

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
1112 I Street #100
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June 3, 2009

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: **FINAL MUNICIPAL SERVICE REVIEWS AND SPHERE OF INFLUENCE UPDATES:**

A.	Arden Manor Recreation and Park District	(LAFC 01-09)
B.	Arden Park Recreation and Park District	(LAFC 02-09)
C.	Arcade Creek Recreation and Park District	(LAFC 03-09)
D.	Fulton-El Camino Recreation and Park District	(LAFC 04-09)
E.	Mission Oaks Recreation and Park District	(LAFC 05-09)

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RECOMMENDATION

Staff respectfully recommends that your Commission accept the attached Final Municipal Service Reviews (MSR) and Sphere of Influence Updates. The Draft Municipal Service Reviews (MSR) and Sphere of Influence Updates were issued for public review on May 6, 2009.

These Final MSRs are the result of collaboration with the affected agencies. Your staff gratefully acknowledges the support and ongoing responsiveness of the Districts to keep your Commission and the public informed.

SUMMARY

This set of Municipal Service Reviews and Sphere of Influence Updates has been prepared to examine five recreation and park districts within Sacramento County. The Districts are:

- Arden Manor Recreation and Park District
- Arden Park Recreation and Park District
- Arcade Creek Recreation and Park District
- Fulton-El Camino Recreation and Park District
- Mission Oaks Recreation and Park District

Consistent with the ongoing direction of your Commission to maximize the efficient use of limited staff resources, the five individual districts have been reviewed concurrently in light of their geographic proximity.

DISCUSSION

The Draft MSR's were reviewed by your Commission on May 6, 2009. At that time there was discussion regarding the overall Municipal Service Review process, and the application of the information gleaned therein. As previously deliberated by your Commission, 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 may 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 was given due consideration in the formulation of the Sacramento MSR policy.

Your Commission adopted the policy that the MSR process be multi-dimensional, and flexible, with different tiers and/or phases. The direction to staff is that the MSR process proceed by reviewing each service provider separately, with a progression towards an overall system review of similar municipal services (parks, water, fire, etc.) The previous staff report regarding the MSR review policy is attached.

Background

Role and Responsibility of LAFCo

The Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 (CKH Act) requires your Commission to prepare a Municipal Service Review and Sphere of Influence Update for all special districts. The fundamental role of LAFCo is to provide for logical, efficient, and appropriate formation of local municipalities, service areas, and special districts. These service reviews provide information required by LAFCo related to recreation and park districts and local governments providing such services within the county.

Purpose of the Municipal Service Review

The Municipal Service Review (MSR) provides LAFCo with a comprehensive analysis of service provision by each of the recreation and park districts in the unincorporated Arden Arcade area. The various MSR analyses focus on the distinct characteristics of each community served by each district. The five districts consistently demonstrate a unique ability to respond to their respective constituencies. Each district effectively and efficiently provides service to residents within their boundaries, to accommodate the projected increase in service demand due to population growth, and to provide services in their respective sphere of influences. The sphere of influence (SOI) of each provider represents the probable future boundaries and service area of that district. Each special district considered in this review has boundaries co-terminous with their sphere of influence, thus the analysis considers these equally. The MSR's make district specific determinations in each area of evaluation, providing the basis for your Commission to accept the respective Municipal Service Reviews.

Sacramento LAFCo is required to develop and determine the Sphere of Influence for each special district. When enacting and reviewing spheres of influence for these special districts, your Commission considers and makes recommendations based on the following information:

- The present and planned land uses in the area

- The present and probable need for services in the area
- The present ability of each district to provide necessary services
- The fiscal, management, and structural health of each district
- The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency

These MSR's are designed to provide this information, so that your Commission makes informed decisions based on the best available data for each district.

The five service providers considered in these MSR's are varied in staffing levels, budgets, number and size of facilities, and diversity of services. Each district effectively responds to the service demands of the affected community. Some districts have greater staff resources, such as administrative staff to prepare financial reports, while others rely more greatly on seasonal part-time staff and volunteers. Some districts offer neighborhood, community, and linear parks, while others own and maintain more limited assets. A comparative table is attached, which shows the both the similarities, and distinctions, of the five Districts.

EXECUTIVE OFFICER COMMENTS

This set of Municipal Service Reviews and Sphere of Influence Updates has been prepared to examine five recreation and park districts within Sacramento County. The Districts are:

- Arden Manor Recreation and Park District
- Arden Park Recreation and Park District
- Arcade Creek Recreation and Park District
- Fulton-El Camino Recreation and Park District
- Mission Oaks Recreation and Park District

Each District effectively meets its respective service demand in its service area. The Districts deliver consistent service to the unincorporated areas Sacramento County (and a small portion of the City of Sacramento.) The population growth in these areas has required that the Districts adapt to changing recreational demands. Most importantly, each District has responded with ongoing outreach campaigns: variously the Districts utilize both mail-in and online user preference surveys, and encourage District users to communicate directly with District management. These efforts demonstrate that the service providers are responsive, understand local demands and are dedicated to continually improving services. Also, the five Districts collaborate among themselves, and with a variety of City and County agencies.

