

SAN MATEO



# LOCAL AGENCY FORMATION COMMISSION

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September 11, 2019

**To:** LAFCo Commissioners

**From:** Martha Poyatos, Executive Officer

A handwritten signature in black ink that reads 'M. Poyatos'.

**Subject:** Consideration of the Adoption of Update of Municipal Service Reviews and Spheres of Influence Policies

## Background

As previously reported, staff and the Commission's Legislative and Policy Committee are currently undertaking a comprehensive review and update of LAFCo policies, including those related to spheres of influence and municipal service review. The SOI and MSR policies are in two separate documents, each with their own definitions, background, and policy objectives.

The draft Municipal Service Review (MSR) policy outlines the required areas of determinations, stakeholder and public participation, the review process, and a list of agencies that are subject to MSRs. The policy updates the areas of determinations so that the policy is consistent with current state law as well as adding local policy consideration regarding water resiliency, climate change, and natural hazards. The MSR policy was last updated in 2014.

The draft Sphere of Influence policy streamlines the sphere of influence policy eliminating the distinction between a city spheres and district spheres, and eliminates reference to urban service areas. The SOI policy was last updated in 2001.

Both policies also maintain the discretion of the Commission in requesting information to meet State mandated findings and local requirements.

## Summary

In response Commission direction at the July 17 LAFCo meeting, staff distributed the draft updates to the MSR and SOI policies, along with the attached July 23 cover letter requesting comments. Distribution included city managers, city planning directors, city public works directors, special district general managers, HOAs, community advisory boards, and the San

**COMMISSIONERS:** ANN DRAPER, CHAIR, PUBLIC ▪ JOSHUA COSGROVE, VICE CHAIR, SPECIAL DISTRICT ▪ RICH GARBARINO, CITY ▪ DON HORSLEY, COUNTY ▪ MIKE O'NEILL, CITY ▪ WARREN SLOCUM, COUNTY ▪ RIC LOHMAN, SPECIAL DISTRICT

**ALTERNATES:** KATI MARTIN, SPECIAL DISTRICT ▪ HARVEY RARBACK, CITY ▪ JAMES O'NEILL, PUBLIC ▪ DAVE PINE, COUNTY

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Mateo County County Manager, Public Works Director, and Planning Director. Comments were requested by August 27.

Staff presented the draft updates at the California Special District Association – San Mateo County Chapter meeting on August 13 and to the San Mateo County Harbor District on August 21.

In addition to comments from City of San Bruno thanking LAFCo staff for the outreach on the updates and noting that they wanted to be kept up to date regarding the update process, on August 27, 2019 staff received two comments letters on the draft policies, one from Montara Water and Sanitary District (MWSD) and another from Gregg Diéguez, a resident of Montara. On August 30, 2019, the Commission’s Legislative and Policy Committee (Chair Draper and Commissioners Martin and Jim O’Neill) reviewed the draft policies and draft responses to comments.

### **Responses:**

Comments are in **bold**, the policy section in question is restated for ease of reading and LAFCo staff responses are in *italics*:

### **MWSD**

#### **SOI Policy Comments**

#### **1) Section 3 – Definitions - "Lands Under Study" means areas with special financial and social problems... - Define special financial and social problems.**

Section 3 – Definitions reads

“Lands Under Study” means areas with special financial and social problems that require additional analysis by LAFCo or the governing agency before the territory can be placed within an agency’s sphere of influence.

*LAFCo staff’s response: Staff does not recommend including a definition as the possibilities are broad. Staff recommends adding “or unique” following the word ‘special’. Lands Under Study allows LAFCo to designate urbanized territory with unique characteristics that require greater research with the appropriate agencies, community members, and LAFCo.*

#### **2) Paragraph a - ...to best provide for the economic and social needs of the county and it's communities.- Strike "the county and"**

Section 4.a reads:

It is the intent of LAFCo to support the viability of local governmental agencies providing essential services. Local agencies should be so constituted and organized as to best provide for the economic and social needs of the county and its communities, efficient governmental services for orderly land use development, and controls required to conserve environmental resources.

*LAFCo staff’s response: The use of the word county in the sentence is to define a geographic area and not a unit of government. LAFCos were created to exist in each County and make decisions for the benefit of the county as a whole (not county government.) Staff recommends no changes to the statement.*

**3) Paragraph b - ..... formations and reorganizations, while maintaining local control per Hoover Commission statement quoted in our cover letter.**

Section 4.b reads:

It is an intention of LAFCo to use spheres of influence as a tool to discourage urban sprawl as well as to encourage the orderly changes of organization of local government agencies including but not limited to annexations, consolidations, formations and reorganizations.

*LAFCo staff's response: Board President Slater-Carter's reference to two sentences from the Little Hoover report states: "As much as the Commission wanted to find a magic bullet to ensure these 2,000 districts were performing efficiently and effectively, it didn't. The LAFCO process may not be working as it could and should in every corner of the state, but special districts remain best served by local decision-making." The cover letter from Board President Slater-Carter states that the Little Hoover Commission Report of August 2017, titled "Special Districts: Improving Oversight & Transparency" factually supports the MWSD Board's philosophy of local control being preferred over larger government agencies that would limit input by local citizens.*

*These sentences are taken out of context of the paragraph in which the Little Hoover Commission Report of August 2017, titled "Special Districts: Improving Oversight & Transparency" is directing that the State legislature should curtail the practice of circumventing LAFCo's with special legislation and that grant funding should be available to LAFCos to initiate the most urgent consolidations and dissolutions. The full paragraph is provided below:*

*"As much as the Commission wanted to find a magic bullet to ensure these 2,000 districts were performing efficiently and effectively, it didn't. The LAFCO process may not be working as it could and should in every corner of the state, but special districts remain best served by local decision-making. To that end, the Commission recommends the Legislature curtail its practice of bypassing the local process. Additionally, the Commission offers a number of common-sense recommendations to help LAFCOs exercise their authority. Two ideas have already resulted in legislation, AB 979 (Lackey) and SB 448 (Wieckowski). The Commission recommends the Legislature enact SB 448 and requests the Governor's signature on AB 979 and SB 448. This report also includes a rare recommendation to infuse a small one-time grant fund to pay to initiate the most urgent consolidations or dissolutions, which should lead to taxpayer savings in improved government efficiency."*

*The truncation of this statement leaves out context regarding local decision-making. The statement was referring to local oversight and the excise of authority over agencies by local LAFCos instead of the State legislature.*

**4) Paragraph f - Strike entire paragraph. Per Hoover Commission quote in cover letter, local control over districts is preferred to large multipurpose districts. Suggested language: It is the intent of LAFCO to encourage the rationalization of local government through the support of special districts, which may be the only ones available, to serve the community, even in specific areas such as providing water and sanitation, or by providing security, and especially if the that particular district is supported by the vast majority of the community.**

Section 4.f reads:

It is the intent of LAFCo to encourage the rationalization of local government through the elimination or consolidation of small, single-purpose districts. Wherever the full range of urban services is required, general-purpose governments are preferred to single-purpose special districts for provision of services.

*LAFCo staff's response: Staff does not recommend removing the existing language and replacing it with the proposed language. As previously noted, the quote from the Little Hoover Commission report in Board President Slater-Carter's is taken out of context. The full statement from the Little Hoover Commission actually supports the draft policy statement, in that the Little Hoover Commission recommended state legislation creating a grant program to fund LAFCos to implement "urgent consolidations or dissolutions, which should lead to taxpayer savings in improved government efficiency."*

*Additionally, staff recommends that Section 4.f remain as it is consistent with the following language in Section 56001: "The Legislature finds and declares that a single multipurpose governmental agency is accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas. Nonetheless, the Legislature recognizes the critical role of many limited purpose agencies, especially in rural communities. The Legislature also finds that, whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services." However, to provide greater clarity to the statement and to connect this statement to Municipal Service Reviews, staff recommends the amended statement:*

It is the intent of LAFCo to encourage the rationalization of local government through the elimination or consolidation of small, single-purpose districts. Wherever the full range of urban services is required, general-purpose governments are preferred to single-purpose special districts for provision of services, *when supported by the Municipal Service Review.*

*Staff also recommends added a footnote to the paragraph that directs the reader to Section 56001.*

**5) Paragraph g - Strike paragraph . Local control is preferred to arbitrary consolidation for consolidation's sake. Suggested language: Special districts encompassed within a single community, either geographic or culturally, should be respected. Artificial boundaries dividing communities should be ignored if the community is served efficiently by that particular special district. LAFCO should recognize the small special districts can often be the most efficient.**

Section 4.g reads:

LAFCo recognizes that some political boundaries may be artificial, dividing what may, in fact, be a single community or communities. Existing local government agencies are encouraged to investigate the feasibility of political and functional consolidation in the implementation of LAFCo sphere of influence determinations.

*LAFCo staff's response: LAFCo recognizes that some political boundaries may be artificial in nature. When artificial boundaries are identified, LAFCo should make determinations on behalf of the community as a whole. LAFCo policies are written to address the broad spectrum of cities*

*and special districts in the county and in conformance with the Cortese-Knox- Hertzberg Local Government Reorganization Act of 2000 (the Act). An example on the coastside is the consolidation of Pt. Montara and Half Moon Bay Fire Protection Districts resulting in the Coastside Fire Protection District.*

*Staff recommends that Section 4.g remain as written.*

**6) Section 5.a - A sentence should be added to this paragraph as follows : Special districts that do share one item of service, such as sewage processing, should remain independent as regarding their service as well as their sphere of influence, if that district is the most efficient in serving that communities' major needs, such as water supply, and if that special district is substantially supported by the community.**

Section 5.a reads:

Every sphere of influence must be consistent with LAFCo's policies and procedures, the State Legislature's policy direction to LAFCo, the sphere of other agencies in the area, county and city general plans, the Commission's statement of municipal service review determinations, and with the long-range planning goals for the area. LAFCo should call attention to inconsistencies among city, county and regional plans, and should strive to encourage the affected jurisdictions to reconcile the inconsistencies.

*LAFCo staff's response: Staff does not recommend adding the sentence suggested by the District. The comment appears to be written in a manner to address the situation of MWSD as a sanitary sewer and water provider that provides sewer service via a joint powers authority. LAFCo policies are written to address the broad spectrum of cities and special districts in the county and in conformance with the Act. Public input in the MSR and SOI process is supported and built into both the Act (Sections 56660 and 56427) and LAFCo policies and procedures.*

**7) Paragraph b - Existing urbanized unincorporated areas with special financial, infrastructure and other service related problems... - Define special financial, infrastructure and other service related problems.**

Section 5.b reads:

Existing, urbanized unincorporated areas with special financial, infrastructure and other service related problems may be the subject of a special designation of "lands under study" until such time as a final decision by the Commission may be reached as to how the area should be provided urban services.

*LAFCo staff's response: Staff recommends adding the words "or unique" to the existing statement in the SOI policy. Given the diversity of the special districts in the county it would be difficult to define special or unique, infrastructure and service related problems. Examples include, but are not limited to: a district that has a small customer base which can't financially support costly capital improvements or is at risk of having a Proposition 218 veto of necessary rate increases, a special district that is overburdened with unfunded liabilities related to personnel costs, an existing residential community that lacks sewer, water or road infrastructure and a funding source, or a special district that has limited staffing making it difficult to provide proper segregation of duties and financial controls.*

**8) Paragraph d - In this sentence the change should be made that special districts or local agencies should be allowed to manage land resources or the preservation of natural resources, even if the district is adjacent or overlapping with urban areas.**

Section 5.d reads:

Areas designated for open space, recreation, or the preservation of the natural or land resources (i.e. agricultural preserves) within the county by regional agencies, the county or local agencies, and not assigned to the sphere of influence of a local agency shall not be considered eligible for an extension of an urban level of services.

*LAFCo staff's response: Staff does not recommend adding the proposed language. Services provided by districts are regulated by their enabling legislation and LAFCo pursuant to Section 56124 and other sections of the Act. Additionally, the recommended language does not pertain to the topic of providing urban services to open space and natural resource land not located in a sphere of influence. The purpose of this policy statement is to prevent premature conversion of open space and agricultural resources.*

*Additionally, staff notes that prior to acquisition or disposal of land by a public agency or prior to the construction of a public building or structure, local agencies shall comply with Government Code Section 65402. This code section requires that that a local agency, such as special district submit for a general plan conformity to the applicable planning agencies.*

**9) Paragraph i - Where two .....area served by both districts . If LAFCo believes that the particular service should be provided to the entire service area, a public vote should be taken in the districts recommended for consolidation. Per the Hoover commission comment, local control and local preferences should be given preferential treatment over an arbitrary decision to consolidate districts.**

Section 5.l reads:

Where two or more single-purpose special districts provide services to substantially the same area, those districts may be allocated a consolidation sphere of influence to include the area served by both districts. This would be the case where LAFCo believes that the particular service should be provided to the entire agency area by a single local agency. The provision of services by multi-purpose local agencies is to be preferred over the provision of those services by overlapping single-purpose special districts.

*LAFCo staff's response: Staff believes that this comment is directed to Section 5.l, not 5.i. The LAFCo process includes the opportunity for public participation including during the LAFCo consideration and if approved at a protest hearing and a potential election (Section 57077.2(b)) . Additionally, the District's reference to local control in the Little Hoover Report is taken out of context and the report actually states that special districts benefit from local LAFCo actions and not special legislation that circumvents local LAFCos. The statement also mistakenly combines changes to an agency's SOI and the separate consolidation process. Staff does not recommend adding the proposed language.*

*However, staff does recommend the amendment of the second sentence of the statement to: This would be the case where LAFCo believes that the particular service should be provided to the entire agency area by a single local agency.*

**10) Paragraph m - An existing local agency .....should cease to exist. This action should only be taken after a public vote in the district to determine if the local public wants to be merged into a bigger district. Again, the public should determine whether to keep local control per the Hoover commission statement.**

Section 5.m reads

An existing local agency may be allocated a dissolution sphere of influence which encompasses no territory. Such may be the case where LAFCo determines, after due consideration of all factors, that the public service responsibilities and functions of one local agency should be reallocated to some other unit of government and that, ultimately, the local agency which has been assigned a “dissolution sphere of influence” should cease to exist.

*LAFCo staff’s response: Please see response to Comment 9. Staff does not recommend adding the proposed language.*

**11) Paragraph o - Nonessential services should not be provided by special districts unless there is no other mechanism for provision of those services ... Rewrite: Nonessential services can be provided by special districts if adequate financing can be provided.**

Section 5.o reads:

Non-essential services should not be provided by special districts unless there is no other mechanism for provision of those services. Rather, the responsibility for the provision of those services should belong solely to general-purpose government which has a mandate to weigh priorities of competing uses for tax revenues.

*LAFCo staff’s response: Staff does not recommend the language proposed by the District. Staff recommends adding a definition of Essential Services, (which is in the currently adopted MSR policy,) that means the basic services necessary to protect the health, safety, and general well-being of a community, including but not limited to police, fire, water, sanitation, etc. Sufficient revenues is one of many factors the Commission would consider. Other factors include the adopted sphere of influence for the agency and other overlapping or adjacent agencies that can or already provide the service.*

**12) Section 6 - Opening sentence: LAFCO will respond to the criteria advanced by the Little Hoover Commission in providing the finding that small, special districts can be the most efficient. And in all cases, the primary consideration is a comprehensive survey taken of the residents as to how efficient their special district is.**

Section 6 reads:

In making its sphere of influence determinations, the Commission will examine the effects of potential jurisdictional changes on affected local agencies, residents, tenants and landowners.

