POLICIES & PROCEDURES

CHAPTER 5
MUNICIPAL SERVICES REVIEWS

Section 1. Introduction

1.1 Legislative Intent and Statutory Authority

Pursuant to Section 56300(a) of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (hereinafter "LAFCO Statute" or "LAFCO Act", "It is the intent of the Legislature that each commission, not later than January 1, 2002, shall establish written policies and procedures and exercise its powers pursuant to this part in a manner consistent with those policies and procedures . . . ."

Pursuant to Section 56430:

> "(a) In order to prepare and to update spheres of influence . . ., the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission.
>
> "(b) In conducting a service review, the commission shall comprehensively review all of the agencies that provide the identified service or services within the designated geographic area.
>
> "(c) The commission shall conduct a service review before, or in conjunction with, but no later than the time it is consider an action to establish a sphere of influence . . . . or to update a sphere of influence . . ."

To assist LAFCOs in fulfilling the requirement for reviews, Section 56430(d) provides that the Governor's Office of Planning and Research (OPR), ". . . . shall prepare guidelines for the services reviews to be conducted by commissions . . .."

1.2 Statement of Purpose

The purpose of this chapter is to establish the general policies and procedures that the Shasta Local Agency Formation Commission (hereinafter "Shasta LAFCO", "LAFCO", or "Commission") will apply to the development and adoption of the statutorily required municipal services reviews.

Section 2. Policies

2.1 Review Parameters

Neither the LAFCO statute nor the OPR guidelines specifically prescribe which agencies and what services are subject to municipal services reviews. Likewise, neither the statute nor the

guidelines dictate whether reviews are to be service-based or agency based. Therefore, it is left to each LAFCO to establish review parameters.

In determining the parameters for their reviews, Shasta LAFCO considered a number of factors, among them the prevailing definitions of municipal services, the agencies that are subject to sphere of influence determinations, and certain characteristics of local governments and the services they provide which would support their inclusion or exclusion from the services review matrix. The following section presents Shasta LAFCO's position with respect to services and agencies to be reviewed, as well as the review perspective (i.e., agency-based or service-based):

2.1.1 Services Subject to Review: Shasta LAFCO has concluded that the answer to the question of which services are subject to review lies in the origin of the services review requirement. The legislatively-established Commission on Local Governance for the 21st Century (a.k.a. the Hertzberg Commission) recommended that LAFCOs prepare reviews of municipal services provided by local governmental agencies. In their final report, entitled Growth Within Bounds, the Hertzberg Commission identifies the following as the principal "municipal services": Police and fire protection, streets and traffic circulation, water and sewer, power generation and distribution, storm water drainage, solid waste collection, and land use planning.

Further, the Hertzberg Commission identified water, sewer, power, and streets and roads as the major "backbone" infrastructure and services *necessary to accommodate growth and development that is expected to occur.*

In the opinion of Shasta LAFCO, while other "miscellaneous" governmental services – such as parks and recreational facilities, street lighting, mosquito abatement, library buildings and services, transportation services, ambulances, and airport – may be desired in a community, and may enhance the standard of living and "attractiveness" of an area, these are neither mandated services, nor from the LAFCO perspective, would the presence or absence of these amenity services necessarily be the determining factor in a sphere of influence and/or annexation decision. Therefore, Shasta LAFCO has determined that the services subject to municipal services reviews shall be:

Police Protection	Power, Generation and Distribution
Fire Protection	Solid Waste Collection and Disposal
Streets, Traffic Circulation	Storm Water Drainage
Water, Wastewater (Sewer)	Land Use Planning

2.1.2 Agencies Subject to Review: Shasta LAFCO has concluded that the following agencies in Shasta County provide services which are municipal in nature, and as such, are subject to the services review requirement:

County	Community Services Districts
County Service Areas	Water Districts
Cities	Fire Protection Districts

Conversely, Shasta LAFCO has concluded that while the cemetery districts, health care districts, irrigation districts, mosquito abatement districts, and resource conservation districts in Shasta County *are* subject to a sphere of influence determination, these types of districts do not provide services that are classified as *municipal services*.

Therefore, it is the position of Shasta LAFCO that these districts and the services they provide are not subject to municipal services reviews.

