

# Overview of LAFCo and the Municipal Service Review (MSR) Sphere of Influence (SOI) Study

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Yolo LAFCo

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# What is LAFCo?

## (Local Agency Formation Commission)

- Created in 1963 by the State Legislature
- Purpose:
  - Discourage urban sprawl
  - Preserve agricultural land and open space
  - Promote efficient public services
  - Promote orderly formation and development of local agencies
  - Provide information to further these goals
- Every county has a LAFCo

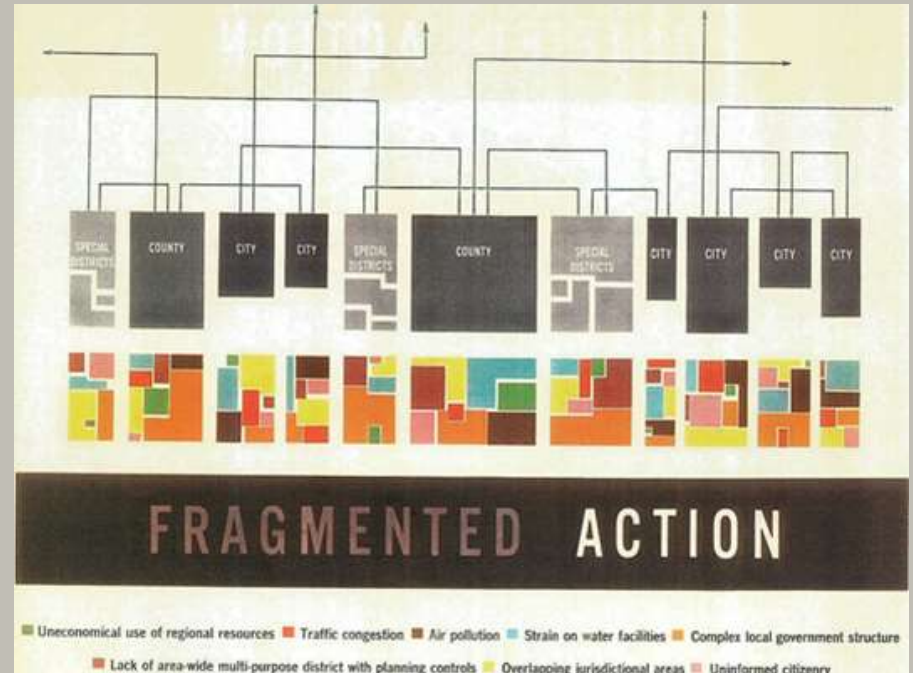
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# Why Do We Have LAFCOs?

- Post World War II population and housing boom
- Suburbs expanded and a scramble to finance and extend services
- City annexation "wars," proliferation of limited purpose special districts
- Governor Pat Brown's Commission in 1960 on fragmented urban service problems and need for regional or statewide solutions
- LAFCo is the legislature's compromise for regional solutions and so-called "watchdog" over local government



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# Yolo LAFCo Commission

## Commission Makeup – 5 Seats:

- 2 County Supervisors
  - Gary Sandy – District 4
  - Don Saylor – District 2
- 2 City Council members
  - Norma Alcala – West Sacramento
  - Tom Stallard - Woodland
- 1 Public Member
  - Olin Woods



**LAFCo's are independent - no administrative appeal**

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# LAFCo's **PLANNING** Function

- Conduct Municipal Service Reviews (MSRs) of cities and special districts every 5 years
- Develop and update Sphere of Influence (SOI) planning future boundaries for cities and special districts
- Work cooperatively on governance, ag/open space preservation, urban growth, and service delivery issues



# LAFCO's **REGULATORY** Function

- Form new special districts and dissolve outdated ones
- Modify existing districts (i.e. new powers, consolidations, etc.)
- Boundary changes (annexations/detachments)
- Extension of public services outside boundary

*(LAFCo does not regulate land use , that's for cities and the County to do)*



# Not All “Districts” are “Special Districts”

LAFCo’s **DO**  
have authority over:

- Cities
- Special districts
- County service areas (CSAs)

LAFCo’s **DO NOT**  
have authority over:

- Joint powers authorities (JPAs)
- School districts
- Financing districts (i.e. lighting, roads, or Mello-Roos community facility districts)