*LAFCo staff’s response: Staff does not recommend adding the proposed language. The statement attributed to the Little Hoover Commission is the commentary of one hearing witness to the Commission, and not an opinion of the Commission itself. The LAFCo MSR & SOI process is an opportunity for districts to tell their story and an opportunity for the residents and rate payers to learn about service delivery and governance options. In addition, provisions of the Act provide for public input, protest, and possible election (Sections 56660 and 56427).*

**13) Section 6 - In making its sphere of influence determination .....landowners. LAFCo should specifically poll the local community to determine its preference for any SOI changes.**

Section 6 reads:

In making its sphere of influence determinations, the Commission will examine the effects of potential jurisdictional changes on affected local agencies, residents, tenants and landowners.

*LAFCo staff's response: Please see response to Comment 12. Staff does not recommend adding the proposed language.*

**14) Paragraph e - Needs a verb . It only has phrases.**

Section 6.e reads:

For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

*LAFCo staff's response: Staff recommends no changes, as it is a direct statement from the Act (Section 56425(e)(5)). This statement should be read in conjunction with the existing statement in the opening paragraph of Section 6: "In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following:..."*

**15) Paragraph a - ...21 days... - Change to 30 days**

Section 8.a reads:

The San Mateo Local Agency Formation Commission shall adopt, amend, or revise spheres of influence after a public hearing called and held for that purpose. At least 21 days prior to the date of any such hearing, the Executive Officer shall give mailed notice of hearing to each affected local agency and the County, and to any interested party who has filed a written request for such notice with the Executive Officer. In addition, at least 21 days prior to the date of any such hearing, the Executive Officer shall cause notice of the hearing to be published in a newspaper within the territory affected by the sphere of influence proposed to be adopted. LAFCo may continue from time to time any sphere of influence hearing. At any sphere of influence hearing, LAFCo shall hear and consider oral or written testimony presented by any affected local agency, the County or any interested person who wishes to appear including landowners, residents and tenants in the area affected by the Commission's sphere of influence decisions (Section 56427).

*LAFCo staff's response: The 21 days prior notification requirement is codified in Section 56427 of the Act. Staff recommends no change, as the statute allows the Commission to provide a lengthier notice when appropriate.*

**Gregg A. Diéguez**

LAFCo has also received the attached comment letter from Gregg A. Diéguez of Montara. Many of his comments or questions mirror comments from MWSD and several indicate that his questions are based on the 2009 version of the Act. Several questions, comments and



recommended actions indicate that the writer misunderstands LAFCo's role and relationship with special districts and is unaware of the existence of other organizations such as the California Special Districts Association, California Association of Sanitation Agencies and Association of California Water Agencies which are important resources for special districts including the Montara Water and Sanitary District.

The Cortese Knox Hertzberg Local Government Reorganization Act of 2000 was a major rewrite of the Cortese-Knox Act of 1985 and among many changes, it added the requirement for municipal service reviews. The Act has been updated each year to incorporate enacted legislation. For example, the 2000 Act had six areas of determination for municipal service reviews, which were amended to seven in 2011. Other significant changes to the Act include adding Section 56824.12 requiring LAFCo approval for the activation of inactive services by a special districts and a subsequent amendment to Section 56824 to require LAFCo approval for a district to divest of services.

In general, the Act is written broadly and gives the Commission the authority and discretion to adopt policies to implement the Act based on local conditions. There are 58 LAFCos, one in each county, and each may adopt its own local policies. Specifically, Section 56300 requires LAFCos to adopt written policies and procedures in a manner that encourages and provides planned, well-ordered, efficient urban development patterns with appropriate consideration of preserving open-space and agriculture lands. LAFCo's responsibilities include preparing municipal service reviews and sphere of influence updates, processing applications for annexation, consolidation, formation, dissolution, activation and divestiture of service and extension of service outside jurisdictional boundaries when annexation is not feasible. LAFCos are also authorized to prepare special studies that may be more focused than a municipal service review and may include a consolidation or dissolution study.

Municipal Service reviews (Government Code Section 56430) and Sphere of influence updates (Government Code Sections 56425 and 56427) are studies with state mandated areas of determination that are not intended to be detailed studies of annexation, formation, consolidation or dissolution. MSRs may result in a subsequent special study or application to LAFCo by a public agency or other entity in which the plan for providing service, budget and other information assesses the fiscal feasibility and benefits of the proposed reorganization. Applications submitted by local agencies or individuals to form, dissolve or consolidate agencies are required to include a plan for service and projected five year budget to demonstrate the fiscal viability of the proposed change of organization.

The following responds to the comment topics submitted by Mr. Diéguez.

### **Procedure Summary and Response**

See second paragraph above. While the LAFCo policies do not contain any substantive changes, almost every section of text was reordered to bring consistency to the document formats. A track changes version of the two policies would have been difficult for the Commission, staff, local agencies, and the public to discern the changes and review the draft documents. The existing policy documents are attached with mark-up indicating where they reside in the updated policies. The ongoing updates to these and other policies are outlined in LAFCo's adopted workplan, which was approved with the Commission's 2019-20 Budget.

### **Decision Criteria Summary and Response**

The commenter is utilizing an older version of the Guide to the Act as reference in his letter. As noted previously, the Act is subject to updates on an annual basis. The comments also combine the SOI designation and the consolidation process. The designation of a sphere of influence for an agency does not have a direct impact on the affected agency or others. A statement in the MSR policy notes that the report may identify future studies or actions, which LAFCo or other agencies may undertake to implement the recommendations of the report. For any proposed change of organization, including consolidation, several application requirements such as a plan for service, information about how the services will be financed, and the impact of the action on predecessor districts must be included in the application and analyzed by LAFCo. Commission policy also requires a continuity report on agencies one year after an MSR has been adopted.

### **Detailed Comments Summary and Responses**

LAFCO staff recommends adding the following definition to the MSR policy of minor sphere of influence amendment: "Minor amendments generally involve discrete changes to a Sphere of Influence map or plan that are proposed by an agency or individual to accommodate a specific proposal that is determined to not have substantial influence or impact to the agency's ability to provide comprehensive services. Minor amendments may not be subject to a municipal service review."

Section 1 paragraph 2 of the MSR policy is also recommended to be amended to read as "Minor amendments to a sphere of influence, as determined by LAFCo, may or may not require a municipal service review."

In several areas, Mr. Diéguez makes comments on or requests changes to statements that are directly from the Act. These include: disadvantaged unincorporated communities (Section 56033.5.), noticing requirements (Section 56427), and MSR Areas of Determinations (Section 56430). The Areas of Determinations require LAFCo to review of number of areas, including financial ability of the agency to provide services. LAFCo will review items including, but not limited to, agency budgets, which include reserves.

The MSR process allows the agency subject to review to comment and review an administrative and circulation draft of the document prior to a public hearing. This allows for input from the agency to LAFCo to confirm data and to provide comments.

### **Mr. Diéguez requested seven actions of LAFCo. The following responds to the requests requested actions:**

- A. Benchmarking is performed in individual municipal service reviews.
- B. Determination Audits: Municipal service review determinations do not result in changes to organizations. Determinations are statements of fact or observations that inform the sphere of influence or they are recommendations that may be implemented by the agency under study. LAFCo does request continuity reports from agencies that are the subject of municipal service reviews or reorganizations.

- C. The recommendation to perform case studies on determinations is based on a misunderstanding of what determinations are. Staff does not recommend adding case studies to the LAFCo workload.
- D. While individual MSRs offer recommended best practices, guides for best practices for special districts would be more appropriately prepared by the California Special Districts Association, California Association of Sanitation Agencies and Association of California Water Agencies and other associations specializing in a specific areas of municipal service. The San Mateo County Civil Grand Jury has also produced informative reports about best practices for special districts.
- E. LAFCo staff will post on the Commission's website the current and proposed policies including comments letters and responses.
- F. Responses provided to the Commission will be sent the Mr. Diéguez with a cover memo.

**Recommended Action:**

It is respectfully recommended that the Commission receive public comment and provide direction to staff on any desired changes in the Proposed MSR/SOI Policy updates and take the following actions:

- 1) By motion, adopt the updates to the LAFCo Municipal Service Reviews Policy, and
- 2) By motion, adopt the updates to the LAFCo Sphere of Influence Policy

**Attachments**

- A. Draft Municipal Service Policy
- B. Draft Sphere of Influence Policy
- C. Comment Letter from the City of San Bruno
- D. Comment Letter from Montara Water and Sanitary District
- E. Comment Letter from Gregg A. Diéguez
- F. Draft Municipal Service Policy Compared to Existing Policy
- G. Draft Sphere of Influence Policy Compared to Existing Policy
- H. Existing Municipal Service Policy
- I. Existing Sphere of Influence Policy

## MUNICIPAL SERVICE REVIEW

### 1. Purpose

Section 56430 of the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (Act) requires LAFCO to conduct municipal service reviews prior to establishing or updating spheres of influence. The municipal service reviews are intended to serve as a tool to help LAFCO, the public and other agencies better understand public service governance and delivery and evaluate options for the provision of efficient and effective public services. Municipal Service Reviews (MSR) are intended to support spheres of influence.

Generally, MSRs will be prepared in conjunction with sphere of influence studies or updates; however, municipal service reviews may also be conducted independent of the sphere of influence process. Minor amendments to a sphere of influence, as determined by LAFCo, may or may not require a municipal service review. ~~Minor amendments to a sphere of influence, as determined by LAFCo, will not require a municipal service review.~~

These policies are intended to provide guidance to the San Mateo Local Agency Formation Commission and staff in the preparation and implementation of municipal service reviews that inform the public and affected agencies.<sup>1</sup>

### 2. Legislative Authority

In order to prepare and to update spheres of influence, the commission shall conduct a municipal service review of the cities and districts in the county or other appropriate area designated by the commission<sup>2</sup>. The commission shall include in the area designated for the MSR the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations. MSRs are the tool to gather information to allow for assessment of the fiscal condition of cities and special districts and informed decision making in determining spheres of influence.

### 3. Definitions

“Administrative review document” means a draft Municipal Service Review document that is available to affected agencies for review and comment on data and factual information in the document.

“Circulation draft document” means a draft Municipal Service Review document that is available to affected agencies, residents, property owners, or other interested parties for review and comment.

“California Environmental Quality Act (CEQA)” means a statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible. Additional information regarding CEQA can be found in Public Resources Code Section 21000 et seq.

"Disadvantaged unincorporated community" means inhabited territory that constitutes all or a portion of a "disadvantaged community" a community with an annual median household income that

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<sup>1</sup> Government Code Section 56430

<sup>2</sup> Government Code Section 56425

is less than 80 percent of the statewide annual median household income as defined by Section 79505.5 of the Water Code<sup>3</sup>.

“Municipal service” means the full range of services an agency is authorized to provide. Municipal service reviews will include water, sewer, drainage, harbor, libraries, roads, lighting, parks, police, and fire protection. General government services such as courts, social services, human resources, treasury, tax collection, and administrative services will generally not be included. LAFCo will determine which services will be included in each municipal service review.

“Municipal service review (MSR)” means a comprehensive study designed to better inform LAFCO, local agencies, and the community about the provision of municipal services.

#### **4. Agencies to be Included**

Local agencies that are subject to LAFCo review, or are required to have a sphere of influence, are subject to municipal service reviews. Whenever possible, data on services provided by other agencies providing the same services will also be included. These agencies may include, but are not limited to, private water utilities, mutual water companies and county-governed districts that are not subject to LAFCo sphere of influence designations. See Schedule of Agencies Subject to MSRs

#### **5. Boundaries**

LAFCo will determine the geographic boundary and agency(ies) that will be the subject of an MSR. Factors that may be considered in determining a service review boundary include, but are not limited to: existing city and special district jurisdictional and sphere boundaries; topography; geography; community boundaries; tax/assessment zones; infrastructure locations; transportation systems and roads; joint powers agreements; areas with shared social and economic communities of interest, plus other factors as determined by LAFCo.

With the exception of single-purpose, countywide special districts, MSRs will generally be conducted for individual agencies on a sub-regional basis within the County of San Mateo. However, as determined by the Commission, a municipal service review may be done for a single type of service (fire, municipal water, etc.) as the need may arise.

#### **6. California Environmental Quality Act (CEQA)**

LAFCo shall determine the necessary environmental review or exemption under CEQA.

#### **7. Stakeholder Outreach and Public Participation**

- a. LAFCO will encourage collaboration, cooperation and information sharing among municipal service review stakeholders.
- b. LAFCO will encourage public participation in the municipal service review process.

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<sup>3</sup> [Section 56033.5](#)

## **8. Areas of Determinations**

LAFcos are required to conduct MSR's and prepare a written statement of determination in the following areas <sup>4</sup>:

a. Growth and population projections

Analysis will include Census population, California Department of Finance, Association of Bay Area Government and Regional Housing Needs Allocation population projections and other information where appropriate in assessing existing and future service needs.

b. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

San Mateo LAFCo staff shall regularly monitor the existence of disadvantaged unincorporated areas in San Mateo County. The Commission acknowledges that other unincorporated communities that do not meet the definition of disadvantaged unincorporated communities may also warrant additional review regarding the need for public services and fiscal health of the territory.

c. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.

This includes any needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence. The review will also incorporate the Insurance Service Office (ISO) Rating for the jurisdiction if structural fire provided.

d. Financial ability of agencies to provide services

Analysis will include but not be limited to agency budgets, budget trends, audits, fee schedules, revenue sources, long-term debt obligations, retiree pension and health benefit obligations, credit rating, debt ratio and other information necessary to assess the fiscal viability/health of the agency.

e. Status of, and opportunities for shared facilities

Analysis will include existing practices and potential opportunities in regard to sharing common facilities and/or contracting for services, etc. with other agencies.

f. Accountability for community service needs, including governmental structure and operational efficiencies.

Analysis will include: public availability of agency budget, agenda, reports and other documents; source data such as organizational charts, budgets, website, survey information provided by

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<sup>4</sup> Government Code Section 56430

agencies; and potential reorganization pursuant to CKH Act, enabling legislation and State legislative policies encouraging efficient delivery of services and logical boundaries.

- g. Any other matter related to effective or efficient service delivery, as required by Commission policy.

The Commission or the Executive Officer may include other matters as determined based on local conditions and circumstances prior to preparing an MSR or in the course of preparation. MSR's determinations to be included by adopted local policy include the following:

- i. Water Resiliency and Climate Change

Safe, adequate, reliable, and resilient water supplies are fundamental to the County. The Commission supports governance models that enhance and provide a more robust water supply capacity (including, but not limited to, recycling, desalination, and stormwater recapture) in the County. The Commission will consider how water-related requests for sphere of influence, boundary, or service modification affect the Commission's interests.

Resiliency to climate change is important to the health, safety, and economic prosperity of the County. The Commission supports multi-agency collaboration and governance models that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change. The Commission will consider the extent to which the agency under study is planning for sea level rise, climate change water resiliency.

- ii. Impact of Natural Hazards and Mitigation Planning

Analysis will include a review of natural hazards that may impact the jurisdiction, including wildfire, earthquakes, and flooding. Source data such as a general plan, hazard mitigation plan, land use maps, FEMA maps, and CAL Fire maps will be used to as part of this analysis.

- h. The Commission or LAFCo staff may request additional information on a case by case basis in order to adequately address state required areas of determination or any locally adopted policy.

## **9. Municipal Service Review Process**

- a. LAFCo will determine the priority, schedule, procedure and content for municipal service reviews as required for sphere of influence reviews for the County's 20 cities, 22 independent special districts and 33 county governed special district. LAFCo will develop a priority work plan of MSRs to be addressed during the fiscal year.
- b. Municipal service reviews will be prepared by staff unless the Commission finds that due to complexity, controversy or staff resources, the review should be conducted by an independent consultant.
- c. LAFCo will transmit a survey/questionnaire to the affected agency(ies) identified in the service review work plan. The survey/questionnaire shall contain questions related to Section 56430 (1) through (7).
- d. Staff shall prepare an administrative report for review and comment by affected agencies, to verify data.