RECOMMENDATION

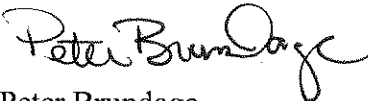
Staff respectfully recommends that your Commission adopt the attached Resolutions to accept the Final Municipal Service Reviews (MSR) and Sphere of Influence Updates, subject to the following determinations. The affected Districts are:

- Arden Manor Recreation and Park District
- Arden Park Recreation and Park District
- Arcade Creek Recreation and Park District
- Fulton-El Camino Recreation and Park District
- Mission Oaks Recreation and Park District

1. The Districts effectively meet recreational and park demands in their respective service areas.
2. Municipal Service Review Determinations:
 - a. Regarding infrastructure needs or deficiencies, the Commission determines that the Districts currently provide adequate services and facilities. No existing District infrastructure is either redundant or underutilized.
 - b. Regarding growth in population expected for the respective service areas, the Commission determines that the respective Districts are capable of continuing to provide recreational service in the future. The various Districts inter-agency relationships suggest that they will be able to adapt to growth by continuing to coordinate joint-use facilities and planning.
 - c. Regarding financing constraints and opportunities, the Commission determines that each District's economies of scale and proven ability to work with a variety of other agencies ensure that it will be able to continue servicing local demand.
 - d. Regarding cost avoidance opportunities, each Recreation and Park District has developed and sustains relationships with competent private contractors.
 - e. Regarding opportunities for shared facilities, the Commission determines that the Districts can continue to partner with local agencies to share the cost of new facilities, and ensure the preservation of viable park spaces.
 - f. Regarding evaluation of management efficiencies, the Commission determines that the Districts are managed efficiently.
 - g. Regarding local accountability and governance, the Commission determines that the Districts have shown a dedication to communicating with local residents. The Districts conduct regular user surveys and frequently hold well-publicized public meetings to ensure that service offerings reflect local demand.

Respectfully submitted,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION



Peter Brundage

Attachments:

Commission Adopted Municipal Service Review Guidelines

(Staff report, April 6, 2005)

Municipal Service Review and Sphere of Influence Update for Arden Manor Recreation and Park District

Municipal Service Review and Sphere of Influence Update for Arden Park Recreation and Park District

Municipal Service Review and Sphere of Influence Update for Arcade Creek Recreation and Park District

Municipal Service Review and Sphere of Influence Update for Fulton – El Camino Recreation and Park District

Municipal Service Review and Sphere of Influence Update for Mission Oaks Recreation and Park District

Park and Recreation Comparative Analysis																
						5 acres per 1000										
Park	Population	Area Square Miles	Developed Parks (acres)	Undeveloped Park Acres	Developed Park Acres per 1000	Full Time / FTE Employees	Part - Time Employees Average per year	Total Funding	Per Capita Spending	Total Administrative Costs	Estimated Deferred Maintenance	Estimated Avg Capital Improvements per Year (FY 03/04-07/08)	Avg. % of Property tax	Total Operational Cost per Employee	Total Reserves	
Arden Manor	7,500	1.5	15	0	2.0	7.36	25	641,266	86	196,000	84,400	64,296	5.34%	87,129	0	
Arden Park	6,500	1.5	13	0	2.0	5	44	671,500	103	188,538	0	8,360	4.96%	134,300	43,000	
Arcade Creek	21,308	5.0	49.25	0.75	2.3	21		\$ 1,716,629	81	193,590	23,779	30,692	3.48%	81,744	0	
Fulton-El Camino	32,000	5.3	78	2	2.4	15	14	2,474,622	77	442,580	596,800	130,200	4.24%	164,975		
Mission Oaks	62,500	8.3	102	0	1.6	14	15	4,400,285	80	820,718	160,000	830,000	3.77%	36,812	2,898,663	
Total	129,808	22	257		2.0			\$ 9,904,302	\$ 76							



Special District Consolidations Background

Current law allows a LAFCo to initiate a proposal to consolidate a district (*Government Code Section 56375*) only if certain conditions are met. A recommendation to consolidate a district must be part of a study to determine the maximum service area and service capacity of a district, a sphere of influence study or a municipal service review (*Government Code Sections 56378, 56425, 56430*). In addition to a recommendation to consolidate based on the findings in either of the three studies, the commission must adopt a resolution making the following determinations: (1) The public service costs of a proposal that the commission is authorizing are likely to be less than or substantially similar to the costs of alternative means of providing the service; and (2) A change of organization or reorganization that is authorized by the commission promotes public access and accountability for community services needs and financial resources (*Subdivision (b) of Government Code Section 56881*).