2.1.3 Review Perspective: Neither the LAFCO statute nor the OPR guidelines argue for either agency-based or service-based reviews, nor do they direct that the reviews be by geographic region, county-wide or by variable conditions. Once again, it is left to each LAFCO to decide which perspective they prefer.

Shasta LAFCO has decided to do agency-based reviews, rather than service-based reviews, if only because one of the principal purposes of services reviews is to provide a tool for subsequent sphere of influence decisions – and spheres of influence are inherently agency-based.

Further, the Commission has concluded that an agency-based review will promote a greater level of participation by the agency in terms of the information they provide for the purposes of LAFCO's review and determinations.

2.2 Requirement for Written Determinations

Section 56430 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCOs to conduct reviews of municipal services and make written determinations with respect to various factors. From the policy perspective, the following discussions are intended to address how Shasta LAFCO will fulfill this statutory requirement.

2.2.1 Infrastructure Needs or Deficiencies: In making its determinations with respect to infrastructure needs or deficiencies, Shasta LAFCO will consider that the State Legislature, in authorizing the preparation of municipal services reviews, focused on one of LAFCO's core missions – to encourage the efficient provision of public services. Infrastructure needs or deficiencies, which refers to the adequacy of existing and planned public facilities in relation to how public services are – and will be – provided to citizens, impacts the efficient delivery of public services.

Shasta LAFCO will evaluate infrastructure in terms of capacity, condition, availability and quality, as well as correlations among operational, capital improvement and finance plans. Shasta LAFCO will take into consideration that there may be unmet infrastructure needs due to budget constraints or other factors; however the identification of deficiencies may also promote public understanding and support for needed improvements.

2.2.2 Growth and Population: It is the position of Shasta LAFCO that the efficient provision of public services is linked to an agency's ability to plan for future growth in development and population. For example, a water purveyor must be prepared to supply water for existing *and* future levels of demands, and also be able to determine *where* future demand will occur.

The municipal services reviews prepared by Shasta LAFCO are intended to give LAFCO, affected agencies, and the public the means to examine and evaluate whether projections for future growth and population patterns are integrated into an agency's current and advance planning function.

2.2.3 Financing Constraints and Opportunities: Shasta LAFCO recognizes the need to weigh a community's public service needs against the resources available to fund the services. In the course of preparing a services review, the financing constraints and opportunities that have an impact on the delivery of services will be identified and evaluated in order for LAFCO, local agencies, and the public to assess whether agencies are capitalizing on financing opportunities.

For example, a services review could reveal that two or more water purveyors are each deficient in storage capacity, and individually lack financial resources to construct additional facilities. Shasta LAFCO will consider if there would be any benefit from creating a joint venture to finance and construct regional storage facilities. Services reviews may also disclose innovations for contending with financing constraints, which may be of considerable value to numerous agencies.

2.2.4 Cost Avoidance Opportunities: LAFCO's role in encouraging efficiently provided public services depends, in part, on helping local agencies explore cost avoidance opportunities. The municipal services reviews prepared by Shasta LAFCO will explore cost avoidance opportunities such as, but not limited to:

(1) eliminating duplicative services;
(2) reducing high administration to operation cost ratios;
(3) replacing outdated or deteriorating infrastructure and equipment;
(4) reducing inventories of underutilized equipment, buildings, or facilities;
(5) redrawing overlapping or inefficient service boundaries;
(6) replacing inefficient purchasing or budgeting practices;
(7) implementing economies of scale; and,
(8) increasing profitable outsourcing.

2.2.5 Opportunities for Rate Restructuring: When and where applicable, as determined by Shasta LAFCO, municipal services reviews will consider agency rates and charges for public services and examine opportunities for rate restructuring without impairing the quality of service. Shasta LAFCO intends to scrutinize rates and charges for:

(1) rate setting methodologies;
(2) conditions that could impact future rates;
(3) variances among rates, fees, taxes, charges, etc., within an agency.

2.2.6 Opportunities for Shared Facilities: It is the position of Shasta LAFCO that public services costs may be reduced and service efficiencies increased if service providers develop strategies for sharing resources. Sharing facilities and excess system capacity decreases duplicative efforts, may lower costs and minimizes unnecessary consumption.