## San Mateo LAFCo Municipal Service Review Policy

- e. A circulation draft reflecting comments from affected agencies is then circulated to affected agencies, residents, property owners, or other interested parties.
- f. LAFCo may hold public scoping meetings or study sessions, as necessary, for selected service reviews to gather additional input.
- g. LAFCo may establish an MSR committee to provide technical and/or policy advice to LAFCo staff. The MSR committee may consist of LAFCo Commissioners from each representative category (county, cities, special districts and the public).
- h. LAFCo staff will prepare a final municipal service review report that includes the determinations required by State Law and adopted Commission policy. The report may identify future studies or actions, which LAFCo or other agencies may take to implement the recommendations of the report.
- i. The Commission will consider the municipal service review report and determinations at a noticed public hearing prior to reaffirming or amending a sphere of influence. The report will be available for a public review period of a minimum of 30 calendar days prior to the hearing, unless additional time is required or requested.
- j. Upon adoption of determinations, LAFCo staff shall schedule a continuity report on the agency(ies) studied at a one-year interval.

Adopted March 20, 2002

Revised February 20, 2008

Updated February 2014 to incorporate revised areas of determination

Revised 2019

Attachment: List of Agencies in San Mateo County Subject to MSRs as of July 2019



## San Mateo LAFCo Sphere of Influence Policy

### SPHERE OF INFLUENCE

#### 1. Background

Government Code Section 56425 of the Cortese-Knox-Hertzberg Local Government Reorganization Act (Act) requires LAFCos to update spheres of influence every five years, as necessary, either in conjunction with, or after completing, municipal service reviews. This section also specifies the areas of written determinations LAFCos must adhere to in order to establish, update or amend a sphere of influence.

The purpose of the sphere of influence is to ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands by preventing overlapping jurisdictions and duplication of services. LAFCo is prohibited from regulating land use. However, on a regional level, LAFCos can promote orderly development of communities by identifying differences between County and City general plans so that the most efficient urban service arrangements are created for the benefit of residents and property owners. LAFCo will utilize general plans, local coastal programs, and other local planning documents to inform and guide decisions on establishing, updating, or amending spheres of influence.

These policies are intended to provide guidance to the San Mateo Local Agency Formation Commission and staff in the preparation, adoption and update of spheres of influence for cities and special districts in San Mateo County.

#### 2. Legislative Authority

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies subject to the jurisdiction of the commission to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each city and each special district, as defined by Section 56036, within the county and enact policies designed to promote the logical and orderly development of areas within the sphere. (Section 56425)

#### 3. Definitions

"Essential Services" means the basic services necessary to protect the health, safety, and general well-being of a community, including but not limited to police, fire, water, sanitation, etc.

"Dissolution Sphere of Influence" means that the Commission has determined that the service responsibilities and functions of the agency should be reassigned to another local government, and that the agency should be dissolved.

"Lands Under Study" means areas with special or unique financial and social problems that require additional analysis by LAFCo or the governing agency before the territory can be placed within an agency's sphere of influence.

"Sphere of Influence" means -"A plan for the probable physical boundaries and service area of a local government agency (Government Code Section 56076)." A sphere of influence will reflect the limits of probable future growth of an agency during the applicable general plan period or twenty years, whichever is more appropriate. A sphere of influence may also include recommendations for:

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## San Mateo LAFCo Sphere of Influence Policy

- a. Annexation or detachment of territory, or both.
- b. Incorporation of a new city.
- c. Merger of a special district with a city.
- d. Consolidation of a special district with one or more districts.
- e. Formation of a new district.
- f. Dissolution of an agency.

“Urban Services” -means services necessary to support urban development, including such services as water, sewer, fire and police protection.

“Urban Area” means an area with residential development at a density which requires a combination of urban services, and commercial or industrial development which serves as a significant business or activity center.

#### 4. **Purpose**

- a. It is the intent of LAFCo to support the viability of local governmental agencies providing essential services. Local agencies should be so constituted and organized as to best provide for the economic and social needs of the county and its communities, efficient governmental services for orderly land use development, and controls required to conserve environmental resources.
- b. It is an intention of LAFCo to use spheres of influence as a tool to discourage urban sprawl as well as to encourage the orderly changes of organization of local government agencies including but not limited to annexations, consolidations, formations and reorganizations.
- c. LAFCo recognizes the limited usefulness of long-term projections. The accuracy of projections decreases with an increasing number of years from the date of the projection. Consequently, the spheres of influence adopted by LAFCo delineate limits for probable future growth within the next twenty years as reflected in the general plans of the various cities and the County.
- d. Once established, a sphere of influence shall provide a declaration of policy that shall be a primary guide to LAFCo in the determination of any proposal concerning incorporated cities or special districts and territory adjacent thereto. Any such sphere of influence may be amended from time to time and its application in any particular case shall depend upon the applicability under the precise facts of that particular case. Prior to approving a change of organization inconsistent with the adopted sphere of influence of that local agency, LAFCo shall amend the sphere of influence of that local agency.
- e. LAFCo discourages the proliferation of local governmental agencies and the existence of overlapping public service responsibilities. The formation of new special districts within existing city or special district spheres of influence is to be discouraged.
- f. It is the intent of LAFCo to encourage the rationalization of local government through the elimination or consolidation of small, single-purpose districts. Wherever the full range of urban

## San Mateo LAFCo Sphere of Influence Policy

services is required, general-purpose governments are preferred to single-purpose special districts for provision of services<sup>1</sup>.

- g. LAFCo recognizes that some political boundaries may be artificial, dividing what may, in fact, be a single community or communities. Existing local government agencies are encouraged to investigate the feasibility of political and functional consolidation in the implementation of LAFCo sphere of influence determinations.

### **5. Allocation of Territory to a Sphere of Influences**

- a. Every Sphere of Influence must be consistent with LAFCo's policies and procedures, the State Legislature's policy direction to LAFCo, the sphere of other agencies in the area, county and city general plans, the Commission's statement of municipal service review determinations, and with the long-range planning goals for the area. LAFCo should call attention to inconsistencies among city, county and regional plans, and should strive to encourage the affected jurisdictions to reconcile the inconsistencies.
- b. Existing, urbanized unincorporated areas with special or unique financial, infrastructure and other service related problems may be the subject of a special designation of "lands under study" until such time as a final decision by the Commission may be reached as to how the area should be provided urban services.
- c. All areas within the county not included within a city sphere of influence should not be subject to urbanization until such time as a complete study can be made by the appropriate planning and administrative departments of the county, adjacent cities and LAFCo.
- d. Areas designated for open space, recreation, or the preservation of the natural or land resources (i.e. agricultural preserves) within the county by regional agencies, the county or local agencies, and not assigned to the sphere of influence of a local agency shall not be considered eligible for an extension of an urban level of services.
- e. Consideration should be given to the effect of the growth of the area and the extension of urban services on the county government structure as well as adjacent single and multiple purpose districts, and the adjacent cities.
- f. Boundaries should not create islands or corridors unless these areas are designated or reserved for open space or regional facilities which are best left unincorporated.
- g. An analysis should be made of the need for the established community, city and special district services; the present cost and adequacy of governmental services; probably future needs for such services; probable effect of the immediate and long-range development within the proposed sphere of influence.
- h. Consideration should be given to alternate courses of action for providing urban governmental services, and to their fiscal and economic consequence.

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<sup>1</sup> [Section 56001](#)

## San Mateo LAFCo Sphere of Influence Policy

- i. Publicly owned properties, other than city facilities, which require urban services such as police and fire protection (convention centers, airports, racetracks, regional parks) should be analyzed on an individual basis before they are included or excluded from a sphere of influence. If the facility is to be included, consideration should be given to alternatives in which the public agency owning the property can reimburse the subject city an equitable sum in lieu of taxes to offset the cost of urban services.
- j. Where a special district is coterminous with or lies substantially within the boundary or sphere of influence of a general-purpose government which is capable of assuming the public service responsibilities and functions of that special district, the special district may be allocated a designation of dissolution sphere of influence which encompasses no territory.
- k. Where it is feasible, cities should be encouraged to expand the types of services which they can provide if no multi-city, single purpose or multi-purpose special district is available.
- l. Where two or more single-purpose special districts provide services to substantially the same area, those districts may be allocated a consolidation sphere of influence to include the area served by both districts. This would be the case where LAFCo believes that the particular service should be provided to the entire agency area by a single local agency. The provision of services by multi-purpose local agencies is to be preferred over the provision of those services by overlapping single-purpose special districts.
- m. An existing local agency may be allocated a dissolution sphere of influence which encompasses no territory. Such may be the case where LAFCo determines, after due consideration of all factors, that the public service responsibilities and functions of one local agency should be reallocated to some other unit of government and that, ultimately, the local agency which has been assigned a "dissolution sphere of influence" should cease to exist.
- n. The provision of essential services to multi-city areas may be a role for special districts within urban areas if the affected cities are unable to make contractual arrangement for the similar provision of services by a single, service-vending city or the county. Where such services are or could be available from a single, services-vending city or the county, a special district may be allocated a dissolution sphere of influence encompassing no territory.
- o. Non-essential services should not be provided by special districts unless there is no other mechanism for provision of those services. Rather, the responsibility for the provision of those services should belong solely to general-purpose government which has a mandate to weigh priorities of competing uses for tax revenues.
- p. The existence of agricultural preserves in the area which could be considered within an agency's sphere of influence and the effect on maintaining the physical and economic integrity of such preserves in the event that such preserves are within a sphere of influence of a local governmental agency will be reviewed as part of the Sphere of Influence approval process.

### 6. SOI Determinations

In making its sphere of influence determinations, the Commission will examine the effects of potential jurisdictional changes on affected local agencies, residents, tenants and landowners.

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## San Mateo LAFCo Sphere of Influence Policy

In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following<sup>2</sup>:

- a. The present and planned land uses in the area, including agricultural and open-space lands.
- b. The present and probable need for public facilities and services in the area.
- c. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
- d. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
- e. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.
- f. Upon determination of a sphere of influence, the commission shall adopt that sphere.

For a sphere of influence for a special district, the commission shall require existing districts to file written statements with the commission verifying the functions or classes of services provided by the district and the nature, location and extent of any functions of classes of service provided by existing districts as reported in the districts inventory of functions and services adopted by the Commission<sup>3</sup> (Section 56425).

### **7. Amendments and Updates to Spheres of Influence**

LAFCo will adopt, amend, or update a Sphere of Influence after a public hearing and pursuant to the procedures set forth in Section 56427 of the Cortese-Knox Hertzberg Act. Sphere actions are subject to the provisions of the California Environmental Quality Act. Spheres of Influence shall be reviewed and updated, if necessary, every five years as needed, or more often if deemed necessary by the Commission. Whenever possible, city sphere updates shall be scheduled to coincide with city General Plan updates.

Sphere of Influence updates generally involve comprehensive review of the Sphere of Influence, including the map and the information provided in the Municipal Service Review for the agency. Amendments generally involve discrete changes to a Sphere of Influence designation or map or Plan that are proposed by an agency or individual to accommodate a specific proposal. An amendment may or may not involve changes to the Municipal Service Review information. Updates to the Sphere of Influence may be required when territory is added or removed, when a district seeks to provide a new or different function or class of service, or when a significant change in an agency's plans for service makes the current sphere plan impractical.

LAFCo will review the adopted sphere plan of each agency at least every five years as needed as the Commission deems necessary. In order to conduct a sphere review, LAFCo will request the agency to provide updated information for its Sphere of Influence and Municipal Service Review. Such

<sup>2</sup> Section 56425

<sup>3</sup> Section 56425

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information is necessary to inform the Commission's determination of appropriate sphere horizon boundaries. In the absence of adequate information, the Commission will complete the sphere update by identifying the territories that currently receive the agency's services and excluding unserved territories from the sphere.

Sphere of influence amendments shall precede consideration of proposals for changes of organization or reorganization that are not consistent with the existing sphere.

An applicant for amendment to a sphere of influence must demonstrate a projected need or (in the case of reduction of the sphere) lack of need for service.

Amendment proposals involving sphere expansion that would provide for conversion to urban uses of open space land (as defined by Sections 56059 and 65560) or prime agricultural land (as defined by Section 56064) will not be approved by LAFCo if there is sufficient alternative land available for annexation within the existing sphere of influence.

**8. LAFCo initiated Sphere of Influence Review/Update**

- a. The San Mateo Local Agency Formation Commission shall adopt, amend, or revise spheres of influence after a public hearing called and held for that purpose. At least 21 days prior to the date of any such hearing, the Executive Officer shall give mailed notice of hearing to each affected local agency and the County, and to any interested party who has filed a written request for such notice with the Executive Officer. In addition, at least 21 days prior to the date of any such hearing, the Executive Officer shall cause notice of the hearing to be published in a newspaper within the territory affected by the sphere of influence proposed to be adopted. LAFCo may continue from time to time any sphere of influence hearing. At any sphere of influence hearing, LAFCo shall hear and consider oral or written testimony presented by any affected local agency, the County or any interested person who wishes to appear including landowners, residents and tenants in the area affected by the Commission's sphere of influence decisions<sup>4</sup> (~~Section 56427~~).
- b. In determining a sphere of influence, the commission may assess the feasibility of governmental reorganization of particular agencies and recommend reorganization of those agencies when reorganization is found to be feasible and if reorganization will further the goals of orderly development and efficient and affordable service delivery. The commission shall make all reasonable efforts to ensure wide public dissemination of the recommendations.
- c. At its meeting, the commission shall consider the Executive Officer's report and receive any oral or written testimony. The consideration may be continued from time to time, but not to exceed 70 days from the date specified in the original notice.
- d. At the conclusion of its consideration, the commission may approve with or without amendment, wholly, partially, or conditionally the recommended sphere determinations.
- e. Upon acceptance of the MSR and adoption of the determinations, LAFCo staff shall transmit the determinations to affected agencies and stakeholders.

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<sup>4</sup> ~~Section 56427~~

**9. Requests for City or District Sphere Amendment**

- a. Any person or local agency may file a written request with the executive officer requesting amendments to a sphere of influence or urban service area adopted by the commission. The request shall state the nature of the proposed amendment, state the reasons for the request, include a map of the proposed amendment, and contain any additional data and information as may be required by the executive officer.
- b. At least thirty days prior to submitting an application for a new city or district SOI or a city or district SOI update, the city or district and County representatives must meet to discuss SOI issues, boundaries and methods to reach agreement on such boundaries, and development standards and zoning requirements within the SOI. The purpose is to consider city/district and county concerns and ensure orderly development within the SOI. Discussions may continue an additional 30 days, but no longer than 60 days.
- c. If an agreement is reached, it must be forwarded to LAFCo. LAFCo will give great weight to the agreement when determining the city's SOI. If LAFCo's final SOI determinations are consistent with a city or district/County agreement, the city/district and the County must adopt the agreement at noticed public hearings. After the agreement and related General Plan amendments are adopted, County-approved development within the SOI must be consistent with the agreement terms.
- d. If no agreement is reached, LAFCo will render determinations and adopt a sphere- consistent with its policies and the Act.
- e. In an effort to promote cooperation among the land use agencies with jurisdiction over lands in the Coastal Zone, any application to LAFCo for a sphere of influence amendment regarding land in the Coastal Zone shall contain the following information:
  - i. A statement that the staffs of the Coastal Commission and other land use agencies with jurisdiction over the land which is the subject of the application have reviewed and jointly discussed the sphere of influence amendment application with respect to consistency with applicable general plans, the Coastal Act, and local coastal programs. The statement should also memorialize the results of the review.
  - ii. Preliminary review and comments from the Coastal Commission staff as to potential issues of Coastal Act consistency.
  - iii. Review and comments from any other land use agency with jurisdiction, through a Local Coastal Program or otherwise, over the land which is the subject of the application, including an analysis of consistency of the proposed amendment with its general plan. LAFCo will consider consistency with the Coastal Act and the relevant general plans in making its Sphere of Influence determination.
- f. The executive officer shall give notice on the sphere of influence hearing. On the date and time provided in the notice, the commission may do either, without further notice, consider the amendments to a sphere of influence or set a future date for the hearing on the request.