Items for Consideration: Special District Consolidations

- While consolidation of districts is always an option, what really matters is the quality of services and how well a special district responds to the constituents it serves.
- Consolidation may work in some cases, but it should be a process fully supported by the districts involved and the constituents (who ultimately voted to form and fund the district).
- One significant consideration when special districts merge into a larger district, is that typically they must serve a much larger area. When that happens, they may become further removed from the neighborhood residents who rely on direct access to the district and the elected officials that represent them.
- Consolidation, often, may end up costing customers more in the long run. Costly studies must be conducted to determine if merging is even feasible or acceptable to voters. Ultimately, the conclusion may be that consolidation is not the best option due to a number of reasons and circumstances.
 - As one example, such was the case in 1995, when SB 1232 (Lockyer) was passed to mandate a consolidation study of the Alameda County Water District and the Union Sanitary District. Based on the findings, an independent firm conducting the study did not recommend that a reorganization of the two districts be pursued. In the recommendations they stated, "While there exists opportunities to slightly increase the overall level of service to the service area, those opportunities are not significant and may be pursued through other organizational alternatives." In addition, the consultants concluded, "No major level of service concerns, revenue concerns, or other issues were identified during the course of the study. The proposed consolidation would not address any significant customer service issues. Comments received during the public review of the draft report did not identify any issues of service levels or cost of services." The study's third finding was, "Both districts were found to operate in an efficient and effective manner." The consultants concluded, "Reorganization has a greater potential to negatively impact the existing level of service than to significantly enhance it."
- Many operational, governance and service delivery components should be taken into consideration when even proposing the idea of a consolidation of districts. Not the least of which are existing infrastructure, fiscal stability of existing districts, general need to reorganize, and, most importantly, what the constituents want.
- Bigger is not necessarily better, and that's especially true with government. Local communities/areas vote to form and fund special districts to bring control of decisions and the services they need and want closer to home.

**SPECIAL DISTRICT LEADERSHIP FOUNDATION –
Promoting Excellence in Local Government**

District of Distinction Accreditation Program

The Districts of Distinction program is an accreditation program that enables districts to demonstrate to their communities, the media and legislators their commitment to operate in a sound, responsible manner. Districts apply for designation as a "District of Distinction" by submitting financial audits, policies and procedures and proof of training received by directors and executive staff.

Three main component/metric areas the districts are reviewed on include:

- Financial Audits
 - Prove that they conduct regular audits, in compliance with their enabling codes.
 - The audits must include a clean opinion meaning no significant negative management letters from its auditor. The new requirements of GASB 34 address the audit issues necessary.
 - There may be insignificant findings, if any, and those findings have to have been cleaned up in the following year's audit.
 - Demonstrated prudent financial management
- Policies & Procedures
 - Districts must demonstrate that their operations conform to all statutes and regulations under state law, as reflected in a policies and procedures manual. Policies and procedures should focus on governance, ethics, board conduct, district finances, reserves, etc.
 - Policies follow established guidelines booklet (attached)
- Training for key staff and elected officials
 - Districts must demonstrate that all directors have received training in governance foundations (min. 6 hours).
 - Board of Directors and executive staff have completed required ethics training (AB 1234).

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
1112 I Street, Suite #100
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April 6, 2005

TO: Sacramento Local Agency Formation Commission

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

RE: **REPORT BACK - COMMISSION ADOPTED MUNICIPAL SERVICE
REVIEW GUIDELINES**

RECOMMENDATION

No action is required. This Report Back is provided in response to issues raised at the March 2, 2005 Commission meeting regarding Municipal Service Review criteria and agency consolidation thresholds.

BACKGROUND

The Municipal Service Review¹ (MSR) process affords your LAFCo the opportunity to revisit the full spectrum of municipal services throughout the county. It is an ongoing, evolving undertaking which encourages public participation and early consultation, with active collaboration among staff and stakeholder organizations.

Your Commission conducted a MSR Policy Review Workshop in October, 2002. In response to the Workshop staff prepared the Local MSR Guidelines, which were adopted in November 2002.

With the policy adoption, your Commission also directed staff to conduct a public workshop to solicit comments on the Municipal Service "Review Request For Information" (RFI) Worksheet and Questionnaire and proposed Municipal Service Review work plan. The workshop was held on January 15, 2003, and was well attended by affected agencies - both cities and independent special districts.

The November 2002 staff report is attached for your reference.

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

MUNICIPAL SERVICE REVIEW PROCESS

As previously deliberated by your Commission, 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 may 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 was given due consideration in the formulation of the Sacramento MSR process.

Your Commission determined that the MSR process be multi-dimensional, and flexible, with different tiers and/or phases. The direction to staff was 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.)

This has been accomplished with the six MSRs completed to date:

- American River Flood Control District
- Cemetery Districts in Sacramento County
- Del Paso Manor Water District
- Herald Fire Protection District
- Sacramento Metropolitan Fire District
- Sacramento-Yolo Mosquito and Vector Control District

As we progress towards the system-wide process, your Commission will consider 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 provides a detailed analysis based on the Governor's Office of Planning and Research (OPR) Guidelines and your locally adopted Guidelines, as well as community standards. The system-wide analysis will utilize this detailed information and determinations to examine the overall service standards, to determine how the overall delivery system functions.

Municipal Service Review Summary

Thus far, the MSR process has benefited greatly from a collaborative approach, with early stakeholder consultation yielding meaningful feedback from the service provider - saving time, and reducing cost for all.

