

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
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(916) 874-6458

November 2, 2002

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer
Donald J. Lockhart, Assistant Executive Officer

RE: **STAFF SUMMARY - MUNICIPAL SERVICE REVIEW
GUIDELINES FINAL DRAFT (October 3, 2002)**

RECOMMENDATION

1. Approve, in concept, the attached proposed local Municipal Service Review Guidelines and the proposed "Municipal Service Review Request for Information (RFI) Worksheet and Questionnaire."
2. Direct staff to conduct a workshop to solicit comments on the Municipal Review RFI Worksheet and Questionnaire and proposed Municipal Service Review work plan.

The Municipal Service Review¹ process affords your LAFCo the opportunity to revisit the full spectrum of municipal services throughout the county. The process will encourage public participation and early consultation with stakeholder organizations, as we work together to implement the intent of the legislature at the local level.

This policy paper is designed to provide local guidelines for the Sacramento Local Agency Formation Commission's Municipal Service Reviews based on guidelines prepared by the Governor's Office of Planning and Research (OPR). Staff will conduct a workshop to solicit comments from affected agencies related to the proposed local guidelines for Municipal Service Reviews.

¹ Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Section 56430.

Staff has reviewed the draft OPR MSR Guidelines, and met with your Commission's Ad Hoc MSR Guidelines Sub-Committee, (Vice Chair Mulberg, Commissioners Porter and Tooker) to further consider the matter. The points of discussion are reflected in this final draft report.

Summary

On October 3, 2002 the Governor's Office of Planning and Research (OPR) issued the Final Draft Guidelines relating to Municipal Service Reviews (MSR) for a twenty-one day public review period. These guidelines are advisory in nature, and are intended to assist each LAFCo in complying with the new requirement for municipal service reviews.

The Guidelines may provide a backdrop to assist LAFCo to carry out the 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.

Municipal Service Review Goals and Objectives

LAFCo's are required to conduct comprehensive reviews of all municipal services provided by agencies with existing or needed SOIs. These reviews become information tools that can be used by LAFCo, and the public; as well as local, regional and state agencies based on their area of need, expertise, or statutory responsibility. Municipal service reviews can be used to:

- ✓ Promote orderly growth and development in appropriate areas with consideration of service feasibility, service costs that affect housing affordability, and preservation of open space, important agricultural land and finite natural resources; and
- ✓ Encourage infill development and direct growth to areas planned for growth in General Plans;
- ✓ Learn about service issues and needs;
- ✓ Plan for provision of high quality infrastructure needed to support healthy growth;
- ✓ Provide tools to support regional perspectives or planning that address regional, cross county or statewide issues and processes;
- ✓ Develop a structure for dialogue among agencies that provide services;

- ✓ Develop a support network for smaller or ill funded districts that provide valuable services;
- ✓ Provide backbone information for service provider directories or inventory reference documents for counties that do not have them;
- ✓ Develop strategies to avoid unnecessary costs, eliminate waste, and improve public service provision;
- ✓ Provide ideas about opportunities to streamline service provision through use of shared facilities, approval of different or modified government structures, joint service agreements, or integrated land use planning and service delivery programs; and
- ✓ Promote shared resource acquisition, insurance policies, joint funding requests or strategies.

The OPR Guidelines attempt to clarify those actions which are required by law and those which are advisory. 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. It further discusses suggested review scheduling, stakeholder outreach, data gathering, and identification of the review area boundary. **Part II** provides suggestions for the review process, including integrating the MSR with other LAFCo actions, application of the California Environmental Quality Act and potential environmental justice impacts, and the development of the nine determinations. **Part III** discusses approaches to drafting the MSR report, and the public hearing and adoption process. ***Much of this information is consistent with ongoing staff practices, and your adopted Policies, Standards & Procedures.***

The draft also includes various support appendices. **Appendices A and B** provide lists of important definitions and acronyms used in the Guidelines. **Appendices C - L** provide additional background and templates.

OPR stresses that the Municipal Service Review Guidelines are not a regulatory document. It is intended to enable LAFCo to consistently make the most accurate and substantiated MSR determinations.

Other suggestions are consistent with ongoing staff practices regarding cataloging of service providers, including mapping of territories, consideration of the MSR for individual or clustered services, encouraging early consultation - with affected LAFCo's, regional planning staff, city and county planning staff,

service providers, stakeholder groups and the public. Other matters to be considered are whether to utilize multi-county review if a service affects or overlaps adjacent LAFCo's; identifying staff resources and capacity, and funding arrangements or options.