San Mateo LAFCo Sphere of Influence Policy

- g. The executive officer shall review each requested amendment and prepare a report and recommendation. The report shall be completed not less than five days before the date specified in the notice of hearing. The executive officer shall send copies of the report to the person or agency making the request, each affected local agency, and each person who has filed a request for a report.
- h. At its meeting, the commission shall consider the Executive Officer's report and receive any oral or written testimony. The consideration may be continued from time to time, but not to exceed 70 days from the date specified in the original notice.
- h. At the conclusion of its consideration, the commission may by resolution approve with or without amendment, wholly, partially, or conditionally or deny the sphere of influence amendment.
- i. Upon adoption of the sphere of influence resolution, LAFCo staff shall transmit the determinations to affected agencies and stakeholders.

Adopted 9/18/74

Revised 6/18/75

Revised 3/20/96

Revised 1/17/01

Revised 2019

DRAFT





CITY OF SAN BRUNO

COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT

August 19, 2019

Robert Bartoli  
455 County Center, 2<sup>nd</sup> Floor  
Redwood City, CA 94063  
(650) 363-4224  
Email: [rbartoli@smcgov.org](mailto:rbartoli@smcgov.org)

**RE:** Comments regarding the draft Municipal Service Review and Sphere of Influence policies for San Mateo County Local Agency Formation Commission (LAFCo)

Dear Mr. Bartoli,

The City of San Bruno ("City") appreciates the opportunity to review and provide comments for the draft Municipal Service Review (MSR) and Sphere of Influence (SOI) policies that were prepared for the San Mateo County Local Agency Formation Commission (LAFCo). The City understands that San Mateo LAFCo is in the process of updating existing policies pertaining to the general rules of hearing, municipal service review, sphere of influence update and other matters. Further, the City has been informed that the San Mateo LAFCo will hold a public hearing on September 18, 2019 to consider updating the current MSR and SOI policies.

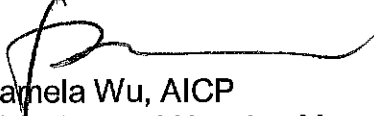
In reviewing the document and early consultation with LAFCo staff, the City understands that San Mateo LAFCo will be responsible for conducting the MSR study and that as part of the process, the City may participate in a survey / questionnaire to gather necessary information and to assist LAFCo in completing its review. Also, the City understands that LAFCo will be the primary agency for conducting public outreach meetings. Should assistance be requested that involves City staff and City facility, such as San Bruno City Hall, LAFCo staff will initiate the coordination with the City. Lastly, LAFCo staff clarified that if a CEQA document is to be prepared for the MSR or SOI updates, San Mateo LAFCo would be the lead agency. LAFCo staff also indicates that there will not be any requirement for a NEPA review.

In receiving the initial feedback, the City was informed that San Bruno has been tentatively scheduled for its first MSR study within this fiscal year. This would be the City's first review since the establishment by State legislature in 2000.

The City appreciates the opportunity to review draft policies and respectfully requests the clarifications mentioned above to be incorporated into the draft documents. The City remains highly interested in the process and would like to be included in further development of these policies before LAFCo Commission's final adoption.

Should you have any further questions or clarification, I can be reached at (650) 616-7053.

Sincerely,



Pamela Wu, AICP  
Planning and Housing Manager

Cc:  
Darcy Smith, CED Department Director

Attachment: Email exchange with Rob Bartoli on July 30, 2019

## Pamela Wu

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**From:** Rob Bartoli <RBartoli@smcgov.org>  
**Sent:** Tuesday, July 30, 2019 8:25 AM  
**To:** Pamela Wu  
**Cc:** Martha Poyatos  
**Subject:** RE: draft MSR and SOI policies

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Hi Pamela,

Regarding the Municipal Service Review (MSR) process, LAFCo would be responsible for conducting the review and any public hearings. As part of this process, there may be questions posed to or information requested from an agency. This may take the form as a survey/questionnaire to the agency. The MSR review process can occur as needed or if there is a proposal to LAFCo that will change the established Sphere of Influence for an agency.

Once all the information required for the MSR document is compiled, an administrative draft of the report will be sent to the affected agency to verify data. After the data has been confirmed, a circulation draft will then be sent to affected agencies, residents, property owners, or other interested parties for review and comment. The MSR helps inform the Sphere of Influence, which establishes the final boundary.

In most cases, LAFCo staff will be the primary agency for conducting outreach regarding the MSR. However, this outreach may also occur in conjunction with the agency staff or, if a community meeting is held, potential at an affected agency facility, such as San Bruno City Hall. LAFCo staff will work with the staff of the affected agency about conducting a community meeting if one is needed or requested.

LAFCo would be the lead agency for CEQA for a MSR. MSRs are generally exempt under CEQA 15306 (Information gathering) and 15061(b)(3), the general exemption. For MSRs, the agency under review does not have to adopt the report, so typically there is no responsible agency. There is no NEPA review for MSRs.

Please let me know if you have any additional questions. As of now, the City of San Bruno is tentatively scheduled for a MSR this fiscal year, as this would be the City's first review since the establishment of MSRs by the State legislature in 2000.

Thank you very much,

Rob

Rob Bartoli  
Management Analyst



455 County Center, 2nd Floor  
Redwood City, CA 94063  
Direct Tel: (650) 363-1857  
Email: [rbartoli@smcgov.org](mailto:rbartoli@smcgov.org)

**From:** Pamela Wu <PWu@sanbruno.ca.gov>  
**Sent:** Monday, July 29, 2019 1:53 PM  
**To:** Rob Bartoli <RBartoli@smcgov.org>  
**Subject:** draft MSR and SOI policies

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Robert, thank you for providing City of San Bruno the review of draft polices. I have a few basic questions, I hope you don't mind providing some clarification / feedbacks.

MSR.

With regard to the municipal service review, can you confirm if LAFCo would be responsible for conducting the review? Through the review, how can the corresponding jurisdiction provide feedbacks / comments before the final boundary is determined? It was mentioned that "outreach" is strongly encouraged. I am assuming the outreach would be conducted by LAFCo staff, not City, correct? Lastly, I am assuming LAFCo would be preparing the related CEQA / NEPA document for the review. So LAFCo would be the lead agency while the corresponding city being the responsible agency?

If a phone call to go over these questions is easier, I can be reached at 650-616-7053.

Thank you for your assistance,  
Pamela

Pamela T. Wu  
Planning and Housing Manager

City of San Bruno  
567 El Camino Real  
San Bruno, CA 94066  
650-616-7053  
[pwu@sanbruno.ca.gov](mailto:pwu@sanbruno.ca.gov)

Attachment D -  
Montara Water & Sanitary  
District Comment Letter



## Montara Water & Sanitary District

Serving the Communities of Montara and Moss Beach

P.O. Box 370131

Tel: (650) 728-3545

8888 Cabrillo Highway

Fax: (650) 728-8556

Montara, CA 94037-0131

E-mail: [mwsd@coastside.net](mailto:mwsd@coastside.net)

Visit Our Web Site: <http://www.mwsd.montara.com>

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August 27, 2019

Martha Poyatos  
Executive Director  
455 County Center  
Redwood City, CA 94063-1663

**Subject: Draft Documents for Municipal Service Reviews and Spheres of Influence.**

Dear Martha,

This responds to your request received on July 24 to provide comments to the Draft Municipal Service Review Policy and Draft Sphere of Influence Policy for San Mateo LAFCo by today. We are concerned about a short turnaround during holiday season for a document that contains such major policy implications for not only our agency but the entire county. Without clear reference to suggested changes of existing LAFCo policies the provided materials are incomplete and may be insufficient to provide policy input.

Our specific comments are attached for your consideration. We have a concern that there seems to be a tendency to push for consolidation of districts and the thought that larger, multi-function districts are to be preferred over smaller local districts. There is even one section which encourages cities to absorb special district functions whenever possible. (SOI - Section 5.j)

We respectfully disagree with this philosophy. The Little Hoover Commission Report # of August, 2017, titled "**Special Districts: Improving Oversight & Transparency**" factually supports our philosophy of **Local Control** being preferred over larger government agencies that would limit input by local citizens. To quote from page 2 of Chair Nava's cover letter,

"As much as the Commission wanted to find a magic bullet to ensure these 2,000 districts were performing efficiently and effectively, it didn't. The LAFCO process may not be working as it could and should in every corner of the state, but **special districts remain best served by local decision-making**. To

that end, the Commission recommends the Legislature curtail its practice of bypassing the local process.”

If you have any thoughts or questions on our attached comments, please feel free to call us at (650) 728-3545.

Sincerely,

A handwritten signature in blue ink that reads "Kathryn Slater-Carter". The signature is written in a cursive style.

Katheryn Slater-Carter

MWSD Board President

cc: MWSD Board

---

Christine Fitzgerald, District Counsel

Attachment: MWSD Comments

Montara Water and Sanitary District August 27, 2019 Comments to SMC LAFCo DRAFT MSR and Sphere of Influence Policy

Page 1.

**Section 3. Definitions**

“Lands Under Study” means areas with special financial and social problems... - Define special financial and social problems.

Page 2.

**Section 4. Purpose**

Paragraph a.

...to best provide for the economic and social needs of the county and it’s communities. – Strike “the county and”

Paragraph b.

..... formations and reorganizations, while maintaining local control per Hoover Commission statement quoted in our cover letter.

Paragraph f.

Strike entire paragraph. Per Hoover Commission quote in cover letter, local control over districts is preferred to large multipurpose districts. Suggested language: It is the intent of LAFCO to encourage the rationalization of local government through the support of special districts, which may be the only ones available, to serve the community, even in specific areas such as providing water and sanitation, or by providing security, and especially if the that particular district is supported by the vast majority of the community.

Paragraph g.

Strike paragraph. Local control is preferred to arbitrary consolidation for consolidation’s sake. Suggested language: Special districts encompassed within a single community, either geographic or culturally, should be respected. Artificial boundaries dividing communities should be ignored if the community is served efficiently by that particular special district. LAFCO should recognize the small special districts can often be the most efficient.

**Section 5. Allocation of Territory to a Sphere of Influence**

Paragraph a.

A sentence should be added to this paragraph as follows: Special districts that do share one item of service, such as sewage processing, should remain independent as regarding their service as well as their sphere of influence, if that district is the most efficient in serving that communities’ major needs, such as water supply, and if that special district is substantially supported by the community

Paragraph b.

Existing urbanized unincorporated areas with special financial, infrastructure and other service related problems... - Define special financial, infrastructure and other service related problems.

Paragraph d.

In this sentence the change should be made that special districts or local agencies should be allowed to manage land resources or the preservation of natural resources, even if the district is adjacent or overlapping with urban areas.

Paragraph i.

Where two.....area served by both districts. If LAFCo believes that the particular service should be provided to the entire service area, a public vote should be taken in the districts recommended for consolidation. Per the Hoover commission comment, local control and local preferences should be given preferential treatment over an arbitrary decision to consolidate districts.

Paragraph m.

An existing local agency.....should cease to exist. This action should only be taken after a public vote in the district to determine if the local public wants to be merged into a bigger district. Again, the public should determine whether to keep local control per the Hoover commission statement.

Paragraph o.

Non essential services should not be provided by special districts unless there is no other mechanism for provision of those services... Rewrite: Non essential services can be provided by special districts if adequate financing can be provided.

#### **Section 6. SOI Determinations**

Opening sentence: LAFCO will respond to the criteria advanced by the Little Hoover Commission in providing the finding that small, special districts can be the most efficient. And in all cases, the primary consideration is a comprehensive survey taken of the residents as to how efficient their special district is.

In making its sphere of influence determination.....landowners. LAFCo should specifically poll the local community to determine its preference for any SOI changes.

Paragraph e. Needs a verb. It only has phrases.

#### **Section 8. LAFCo initiated Sphere of Influence**

Paragraph a.

...21 days... - Change to 30 days



Martha Poyatos  
Executive Officer  
San Mateo Local Agency Formation Commission  
455 County Center  
2<sup>nd</sup> floor  
Redwood City, CA 94063-1663

August 27, 2019

Dear Executive Officer Poyatos (*copy to Rob Bartoli (rbartoli@smcgov.org)*):

This email (*and certified letter to follow*) is a citizen reply to your July 23, 2019 “*Request for Comments on Draft Municipal Service Review Policy and Draft Sphere of Influence Policy for San Mateo Local Agency Formation Commission (LAFCo)*”. These comments and questions are divided into four sections of concern: Procedure, Decision Criteria, Detailed Comments, and Requested Actions.

## **PROCEDURE**

A number of factors raise concerns about the propriety of the proposed policy changes, and the steps taken, and not taken, to inform the public and stakeholders about the implications of those changes.

1. Your introductory paragraph states that “*Updates to these documents reflect changes in the Cortese Knox Hertzberg Local Government Reorganization Act.*” (hereinafter “the Act”). Yet I can find no changes to the Act since your last policy update on 1/17/01. Please cite and explain the changes to the Act, and tie those changes to the altered wording in your new drafts.
2. There is no comparison of the old and new versions of your policies with an explanation of each change. Normal legal and business practice would provide an annotated copy of the Draft policies, with each change annotated (*e.g. by “Track Changes” in a Word document*) for transparency and clarity to the readers. The absence of this annotated and comparative document obfuscates the changes and undermines the Transparency in Government to which we must all strive.
3. Without a detailed explanation of each change and its legal necessity, it is difficult to assess the merits of the changes proposed. For example, what are the new state laws with which the current policy is inconsistent? What is the legal authority and basis for the addition of the local policy considerations regarding water resiliency, climate change, and natural hazards? These are logical additions, but without statutory reference, how can we know that they are legal, and properly crafted?
4. The policy redefinition effort you are undertaking has costs, and should have attendant benefits. What is the staff, accounting, legal, etc. expense for this and how does it benefit the members and ratepayers? Any expenditure of member funds should be budgeted, disclosed and justified in relation to legal need, and compared for reasonableness to similar LAFCo agencies.

## **DECISION CRITERIA**

The *2009 LAFCO Guide to the CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT REORGANIZATION ACT OF 2000* would appear to be the necessary guidance for San Mateo County LAFCO implementation of the Act. It contains lists of Decision Criteria to be used in assessing the feasibility and impact of proposals (*e.g. 56038.5 and 56668*). Yet some language in your proposed documents omits key decision criteria specified, and – as importantly – lacks an overriding consideration of the major criteria which should govern any such changes. Those criteria include the

impact on voters, residents, ratepayers and taxpayers in the affected district. Those impacts include costs, service levels, and risks to costs, service levels, and property values.

The services provided by special districts are often essential. The first criterion considered in any SOI change, or in the recommendations stemming from MSR and SOI research must be: **“First, Do No Harm”**.