Your Commission has previously acknowledged that service providers should be respected as the experts in their field, and encouraged to take the opportunity to tell their own story, through informing the public about best management practices, industry standards, and other pertinent accomplishments of the agency. Also, service providers should provide a community frame of reference, and discuss any challenges that exist in providing services to a particular area.

Other LAFCo MSR Process

Staff conducted a statewide LAFCo survey regarding the various approaches to the MSR process, to determine if there were consolidation thresholds being applied elsewhere. Apparently, no other LAFCos have established such thresholds. Generally throughout the more urban counties, the tendency has been to rely on the genesis of the MSR requirement. The legislatively-established Commission on Local Governance for the 21st Century (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 identified 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

The Hertzberg Commission further identified water, sewer, power, streets, and roads as major "backbone" services and infrastructure necessary to accommodate the growth and development expected to occur in the future. In the opinion of many LAFCo's, other "miscellaneous" governmental services such as parks and recreational facilities, street lighting, mosquito abatement, library buildings and services, transportation services, ambulances and airport operations 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 "non-essential" services necessarily be the determining factor in a LAFCo future sphere of influence and/or annexation decision.

Alameda and Los Angeles LAFCoS use a “benchmark” MSR approach, comparing agencies to each other in like service areas, and generally accepted industry standards.

L.A. LAFCo also adopted a policy to prepare “abbreviated” MSRs for all special districts that did not provide backbone services. These included hospital, cemetery, resource conservation, etc. By doing so, they addressed some 35 districts simultaneously.

The current approach that your Commission has adopted is similar to that being applied most frequently elsewhere. In some cases, “service wide” MSRs are being conducted, i.e., all water providers, or reclamation districts, similar to the Countywide Cemetery MSR completed here. Also, some LAFCos are doing geographical groupings.

Your Commission’s current approach of primarily reviewing each service provider separately, with a progression towards an overall system review of similar municipal services conforms to the standards being applied elsewhere, and is in keeping with the intent of the Hertzberg Commission, and the legislature.

MUNICIPAL STANDARDS AND EVALUATION METHODOLOGY

Benchmark studies rely on applicable performance measures between like service providers to gauge efficiency, cost-effectiveness and the financial health of an organization. For example, a Municipal Service Review for a fire district can compare response times, ISO ratings, cost per capita, staffing Levels per apparatus, per station or per capita, and service calls per capita, to generally accepted industry standards. Thus, a fire district could be compared to both industry standards and to similar service providers, both within and outside of the region. However, the Municipal Service Review must also take into account the context, the type of service area (urban, suburban or rural), as well as the geography and terrain of the subject territory, and other related local conditions and circumstances.

Municipal Service Reviews for other districts would compare factors which are appropriate for each type of service provided. Park districts could be compared to other park districts as to the number of developed park acres per capita; the development, operations and maintenance cost per capita or per acre, etc. Water districts have different benchmarks for comparison such as Best Management Practices for water quality, water rates, conservation programs, condition of infrastructure, number of leaks, etc.

As we move ahead with Municipal Service Reviews, staff will provide discussion on industry standards for the type of district/service. Also, to the extent information is available, there will be comparison of the agency to similar service providers, both within the County of Sacramento, and elsewhere as appropriate.

As an example, two park and recreation districts may have similar budgets and size of service areas. However, one district may have more a youthful demographic desiring more active uses, such as lighted ball-fields. The other district may be in a more mature demo-graphic setting desirous of more passive, nature oriented uses. Each district may well be meeting their respective community service demands, albeit in very different ways.

Staff will endeavor to evaluate applicable standards for each of the various service providers in order to provide an “apples to apples” comparison, as appropriate. Additionally, the MSR will identify local issues and situations that may influence variances from industry norms.

DL

(Memo to Comish MSR Guidelines.doc)

Attachments:

Municipal Service Review Guidelines

Municipal Service Review Policy

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
1112 I Street, Suite #100
Sacramento, California 95814
(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 Review² 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.

Staff has reviewed the draft OPR MSR Guidelines, and met with your Commission's Ad Hoc MSR Guidelines Sub-Committee, (Vice Chair Mulberg,

² Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Section 56430.

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 included 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

Maf
(Municipal Service Review Guidelines)

**Sacramento Local Agency Formation Commission
Municipal Service Review Policy
WORKSHOP**

Purpose of the Municipal Service Review

The Cortese-Knox-Hertzberg requirement for Municipal Service Reviews was drafted in response to California's projected population growth and the need for a coordinated and efficient public municipal service structure to meet that need, as published in Growth Within Bounds.³ It appears that LAFCo's have been asked to evaluate not only the service providers but also the overall service delivery system within its jurisdiction.

The Municipal Service Review process does not require LAFCo to initiate changes of organization based on its findings; it requires that LAFCo make determinations regarding the provision of public services per the provisions of Government Code Section 56430. However, LAFCo, local agencies, and/or the public may subsequently use LAFCo's determinations to pursue changes of organization in city or special district boundaries or to amend Spheres of Influence.