The services reviews prepared by LAFCO will inventory facilities to determine if facilities are currently being utilized to capacity and whether efficiencies can be achieved by accommodating the facility needs of adjacent agencies. Options for planning for future shared facilities and services will also be considered.

2.2.7 Government Structure Options: While services reviews do not require LAFCO to initiate subsequent changes of organization based on review findings, Shasta LAFCO encourages local agencies and the public to use services reviews to determine whether initiation of proceedings for changes of organization and reorganization, including spheres of

influence, would be in order and in the best interests of the agency and the community it serves.

Toward making its determinations with respect to government structure options, Shasta LAFCO may examine efficiencies that could be gained through:

(1) functional reorganizations within existing agencies;
(2) amending or updating spheres of influence;
(3) annexations or detachments from cities or special districts;
(4) formation of new special districts;
(5) special district dissolutions;
(6) mergers of special districts with cities;
(7) establishment of subsidiary districts; or
(8) any additional reorganization options found in the LAFCO statute.

2.2.8 Evaluation of Management Efficiencies: Management efficiency refers to the effectiveness of an agency's internal organization to provide efficient, quality public services. Efficiently managed agencies consistently implement plans to improve service delivery, reduce waste, eliminate duplications of effort, contain costs, maintain qualified employees, build and maintain adequate contingency reserves, and encourage and maintain open dialogues with the public and other public and private agencies.

The reviews conducted by Shasta LAFCO will evaluate management efficiency by analyzing agency functions, operations, and practices – as well as the agency's ability to meet current and future services demands. Services will be evaluated in relation to available resources and consideration of service provision constraints.

2.2.9 Local Accountability and Governance: Local accountability and governance refers to an agency's decision making and operational and management processes that:

(1) include an accessible and accountable elected or appointed decision making body and agency staff;
(2) encourage and value public participation;
(3) disclose budgets, programs, and plans;
(4) solicit public input when considering rate changes and work and infrastructure plans; and,
(5) evaluate outcomes of plans, programs, and operations and disclose results to the public.

In making a determination of local accountability and governance, Shasta LAFCO will consider the degree to which the agency fosters local accountability.

2.3 Engagement of Consultants

Shasta LAFCO recognizes that some affected local agencies may desire to expedite the preparation of proposed municipal service reviews for LAFCO consideration. It is the intent of Shasta LAFCO to minimize municipal service review preparation, review and approval time, utilizing LAFCO staff to the extent possible and considering the policies and procedures stated in this Chapter, but when requested by an affected local agency because other LAFCO priorities and staff constraints may otherwise delay review completion benefitting a particular

local agency, an independent consultant may be engaged by LAFCO to assist with the preparation of such a review, as provided in this Chapter.

Section 3. Procedures

Based upon the statutory provisions, and with consideration given to the guidelines prepared by the State Office of Planning and Research, Shasta LAFCO has established procedures for the conduct and preparation of municipal services reviews. The procedures set forth below are not to be considered all-inclusive; rather, they are to be considered as the "procedural framework" for implementing the specific requirements set forth in the statute. In all cases, the statute is the prevailing document.

3.1 Environmental Review

Shasta LAFCO, as lead agency, will be responsible for preparation, circulation, and adoption of the appropriate environmental review document required by the California Environmental Quality Act of 1970 (CEQA) as amended (Public Resources Code Section 21000 et. seq.) and the State CEQA Guidelines as well as Shasta LAFCO's CEQA policies.

CEQA requires LAFCO, as lead agency, to make one of three basic environmental determinations with respect to the potential effect of the municipal services review (which is deemed to be a "project" under CEQA). The project may qualify for an Exemption, either Statutory (SE), General (GE), or Categorical (CE). Qualification for an Exemption under any one of these categories requires no further analysis. If the project is not exempt, LAFCO must prepare either a Negative Declaration (ND) where no significant environmental effects are identified, or an Environmental Impact Report (EIR) where one or more impacts are found to be potentially significant.

Because no two services reviews will be exactly alike, Shasta LAFCO will need to evaluate each on its specific merits and characteristics in terms of making the determination as to the applicability of an exemption, Negative Declaration, or Environmental Impact Report.