Further, any determinations relying on SOI definitions must be accompanied by analyses which include:

1. Initial and non-recurring costs of the proposed change/action (including all costs attendant to the following listed items)
2. Ongoing costs and benefits in comparison with other alternatives (e.g. no change)
3. Current and expected levels of service
4. Sources of funding for the proposed action
5. Responsibility for auditing the costs, benefits, and service quality after the proposed action.
6. Sources of funding to correct results which deviate from expectations, and to make the affected residents, rate and tax-payers whole in both financial and service terms. *Note that projects and changes often exceed their budgets and under-deliver on results. There must be contingency planning and funding covering these eventualities.*

The results of MSR findings and SOI decisions and subsequent actions recommended by the Commission can be significant, if not life-changing, and any policy framework must address how the resulting decisions based on MSR and SOI information will be made, and who is accountable for their implementation and success, or failure, and how affected residents, rate and tax-payers will benefit, or be made whole (in the event of failures).

As someone with experience in performing mergers and acquisitions at two major companies, I can attest to the level of analysis, planning, and implementation required to attain proposed benefits of consolidation, and to avoid the many failures which fill the case studies in academic, government, and business literature. Failure to be crystal clear in decision criteria and accountability from the start is a formula for failure. Your policies must include full explanations of the decision processes downstream from the basic performance of MSR and SOI definition activities. Without the resultant decision-making and procedural context being fully described, the proposed MSR and SOI policies cannot be fully evaluated, and should not be approved nor adopted.

## **DETAILED COMMENTS**

There are a number of details in the proposed MSR and SOI policies which should be changed.

A. MSR Page 1 Item 1: "Minor amendments to a sphere of influence, as determined by LAFCo, will not require a municipal service review." There is no definition of "minor". This sentence grants power to the commission without the due process of notification and consultation outlined elsewhere. This sentence must be removed, or a concrete detailed definition of "minor" provided for subsequent evaluation and comment by stakeholders.

B. MSR Page 3 Item d: the MSR policy OMITTS RESERVES in "assess the fiscal viability/health of the agency". Reserves are a fundamental aspect of special district financial viability, and the topic of much of the Little Hoover Commission report. As stated therein *"The State Controller's Office has convened a task force to standardize reporting on reserves, a necessary first step before anyone can assess the adequacy of each district's rainy day fund."* In particular, Reserves must include liquid (or liquidatable) assets which can be used to fund district expenditures in the time frame necessary for the need; they cannot include static, "book value" illiquid balance sheet entries.

C. MSR Page 3 Item f: *"Accountability for community service needs, including governmental structure and operational efficiencies."* Assessment of these factors requires knowledge capital which LAFCO appears to lack. Recommendations as to the nature and formation of the necessary tools to assess these factors are included below in the Requested Actions section of this letter. Creation and use of those tools should become part of your policies, and so delineated.

D. MSR Page 3 Item g: *"Any other matter related to effective or efficient service delivery,"* The use of the term "any other matter" is imprecise and must be removed. That term is NOT used in unconstrained fashion in the 2009 LAFCO Guide. In fact, the rest of the wording of this section has specific issues which must be addressed. The wording should be changed to: *"The following matters related to effective or efficient service delivery..."*

E. MSR Page 5 Item 8.i states: *"The Commission will consider how water-related requests for sphere of influence, boundary, or service modification affect the **Commission's interests.**"* This MUST be changed. The interests cannot be the Commission's, they MUST be the interests of the residents, ratepayers, or local taxpayers in safety, quality of service, costs, and risks. The government exists to serve the people, not the other way around.

F. Omission: There is no provision in the MSR policy for disputes over the findings of an MSR. In the past, for example in Grand Jury studies of special districts, there have been material errors of fact in the published findings. There must be a mechanism for independent arbitration to resolve disputes over findings and errors of fact. No action should be taken based on an MSR until it is confirmed accurate by all parties, or resolved by the arbitrator.

G. SOI Page 5 Item 7: contains an ambiguous term requiring definition: *"In the absence of adequate information, the Commission will complete the sphere update by identifying the territories that currently receive the agency's services and excluding unserved territories from the sphere."* There is no definition of what 'absence of adequate information' is. Further, the wording of this sentence is unclear. It implies that there would be an ad hoc truncation by the Commission of the SOI because some information was not available without stating what information, available in what time frame and with what currency, and without stating what due diligence should be attempted by whom to first gather that information.

H. SOI page 6, item 8.b. *"the commission may assess the feasibility of governmental reorganization of particular agencies and recommend reorganization of those agencies when reorganization is found to be feasible and if reorganization will further the goals of orderly development and efficient and affordable service delivery."* Note that the term "feasibility" is defined in the Act as: "56038.5. *"Feasible" means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, legal, social, and technological factors.*" The proposed policy

item is vague on details of the analysis and criteria to be included in this assessment process. Any such analysis or assessment must include, and your policy should so list: 1) projections of costs, benefits, and service levels, 2) assessment of risk levels to all those factors (e.g. to water supply or quality or costs), 3) the potential mechanisms and costs for mitigating those risks, and 4) costs and processes for auditing of all financial and service outcomes to ensure compliance and completion, and 5) ownership of the liability stemming from LAFCO decisions regarding MSR and SOI-based recommendations, and restitution to those affected if intended benefits are not realized. There must be defined accountability for compensation to affected residents whose services, costs, and/or property values are affected by SOI determinations and resultant decisions by the Commission.

SOI page 6 item 9.b: *“At least thirty days prior to submitting an application for a new city or district SOI or a city or district SOI update, the city or district and County representatives must meet to discuss SOI issues”* WITH WHOM must the applicants meet? In what venue? With what advance scheduling? And, if there are difficulties meeting this proposed provision, the policy should clarify how the subject District can have control and accountability over the availability of other parties to the meeting.

SOI page 6, item 8.a: – requires only a 21 day notice. For matters of such consequence as public works, at least 30 day notice should be required. The Act provides several instances where 35 days notice is provided (e.g. 56862(a)).

SOI page 2, items e and f: which state as follows:

*“e. LAFCo discourages the proliferation of local governmental agencies and the existence of overlapping public service responsibilities. The formation of new special districts within existing city or special district spheres of influence is to be discouraged.*

*f. It is the intent of LAFCo to encourage the rationalization of local government through the elimination or consolidation of small, single-purpose districts. Wherever the full range of urban services is required, general-purpose governments are preferred to single-purpose special districts for provision of services.”*

These items are opinions without defined criteria for evaluation and should be removed or modified to state the problems to be prevented or solved. Special districts have a beneficial focus and accountability which is lacking in larger, consolidated government entities. Certainly there can be districts which are superfluous or inefficient, and those should be addressed. But this language actually implies the REDUCTION of local government and its replacement by larger entities. Since almost every state, city, and county in the United States is in debt, the evidence for benefits of larger government is completely lacking. A local example is our own San Mateo County which has over \$1 billion in unfunded pension liabilities, resulting in a net deficit position – and failing a key metric for solvency in spite of the abundant wealth of the region. Further, there is no justification evident for the expressed preference stated in this policy guideline. Finally, these policy preferences do NOT appear in the 2009 LAFCO Guide, which raises the question of whether the San Mateo branch of LAFCO is attempting to rewrite policy for its own ends, rather than conforming to the Act.

What is needed is more Evidence-based Government, something that the medical profession started in earnest in the 1980's. If there are issues, they must be expressed in verifiable, concrete, quantifiable terms and the alternatives and solutions proposed expressed similarly, along with the costs, benefits, and accountability and audits attendant to any actions.

Various locations in the text – the term "*disadvantaged unincorporated communities*" is the topic of several policy points. The term "disadvantaged" does not appear in the 2009 LAFCO Guide. What legal basis merits the inclusion of these terms in the San Mateo County LAFCO policies?

## **REQUESTED ACTIONS**

This section lists actions LAFCO should take to perform its duties effectively and responsively for the public which it is intended to serve.

1. In order for The Act to reduce inefficiencies and increase service levels in special districts, San Mateo County LAFCO should create and use several management tools common in business, military, and medical practices. These tools will ensure decisions are evidence-based, that the intended benefits are realized, that MSR, SOI, consolidation, and/or dissolution analyses are conducted in a systematic and consistent fashion, and that stakeholders are not harmed by determinations made by LAFCO.

### **A. Benchmarking**

For each type of special district, LAFCO should create a Benchmark Database of financial, operational, and service performance trends. Without such information, there is no way LAFCO can ascertain whether service levels are 'adequate' or 'inefficient'. The database should include data statewide from NON-special districts performing the same functions, as well as all Special Districts.

### **B. Determination Audits**

For each determination which results in a change to special districts, an audit should be conducted upon completion of the change (e.g. a consolidation), and again no more than 5 years after the change, to ensure that the costs and benefits of the determination were delivered and to assess why not if they were not. The audit should include financial, operational, and service performance, as well as quality of life impacts on affected residents, ratepayers, and taxpayers.

### **C. Case Studies**

Building upon the Determination Audits and Benchmarks, as well as informing the scope and definition of those tools, a written Case Study should accompany the implementation of each Determination. The Case Study should explain WHY a given Determination succeeded, exceeded, or failed to accomplish its proposed objectives. Problems and successes, and the causes of both, should be documented for reference in future decision-making. Issues addressed should go beyond the Determination Audits to include organizational, social, political, human resources, procedural and other factors which influenced the outcome of each Determination. Important new factors identified in Case Studies should be incorporated into the Benchmark Database and future Determination Audits.

### **D. Best Practices**

Building upon the Knowledge Capital in the above three resources, LAFCO should produce guides to Best Practices for Special Districts, including overall organization and governance policies and procedures, and more focused versions for different types of special districts performing essential services, such as Water and Sewer. Currently there are [Best Practices for LAFCO commissions](#), but there do not appear to be for the various types of Special Districts they oversee.

While the creation of these tools will require effort, they will reduce the long term effort (and controversy) required to make and implement the decisions and determinations of the Commission. These tools will also help avoid errors and inconsistencies of judgment and implementation. Further, given that the health and well-being of rate and tax-payers is at stake in the decisions of the Commission, no less than this form of professional due diligence is necessary in the conduct of its research and analysis.

2. In order to meet the standards of Transparency in Government, LAFCO should re-publish its proposed policy changes – hopefully after including changes based on recent citizen feedback – in an annotated document as described in item 2 above in the section PROCEDURE. Another comment

period should be established to allow the public to understand and comment in an informed manner before the Commission takes any action to amend its policies.

3. The Commission should post on its website the comments received regarding the proposed policy changes so that the public can understand and assess the concerns raised by all concerned, and assess whether the Commission is properly responsive to its stakeholders and the Act. Again, this is an issue of Transparency in Government.

4. I am requesting a written reply to the specifics raised in this email/letter. I am freely available to discuss my concerns and recommendations in person or by phone and to assist the Commission in enhancing its policies, procedures, and knowledge capital – as described herein - so that it can best serve the public.

Sincerely,

**GREGG A. DIÉGUEZ**

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August 27, 2019

## San Mateo LAFCo Municipal Service Review Policy

### MUNICIPAL SERVICE REVIEW

#### 1. Purpose

Section 56430 of the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (Act) requires LAFCO to conduct municipal service reviews prior to establishing or updating spheres of influence. The municipal service reviews are intended to serve as a tool to help LAFCO, the public and other agencies better understand public service governance and delivery and evaluate options for the provision of efficient and effective public services. Municipal Service Reviews (MSR) are intended to support spheres of influence.

**Commented [RB1]:** Updated purpose section to more background on MSRs

Generally, MSRs will be prepared in conjunction with sphere of influence studies or updates; however, municipal service reviews may also be conducted independent of the sphere of influence process. ~~Minor amendments to a sphere of influence, as determined by LAFCo, may or may not require a municipal service review. Minor amendments to a sphere of influence, as determined by LAFCo, will not require a municipal service review.~~

**Commented [RB2]:** From Page 3, Section IV of existing policy

These policies are intended to provide guidance to the San Mateo Local Agency Formation Commission and staff in the preparation and implementation of municipal service reviews that inform the public and affected agencies.<sup>1</sup>

#### 2. Legislative Authority

In order to prepare and to update spheres of influence, the commission shall conduct a municipal service review of the cities and districts in the county or other appropriate area designated by the commission<sup>2</sup>. The commission shall include in the area designated for the MSR the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations. MSRs are the tool to gather information to allow for assessment of the fiscal condition of cities and special districts and informed decision making in determining spheres of influence.

**Commented [RB3]:** New section that relates the MSR to the Act

#### 3. Definitions

"Administrative review document" means a draft Municipal Service Review document that is available to affected agencies for review and comment on data and factual information in the document.

"Circulation draft document" means a draft Municipal Service Review document that is available to affected agencies, residents, property owners, or other interested parties for review and comment.

"California Environmental Quality Act (CEQA)" means a statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible. Additional information regarding CEQA can be found in Public Resources Code Section 21000 et seq.

"Disadvantaged unincorporated community" means inhabited territory that constitutes all or a portion of a "disadvantaged community" a community with an annual median household income that

**Commented [RB4]:** New section that defines terms used in the policy

<sup>1</sup> Government Code Section 56430

<sup>2</sup> Government Code Section 56425

San Mateo LAFCo Municipal Service Review Policy

is less than 80 percent of the statewide annual median household income as defined by Section 79505.5 of the Water Code<sup>3</sup>.

“Municipal service” means the full range of services an agency is authorized to provide. Municipal service reviews will include water, sewer, drainage, harbor, libraries, roads, lighting, parks, police, and fire protection. General government services such as courts, social services, human resources, treasury, tax collection, and administrative services will generally not be included. LAFCo will determine which services will be included in each municipal service review.

“Municipal service review (MSR)” means a comprehensive study designed to better inform LAFCo, local agencies, and the community about the provision of municipal services.

**4. Agencies to be Included**

Local agencies that are subject to LAFCo review, or are required to have a sphere of influence, are subject to municipal service reviews. Whenever possible, data on services provided by other agencies providing the same services will also be included. These agencies may include, but are not limited to, private water utilities, mutual water companies and county-governed districts that are not subject to LAFCo sphere of influence designations. See Schedule of Agencies Subject to MSRs

**Commented [RB5]:** From Page 3, Section V of existing policy

**5. Boundaries**

LAFCo will determine the geographic boundary and agency(ies) that will be the subject of an MSR. Factors that may be considered in determining a service review boundary include, but are not limited to: existing city and special district jurisdictional and sphere boundaries; topography; geography; community boundaries; tax/assessment zones; infrastructure locations; transportation systems and roads; joint powers agreements; areas with shared social and economic communities of interest, plus other factors as determined by LAFCo.

With the exception of single-purpose, countywide special districts, MSRs will generally be conducted for individual agencies on a sub-regional basis within the County of San Mateo. However, as determined by the Commission, a municipal service review may be done for a single type of service (fire, municipal water, etc.) as the need may arise.

**Commented [RB6]:** From Page 3, Section IIV of existing policy

**6. California Environmental Quality Act (CEQA)**

LAFCo shall determine the necessary environmental review or exemption under CEQA.

**Commented [RB7]:** From Page 3, Section IX of existing policy, edited

**7. Stakeholder Outreach and Public Participation**

- a. LAFCo will encourage collaboration, cooperation and information sharing among municipal service review stakeholders.
- b. LAFCo will encourage public participation in the municipal service review process.

**Commented [RB8]:** New section to ensure that public participation in the MSR process is highlighted

<sup>3</sup> Section 56033.5



**8. Areas of Determinations**

LAFcos are required to conduct MSR's and prepare a written statement of determination in the following areas <sup>4</sup>:

a. Growth and population projections

Analysis will include Census population, California Department of Finance, Association of Bay Area Government and Regional Housing Needs Allocation population projections and other information where appropriate in assessing existing and future service needs.

b. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

San Mateo LAFCo staff shall regularly monitor the existence of disadvantaged unincorporated areas in San Mateo County. The Commission acknowledges that other unincorporated communities that do not meet the definition of disadvantaged unincorporated communities may also warrant additional review regarding the need for public services and fiscal health of the territory.

c. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies.