This memo focuses on the nine core elements of concern, including formulating the appropriate determinations.

PROPOSED MUNICIPAL SERVICE REVIEW PROCESS

There are a number of ways to conduct the MSR process. Individual service providers may be reviewed, or those with shared interest may be grouped together for review (fire, park, water, cemetery, etc.). Municipal service reviews could also be conducted for either (a) a specific geographic area, i.e., north of the American River/ south of the American River, or (b) urban service delivery/ rural service delivery needs. Each approach has merit, and should be considered in the formulation of the MSR process.

I think that the MSR process will be multi-dimensional, and should be flexible, with different tiers and/or phases. I suggest that the MSR process begin by reviewing each service provider separately, with a progression towards an overall system review of similar municipal services (parks, water, fire, etc.)

Additionally, the system-wide process would look within the MSR prepared for each affected agency to analyze the delivery of municipal services to geographical areas for areas that are subject to new growth. This would allow like settings i.e., rural or urban, to reflect community expectations, and identify potential areas for new development.

The MSR prepared for each agency will provide a detailed analysis based on the OPR Guidelines, and community standards. The system analysis utilizes this detailed information and determinations to examine the overall service standards, to determine how the overall delivery system functions.

Municipal Service Review Summary

By their very nature the MSR may have several crossover issues such as financial, growth accommodation and organizational options. This summary seeks to avoid redundancy by maintaining an overview of the core elements of concern, with the understanding that specifics may be applied as needed.

In the interest of efficiency of process, OPR points out that many service providers may regularly submit reports to a regulatory or financing agency which contain the information LAFCo needs to complete the municipal service review.

Early stakeholder consultation should yield meaningful input by the service provider and reduce the time and cost to all.

Service providers should be respected as the experts in their field, and encouraged to take the opportunity to inform the public about best management practices, industry standards, and other pertinent accomplishments of the agency. Also, service providers should provide community context, and discuss any challenges that exist in providing services to a particular area.

The Municipal Service Review will require that written determinations be made regarding the following factors:

1. Infrastructure needs or deficiencies;
2. Growth and population projections for the affected area 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.

The following section discusses what staff believes to be the core issues that need to be addressed for determination. These core issues have been included in the attached Municipal Service Review Request for Information Worksheet and Questionnaire.

1. INFRASTRUCTURE NEEDS AND DEFICIENCIES

The MSR will result in a clear understanding of the level of efficiency of delivery of public services. Infrastructure can be evaluated in terms of capacity, condition, availability, quality and relationship to operational, capital improvement and finance planning. Several points should be considered in identifying an agency's infrastructure needs and deficiencies. The determination should address:

- ✓ Baseline data- existing population demand for services versus projected demand for service.
- ✓ Condition of infrastructure - quality and availability.
- ✓ Operating and maintenance programs - including any deferred maintenance issues related to infrastructure needs.
- ✓ Existing infrastructure capacity.
- ✓ Projected infrastructure needs or deficiencies.
- ✓ Adopted capital improvement plans. (a) Replacement of facilities;
(b) Construction of new facilities.
- ✓ Compliance with environmental and safety standards.
- ✓ Consistency with local and regional land use plans.
- ✓ Consistency with state policies for affordable housing programs.
- ✓ Professional affiliations/memberships.
- ✓ State, industry or association standards.

2. GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

Service efficiency is linked to an agency's ability to plan for future need while meeting existing service demands. A service provider must meet current customer needs, and also be able to determine where future demand may occur. The MSR will address the ability of the agency to integrate future growth and population patterns into the agency's planning function. Several points should be considered in identifying an agency's growth and population projections for the affected area. The determination should address:

- ✓ Baseline service demand.
- ✓ Projected growth in the service area, region and/or sub-region and related impacts on land use plans and growth patterns.
- ✓ Projected demands on municipal service providers, (i.e., water, wastewater, solid waste, transportation, air quality, recreation and parks, and fire) based on projected growth and land use plans.
- ✓ Impacts to affordable housing programs, both locally and regionally.
- ✓ Compatibility of service plan(s) with other local agencies based on projected land use/ development plans.

3. FINANCING CONSTRAINTS AND OPPORTUNITIES

The MSR must weigh a community's public service needs in the context of the resources available to fund the service. Opportunities and constraints will be identified to inform the review process, to determine if the agency is capitalizing on financing opportunities. Several points should be considered in identifying an agency's financing constraints and opportunities. The determination should address:

- ✓ Existing funding practices/sources.
- ✓ Baseline financial status of the agency - including existing debt and bond rating(s.)
- ✓ Status, amount and purpose of reserve funds.
- ✓ Existing and/or proposed assessment district(s).
- ✓ Opportunities for new revenue streams and funding services.
- ✓ Analysis of financing rates between other agencies of the study area.

