

**APPENDIX B**

**SANTA CLARA LAFCO SERVICE REVIEW POLICIES**

## **SERVICE REVIEW POLICIES**

### **Background**

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

These policies, along with the State Office of Planning and Research's Municipal Service Review Guidelines will provide guidance to LAFCO in preparing and conducting service reviews.

### **1. Service Review**

A service review is a comprehensive review of municipal services within a designated geographic area and includes steps to:

- Obtain information about municipal services in the geographic area,
- Evaluate the provision of municipal services from a comprehensive perspective, and
- Recommend actions when necessary, to promote the efficient provision of those services.

LAFCO is not required to initiate boundary changes based on service reviews. However, LAFCO, local agencies or the public may subsequently use the service reviews to pursue changes in jurisdictional boundaries or spheres of influence.

### **2. Services to be Reviewed**

Service reviews will cover a range of services that a public agency provides or is authorized to provide (examples include fire, water, sewer, lighting, library, police, storm water and solid waste collection/ disposal, gas and electricity). General government services such as social and health services, courts and criminal justice will be excluded from the reviews. Service reviews are triggered by requirements to create or update the Sphere of Influence (SOI) for public agencies. Therefore, LAFCO will review services that are provided by public agencies that have, or are required to have, SOIs. In doing so, LAFCO will also take into consideration other services (e.g., emergency response along with fire protection services) and the operation of other providers that service the same region (e.g., private water providers or volunteer fire crews).

### **3. Service Providers to be Included:**

Agencies that are required to have SOIs will be the focus of service reviews. The agencies with SOIs in Santa Clara County include cities (15), and special districts (30) such as but not limited to, county service areas, community service districts, fire protection districts, sanitary districts, water districts, vector control districts, open space districts and resource conservation districts. Please see attached list of cities and special districts in Santa Clara County.

Agencies that do not have SOIs include school districts, private providers, state or federal agencies and other agencies that provide complementary, joint, support or overlapping services in the region. These agencies will also be reviewed to the extent necessary to establish relationships, quantify services, designate or map service locations / facilities and provide a complete overview of services in the area. These agencies may be requested to participate and provide information necessary to conduct the review.

### **4. Service Review Preparation and Update**

- a. The first set of service reviews should be completed by 2006 to enable timely SOI updates as required by the CKH Act.
- b. Service review reports will be reviewed and updated as necessary every five years in conjunction with or prior to SOI reviews and updates. LAFCO will determine if a new service review is required or not. CKH Act requires SOIs to be updated every five years. Minor amendments of a SOI, as determined by LAFCO, will not require a service review.
- c. Service reviews may need to be updated independent of SOI reviews, to facilitate review of a pending application or other LAFCO action, unless LAFCO determines that prior service reviews are adequate for the purpose.

### **5. Service Review Boundaries**

A service review may be conducted for sub-regional areas within the county or on a countywide basis, it may review a single agency or multiple agencies and it may review a single service or multiple services. LAFCO will determine how service reviews will be organized and conducted in Santa Clara County.

Generally, LAFCO will include in a service review the geographic area and agency(ies) that best facilitate a logical, comprehensive and adequate review of services in the area. LAFCO may need to include a service provider in more than one service review area, only review services of some providers to

the extent that they affect the service review area and services under study, or only review a portion of services provided. Service reviews may extend beyond the county boundary in some cases, to provide a more useful and accurate analysis of service provision, especially where multi-county service providers are involved.

## **6. Service Review Funding**

- a. LAFCO will include the funding for LAFCO initiated service reviews in its annual work plan and budget development process. Sufficient funds necessary to satisfactorily complete the required reviews including consultant costs will be allocated in the LAFCO budget for each fiscal year service reviews are to be conducted.
- b. An application-processing fee for conducting the service reviews will be charged when LAFCO applications (such as, but not limited to sphere of influence amendments, urban service area amendments or out of agency contract for service applications) trigger the service review requirement and an applicable service review does not exist.

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

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

## **8. Service Review Process**

- a. As an initial step, LAFCO will develop and mail a questionnaire to the agencies included in the service review. The questionnaire will request information pertinent to the nine evaluation categories stated in Policy #10 herein. Meetings may be held as necessary, or additional questionnaires may be sent out to gather further input.
- b. LAFCO Executive Officer will prepare and issue a draft service review report which includes draft determinations required by state law. Notice of availability of the draft service review will be provided to all affected agencies and to interested persons who have submitted a written request for notice.
- c. LAFCO will distribute and provide a 21-day public review period for the draft service review.
- d. LAFCO will conduct a noticed public hearing to consider and accept comment on the draft service review and appropriate CEQA review. At the hearing, LAFCO may:

1. Take the necessary CEQA action and find that the draft service review report is adequate and final and adopt written determinations,
  2. Direct staff to address comments and concerns and prepare a final service review report, or
  3. Continue the hearing.
- e. A draft service review may be considered final if no substantive comments are received prior to the end of the hearing and LAFCO determines it satisfactory.
  - f. If a revised final service review is necessary, the LAFCO Executive Officer will prepare it including comments received during the public review period.
  - g. LAFCO will distribute the final service review report 21 days prior to the LAFCO public hearing
  - h. LAFCO will conduct a noticed public hearing to act on the CEQA document and adopt the service review report. Any service review determinations will be adopted by resolution. LAFCO may also adopt other staff recommendations and direct staff to further study issues raised in the service reviews.
  - i. LAFCO may also take action on a SOI update or initiate a reorganization proposal based on the approved service review at the same hearing, if the service review supports the action and if LAFCO has complied with all required processes.
  - j. LAFCO will distribute the Final Service Review Report to all participating and interested local and regional agencies for use as a resource in their work.