This includes any needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence. The review will also incorporate the Insurance Service Office (ISO) Rating for the jurisdiction if structural fire provided.

d. Financial ability of agencies to provide services

Analysis will include but not be limited to agency budgets, budget trends, audits, fee schedules, revenue sources, long-term debt obligations, retiree pension and health benefit obligations, credit rating, debt ratio and other information necessary to assess the fiscal viability/health of the agency.

e. Status of, and opportunities for shared facilities

Analysis will include existing practices and potential opportunities in regard to sharing common facilities and/or contracting for services, etc. with other agencies.

f. Accountability for community service needs, including governmental structure and operational efficiencies.

Analysis will include: public availability of agency budget, agenda, reports and other documents; source data such as organizational charts, budgets, website, survey information provided by

**Commented [RB9]:** From Page 1, Section III of existing policy

<sup>4</sup> Government Code Section 56430

San Mateo LAFCo Municipal Service Review Policy

agencies; and potential reorganization pursuant to CKH Act, enabling legislation and State legislative policies encouraging efficient delivery of services and logical boundaries.

- g. Any other matter related to effective or efficient service delivery, as required by Commission policy.

The Commission or the Executive Officer may include other matters as determined based on local conditions and circumstances prior to preparing an MSR or in the course of preparation. MSR's determinations to be included by adopted local policy include the following:

- i. Water Resiliency and Climate Change

Safe, adequate, reliable, and resilient water supplies are fundamental to the County. The Commission supports governance models that enhance and provide a more robust water supply capacity (including, but not limited to, recycling, desalination, and stormwater recapture) in the County. The Commission will consider how water-related requests for sphere of influence, boundary, or service modification affect the Commission's interests.

Resiliency to climate change is important to the health, safety, and economic prosperity of the County. The Commission supports multi-agency collaboration and governance models that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change. The Commission will consider the extent to which the agency under study is planning for sea level rise, climate change water resiliency.

- ii. Impact of Natural Hazards and Mitigation Planning

Analysis will include a review of natural hazards that may impact the jurisdiction, including wildfire, earthquakes, and flooding. Source data such as a general plan, hazard mitigation plan, land use maps, FEMA maps, and CAL Fire maps will be used to as part of this analysis.

- h. The Commission or LAFCo staff may request additional information on a case by case basis in order to adequately address state required areas of determination or any locally adopted policy.

9. **Municipal Service Review Process**

- a. LAFCo will determine the priority, schedule, procedure and content for municipal service reviews as required for sphere of influence reviews for the County's 20 cities, 22 independent special districts and 33 county governed special district. LAFCo will develop a priority work plan of MSRs to be addressed during the fiscal year.
- b. Municipal service reviews will be prepared by staff unless the Commission finds that due to complexity, controversy or staff resources, the review should be conducted by an independent consultant.
- c. LAFCo will transmit a survey/questionnaire to the affected agency(ies) identified in the service review work plan. The survey/questionnaire shall contain questions related to Section 56430 (1) through (7).
- d. Staff shall prepare an administrative report for review and comment by affected agencies, to verify data.

**Commented [RB10]:** From Page 4, Section X of existing policy

San Mateo LAFCo Municipal Service Review Policy

- e. A circulation draft reflecting comments from affected agencies is then circulated to affected agencies, residents, property owners, or other interested parties.
- f. LAFCo may hold public scoping meetings or study sessions, as necessary, for selected service reviews to gather additional input.
- g. LAFCo may establish an MSR committee to provide technical and/or policy advice to LAFCo staff. The MSR committee may consist of LAFCo Commissioners from each representative category (county, cities, special districts and the public).
- h. LAFCo staff will prepare a final municipal service review report that includes the determinations required by State Law and adopted Commission policy. The report may identify future studies or actions, which LAFCo or other agencies may take to implement the recommendations of the report.
- i. The Commission will consider the municipal service review report and determinations at a noticed public hearing prior to reaffirming or amending a sphere of influence. The report will be available for a public review period of a minimum of 30 calendar days prior to the hearing, unless additional time is required or requested.
- j. Upon adoption of determinations, LAFCo staff shall schedule a continuity report on the agency(ies) studied at a one-year interval.

Adopted March 20, 2002

Revised February 20, 2008

Updated February 2014 to incorporate revised areas of determination

Revised 2019

Attachment: List of Agencies in San Mateo County Subject to MSRs as of July 2019

San Mateo LAFCo Sphere of Influence Policy

**SPHERE OF INFLUENCE**

**1. Background**

Government Code Section 56425 of the Cortese-Knox-Hertzberg Local Government Reorganization Act (Act) requires LAFCos to update spheres of influence every five years, as necessary, either in conjunction with, or after completing, municipal service reviews. This section also specifies the areas of written determinations LAFCos must adhere to in order to establish, update or amend a sphere of influence.

The purpose of the sphere of influence is to ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands by preventing overlapping jurisdictions and duplication of services. LAFCo is prohibited from regulating land use. However, on a regional level, LAFCos can promote orderly development of communities by identifying differences between County and City general plans so that the most efficient urban service arrangements are created for the benefit of residents and property owners. LAFCo will utilize general plans, local coastal programs, and other local planning documents to inform and guide decisions on establishing, updating, or amending spheres of influence.

These policies are intended to provide guidance to the San Mateo Local Agency Formation Commission and staff in the preparation, adoption and update of spheres of influence for cities and special districts in San Mateo County.

**2. Legislative Authority**

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies subject to the jurisdiction of the commission to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each city and each special district, as defined by Section 56036, within the county and enact policies designed to promote the logical and orderly development of areas within the sphere. (Section 56425)

**3. Definitions**

"Essential Services" means the basic services necessary to protect the health, safety, and general well-being of a community, including but not limited to police, fire, water, sanitation, etc.

"Dissolution Sphere of Influence" means that the Commission has determined that the service responsibilities and functions of the agency should be reassigned to another local government, and that the agency should be dissolved.

"Lands Under Study" means areas with special or unique financial and social problems that require additional analysis by LAFCo or the governing agency before the territory can be placed within an agency's sphere of influence.

"Sphere of Influence" means "A plan for the probable physical boundaries and service area of a local government agency (Government Code Section 56076)." A sphere of influence will reflect the limits of probable future growth of an agency during the applicable general plan period or twenty years, whichever is more appropriate. A sphere of influence may also include recommendations for:

**Commented [RB1]:** New to provide greater detail about what SOIs are and how they are utilized

**Commented [RB2]:** From Page 1, Paragraph 2 of existing policy

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San Mateo LAFCo Sphere of Influence Policy

- a. Annexation or detachment of territory, or both.
- b. Incorporation of a new city.
- c. Merger of a special district with a city.
- d. Consolidation of a special district with one or more districts.
- e. Formation of a new district.
- f. Dissolution of an agency.

**“Urban Services”** means services necessary to support urban development, including such services as water, sewer, fire and police protection.

**Commented [RB5]:** From Page 2, Paragraph 8 of existing policy

**“Urban Area”** means an area with residential development at a density which requires a combination of urban services, and commercial or industrial development which serves as a significant business or activity center.

**Commented [RB6]:** From Page 2, Paragraph 10 of existing policy

**4. Purpose**

a. It is the intent of LAFCo to support the viability of local governmental agencies providing essential services. Local agencies should be so constituted and organized as to best provide for the economic and social needs of the county and its communities, efficient governmental services for orderly land use development, and controls required to conserve environmental resources.

**Commented [RB7]:** From Page 3, #1 of existing policy

b. It is an intention of LAFCo to use spheres of influence as a tool to discourage urban sprawl as well as to encourage the orderly changes of organization of local government agencies including but not limited to annexations, consolidations, formations and reorganizations.

**Commented [RB8]:** From Page 3, #2 of existing policy

c. LAFCo recognizes the limited usefulness of long-term projections. The accuracy of projections decreases with an increasing number of years from the date of the projection. Consequently, the spheres of influence adopted by LAFCo delineate limits for probable future growth within the next twenty years as reflected in the general plans of the various cities and the County.

**Commented [RB9]:** From Page 3, #1 of existing policy

d. Once established, a sphere of influence shall provide a declaration of policy that shall be a primary guide to LAFCo in the determination of any proposal concerning incorporated cities or special districts and territory adjacent thereto. Any such sphere of influence may be amended from time to time and its application in any particular case shall depend upon the applicability under the precise facts of that particular case. Prior to approving a change of organization inconsistent with the adopted sphere of influence of that local agency, LAFCo shall amend the sphere of influence of that local agency.

**Commented [RB10]:** From Page 3, #4 of existing policy

e. LAFCo discourages the proliferation of local governmental agencies and the existence of overlapping public service responsibilities. The formation of new special districts within existing city or special district spheres of influence is to be discouraged.

**Commented [RB11]:** From Page 3, #5 of existing policy

f. It is the intent of LAFCo to encourage the rationalization of local government through the elimination or consolidation of small, single-purpose districts. Wherever the full range of urban

**Commented [RB12]:** From Page 3, #6 of existing policy

## San Mateo LAFCo Sphere of Influence Policy

services is required, general-purpose governments are preferred to single-purpose special districts for provision of services<sup>1</sup>.

g. LAFCo recognizes that some political boundaries may be artificial, dividing what may, in fact, be a single community or communities. Existing local government agencies are encouraged to investigate the feasibility of political and functional consolidation in the implementation of LAFCo sphere of influence determinations.

**Commented [RB13]:** From Page 4, #7 of existing policy

### 5. Allocation of Territory to a Sphere of Influences

a. Every Sphere of Influence must be consistent with LAFCo's policies and procedures, the State Legislature's policy direction to LAFCo, the sphere of other agencies in the area, county and city general plans, the Commission's statement of municipal service review determinations, and with the long-range planning goals for the area. LAFCo should call attention to inconsistencies among city, county and regional plans, and should strive to encourage the affected jurisdictions to reconcile the inconsistencies.

**Commented [RB14]:** From Page 8, #11 and Page 9, #10 of existing policy

b. Existing, urbanized unincorporated areas with special or unique financial, infrastructure and other service related problems may be the subject of a special designation of "lands under study" until such time as a final decision by the Commission may be reached as to how the area should be provided urban services.

**Commented [RB15]:** From Page 4, #10 of existing policy

c. All areas within the county not included within a city sphere of influence should not be subject to urbanization until such time as a complete study can be made by the appropriate planning and administrative departments of the county, adjacent cities and LAFCo.

**Commented [RB16]:** From Page 4, #11 of existing policy

d. Areas designated for open space, recreation, or the preservation of the natural or land resources (i.e. agricultural preserves) within the county by regional agencies, the county or local agencies, and not assigned to the sphere of influence of a local agency shall not be considered eligible for an extension of an urban level of services.

**Commented [RB17]:** From Page 4, #12 of existing policy

e. Consideration should be given to the effect of the growth of the area and the extension of urban services on the county government structure as well as adjacent single and multiple purpose districts, and the adjacent cities.

**Commented [RB18]:** From Page 7, #4 of existing policy

f. Boundaries should not create islands or corridors unless these areas are designated or reserved for open space or regional facilities which are best left unincorporated.

**Commented [RB19]:** From Page 7, #6 of existing policy

g. An analysis should be made of the need for the established community, city and special district services; the present cost and adequacy of governmental services; probable future needs for such services; probable effect of the immediate and long-range development within the proposed sphere of influence.

**Commented [RB20]:** From Page 7, #7 of existing policy

h. Consideration should be given to alternate courses of action for providing urban governmental services, and to their fiscal and economic consequence.

**Commented [RB21]:** From Page 7, #8 of existing policy

<sup>1</sup> Section 56001

San Mateo LAFCo Sphere of Influence Policy

i. Publicly owned properties, other than city facilities, which require urban services such as police and fire protection (convention centers, airports, racetracks, regional parks) should be analyzed on an individual basis before they are included or excluded from a sphere of influence. If the facility is to be included, consideration should be given to alternatives in which the public agency owning the property can reimburse the subject city an equitable sum in lieu of taxes to offset the cost of urban services.

Commented [RB22]: From Page 7, #10 of existing policy

j. Where a special district is coterminous with or lies substantially within the boundary or sphere of influence of a general-purpose government which is capable of assuming the public service responsibilities and functions of that special district, the special district may be allocated a designation of dissolution sphere of influence which encompasses no territory.

Commented [RB23]: From Page 9, #12 of existing policy

k. Where it is feasible, cities should be encouraged to expand the types of services which they can provide if no multi-city, single purpose or multi-purpose special district is available.

Commented [RB24]: From Page 9, #13 of existing policy

l. Where two or more single-purpose special districts provide services to substantially the same area, those districts may be allocated a consolidation sphere of influence to include the area served by both districts. This would be the case where LAFCo believes that the particular service should be provided to the entire agency area by a single local agency. The provision of services by multi-purpose local agencies is to be preferred over the provision of those services by overlapping single-purpose special districts.

Commented [RB25]: From Page 9, #14 of existing policy

m. An existing local agency may be allocated a dissolution sphere of influence which encompasses no territory. Such may be the case where LAFCo determines, after due consideration of all factors, that the public service responsibilities and functions of one local agency should be reallocated to some other unit of government and that, ultimately, the local agency which has been assigned a "dissolution sphere of influence" should cease to exist.

Commented [RB26]: From Page 4, #8 of existing policy, minor edits

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n. The provision of essential services to multi-city areas may be a role for special districts within urban areas if the affected cities are unable to make contractual arrangement for the similar provision of services by a single, service-vending city or the county. Where such services are or could be available from a single, services-vending city or the county, a special district may be allocated a dissolution sphere of influence encompassing no territory.

Commented [RB27]: From Page 9, #15 of existing policy

o. Non-essential services should not be provided by special districts unless there is no other mechanism for provision of those services. Rather, the responsibility for the provision of those services should belong solely to general-purpose government which has a mandate to weigh priorities of competing uses for tax revenues.

Commented [RB28]: From Page 10, #17 of existing policy

p. The existence of agricultural preserves in the area which could be considered within an agency's sphere of influence and the effect on maintaining the physical and economic integrity of such preserves in the event that such preserves are within a sphere of influence of a local governmental agency will be reviewed as part of the Sphere of Influence approval process.

Commented [RB29]: From Page 7, #5 of existing policy, minor edits

6. SOI Determinations

In making its sphere of influence determinations, the Commission will examine the effects of potential jurisdictional changes on affected local agencies, residents, tenants and landowners.

In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following<sup>2</sup>:

- a. The present and planned land uses in the area, including agricultural and open-space lands.
- b. The present and probable need for public facilities and services in the area.
- c. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
- d. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
- e. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.
- f. Upon determination of a sphere of influence, the commission shall adopt that sphere.

For a sphere of influence for a special district, the commission shall require existing districts to file written statements with the commission verifying the functions or classes of services provided by the district and the nature, location and extent of any functions or classes of service provided by existing districts as reported in the districts inventory of functions and services adopted by the Commission<sup>3</sup> (Section 56425).

**7. Amendments and Updates to Spheres of Influence**

LAFCo will adopt, amend, or update a Sphere of Influence after a public hearing and pursuant to the procedures set forth in Section 56427 of the Cortese-Knox Hertzberg Act. Sphere actions are subject to the provisions of the California Environmental Quality Act. Spheres of Influence shall be reviewed and updated, if necessary, every five years as needed, or more often if deemed necessary by the Commission. Whenever possible, city sphere updates shall be scheduled to coincide with city General Plan updates.

