearing at which the municipal service review determinations will be considered by the Commission.

The determinations will still be draft until they are accepted/adopted by the Commission. OPR recommends that the Final Municipal Service Review Report, at a minimum, be issued 21-days in advance of the hearing or public meeting at which the determinations will be adopted/accepted. If the determinations will be adopted at a hearing, the issuance of the final report should be concurrent with the 21-day hearing notice.

OPR recommends that the Final Municipal Service Review Report be made available to affected and interested agencies for use as a resource document. Further, copies of the Final Municipal Service Review Report, including draft determinations, should be made available on LAFCO's web site and mailed to affected and interested agencies.

## CHAPTER 11. ADOPTING THE MUNICIPAL SERVICE REVIEW REPORT

### A. INTRODUCTION

After a Final Municipal Service Review Report is issued, the Commission will need to take steps to complete its municipal service review responsibilities. LAFCO will need to minimally conduct a meeting to consider and accept the municipal service review report that will include the draft determinations.

OPR recommends, based on the long-term application and significance of the municipal service review determinations, that the determinations be made at a fully noticed public hearing.

Well-crafted determinations, plus their supporting documentation are an information and planning resource for LAFCOs, cities, counties, special districts and regional planning agencies.

### B. PUBLIC NOTICE FOR A MEETING OR A HEARING

The Final Municipal Service Review Report is required to be considered by the Commission at a noticed public meeting. GC [§56150-§56160](#) include public notice provisions. GC [§56154](#) and [§56156](#) require that published and mailed notice be provided at least 21 days prior to the public hearing. All affected and interested

#### PUBLIC MEETING v. PUBLIC HEARING

Meetings and hearings have different requirements under existing law. In general, the public notice requirements for hearings are longer (21 days v. 5 days) and are more extensive (letters to interested parties v. postings in newspapers). At hearings, the Commission can take actions like adopting resolutions. At a public meeting the Commission accepts the written determinations.

agencies, and persons and entities requesting notice, should receive a mailed notice.

The notice should include a description of the municipal service review and any actions that may be taken by the Commission at the hearing. Those actions may include approval of the report, adoption of the draft determinations and any other actions recommended by staff.

## C. ACTIONS AT MEETINGS AND HEARINGS

The meeting or hearing should be conducted consistent with LAFCO's adopted written procedures. If LAFCO chooses to make its determinations at a hearing, here are some additional actions that the Commission could take:

- **Adoption of Resolution of Written Determinations**

Service review determinations should be adopted by Resolution.

- **Adoption of Municipal Service Review Recommendations**

The Commission may adopt staff recommendations and direct staff to take follow up actions as appropriate.

- **Adoption of City or District SOI Updates or Amendments**

If the municipal service review supports a particular action such as an SOI update or amendment, and LAFCO has complied with required processes, those actions could be approved at the same hearing.

- **Initiation or Adoption of Other Proposals**

If the municipal service review supports a particular action such as an initiation or adoption of an organization or reorganization proposal, and LAFCO has complied with required processes, those actions could be approved or initiated at the same hearing.

**REMINDER**

If LAFCO has initiated other proposals that are being processed concurrent with a service review, LAFCO must also comply with processing steps for those other actions before acting upon them.

If the Commission accepts the determinations at a public meeting, then existing law does not require a reconsideration process. This lack of a reconsideration process and its potential for correcting and/or modifying the determinations, is one reason OPR recommends that the determinations be formally adopted at a public hearing.

## D. RECONSIDERATION

The CKH Act includes a process for interested persons and entities to request the Commission to reconsider its adopted determinations. Pursuant to GC [§56895](#), when the Commission has adopted a resolution making determinations at a public hearing, any person or affected agency may file a written request with the LAFCO Executive Officer requesting amendments to or reconsideration of the resolution. The request must include the recommended modification and state what new or different facts or applicable new law, that could not have been known previously, warrant this reconsideration.

The request for reconsideration must be filed within 30 days of the Commission's action. The reconsideration action should be scheduled for the next Commission hearing for which adequate notice can be given. Oral and written testimony may be received at the reconsideration hearing. The Commission may continue the hearing from time to time but not longer than 70 days from the date of the first hearing ([GC §56895](#)).

**FOR MORE INFORMATION**

This guidance document was prepared by OPR to assist the public, LAFCOs and service providers to effectively engage in the service review process. Additional information on LAFCO may be found on the OPR website at [www.opr.ca.gov](http://www.opr.ca.gov).