- ✓ Opportunity for joint venture for regional scale infrastructure or facilities.

4. COST AVOIDANCE OPPORTUNITIES

The MSR will assess cost avoidance opportunities such as eliminating duplicative services, reviewing administrative to operational cost ratios, and consideration of the age and status of infrastructure. Several points should be considered in identifying an agency's cost avoidance opportunities. The determination should address:

- ✓ Economies of scale in shared purchasing power, and any other cost sharing opportunities that can be implemented by joint use or sharing resources.
- ✓ Any duplication (overlap), or gaps in services or boundaries.
- ✓ Ongoing cost avoidance practices. (Contract vs. in house, bidding process cost effective and efficient).
- ✓ Opportunities to reduce overhead and operational costs.
- ✓ Opportunities to reduce duplication of infrastructure.

5. OPPORTUNITIES FOR RATE RESTRUCTURING

As applicable, the MSR will review agency rates in the context of public service delivery. Points of consideration will include rate setting methodology, potential impact of future conditions on existing rate payers, variances in rates, fees, taxes, charges, etc. within the agency and the region. Several points should be considered in identifying an agency's opportunities for rate restructuring. The determination should address:

- ✓ Comparison of rates with other like service providers.
- ✓ History of rates (rate stability or fluctuation).
- ✓ Projected rate increases.
- ✓ Impact of projected growth on rates.
- ✓ Financial impacts of infrastructure needs related to new development on existing customers.
- ✓ Impact of capital improvement for replacement facilities on rates.

6. OPPORTUNITIES FOR SHARED FACILITIES (Cost Avoidance)

Public service costs may be reduced commensurate with increased service efficiencies, if agencies develop strategies for sharing resources. Several points should be considered in identifying an agency's opportunities for shared facilities. The determination should address:

- ✓ Existing and potential shared facilities, infrastructure, and staff.
- ✓ Existing and potential joint use planning.
- ✓ Existing and/or potential duplication with existing or planned facilities or services with other agencies.
- ✓ Availability of any excess capacity to serve customers of other agencies.
- ✓ Identifying gaps in existing or planned facilities with other service providers.

7. GOVERNMENT STRUCTURE OPTIONS

The MSR will explore government structure options, including the pros and cons of changes - consolidation or reorganization of service providers. Several points should be considered in identifying an agency's government structure options. The determination should address:

- ✓ Merging, expanding or contracting service areas that would improve the delivery of services, eliminate service gaps or duplication, reduce costs.
- ✓ Existing or new government options to provide for logical service boundaries in the local and regional context.
- ✓ Opportunities to eliminate service islands, peninsulas, and other irregular service areas.
- ✓ Identify government options that would facilitate construction financing in order to share resources and eliminate the need for new duplicative facilities.
- ✓ Cost benefit of restructuring service providers based on reducing overhead, boards of directors, administrative staff, capital outlay.
- ✓ Changes and/or modification in boundaries in order to promote planned orderly and efficient patterns of urban development
- ✓ Opportunities to improve the quality and level of service through changes in government structure.
- ✓ Opportunities to improve service delivery system by standardizing service levels and costs through consolidation or reorganization (create uniformity).

8. EVALUATION OF MANAGEMENT EFFICIENCIES

THE MSR will review the effectiveness of an agency's internal organization to provide efficient, quality public service. Several points should be considered in identifying an agency's management efficiencies. The determination should address:

- ✓ Consistency with community needs.
- ✓ Existing level of service.
- ✓ Quality of service provided.

- ✓ Comparison of cost with other service providers.
- ✓ Impact of service on existing customers based on projected growth or if areas are annexed.
- ✓ Comparison of agency's mission statement and published customer service goods (agency's reform measures).
- ✓ Policies and adequacy related to:
 - Budget practices/ audit financial statements.
- ✓ Agency's Master Plan:
 - Union Representation
 - Training Practices
 - Personnel Policies
 - Contingency Plans
 - Capital Improvement Plans
 - Litigation/ Grand Jury issues
- ✓ Impact of agency's policies and practices on environment objectives.
- ✓ Impact of agency policies and practices on affordable housing.
- ✓ Waste reduction measures.