Proposed Study Area

Factors that may be considered in a Municipal Service Review include, but are not limited to, an agency's ability to provide service; its relationship to the county, a city, or special district jurisdictional boundary or Sphere of Influence; tax/assessment zones; geography; community boundary; infrastructure; transportation and road systems; social and economic communities of interest; topography; and other relevant factors.,

³ Growth Within Bounds, Report of the Commission on Local Governance for the 21st Century, State of California, January 2000.

A Municipal Service Review must analyze the service pattern, service cost, service level, financing structure and governance accountability of an agency's provision of service as well as its relationship to other service providers.

**Draft Municipal Service Review Guidelines
Prepared by Office of Planning and Research**

The Governor's Office of Planning and Research (OPR) has prepared Draft Comprehensive Guidelines for Municipal Service Reviews. At this time, these Guidelines are advisory, not mandatory. Many LAFCo's are adopting local guidelines for Municipal Service Reviews, based on OPR Guidelines, but intended to include policy statements that meet local jurisdictional issues and circumstances.

Each Commission has discretion concerning the creation of policies and/or guidelines to fit local circumstances and conditions for its review of current municipal services. However, the Commission is required by law to make certain determinations regarding Municipal Service Reviews. The Commission must make determinations regarding:

- The infrastructure needs or deficiencies of an agency;
- The agency's capacity for growth in meeting population projections within the service agency's territory;
- Any financing constraints the agency may experience and any opportunities the agency may be able to create to overcome them;
- An agency's opportunity for the use of shared facilities with other agencies;
- Any cost avoidance opportunities the agency may be able to create through restructuring service provision without a change of organization;
- The advantages and disadvantages of a change of organization through consolidation and/or reorganization with other agencies;
- The evaluation of management efficiencies within the agency; and

**The agency's local accountability and governance to the public
regarding
the provision of service.**

Sacramento's LAFCO's Challenge

Sacramento County's unincorporated area is highly urbanized and consequently, municipal services in Sacramento County are provided by a large number of different service providers and entities (the county, cities and special districts).⁴ The process of evaluating this service delivery system is likely to be multi-faceted, with a great variety of different aspects that require careful analysis. I believe that the Municipal Service Review process will be an iterative multi-dimensional, comparative process of service delivery rather than separate analyses of either municipal providers or geographic areas.

The current delivery system has evolved over many decades and may be affected by the incorporation of new cities. The process of service delivery is dynamic and changing; it is responsive to population growth as well as governmental changes of organization. The potential for new cities to take over the provision of municipal services currently provided by special districts further complicates this analysis. In analyzing service providers in Sacramento County, service provision by type of service, by area served, by proximity of one provider to another, and by other factors, are issues that may lead this Commission to more questions than answers.

A basic analysis of how services are currently provided must be examined to fulfill the Hertzberg requirement. However, the more difficult policy questions your Commission must address are: *What criteria defines the optimum service delivery model, or governmental structure, for the provision of municipal services within the County of Sacramento?* *What criteria defines the optimum service delivery model, or governmental structure, for the provision of municipal services within a region that is*

⁴ Not all municipal services are subject to LAFCO purview. LAFCO's purview extends to dependent and independent special district service providers (which may include county service providers) and cities.

broader than the County of Sacramento? The answer to these questions requires that the criteria defined for the analysis of an optimum service model cannot be limited to the financing structure of an agency, the geographic area of an agency, or the provision of similar services by two adjacent agencies, but must also include other subjective factors. These issues are challenging, as well as inherently controversial. It will be difficult to determine the most efficient model of service delivery for any specific service or for any combination of services. However, your Commission might consider the issues that define the optimum service delivery model in the context of the public interest. Public interest is assumed, from the Municipal Service Review mandate, to mean quality service at a reasonable cost.

A number of options and alternatives for service delivery may, upon examination, become evident based on the Municipal Services Reviews. For example, a Municipal Service Review may indicate that two districts providing the same, or similar, services would function more efficiently consolidated, that district boundaries could be adjusted to improve the delivery of services, or that a city could take over all, or part, of a district's service provision.

Municipal Service Reviews are inherently complex because no rigid standards of assessment and no existing performance measures exist. There are a variety of service delivery models that can work. Choosing a service provision model from a variety of possibilities will, most likely, be a process of the identification of inefficient service provision, and the process of negotiated change.

Types of Service Providers

Municipal services are provided by the county, cities, special districts, investor owned corporations, and private companies. Sacramento County has six cities, however, the Cities of Sacramento, Folsom, and Galt are the only "full-service" cities, i.e., cities that rely on relatively few special districts for the provision of service within the city.⁵

⁵ One special district service provision that is relied on by all jurisdictions is Sacramento Regional County Sanitation District. Infrastructure costs for the development of a sanitation system are so extremely high that it is considered by its users a highly valuable

Full service cities have the fiscal flexibility for the provision of services by city departments. The flexibility allows cities to control, coordinate, and reallocate financial resources from one service to another, based on priorities and needs. For example, general fund revenue can be shifted from fire service to park service or vice versa. Within the corporate structure of a city, funding sources are not exclusively limited to property tax revenues that are legally dedicated to specific programs. Cities have many different funding sources. Cities operate as self-contained units and may be better able to meet changing community needs for municipal services than other forms of government.