LAFCo is ~~NOT~~ part of Yolo County

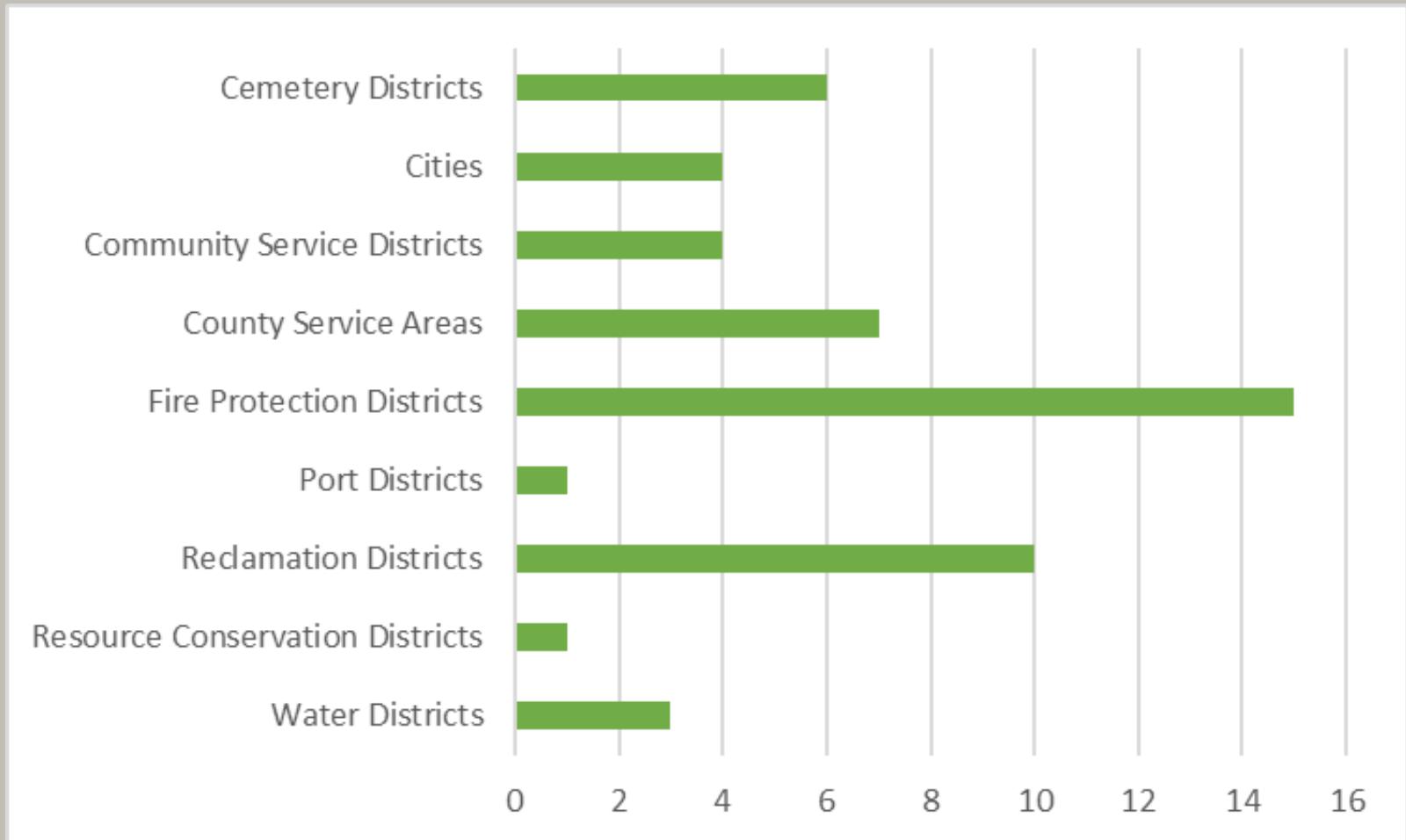
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# Yolo's Cities and Districts

4 Cities/47 Special Districts



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# Independent v. Dependent Districts

## Independent (28)

- Independent board (members can be appointed or elected)
- Separate from city or county
- Independent audits
- Can appoint advisory committees
- Examples: cemetery districts, CSDs, some FPDs, RCD, RDs, and water districts

## Dependent (19)

- Ultimate authority is city council or County BOS
- Although BOS can delegate its authority to a commission, it can take it back
- Audit typically included in city or County's
- Can appoint advisory committees
- Examples: CSAs, some FPDs, Sac-Yolo Port District, and RD 900



# Why is the MSR/SOI Conducted?

- Required for all cities and special districts (Government Code §56425)
- Every 5 years (or so) 😊
- MSR required to update agency SOI

MSR

SOI

- SOI is a planning boundary
- Indicates probable future agency boundaries
- Necessary 1<sup>st</sup> step for future annexations

informs

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# What an MSR IS?