9. LOCAL ACCOUNTABILITY AND GOVERNANCE

The MSR will make a determination regarding the degree to which an agency fosters local accountability through the decision making, operational and management processes in place. Several points should be considered in identifying an agency's local accountability and governance. The determination should address:

- ✓ Compliance with state disclosure laws and the Brown Act.
- ✓ 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, customer complaint and suggestion opportunities).
- ✓ Availability of agency representatives (i.e., board members, employees, staff).

- ✓ Public outreach efforts (i.e., newsletters, bill inserts TV, website) that encourage and value public participation.
- ✓ Media involvement (i.e., meetings publicized, evening board meetings, evening or weekend public planning sessions).
- ✓ Accessibility of meetings (i.e., meetings publicized, evening board meetings, evening or weekend planning sessions).
- ✓ Election process.
- ✓ Public access to information and agency reports.

Municipal Service Review Request for Information Worksheet and Questionnaire

The following is a proposed Request for Information (RFI), to be completed by LAFCo staff and the affected agency. Staff proposes to provide the questionnaire to all stakeholder agencies for each Municipal Service Review.

The RFI merges the common elements of each of the nine areas of determination into five information categories. All nine areas of determination are addressed by the five RFI categories.

This is the opportunity for the affected stakeholder agencies to tell their own story, in response to the intent of the Legislature, as enacted in Cortese -Knox-Hertzberg 2000.

PB:DL:Maf
(Memo to Comish on MSR Guidelines)

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
1112 I Street, Suite #100, Sacramento, California 95814
(916) 874-6458

MUNICIPAL SERVICE REVIEW WORKSHEET
AND QUESTIONNAIRE

Date: _____

Agency Name: _____

Address: _____

Website: _____

Telephone: _____ (FAX) _____

Administrator Name: _____

Title: _____

Name of Contact: _____

Contact's e-mail Address: _____

Agency 's Principle Act: _____

Date of Formation/ Incorporation: _____

Services Provided: _____

Latent Powers: _____

Governing Body: _____

Total Number of Employees: _____

_____ # Represented

_____ # Unrepresented

Acreage/ sq. Miles within Agency: _____

Total Population within Agency: _____

Total Registered Voters within Agency: _____

Please Provide the Following:

1. Mission Statement
2. Current Organization Chart
3. Most Recently Adopted Budget
4. Most Recently Completed Financial Audit Report
5. Annual Report
6. Strategic Plan/ Master Plan
7. Copies of Current and Past Year's Newsletters
8. Any other Relevant Supporting Documents

I. INFRASTRUCTURE, FACILITIES AND SERVICES/ GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

- a) What is the current (baseline) demand for services?
- b) What is the projected demand for services?
- c) What is the existing and projected service capacity?
- d) How are infrastructure needs determined? Provide copies of capital improvement and master plans that address infrastructure.
- e) Provide schedules for infrastructure replacements and upgrades; explain how schedules are being met. Describe operation and maintenance program(s), including any identified areas of deferred maintenance.

- f) How will new or upgraded infrastructure be financed?
- g) List infrastructure deficiencies; indicate if deficiencies have resulted in permit or other regulatory violations; explain how deficiencies will be addressed.
- h) Describe capital facilities that are underutilized; explain how underutilized facilities could be shared with other agencies.
- i) How are service needs forecast?
- j) How are growth/population projections integrated with plans for future services?
- k) Provide maps of service areas for services that are provided less-than agency wide.
- l) Describe any variance or inequity in levels of service provided to customers. Explain why unequal service levels are present.
- m) Provide the assessor parcel number or addresses of properties, which are located outside agency boundary and receive agency services; list type of service and date service commenced.
- n) Explain policies or procedures that establish priorities for directing services to infill areas.
- o) Describe provisions for providing services in emergency situations, (i.e., storage capacity, number of days that services can be provided, etc.).

II. EVALUATION OF MANAGEMENT EFFICIENCIES

- a) What awards or recognition has the agency received?
- b) List number of employees by category; executive, management, professional, operational, etc.
- c) Describe internal reorganizations within the past three years; list job titles or positions that have been eliminated; provide pre- and post-reorganization charts.
- d) List number of annual terminations, resignations, and retirements, which have occurred in each category, for the preceding three years.
- e) Describe positions that have remained vacant during the past three years.
- f) Describe training and personnel policies.
- g) Are salaries and pay scales comparable/ competitive with regional and industry standards?
- h) Is organization structure similar with like service providers? Describe any differences.