3.2 General Order of Review

Shasta LAFCO will prepare municipal services reviews in the general order shown on the list of agencies located in the exhibits at the end of LAFCO's Policies & Procedures manual, beginning with the County of Shasta and the County Services Areas, followed by the Cities, the Community Services Districts, the Water Districts, and then the Fire Protection Districts.

3.2.1 Modification of Order: Shasta LAFCO has authorized the Executive Officer to modify the order of review should specific conditions or issues warrant doing so. For example, a landowner and/or an agency may petition for review priority in the case where there is a pending change of organization or reorganization that cannot be considered by LAFCO unless and until the agency's sphere of influence is amended, and the sphere cannot be amended until a services review is done. LAFCO would be inclined to modify the order of review and grant priority, provided in doing so that it would not impose an extra cost on LAFCO, or impede the completion of other reviews underway at the time of the petition for priority.

As another example, LAFCO may change the order of review if an agency fails to respond in a timely or complete fashion to LAFCO's request for information and participation in the review process, and the lack of response would significantly impede

LAFCO's ability to complete the services review. In such a case, the non-responding agency will be relegated to the bottom of the group list, and would not be eligible for priority review in the event of a later petition in order to accomplish a change or organization or reorganization.

3.3 Project Introduction

LAFCO proposes to introduce the review project to the affected agencies via presentations to the governing bodies of the affected agencies. A letter to each agency will request an opportunity to outline the project at one of their regular meetings. Following the presentation, LAFCO will ask the governing body to designate a department and/or lead staff to assemble and submit the data and information, as well as participate in the review dialogue. The Executive Officer will make the presentations.

In the event a presentation cannot be scheduled, LAFCO will proceed directly to the formal notification discussed under the next section.

3.4 Formal Notification

3.4.1 Concurrent Notification: To the extent possible, staff will commence reviews in a *concurrent* rather than *sequential* fashion, meaning that staff will begin the process by contacting *all of the agencies* in a given group *at the same time*, rather than one at a time.

3.4.2 Request for Information: LAFCO will issue a *Request for Information* (RFI). The RFI cites the statutory requirement for services reviews, as well as the requirement for written determinations based upon statutory factors. The RFI asks for an agency profile, reports, plans, maps, and for narrative responses to questions related to the statutory factors. A copy of the RFI is included in the exhibits at the end of the Policies & Procedures manual.

3.5 Completeness Determination and Initial Analysis

LAFCO will make a determination as to the completeness and sufficiency of an agency's response to the RFI. If the response is incomplete or insufficient for LAFCO to proceed to the initial analysis phase, the agency will be so notified and provided an opportunity to provide additional data and information.

When the response to the RFI has been deemed to be complete and sufficient enough on which to proceed, LAFCO staff will commence the initial analysis. The analytical process will include dialogue, and meetings if necessary, with agency staff for the purpose of confirming the data as well as developing an understanding of the implications of the information in the context of the statutory determinations that LAFCO must make in the course of a municipal services review.

3.6 Administrative Draft Municipal Services Review

Upon completion of the analysis, LAFCO staff will prepare and issue an administrative draft services review for limited circulation. The intent of the administrative draft to provide the agency under review an opportunity to identify any unintended errors, omissions, or misinterpretations of data.

3.7 Draft Municipal Services Review

Following the administrative draft review period, a draft municipal services review will be prepared and circulated for public review for a prescribed period leading up to a public hearing and adoption action by LAFCO.

At the public hearing, the Commission will receive all comments, oral and written, on the draft services review, after which the Commission will be asked to take action adopting the draft document. If the Commission determines it is appropriate to do so, the adopting action may also include waiver of a public hearing on the final services review. The adopting action will also include a direction to staff to prepare a final services review, with responses to the comments on the draft document to be included in the final document.

3.8 Final Municipal Services Review

If the Commission has not waived a public hearing, a final municipal services review will be prepared and circulated for public review for a prescribed period leading up to a public hearing and adoption action.

At the public hearing, the Commission will receive all comments, oral and written, on the final document, after which the Commission will be asked to take an adoption action.