In Sacramento County, many services provided by special districts to “contract” cities, as well as the unincorporated area, typically rely on dedicated property tax revenues (often the only district revenue source). Revenues cannot be reallocated to other services without amending formal agreements between the County and a special district. Thus, as community needs change, there is no opportunity for the governing body of a territory served largely by special districts to shift financial resources from one service to another service. As a result, *contract cities, as well as the Sacramento County Board of Supervisors, and special districts must cooperate and collaborate to achieve the delivery of municipal services.*

The appearance of a lack of coordination for the provision of service in Sacramento County is directly connected to both district boundaries and the ability of the County, the districts, and cities to cooperatively negotiate the provision of service for land use decisions. Lack of coordination for service provision may not be true in Sacramento County.

and efficient use of government funding that Sacramento Regional County Sanitation District has the capacity to serve the entire urbanized area of Sacramento County.

Since the governing body of a county or a city does not have the ability to control or regulate services provided by special districts,⁶ the large, amorphous special district delivery model of Sacramento County contains the perception of a fragmented service delivery system.

Efficient, coordinated municipal service provision may not be the public's desire. A little over a decade ago, the City and County of Sacramento jointly created the City-County Consolidation Commission which carefully studied the advantages and disadvantages of a consolidated city-county government in Sacramento County. A city-county consolidated government could have created an efficient, seamless, coordinated municipal service delivery system. The Commission recommended the creation of a consolidated city-county government. In 1990, the ballot measure proposing city-county consolidation was soundly defeated by the electorate. Subsequently, there have been three incorporations in Sacramento County. The electorate in this county appears to desire local governmental control over land use, and with that, control over the delivery of municipal services.

The provision of services by special districts, on the other hand, provides for governance at the most local level. Special districts usually have elected officials that are accountable to citizens within a specific geographic boundary. The public may find access to decision-makers for district service provision easier to address than addressing the County Board of Supervisors or a City Council. The issue is complicated for citizens in that they are often confronted with a myriad of Boards of Directors, each of whom provides a single service. To address a different Board of Directors for fire service, water service, recreation and park service, cemetery service, could be more burdensome than addressing a single body of decision-makers.

Multiple special districts providing the same type of service, while they do not directly compete with one another as do businesses, can create a sense of competition for property

⁶ However, the Board of Supervisors, as well as LAFCo, does have the ability to modify boundaries to unify a group of special districts by creating coterminous boundaries within a specific community plan area. For example, the Fair Oaks Park and Recreation District, Fair Oaks Water District, and Fair Oaks Cemetery District do not currently have coterminous boundaries. Moreover, cities can take over the provision of services currently provided by special districts.

tax dollars within a specific community or territory. Thus, boundaries determine revenue source and they are defended. One district's expansion is usually another district's loss of revenue when the districts provide the same service. Community identity often determines district boundaries.

Special District Financing

Special district service delivery is provided by two distinctly different types of districts: Enterprise and Non-Enterprise Districts.

Enterprise Districts

Water, sewer and electric service providers are examples of enterprise special districts. Enterprise districts deliver services that are able to run like a business enterprise. Enterprise districts charge their customers for their services. For example, a water district charges a connection fee for capital improvements and sends a monthly bill to the customer for operation and maintenance expenditures.

Non-Enterprise Districts

Non-enterprise districts provide services which do not lend themselves to charging fees. Park, fire, cemetery, urban levee maintenance, mosquito abatement and conservation districts are examples of non-enterprise special districts. The property tax base the districts receive is based on the accident of the percentage of property tax it received at the time Proposition 13 was passed. These districts do not have the ability to raise or increase property tax revenue. Typically, property tax growth is based on new construction, the sale of developed property that can be revalued, or an annual increase in existing property that cannot exceed 2 percent. However, Proposition 218 allows property tax based districts to obtain voter approval for either special taxes or special benefits, subject to either a simple, or super, majority vote. Property tax based districts have very limited ability to control their revenue stream. In addition, the State of California reduced their

revenue stream by shifting a portion of their property tax income back to the State General Fund, commonly known as the Education Relief Augmentation Fund (ERAF) shift.

Fire protection services and mosquito abatement programs provide services which benefit the entire community rather than services to single individuals for which they might be charged. Fire districts provide insurance protection to the community in case there is an emergency; mosquito abatement districts provide insurance protection to a community by attempting to eliminate the carriers of disease. No direct cost-benefit relationship exists to a single individual for the services provided by non-enterprise districts. Consequently, non-enterprise districts generally do not charge user fees for their services. No district wants to put a meter on a park swing or charge residents to put out a fire. Non-enterprise districts rely overwhelmingly on property tax revenue to meet their operational expenses.

These two fundamental and distinctly different means of special district financing structure must be factored into your Commission consideration for the creation of an effective Master Services Review program.