III. FINANCING CONSTRAINTS AND OPPORTUNITIES/ OPPORTUNITIES FOR RATE RESTRUCTURING

- a) Describe rate setting methodology.
- b) Describe all revenue sources (i.e., property taxes, special taxes, service charges, fees, assessments, grants, etc.).
- c) Explain constraints associated with agency's ability to generate revenue. What options are available - special assessments/ special taxes/ increases in sales tax, etc.
- d) Describe policies and procedures for limiting expenditures, which staff may make, without board/council approval.
- e) Provide a summary of annual legal expenditures for the past three years; segregate expenditures associated with settling claims by employees or other parties and describe the justification for each settlement.
- f) Explain the agency's bond rating; discuss reason for rating. Discuss amount and use of existing debt. Describe proposed financing and debt requirements.

- g) Describe policies and procedures for investment practices.
- h) Describe policies and procedures for establishing and maintaining reserves/retained earnings. What is the dollar limit of reserves/retained earnings? What is the ratio of undesignated, contingency, and emergency reserves to annual gross revenue?
- i) Explain any variances in rates, fees, taxes, etc., which are charged to agency customers. Describe rate/fee policies.
- j) Explain policies and procedures for fee rebates, tax credits, or other relief given to agency customers. Provide details of any rebates, etc., issued during the past three years.
- k) Discuss increases or decreases in rates, fees, taxes, or other charges that have been implemented during the past three years.
- l) Discuss opportunities for rate restructuring.
- m) Describe policies and practices for depreciation and replacement of infrastructure.
- n) Describe impact of growth on current ratepayers, and need to accrue debt for capital improvements for projected growth.

IV. GOVERNMENT STRUCTURE OPTIONS/ LOCAL ACCOUNTABILITY AND GOVERNANCE

- a) Explain the composition of the agency's governing body and indicate if elections or appointments are at large or by district. Number of Directors, Nature/ Length of Terms, indicate if governing body is landowner or population based.
- b) Provide a three-year history of agency election and appointment results; identify candidates and winner/appointee for each position.
- c) Explain compensation and benefits provided to the governing board, including any benefits that continue after term of service.
- d) How frequently does the governing body meet
- e) Describe rules, procedures, and programs for public notification of agency operations, meetings, programs, etc. How is public participation

encouraged? Are meetings accessible to the public, i.e., evening meetings, adequate meeting space, etc.?

- f) Describe public outreach efforts, (i.e., newsletters, bill inserts, website, etc.)
- g) Describe violations or investigations within the past three years related to the Ralph M. Brown Act and the Political Reform Act. Describe grand jury or law enforcement agency investigations.
- h) Describe agency's prior involvement in a reorganization (i.e., consolidation, merger, etc.) if applicable. Explain opportunities and obstacles for future reorganizations. Provide copies of any relevant studies on reorganization that agency has conducted and summarize outcomes.
- i) Describe level of public participation, and ways that staff and directors are accessible to the public.
- j) Describe ability of public to access information and agency reports.
- k) Describe existing and new government options to provide for logical service boundaries in the local and regional context.
- l) Describe opportunities to eliminate service islands, peninsulas and other illogical service areas.

V. OPPORTUNITIES FOR SHARED FACILITIES COST/ AVOIDANCE OPPORTUNITIES

- a) Describe existing and potential shared facilities, infrastructure, and staff. Describe any joint power agreements or other agreements for sharing resources with other agencies.
- b) Describe existing and potential joint use planning.
- c) Describe existing and/or potential duplication with existing or planned facilities or services with other agencies.
- d) Describe availability of any excess capacity to serve customers or other agencies. Describe any economies of scale in shared purchasing power, and any other cost sharing opportunities that can be implemented by joint use or sharing resources.
- e) Describe any duplication (overlap), or gaps in services or boundaries.

- f) Describe ongoing cost avoidance practices. (Contract vs. in house, is bidding process cost effective and efficient)?
- g) Describe opportunities to reduce overhead and operational costs.
- h) Describe opportunities to reduce duplication of infrastructure.
- i) Identify areas outside agency boundary which could be efficiently served by existing or proposed agency facilities.
- j) Identify areas within agency boundary, which could be more efficiently served by another agency.
- k) Are your service plans compatible with other local agencies? Explain.

V. Additional Information

- a) Please provide any additional information that you would like LAFCo to evaluate as part of your agency's Municipal Service Review.
- b) Indicate any information relevant to your agency which LAFCo should obtain from other agencies.
- c) Please forward any publications your agency has produced that will assist LAFCo staff in a review of your agency's service provision.

If you have questions, please do not hesitate to call me at 874-6458.

Thank you for your cooperation,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Peter Brundage
Executive Officer

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