Sphere of Influence updates generally involve comprehensive review of the Sphere of Influence, including the map and the information provided in the Municipal Service Review for the agency. Amendments generally involve discrete changes to a Sphere of Influence designation or map or Plan that are proposed by an agency or individual to accommodate a specific proposal. An amendment may or may not involve changes to the Municipal Service Review information. Updates to the Sphere of Influence may be required when territory is added or removed, when a district seeks to provide a new or different function or class of service, or when a significant change in an agency's plans for service makes the current sphere plan impractical.

LAFCo will review the adopted sphere plan of each agency at least every five years as needed as the Commission deems necessary. In order to conduct a sphere review, LAFCo will request the agency to provide updated information for its Sphere of Influence and Municipal Service Review. Such

**Commented [RB30]:** From Pages 5-6, #16 of existing policy

**Commented [RB31]:** From Page 6, #18 of existing policy

**Commented [RB32]:** New section, as existing SOI policy was silent on the process of amendments and updates

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<sup>2</sup> Section 56425

<sup>3</sup> Section 56425



## San Mateo LAFCo Sphere of Influence Policy

information is necessary to inform the Commission's determination of appropriate sphere horizon boundaries. In the absence of adequate information, the Commission will complete the sphere update by identifying the territories that currently receive the agency's services and excluding unserved territories from the sphere.

Sphere of influence amendments shall precede consideration of proposals for changes of organization or reorganization that are not consistent with the existing sphere.

An applicant for amendment to a sphere of influence must demonstrate a projected need or (in the case of reduction of the sphere) lack of need for service.

Amendment proposals involving sphere expansion that would provide for conversion to urban uses of open space land (as defined by Sections 56059 and 65560) or prime agricultural land (as defined by Section 56064) will not be approved by LAFCo if there is sufficient alternative land available for annexation within the existing sphere of influence.

### 8. **LAFCo initiated Sphere of Influence Review/Update**

- a. The San Mateo Local Agency Formation Commission shall adopt, amend, or revise spheres of influence after a public hearing called and held for that purpose. At least 21 days prior to the date of any such hearing, the Executive Officer shall give mailed notice of hearing to each affected local agency and the County, and to any interested party who has filed a written request for such notice with the Executive Officer. In addition, at least 21 days prior to the date of any such hearing, the Executive Officer shall cause notice of the hearing to be published in a newspaper within the territory affected by the sphere of influence proposed to be adopted. LAFCo may continue from time to time any sphere of influence hearing. At any sphere of influence hearing, LAFCo shall hear and consider oral or written testimony presented by any affected local agency, the County or any interested person who wishes to appear including landowners, residents and tenants in the area affected by the Commission's sphere of influence decisions<sup>4</sup> (Section 56427).
- b. In determining a sphere of influence, the commission may assess the feasibility of governmental reorganization of particular agencies and recommend reorganization of those agencies when reorganization is found to be feasible and if reorganization will further the goals of orderly development and efficient and affordable service delivery. The commission shall make all reasonable efforts to ensure wide public dissemination of the recommendations.
- c. At its meeting, the commission shall consider the Executive Officer's report and receive any oral or written testimony. The consideration may be continued from time to time, but not to exceed 70 days from the date specified in the original notice.
- d. At the conclusion of its consideration, the commission may approve with or without amendment, wholly, partially, or conditionally the recommended sphere determinations.
- e. Upon acceptance of the MSR and adoption of the determinations, LAFCo staff shall transmit the determinations to affected agencies and stakeholders.

**Commented [RB33]:** New section, as existing policy was silent on LAFCo initiated SOIs revisions and updates.

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<sup>4</sup> Section 56427

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**9. Requests for City or District Sphere Amendment**

**Commented [RB34]:** New section, as existing policy was silent on request for city or district amendments.

- a. Any person or local agency may file a written request with the executive officer requesting amendments to a sphere of influence or urban service area adopted by the commission. The request shall state the nature of the proposed amendment, state the reasons for the request, include a map of the proposed amendment, and contain any additional data and information as may be required by the executive officer.
- b. At least thirty days prior to submitting an application for a new city or district SOI or a city or district SOI update, the city or district and County representatives must meet to discuss SOI issues, boundaries and methods to reach agreement on such boundaries, and development standards and zoning requirements within the SOI. The purpose is to consider city/district and county concerns and ensure orderly development within the SOI. Discussions may continue an additional 30 days, but no longer than 60 days.
- c. If an agreement is reached, it must be forwarded to LAFCo. LAFCo will give great weight to the agreement when determining the city's SOI. If LAFCo's final SOI determinations are consistent with a city or district/County agreement, the city/district and the County must adopt the agreement at noticed public hearings. After the agreement and related General Plan amendments are adopted, County-approved development within the SOI must be consistent with the agreement terms.<sup>5</sup>
- d. If no agreement is reached, LAFCo will render determinations and adopt a sphere- consistent with its policies and the Act.
- e. In an effort to promote cooperation among the land use agencies with jurisdiction over lands in the Coastal Zone, any application to LAFCo for a sphere of influence amendment regarding land in the Coastal Zone shall contain the following information:
  - i. A statement that the staffs of the Coastal Commission and other land use agencies with jurisdiction over the land which is the subject of the application have reviewed and jointly discussed the sphere of influence amendment application with respect to consistency with applicable general plans, the Coastal Act, and local coastal programs. The statement should also memorialize the results of the review.
  - ii. Preliminary review and comments from the Coastal Commission staff as to potential issues of Coastal Act consistency.
  - iii. Review and comments from any other land use agency with jurisdiction, through a Local Coastal Program or otherwise, over the land which is the subject of the application, including an analysis of consistency of the proposed amendment with its general plan. LAFCo will consider consistency with the Coastal Act and the relevant general plans in making its Sphere of Influence determination.

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<sup>5</sup> Section 56425

San Mateo LAFCo Sphere of Influence Policy

- f. The executive officer shall give notice on the sphere of influence hearing. On the date and time provided in the notice, the commission may do either, without further notice, consider the amendments to a sphere of influence or set a future date for the hearing on the request.
- g. The executive officer shall review each requested amendment and prepare a report and recommendation. The report shall be completed not less than five days before the date specified in the notice of hearing. The executive officer shall send copies of the report to the person or agency making the request, each affected local agency, and each person who has filed a request for a report.
- h. At its meeting, the commission shall consider the Executive Officer's report and receive any oral or written testimony. The consideration may be continued from time to time, but not to exceed 70 days from the date specified in the original notice.
- h. At the conclusion of its consideration, the commission may by resolution approve with or without amendment, wholly, partially, or conditionally or deny the sphere of influence amendment.
- i. Upon adoption of the sphere of influence resolution, LAFCo staff shall transmit the determinations to affected agencies and stakeholders.

Adopted 9/18/74

Revised 6/18/75

Revised 3/20/96

Revised 1/17/01

Revised 2019

**MUNICIPAL SERVICE REVIEW POLICIES**  
**San Mateo LAFCO**

**I. Purpose**

These policies are intended to provide guidance to the San Mateo Local Agency Formation Commission and staff in the preparation and implementation of municipal service reviews as required by Government Code Section 56430.

**II. Background**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that, in order for LAFCo to review and update spheres of influence, LAFCo shall conduct municipal service reviews. The mandate for municipal service reviews is the product of the Commission on Local Governance of the 21<sup>st</sup> Century report "Growth Within Bounds". The report identified a need to comprehensively study existing and future public service conditions, evaluate organizational options for accommodating growth and preventing urban sprawl, and ensuring that critical services are provided in an efficient and cost-effective manner. Growth Within Bounds identified service reviews as an opportunity for LAFCOs to encourage agencies to work cooperatively to more effectively accomplish their shared public service objectives including public participation in decision making.

**III. Goals & Objectives**

Effective January 1, 2000, Government Code Section 56430 required LAFCo to conduct municipal service reviews and prepare a written statement of determination with respect to *nine determinations and effective January 1, 2008 amended the determinations as follows:*

*1. Growth and population projections*

Analysis will include Census population, California Department of Finance and Association of Bay Area Government population projections and other information where appropriate is assessing existing and future service needs

(2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

"Disadvantaged unincorporated community" means inhabited territory, as defined by Section 56046, that constitutes all or a portion of a "disadvantaged community" a community with an annual median household income that is less than 80 percent of the statewide annual median household income as defined by Section 79505.5 of the Water Code.

(3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

4. Financial ability of agencies to provide services

Analysis will include agency budgets, budget trends, audits, fee schedules, revenue sources and other information necessary to assess the fiscal viability/health of the agency.

5. Status of, and opportunities for shared facilities

Replaces former determinations of shared resources and cost avoidance opportunities. Analysis will include existing practices and potential opportunities in regard to sharing common facilities and/or contracting for services, etc. with other agencies.

6. Accountability for community service needs, including governmental structure and operational efficiencies.

Replaces Management Efficiencies, and Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers, local accountability and governance. Analysis will include: public availability of agency budget, agenda, reports and other documents; source data such as organizational charts, budgets, website, survey information provided by agencies; and potential reorganization pursuant to CKH Act, enabling legislation and State legislative policies encouraging efficient delivery of services and logical boundaries.

7. Any other matter related to effective or efficient service delivery, as required by Commission policy.

This is a new determination that permits the Commission, to adopt other determinations on a case-by-case basis based on unique local conditions. These may vary based on changes in enabling legislation, operations or regulatory requirements since agency formation, unusual events impacting the agency or other unforeseen factors.

Section 56430 does not require LAFCo to initiate changes of organization based on service review findings, rather that LAFCo make determinations regarding the provision of public services pursuant to Section 56430 (1) through (7). The Commission’s municipal service review determinations may be used by LAFCo and affected public agencies or the community to initiate changes to services, local jurisdictions, or spheres of influence. However, in adopting these policies, San Mateo LAFCo acknowledges that the preferred form of initiation of a change of organization is an application submitted by an affected agency, residents, property owners or voters. Service reviews shall therefore be conducted in a manner to inform and to serve as a tool for any actions a public agency or community may wish to initiate by application to LAFCo.

**IV. Conduct of Municipal Service Reviews in conjunction with sphere of influence reviews**

Generally, reviews will be prepared in conjunction with sphere of influence studies or updates; however, service reviews may also be conducted independent of the sphere of influence process. Minor amendments to a sphere of influence, as determined by LAFCo, will not require a municipal service review.

**V. Services to be included in a Municipal Service Review**

The term “municipal service” refers to the full range of services an agency is authorized to provide. Municipal service reviews will include water, sewer, drainage, harbor, libraries, roads, parks, police, and fire protection. General government services such as courts, social services, human resources, treasury, tax collection, and administrative services will generally not be included. LAFCo will determine which services will be included in each service review.

**VI. Agencies to be Included:**

Local agencies that are subject to LAFCo review, or are required to have a sphere of influence, are subject to municipal service reviews. Whenever possible, data on services provided by other agencies providing the same services will also be included. These agencies include private water utilities, mutual water companies and county-governed districts that are not subject to LAFCo sphere of influence designations.

## **VII. Boundaries**

LAFCo will determine the final geographic boundary and agency(ies) that will be the subject of a service review. Factors that may be considered in determining a service review boundary include, but are not limited to: existing city and special district jurisdictional and sphere boundaries; topography; geography; community boundaries; tax/assessment zones; infrastructure locations; transportation systems and roads; areas with shared facilities; areas with shared social and economic communities of interest, plus other factors as determined by LAFCo.

With the exception of single-purpose, countywide special districts, service reviews will generally be conducted for sub-regional areas within the County of San Mateo. However, as determined by the Commission, a service review may be done for a single agency or multiple agencies as the need may arise.

## **VIII. Data Collection Criteria**

Categories set forth (1) through (6) of Section 56430 will require input from affected agencies based on budgets, capital improvement plans, engineering studies, general plans and other agency documents. Information shall also be gathered from Association of Bay Area Government Projections Reports, California Department of Finance, Bay Area Water Users. Data will be presented to the extent possible in comparative format showing rates per unit, cost per capita, etc. according to industry standards. Analysis shall also acknowledge unique circumstances that may exist for a specific agency or type of agencies. Examples include challenges posed by topography or external influences or challenges such as those faced by the County's water agencies.

## **IX. California Environmental Quality Act (CEQA)**

Local Agencies that submit applications for sphere of influence amendments requiring municipal service review will be considered lead agencies for purposes of environmental review and should approve whatever environmental determination is appropriate under the California Environmental Quality Act (i.e., exemption, negative declaration, environmental impact report).

For municipal service reviews conducted as part of periodic sphere of influence review, LAFCo shall determine the necessary environmental review or exemption under CEQA.

## **X. Municipal Service Review Process**

- A. LAFCo will determine the priority, schedule, procedure and content for service reviews as required for sphere of influence reviews for the County's 20 cities and 25 independent special districts. LAFCo will develop a priority work plan of service reviews to be addressed during the fiscal year.
- B. Municipal service reviews will be prepared by staff unless the Commission finds that due to complexity, controversy or staff resources, the review should be conducted by an independent consultant.
- C. LAFCo will mail a survey/questionnaire to the affected agency(ies) identified in the service review work plan. The survey/questionnaire shall contain questions related to Section 56430 (1) through (6)
- D. Staff shall prepare a preliminary report for review and comment by affected agencies, residents, property owners, or other interested parties.
- E. LAFCo may hold public scoping meetings or study sessions, as necessary, for selected service reviews to gather additional input
- F. LAFCo may establish a service review committee to provide technical and/or policy advice to LAFCo staff. The service review committee may consist of LAFCo Commissioners from each representative category (county, cities, special districts and the public).
- G. LAFCo staff will prepare a final municipal service review report that includes the determinations required by State Law. The report may identify future studies or actions, which LAFCo or other agencies may take to implement the recommendations of the report.
- H. The Commission will consider the municipal service review report and determinations at a noticed public hearing prior to reaffirming or amending a sphere of influence. The report will be available for a public review period prior to the hearing.

Adopted March 20, 2002

*Revised February 20, 2008*

*Updated February 2014 to incorporate revised areas of determination*



**GENERAL POLICIES AND CRITERIA FOR THE  
DEVELOPMENT AND DETERMINATION OF  
SPHERES OF INFLUENCE**

ADOPTED

September 18, 1974

REVISED

June 18, 1975

March 20, 1996

January 17, 2001

San Mateo Local Agency Formation Commission

# I

## AUTHORITY

1. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000) includes the following: “Among the purposes of a commission are the discouragement of urban sprawl, preserving open space and prime agricultural lands, efficiently providing government services, and the encouragement of the orderly formation and development of local agencies based upon local conditions and circumstances. One of the objectives of the commission is to make studies and obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and futures needs of each county and its communities.” (§56301)
2. “In order to carry out is purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies so as to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each local governmental agency within the county and enact policies designed to promote the logical and orderly development of areas within the sphere.”

In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following (§56425):

- a. The present and planned land uses in the area, including agricultural and open space lands.
  - b. The present and probable need for public facilities and services in the area.
  - c. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
  - d. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.
3. “Upon determination of a sphere of influence, the commission shall adopt that sphere, and shall periodically review and update the adopted sphere not less than every five years.”
  4. “The commission may recommend governmental reorganizations to particular agencies in the county, using the sphere of influence as the basis for such recommendations...”