## **9. Applicability of CEQA to Service Reviews**

LAFCO will consider service reviews as projects for CEQA purposes. They will be processed consistent with the requirements of CEQA and LAFCO's CEQA procedures.

## **10. Service Review Evaluation Categories**

As part of the service review process, the CKH Act requires LAFCO to make written determinations on nine evaluation categories. The following is a general description of the categories and criteria used to evaluate these categories. It should be noted that how these categories apply to each of the service reviews may vary and will depend mostly on the nature of the service being reviewed

**a. *Infrastructure needs or deficiencies***

One of LAFCO's goals is to encourage the efficient provision of public services. Any area needing or planned for services must have the infrastructure necessary to support the provision of those services. Infrastructure needs and deficiencies refers to the adequacy of existing and planned infrastructure and its relationship to the level of service that is being provided or needs to be provided in an area.

Infrastructure can be evaluated in terms of capacity, condition, availability, quality and levels of service and quality of plans and programs.

**b. *Growth and population projections for the affected area***

A plan for service provision to an area should take into consideration the existing as well as future need for public services in the area. Service reviews will examine the existing and future need for public services and will evaluate whether projections for future growth and population patterns are integrated into an agency's planning function. This analysis may be used to determine whether the SOI / USA boundaries reflect the expected growth boundaries, if future SOI changes are necessary or feasible and if agencies are aware of, and planning for anticipated changes in service demand.

In order to examine the existing and future levels of demand for a service, the service review will contain and consider existing and projected population changes and their relationship to agency plans, planning boundaries and existing and proposed land uses.

**c. *Financing constraints and opportunities***

A community's public service needs should be viewed in light of the resources available to fund the services. Through a service review, the financing constraints and opportunities affecting service provision will be identified and analyzed to determine if agencies are capitalizing on financing opportunities and collaborative strategies to deal with financial constraints will also be identified. The service review will contain information on current and planned financing mechanisms, funding practices and revenue sources.

**d. Cost avoidance opportunities**

Efficient delivery of services depends, in part, on eliminating unnecessary costs. The service reviews will explore cost avoidance opportunities including but not limited to:

1. Reducing or eliminating duplicative services;
2. Reducing high administration to operation cost ratios;
3. Replacing outdated or deteriorating infrastructure and equipment;
4. Reducing inventories of underutilized equipment, buildings and facilities;
5. Redrawing overlapping or inefficient service boundaries;
6. Implementing economies of scale; and
7. Efficiently using outsourcing opportunities.

**e. Opportunities for rate restructuring**

When applicable, service reviews may identify strategies to positively impact rates charged for public services, without adversely affecting service quality. In order to examine opportunities for rate restructuring, the service reviews will consider information such as but not limited to:

1. Rate setting methodologies;
2. Relationship between service rates, service boundaries and district boundaries; and
3. Rates per unit and reasons for rate variances among service providers.

**f. Opportunities for shared facilities**

The service review will identify opportunities for service providers to share facilities with the intent of lowering current and potential infrastructure / capital improvement costs. When applicable, the service review will inventory facilities within the study area to determine if facilities are currently being utilized to capacity and whether efficiencies can be achieved by accommodating the facility needs of adjacent agencies. Options for planning for future shared facilities and services may also be considered.

**g. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers**

The objective is to study existing and future public service conditions and evaluate organizational alternatives for accommodating growth, preventing urban sprawl and ensuring efficient delivery of services. While the service review does not require LAFCO to initiate any changes

of organization as part of the review, LAFCO, the public or local agencies may pursue subsequent changes to government structure. LAFCO may evaluate the advantages and disadvantages of amending or updating the SOI, annexations to or detachments from cities or special districts, formation of new special districts, incorporation of cities, dissolutions, mergers, consolidations and other reorganization options found in the CKH Act.

***h. Evaluation of management efficiencies***

Management efficiency refers to the effectiveness of an agency's internal organization to facilitate the provision of efficient public services. An efficiently managed local entity implements improvement plans and strategies for, among others:

1. Budgeting, managing costs and maintaining adequate contingency reserves;
2. Training, maintaining and utilizing qualified personnel;
3. Customer service; and
4. Encouraging public involvement.

The service review will evaluate management efficiencies taking into consideration local circumstances, resources and issues identified during review of other evaluation categories.

***i. Local accountability and governance***

Local accountability and governance refers to a public agency's decision making processes and operational and management practices. Ideal local government is marked by processes and actions that:

1. Include accessible and accountable elected or appointed decision-making body and agency staff;
2. Encourage public participation;
3. Disclose budgets, programs and plans;
4. Solicit public input in the consideration of work plans, rate changes; and
5. Evaluate plans, programs, operations and disclose results to the public.

The objective of this analysis is to positively impact the public's knowledge of and involvement in local decision-making processes and actions and use this information when evaluating potential government structure changes which could improve accountability or governing practices.