Municipal Service Review Factors

Based on the complexity of current service delivery, there are many factors to consider as part of a comprehensive Municipal Service Review. The following discussion will illustrate my perception of some of the complexities involved in the Municipal Service Review process.

Macro versus Micro Analysis

There are two approaches LAFCo may use to analyze the provision any municipal service: a macro analysis and a micro analysis. A macro analysis approach entails a broad overview of operations but assumes, for the most part, that the elected Board of Directors of a district, for example, is a well informed decision-making body in charge of reasonably efficient district operations. Rather than examine specific budget and management details, a macro analysis broadly examines interrelationships between similar

service providers, as well as other entities, that could provide the service. The macro analysis approach attempts to identify duplication of services, overlaps of service responsibility, or gross inefficiencies. For the most part, a macro analysis assumes that the governing body manages the agency well, that agency personnel are competent, and that the agency operates under industry norms, standards, and practices.

A micro analysis approach consists of an operations and management audit and a review of very specific details regarding how a district or city operates. Unless there appears to be gross inefficiency or mismanagement, I do not believe that a micro analysis approach with a detailed focus on financial issues to the degree of audits would be either a cost effective approach to fulfill our Municipal Service Review requirement or produce a significant body of comparable information that could be used to analyze the factors of service provision in terms of the whole of Sacramento County, and potentially the provision of services within a yet to be defined region.

Funding Constraints

Municipal Service Reviews can analyze service delivery on the basis of funding sources:

1. Enterprise Districts: Municipal services, funded by fees and charges for service (water, sewer and electric service), recover costs for service provision by setting rates. These agencies have the ability to raise rates without a public vote.⁷
2. Non-Enterprise Districts: Municipal services (park, fire, cemetery), funded by General Fund Revenue or property tax, are limited by the amount of funding that is available in any particular year. A fixed revenue source requires careful planning for capital outlay projects, increase in personnel, or any other factor, i.e., population growth, that an increased demand for service might make difficult to meet.

⁷ However, these districts may be subject to the public Utilities Commission.

Each type of agency has different financing constraints and parameters from which it must operate based on the type of funding resources it possesses.

Qualitative versus Quantitative Analysis Cost-Benefit Analysis

This type of analysis is useful, however, many times it is difficult to determine or agree upon the value of social benefits because they are not easily quantified.

Supply and Demand for Services

It is difficult to assess the public's value for certain types of general government services such as the provision of park, cemetery, mosquito abatement and fire protection services. The public value of these types of services appears to be more intangible and provide general benefits to the community as a whole than the more direct, clear-cut, demand and supply relationship of a consumer to water, sewer and electric service. General government services appear to be valued by the public on the basis of community priorities related to the quality of life, health and safety issues, and a perception of the welfare of the community.

Cost versus Quality

It is difficult to assess whether or not a low cost of service, or the purchase of an item that may be used to provide the service, is in the best interest of the public without taking into account the size, uniqueness, need for the service, requirements for capital improvements, and those things that define the value and quality of the service provided. Costs do not equal quality. Capital outlay may create high expenditures that are actually long-term quality investments and, in the long run, may prove cost-effective over a period of many years. A comparison of cost of service provided, even between districts providing the same service, may have no obvious objective criteria with which to make a comparison.

Cost Effective and Efficient Delivery System

Cost effectiveness is defined as economical spending in terms of tangible benefits. Efficiency is defined as the productive use of manpower, supplies and equipment without waste. Efficiency is a comparison of production with cost (energy, time, money). These definitions are qualitative descriptions and are subjective, rather than objective. For example, every analyst can interpret cost effectiveness and efficiency of service provision differently. An exclusive high priority focus on finance, on the comparison of similar service provision, on management style, on the reputation of management's goodwill in the community, on the issue of coterminous boundaries, on community identity, or on any other specific factor, will not create a whole picture. Your Commission is mandated to consider current service provision, possible countywide service provision, and the determination of whether or not, and if so how, to create a future regional municipal service delivery system.⁸

In The Government of Metropolitan Sacramento,⁹ the authors discuss the subjectivity of any analysis of governmental service provision. The authors concluded that it is very difficult to determine whether or not a district is cost-effective or efficient because there are such a myriad of different variables to analyze. The following quote illustrates this conclusion:

“In view of the variety and number of agencies providing services to various sections of the county, and the uneven pattern of services, it may be assumed that the costs of services will show considerable variation. There is one major obstacle to a fair analysis of the cost in different areas—the difficulty in measuring levels of service. There are no established means for ranking water, sewer, or storm drainage systems; the evaluation systems have been devised involve assumptions, variables, and value judgements that largely invalidate them. The standards that have been developed to test the quality of police, fire, transit and park and recreation services in a given area are very rough at best.”

Standards may be impossible to determine. Outside of federal and state requirements for standards of materials and equipment used in building infrastructure for service provision, the level of service in any district, county service area, or city is determined by the needs

⁸ Government Code Section 56430 states “The commission shall include in the area designated for service review, the county, the region, the sub-region, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed....”