- Provides inventory and analysis of agency services
- Capacity, financial ability, and accountability in doing so (for now and foreseeable future)
- Based on existing information and trend analysis
- Evaluates structure and operation and possible areas for improvement and/or coordination
- Provides information and analysis to support SOI Update, if needed
- Seven (7) required “determinations” per state law (i.e. “one size fits all” approach)



# What an MSR is NOT

- Not an audit or investigation
- Cannot require changes, i.e. recommendations only
- Focus is not intended to be a complaints forum (but takes input, obviously)
- Will not affect current fees/rates



## MSR Determination #1

# Growth and Population

- Will development and/or population projections over the next 5-10 years impact the subject agency's service needs and demands?
- Will population and/or service changes require a change in the agency's services and/or SOI boundary? (a "yes" response will likely trigger an SOI Update)



## MSR Determination #2

# Disadvantaged Unincorporated Communities

- If agency provides water, sewer, and/or fire protection, are there any “inhabited unincorporated communities” within or adjacent to the subject agency’s SOI that are considered “disadvantaged” (80% or less of the statewide median household income) that do not already have access to these services?
- If “yes”, it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community?



## MSR Determination #3

# Capacity and Adequacy of Services

- How are services provided? Are there any deficiencies in agency capacity to meet existing service needs for which the agency does not have a plan in place to resolve?
- Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?
- Is the agency needing to consider climate adaptation in its assessment of infrastructure/service needs?
- Are there any service needs or deficiencies for disadvantaged unincorporated communities within or contiguous to the agency's sphere of influence?



## MSR Determination #4

# Financial Ability

- Is the agency in an unstable financial position (per 5-year trend analysis)?
- Does the agency fail to use generally accepted accounting principles including: summaries of all fund balances, summaries of revenues and expenditures, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?
- Does the agency fail to review financial data on a regular basis and are discrepancies identified, investigated and corrective action taken in a timely manner?
- Does the agency board fail to receive regular financial reports (quarterly or mid-year at a minimum) that provide a clear and complete picture of the agency's assets and liabilities, fully disclosing both positive and negative financial information to the public and financial institutions?





- Is there an issue with the organization's revenue sources being reliable (i.e. grants or one-time sources)?
- Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion?
- Is the organization needing additional reserves to protect against unexpected events or upcoming significant costs due to infrastructure or equipment failure? Does the agency have a reserve policy?
- Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?



## MSR Determination #5

# Shared Services

- Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?



## MSR Determination #6

# Accountability, Structure & Efficiencies

- Are there any recommended changes to the organization's governmental structure or operations that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?
- Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training?
- Are there any issues with staff capacity and/or turnover? Is there a lack of staff member training?
- Does the agency have adequate policies (as applicable) relating to personnel/payroll, general and administrative, board member and meetings, and segregating financial and accounting duties among staff and/or board to minimize risk of error or misconduct?



- Are any agency officials and designated staff not current in making their Statement of Economic Interests (Form 700) disclosures?
- Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?
- If the agency is not audited annually, does the agency need to have a qualified external person review agency finances each year (at a minimum)?
- Does the organization need to improve its public transparency via a website?



## MSR Determination #7

# Other Issues

- Are there any recommendations from the agency's previous MSR that have not been implemented?