## II

### DEFINITIONS

1. County: San Mateo County
2. Essential Services: Those basic services necessary to protect the health, safety, and general well-being of a community, including but not limited to police, fire, water, sanitation, etc.
3. General Purpose Government: A city or county government
4. LAFCo: San Mateo Local Agency Formation Commission
5. Local Agency: A city or special district.
6. Regional Agencies: Association of Bay Area Governments, etc.
7. Sphere of Influence: A plan for the probable physical boundaries and service area of a local agency, as determined by the commission [§56076 (Amended Stats. 1993, Ch. 1307)}
8. Urban Services: Those services which are provided to an urban area including, but not limited to, essential services.
9. Urbanization: The individual or cumulative development causing a rural, less populated area, to change into a more densely populated urban area.
10. Urbanized Areas:
  - a. Incorporated areas of 2,500 inhabitants or more as enumerated in the most recent census.
  - b. Incorporated areas of less than 2,500 inhabitants which form a contiguous boundary with incorporated areas of at least 25,000 inhabitants or which share a boundary with other incorporated areas which have a contiguous boundary with municipalities of at least 25,000.
  - c. An unincorporated area of 400 or more inhabitants, or a chain of unincorporated areas in a closely settled area, which are adjacent to an incorporated place of at least 4,000 inhabitants shall be considered urban.
  - d. Unincorporated enclaves within an area defined as urban shall also be classified as urban.

11. Agricultural Preserve: An area as defined in subdivision (d) of Section 51201 of the Government Code.

### III

#### GENERAL

1. It is the intent of LAFCo to support the viability of local governmental agencies providing essential services. Local agencies should be so constituted and organized as to best provide for the economic and social needs of the county and its communities, efficient governmental services for orderly land use development, and controls required to conserve environmental resources. The public interest will be served by considering “resources” in a broad sense to include ecological factors, such as open space, wild life and accepted elements of land, water and air. LAFCo intends for its sphere of influence plans to serve as a master plan for future organization of local government within this metropolitan county.
2. It is an intention of LAFCo to use spheres of influence as a tool to discourage urban sprawl as well as to encourage the orderly changes of organization of local government agencies including annexations, consolidations, formations and reorganizations. LAFCo recognizes the interrelationship of spheres of influence, annexations and other changes of organization, market values for lands, and pressures for the premature development of underdeveloped land. For example, annexation to a local agency of territory outside that agency’s sphere of influence will inevitable increase property values and assessments of similarly-situated territory, thus artificially creating pressures for premature development.
3. LAFCo recognizes the limited usefulness of long-term projections. The accuracy of projections decreases with an increasing number of years from the date of the projection. Consequently, the spheres of influence adopted by LAFCo delineate limits for probable future growth within the next twenty years as reflected in the general plans of the various cities and the county.
4. Once established, a sphere of influence shall be a declaration of policy which shall be a primary guide to LAFCo in the determination of any proposal concerning incorporated cities or special districts and territory adjacent thereto. Any such sphere of influence may be amended from time to time and its application in any particular case shall depend upon its applicability under the precise facts of that particular case. If LAFCo approves a change of organization inconsistent with the adopted sphere of influence of that local agency, LAFCo shall amend the sphere of influence of that local agency at the time of approval.
5. LAFCo discourages the proliferation of local governmental agencies and the existence of overlapping public service responsibilities. The formation of new

special districts within existing city or special district spheres of influence is to be discouraged.

6. It is the intent of LAFCo to encourage the rationalization of local government through the elimination or consolidation of small, single-purpose districts. Wherever the full range of urban services is required, general-purpose governments are preferred to special districts for provision of services.
7. LAFCo recognizes that some political boundaries may be artificial, dividing what may, in fact, be a single community or communities. Existing local government agencies are encouraged to investigate the feasibility of political and functional consolidation in implementation of LAFCo sphere of influence determinations.
8. An existing local agency may be allocated a zero sphere of influence which encompasses no territory. Such may be the case where LAFCo determines, after due consideration of all factors, that the public service responsibilities and functions of one local agency should be reallocated to some other unit of government and that, ultimately, the local agency which has been assigned a “zero sphere of influence” should cease to exist.
9. LAFCo recognizes that there may be significant inter-dependency among service decisions and other aspects of policy determination. In urban areas requiring the full range of urban services, services should be provided and decisions made by a single, general-purpose government rather than overlapping local agencies. All lands for new subdivision or industrial development having a limited geographic impact and which are within a designated city sphere of influence should be annexed to the city prior to development or may receive services by contract pursuant to Section 56133 subject to execution of an annexation agreement and any other conditions set forth by the city whose sphere contains the territory.
10. Existing, highly urbanized unincorporated areas with special financial and social problems may be the subject of a special designation of “lands under study” until such time as a final decision may be reached as to how the area should be provided urban services.
11. All areas within the county not included within a city sphere of influence should not be subject to urbanization until such time as a complete study can be made by the appropriate planning and administrative departments of the county, adjacent cities and LAFCo.
12. Areas designated for open space, recreation, or the preservation of the natural or land resources (i.e. agricultural preserves) within the county by regional agencies, the county or local agencies, and not assigned to the sphere of influence of a local agency shall not be considered eligible for an extension of an urban level of services.

13. At least 30 days prior to submitting an application to the commission for a determination of new sphere of influence, or to update an existing sphere of influence for a city, representatives of the city shall meet with county representatives to discuss the proposed sphere, and its boundaries, and explore methods to reach agreement on the boundaries, development standards, and zoning requirements within the sphere to ensure that development within the sphere occurs in a manner that reflects the concerns of the affected city and is accomplished in a manner that promotes the logical and orderly development of areas within the sphere. If no agreement is reached between the city and county within 30 days, then the parties may, by mutual agreement, extend discussion for an additional period of 30 days. If an agreement is reached between the city and county, the agreement shall be forwarded to the Commission and the commission shall consider and adopt a sphere of influence for the city consistent with the policies adopted by the commission pursuant to Section 56425 and these policies and the commission shall give great weight to the agreement in the Commission final determination of the city's sphere.
14. If no agreement is reached pursuant to 13 above, the application may be submitted to the commission and the commission shall consider a sphere of influence for the city consistent with the policies adopted by the commission pursuant to Section 56425 of the Cortese Knox Hertzberg Act and these policies.
15. The San Mateo Local Agency Formation Commission shall adopt, amend, or revise spheres of influence after a public hearing called and held for that purpose. At least 21 days prior to the date of any such hearing, the Executive Officer shall give mailed notice of hearing to each affected local agency and the County, and to any interested party who has filed a written request for such notice with the Executive Officer. In addition, at least 21 days prior to the date of any such hearing, the Executive Officer shall cause notice of the hearing to be published in a newspaper within the territory affected by the sphere of influence proposed to be adopted. LAFCo may continue from time to time any sphere of influence hearing. At any sphere of influence hearing, LAFCo shall hear and consider oral or written testimony presented by any affected local agency, the County or any interested person who wishes to appear including landowners, residents and tenants in the area affected by the Commission's sphere of influence decisions (§56427).
16. In order to prepare and to update spheres of influence in accordance with section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the sub-region, or such other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to:
  - a) infrastructure needs or deficiencies;
  - b) growth and population projections for the affected area;

- c) financing constraints and opportunities
  - d) costs avoidance opportunities;
  - e) opportunities for rate restructuring;
  - f) government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
  - g) evaluation of management efficiencies; and
  - h) local accountability and governance.
17. In conducting a service review, the commission shall comprehensively review all of the agencies that provide the identified service or services within the designated geographic area. The commission shall conduct a service review before or in conjunction but no later than the time it is considering an action to establish or update a sphere of influence as set forth in Sections 56425 and 56426.5.
  18. For any or sphere of influence or sphere of influence for a special district, the commission shall require existing districts to file written statements with the commission verifying the functions or classes of services provided by the district and the nature, location and extent of any functions of classes of service provided by existing districts as reported in the districts inventory of functions and services adopted by the Commission upon seating special district members on the Commission.
  19. In making its sphere of influence determinations, the Commission will examine the effects of potential jurisdictional changes on affected local agencies, residents, tenants and landowners.
  20. All previously adopted standards for evaluation of spheres of influence are hereby repealed.

#### IV

#### ALLOCATION OF TERRITORY TO CITY SPHERES OF INFLUENCE

1. Among the factors to be considered by LAFCo in determining spheres of influence are those more fully enumerated in Section 56425 of the Cortese-Knox Local Government Reorganization Act.
2. Before assignment of an unincorporated urbanized area to a city is made, the city should be able to demonstrate that they have the financial capabilities to adequately provide the necessary urban services (i.e. police, fire, water, sanitary, recreation, storm drainage, etc.); or that the required services are already being provided by private companies or larger multi-purpose special districts.

3. LAFCo will consider which city will naturally or most likely inherit and can best cope with the problems resulting from urbanization. Among those problems LAFCo may consider the following factors:
  - a. The source of automobile, bus and truck traffic causing congestion
  - b. Impacts of residential, commercial, and industrial noise and artificial lighting.
  - c. Methods available for the preservation and development of a stable economic, social and ethnic balance.
  - d. Methods available to the local agency which can provide a broad base for citizen participation.
  - e. Policies and practices of the local agency which can provide for the preservation and development of a balance between residential, commercial, industrial, agricultural and open space land uses.
  - f. Topographical factors.
4. Consideration should be given to the effect of the growth of the city and the extension of urban services on the county government structure as well as adjacent single and multiple purpose districts, and the adjacent cities.
5. Consideration should be given to the existence of agricultural preserves and open space lands in the area and the effect of the growth of the city and the extension of urban services on or adjacent to existing open space lands, agricultural lands and agricultural preserves. Such consideration shall include but not be limited to the physical economic impacts on such lands and the ability of maintaining the viability and economic integrity of lands in an agricultural preserve.
6. City boundaries should not create islands or corridors unless these areas are designated or reserved for open space or regional facilities which are best left unincorporated.
7. An analysis should be made of the need for the established community, city and special district services; the present cost and adequacy of governmental services; probably future needs for such services; probable effect of the immediate and long range development within the proposed sphere of influence.
8. Consideration should be given to alternate courses of action for providing urban governmental services, and to their fiscal and economic consequence.
9. Studies should be made of population, population density and proximity to other populated area; land use and land area; per capita assessed valuation; and per capita income.
10. Publicly owned properties, other than city facilities, which require urban services such as police and fire protection (convention centers, airports, racetracks, regional parks) should be analyzed on an individual basis before they are included



or excluded from the corporate limits of a city. If the facility is to be included, consideration should be given to alternatives in which the public agency owning the property can reimburse the subject city an equitable sum in lieu of taxes to offset the cost of urban services.

11. The intent of each city's pre-zoning policies and plans should be reviewed as to how they relate to the areas designated as open space by a regional agency or the County General Plan. LAFCo should call attention to inconsistencies among city, county and regional plans, and should strive to get the affected jurisdictions to reconcile the differences.

## V

### ALLOCATION OF TERRITORY TO SPECIAL DISTRICT SPHERE OF INFLUENCE

1. Among the factors to be considered by LAFCo in determining spheres of influence are those more fully enumerated in Section 56425 of the Cortese-Knox Local Government Reorganization Act.
2. Before assignment is made, the district should be able to demonstrate that they have the financial capabilities to adequately provide its specific service.
3. LAFCo will consider which district will naturally or most likely inherit and can best cope with the problems resulting from present and projected land uses. Among those problems LAFCo may consider the following factors:
  - a. The source of automobile, bus and truck traffic causing congestion
  - b. Impacts of residential, commercial, and industrial noise and artificial lighting.
  - c. Methods available for the preservation and development of a stable economic, social and ethnic balance.
  - d. Methods available to the local agency which can provide a broad base for citizen participation.
  - e. Policies and practices of the local agency which can provide for the preservation and development of a balance between residential, commercial, industrial, agricultural and open space land uses.
  - f. Topographical factors.
4. Consideration should be given to the effect of the growth of the district and the extension of services on the county government structure as well as adjacent single and multiple purpose districts, and the adjacent cities.
5. District boundaries should not create islands or corridors unless these areas are designated or reserved for open space or regional facilities which are best left with the provision of services.

6. An analysis should be made of the need for the established community, city and special district services; the present cost and adequacy of governmental services; probably future needs for such services; probable effect of the immediate and long range development within the proposed sphere of influence.
7. Consideration should be given to alternate courses of action for providing urban governmental services, and to their fiscal and economic consequences.
8. Studies should be made of population, population density and proximity to other populated area; land use and land area; per capita assessed valuation; and per capita income.
9. Publicly owned properties, other than city facilities, which require urban services such as police and fire protection (convention centers, airports, racetracks, regional parks) should be analyzed on an individual basis before they are included or excluded from the boundaries of a district. If the facility is to be included, consideration should be given to alternatives in which the public agency owning the property can reimburse the subject district an equitable sum in lieu of taxes to offset the cost of services.
10. The intent of each special district's plans for extending services should be reviewed as to how they relate to the areas designated as open space by a regional agency or the General Plan of the county or a city. LAFCo should call attention to inconsistencies among city, county and regional plans, and should strive to get the affected jurisdictions to reconcile the differences.
11. Special districts are the appropriate agencies to provide essential services in areas in which only a limited range of services is required, or if a full range of urban services is required and where it is not feasible for those services to be provided by a single city.
12. Where a special district is coterminous with, or lies substantially within the boundary or sphere of influence of a general purpose government which is capable of assuming the public service responsibilities and functions of that special district, the special district may be allocated a designation of zero sphere of influence which encompasses no territory.
13. Where it is feasible, cities should be encouraged to expand the types of services which they can provide if no multi-city, single purpose or multi-purpose special district is available.
14. Where two or more single-purpose special districts providing the same services are contiguous, those districts may be allocated a consolidated sphere of influence to include the area served by both districts. This would be the case where LAFCo believes that the particular service should be provided to the entire agency by a single local agency.

15. The provision of essential services to multi-city areas may be a role for special districts within urban areas if the affected cities are unable to make contractual arrangement for the similar provision of services by a single, service-vending city or the county. Where such services are or could be available from a single, services-vending city or the county, a special district may be allocated a zero sphere of influence encompassing no territory.
16. Where two or more single-purpose special districts provide services to substantially the same area, they be allocated a zero sphere of influence encompassing no territory. This would indicate the belief of LAFCo that the existing districts should merge with an existing city or multi-purpose special district. The provision of services by multi-purpose local agencies is to be preferred over the provision of those services by overlapping single-purpose special districts.
17. Non-essential services should not be provided by special districts unless there is no other mechanism for provision of those services. Rather, the responsibility for the provision of those services should belong solely to general-purpose government which has a mandate to weigh priorities of competing uses for tax revenues.

## VI

### URBAN SERVICE AREAS

1. Urban Service Areas. Spheres of influence adopted by LAFCo delineate limits for probable future growth within the next twenty years as reflected in the general plans of various cities and the county. In order to avoid urban sprawl within a sphere of influence, urban growth within a sphere of influence should be compact, thereby preserving future land use options. Within each city sphere of influence, an urban service area boundary shall be designated by LAFCo. Urban service areas consist of how territory now served by urban facilities, utilities and service agencies, or capable of receiving such services within the next five years, and include the following:
  - a. Urbanized Areas. This includes all existing areas, either incorporated or unincorporated, developed to urban densities.
  - b. Urban Expansion Areas. This consists of vacant lands, either incorporated or unincorporated, which is capable of holding urban growth expected within the next five years.

The territory included within urban service areas will be considered by LAFCo to be eligible for annexation to receive urban services within five years. Consideration will be given to city and special district willingness to provide needed services with related time schedules for planned expansion of services within specified time increments. Consideration will be given to evidence that a city or special district has or will have the resources capability beyond its own internal needs to provide service within an urban expansion area. Cities and

special districts are encouraged to develop capital improvement programs and other plans for the phased extension of services to assist LAFCo in determining logical urban service area boundaries.

2. Urban Transition Areas. Transition areas consist of the residual lands between designated urban service areas and the sphere of influence boundary. This land will most likely be used for urban expansion within approximately five to fifteen years. LAFCo disfavors and seeks to discourage pressures for the premature, sprawling development of land within urban transition areas. Therefore, territory included within the urban transition areas, but not within the urban service areas generally will not be considered eligible for annexation to receive urban services within five years.

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