⁹ Public Administration Service, The Government of Metropolitan Sacramento, 1957.

and values of the public receiving the service and the financing resources, responsibility and integrity of their use by those individuals who provide the service.

For example, it may be impossible (without the investment of years of staff research and data collection) to make a direct comparison of Park A, with Park B and Park C. Any comparison must take into account varying types of improvements based on local needs, an unequal property tax base, period of park development (old versus new), population, age, and the interests and priorities of the citizens within the boundaries of the agency. However, I believe that by a systematic macro analysis of current service providers and discussion with affected stakeholders, it may be possible to make broad value assessments and determine findings that are not absolute but that may become the development of a model for an efficient negotiated future service provision within Sacramento County, and potentially, a regional service provision system. In addition, during the process, ideas and issues may surface that require additional investigation or analysis, additional public discussion, and creative new concepts for the provision of service may emerge.

Competition

Competition between public service providers can either be beneficial or costly, depending on the service. Historically, services that require a large investment in infrastructure such as the provision of sewer, storm drain and electric service, are more efficient without direct competitors in order to avoid costly duplication of generation facilities, equipment, distribution and transmission facilities. However, even though a provider may only serve a specific geographical area, there may be a sense of competition between like providers of a service based on costs and services provided. For example, two park districts, each operating a municipal golf course, may compete for the same market. Other recreational programs provided by two adjacent park districts may be similar and the districts may be considered to be in competition with one another.

This kind of competition creates pride in the provision of service, it becomes a business practice to attract potential service users; public usage creates financial resources for district maintenance, repair and development of new programs and services. These

competitive issues are based solely on community interests and values. Consequently, it may be difficult to evaluate whether or not combining multiple service providers is, indeed, in the best interest of the public in Sacramento County.

Governmental Structures

The problem of uneven service levels, gaps in services, and variations in the cost of services in different parts of any metropolitan area call attention to the inability of any single governmental agency with the jurisdictional power to comprehensively handle area-wide problems and to plan the overall provision of municipal services. This inability to create comprehensive planning characterizes almost every metropolitan complex in the country. The inability to plan efficient metropolitan communities is caused by jurisdictional division of powers, legal mandates and functions between affected agencies. However, if the reality of the 21st century is that Sacramento County is to remain a multitude of jurisdictions that control service delivery, responsibility for a regional vision may become the process of negotiation between the County Board of Supervisors, City Councils, and Independent Special Districts.

Local versus Regional Needs

It is important to analyze services in terms of future population growth and the demand for service that will occur in terms of a local, countywide and regional basis. Certain services may best be provided on a regional level, while others may best be provided in a local community or on a countywide basis.

Communities

Community identity and social interests are connected to geographic areas. Municipal service levels vary from area to area based on the demographic needs and characteristics of the community. It is hard to quantify and measure whether or not a community with specific interests is best served by a single or a multi-purpose service provider.

Conclusion

Neither the process nor the solution is absolute. There are advantages and disadvantages of the current service delivery system in Sacramento County. *The Commission's goal should become the assessment of the current system of service delivery and making determinations regarding whether or not, and if so how, improvements can be made to achieve a more integrated service delivery system.* Based on the myriad of issues and variables, it appears that the Municipal Service Review process is inherently subjective. The criteria and factors outlined above indicate the potential difficulty of comparing like service providers. These factors are part of large continuum that have many different potential service delivery alternatives, all of which will be affected by population growth and the timing of that growth. LAFCo's challenge is a matter of finding the right balance between community needs and an optimum service provision system.

Municipal Service Review Principles

I propose that the following principles be used to guide Sacramento LAFCO's Municipal Service Review process. Using a macro analysis approach, Municipal Service Reviews will be prepared by Sacramento LAFCo staff that make every effort to:

- (a) Assume that the public desires and expects an adequate level and seamless delivery of quality municipal services at a reasonable cost.
- (b) Involve the affected agencies, stakeholders, and the public in the Municipal Service Review process.
- (c) Build on existing agency information.
- (d) Respect the mission and function of existing providers.
- (e) Assess economic, environmental, social, and political issues regarding the agency's capacity of service provision.
- (f) Achieve analysis with a reasonable outlay of staff resources and time.
- (g) Encourage a collaborative and consensus approach with all jurisdictions to examine the potential development of a regional view for service provision.

Commission Policy Statements Regarding
The Evaluation of Municipal Service Reviews

1. This Commission will assess the ability and the capacity of municipal service providers to provide an adequate level of service based on community standards, local needs, available resources and projected growth.
2. This Commission will determine whether or not services overlap, duplicate one another, and whether or not there are public, economic, social, environmental, political and/or other benefits for proposing the reorganization or modification of the existing service delivery system.
3. This Commission will enter into community discussions to determine whether or not the public is best served by the existing service delivery system, a countywide service delivery system, or a new regional vision for the provision of services.
4. This Commission will determine whether or not this body should encourage, or mandate, changes of organization when the Commission determines they are in the best interest of the public.

PB:Maf

(Municipal Service Review Policy)