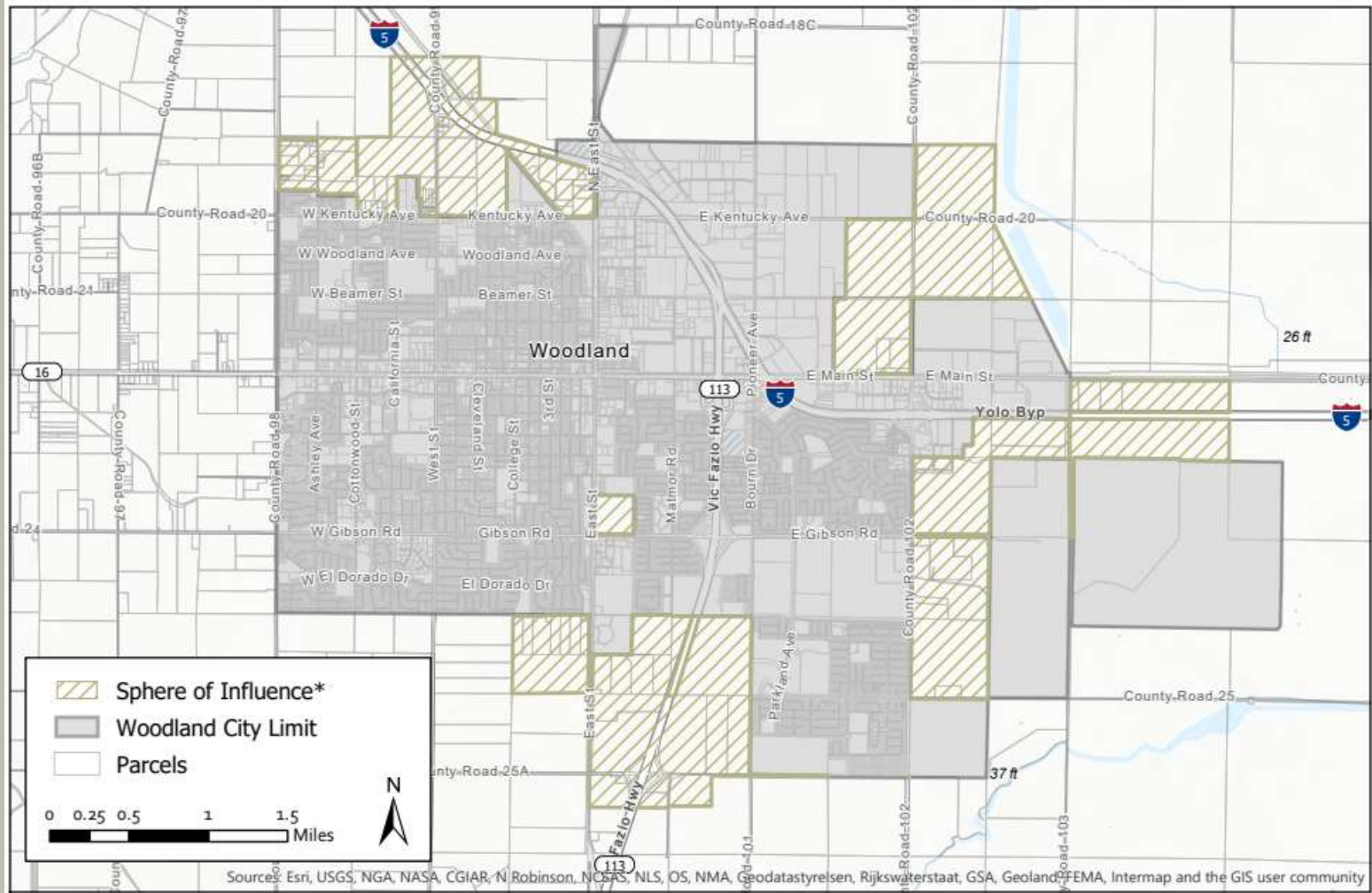


# SOI Study - Is an Update Needed?

- Does agency or LAFCo (via MSR or otherwise) foresee any need to change agency boundary in the future?
- If so, would update SOI to indicate future change anticipated
- 5 required SOI “determinations” per state law (largely redundant of MSR determinations)
- SOI boundary changes are subject to CEQA because it’s considered a precursor to potential future development



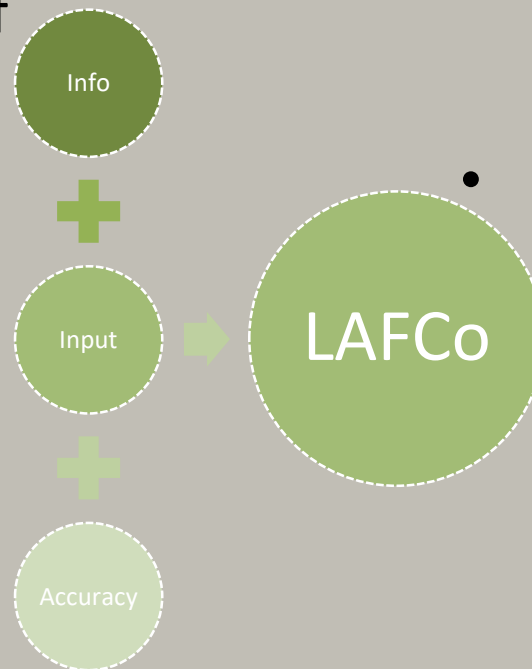
# What Does an SOI Look Like?



# MSR/SOI Roles and Responsibilities

## Subject Agency Role

- Provides input and valuable information
- Verifies accuracy of report



## LAFCo Role

- Conducts analysis
- Prepares MSR/SOI and makes required determinations
- Adopts MSR/SOI





# MSR/SOI Process & Timeline

- LAFCo outreach to subject agency & info gathering
- LAFCo prepares administrative draft MSR/SOI report
- Administrative draft goes to agency manager for review
- Public draft released at least 21 days prior to hearing
- LAFCo public hearing to adopt MSR/SOI



# Questions?

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## Thank you!