3.9 Final Distribution and Subsequent Use

The final municipal services review will be distributed to the study agency and other affected agencies, as well as retained in the LAFCO office for public review.

LAFCO, local agencies, and the public may subsequently use the determinations in the services review to pursue changes to services, local jurisdictions, and/or spheres of influence.

3.10. Consultant Selection Process

The following procedures shall be adhered to when an interested local agency desires to have an independent consultant assist in the preparation of a municipal service review.

3.10.1. Applicant Notification: Any local agency seeking to have LAFCO engage a consultant for the purpose of preparing a proposed review shall notify the Executive Officer in writing of such intent. Following such notice, and if the Executive Officer determines that a review is then needed for the affected agency, the applicant agency will be so notified in writing. That notice will inform the applicant of the review requirement, issues which need to be addressed in the review, and the consultant selection process that will be used by LAFCO. LAFCO will be solely responsible for distributing Requests for Proposals (RFPs).

3.10.2. Deposit of Funds: Upon the selection of prospective consultants to be sent an RFP, but before actual preparation of the RFP documents, the applicant agency shall deposit funds sufficient to pay for estimated LAFCO staff costs for preparation of the RFP. Estimates of staff costs shall be based on current labor and material rates.

3.10.3. Preparation of RFP: Subsequent to notification of the applicant and upon the deposit of funds as provided in Section 3.10.2, the Executive Officer will prepare the RFP and mail

it to a minimum of three (3) qualified consultants. The Executive Officer may select additional qualified consulting firms to be sent an RFP if it is determined that a wider range of potential consultant responses are appropriate due to the nature or complexity of the proposed review.

3.10.4. Submission of Proposals: Consultant proposals shall be submitted directly to the Executive Officer by the date specified in the RFP.

3.10.5. Conflicts of Interest: Any consultants selected by LAFCO for receipt of an RFP shall not have a current or prospective financial interest in the proposed project for which the review must be prepared. The prospective consultants shall submit, as part of their proposal, a written statement that no such conflict of interest exists or will result, as prohibited by the California Political Reform Act.

3.10.6. Consultant Review and Evaluation Criteria: The Executive Officer shall review the consultants' proposals and make a written recommendation to the Commission concerning proposed consultant engagement.

3.10.7. Selection of Recommended Consultant and Preparation of Contract: Any consultant selected for the preparation of a review shall be required to enter into a written contract with LAFCO, setting forth the scope of work, time line, and compensation for services to be rendered. No work shall be started on the proposed review until the Commission has approved the required consultant and applicant agency reimbursement contracts. Upon the Executive Officer's preliminary consultant recommendation and agreement as to terms of the proposed consultation, the contract will then be submitted to LAFCO Legal Counsel for review and approval as to form. It will then be presented to the Commission for final approval.

3.10.8. Applicant Notification and Review Preparation Fee: After the proposals have been evaluated, and following consultant contract approval by the Commission, the applicant agency will be notified of the consultant who will prepare the proposed review and of the estimated consultant costs. Funds sufficient to cover the estimated costs of cons4ltant services and any related extraordinary LAFCO costs shall be deposited with LAFCO by the applicant agency prior to the issuance by the Executive Officer of a Notice to Proceed to the consultant. The applicant agency, upon notice from LAFCO, will also be responsible for any additional deposits that may be necessary to cover any projected deficiency in the consultant contract and related cost estimates resulting in the initial deposit of funds with LAFCO.

3.10.9. Applicant Agency Agreement: Prior to making the above mentioned deposits associated with review preparation, the applicant agency shall enter into a written agreement with LAFCO authorizing preparation of the proposed review using consultant services, and providing that the applicant agency shall pay any deficiency in the associated costs amount to be deposited with LAFCO by that agency.

Section 4. Periodic Review and Update

4.1 Commission Review

The policies and procedures pertaining to municipal services review, as set forth in the sections above, shall be subject to periodic review by the Commission. Based upon the review, the Commission may direct changes and additions to the policy and procedural statements.

4.2 Statutory Update

The policies and procedures set forth in the sections above shall also be subject to immediate change in the event of statutory changes which would have the effect of rendering Shasta LAFCO's policies and procedures pertaining to municipal services review inconsistent or out of compliance with the LAFCO Act.

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