

CASMALIA COMMUNITY SERVICES DISTRICT

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

Report to the
**Santa Barbara Local Agency
Formation Commission**

April 2006

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A: INTRODUCTION AND OVERVIEW

Local Agency Formation Commissions (or LAFCOs) are a method unique to California in dealing with population growth and public service conditions that became evident in a significant way following World War II.

During and after World War II California experienced a dramatic increase in population and economic development. These changes, together with increased personal mobility related to common automobile ownership, created growing demands for housing, public services and public infrastructure, often in suburban areas.

1. Before LAFCOs were created

Prior to 1964 decisions to expand city and special district boundaries were left to the annexing agency and the affected landowners. There was no external or third party oversight.

As a result, and due to the desires of some communities to capture their perceived share of new growth, annexation “wars” evolved between some agencies, with some expanding their area to be in a better a position to annex additional territory. The creation of new cities or special districts also occurred without any third party review.

A general lack of coordination led to a multitude of overlapping, inefficient jurisdictional and service boundaries and premature conversion of much of the State’s productive agricultural and open-space lands. The result was “urban sprawl.”

Recognizing these problems, in 1959 newly elected Governor Edmund G. Brown, Sr. appointed the Commission on Metropolitan Area Problems. Its task was to study and make recommendations on the "misuse of land resources" and the growing complexity of local governmental jurisdictions.

The Commission's revelations about local governmental reorganization were converted into legislation enacted in 1963 that created a Local Agency Formation Commission in each county (except the City and County of San Francisco).

2. LAFCO regulation of boundary changes

Beginning in 1964, local boundary changes required approval of this new Commission with county-wide regulatory authority. Its broad goals and objectives include discouraging urban sprawl, encouraging the orderly formation and development of local governments based on local circumstances, promoting efficient and economical local governments and, where appropriate, guiding development away from agricultural and open space resources.

LAFCO regulates by approving or denying city and special district boundary changes and the extension of public services. It is empowered to undertake studies of local agencies and to initiate updates to the spheres of influence. Typically, applications to LAFCO originate with affected landowners and/or developers and cities or districts seeking to annex territory.

The Commission is an independent agency, exercising a direct grant of legislative authority from the State government. Its decisions, while subject to judicial review, are not appealable to the County or any other local or State-wide administrative body.

3. Santa Barbara LAFCO

The SB LAFCO consists of seven regular members: two members appointed by the Board of Supervisors from its own membership; two members of city councils appointed by the mayors of the cities in the County; two members of special district board appointed by the presiding officers of the independent special districts in the County; and one public member, appointed by the other Commissioners.

There are also four alternates – one in each category of member - who vote in the absence of a regular member. Commissioners are appointed to four-year terms.

The day-to-day business of the Commission, including analysis and recommendations about proposals is the responsibility of the Executive Officer. The Commission has legal counsel for assistance.

4. Legislative History (Significant Changes Only)

Through a series of legislative amendments over the past 30 years LAFCO has become responsible for coordinating logical and timely changes in the local governmental structure, including annexations and detachments of territory, incorporations of cities, formations of special districts, consolidations, mergers and dissolutions, and to regulate the extension of services by cities and special districts outside of their boundaries.

A brief timeline of significant legislation and litigation that shaped LAFCO's current powers and duties is useful to understanding the need for Municipal Service Reviews.

- 1964 LAFCO is created as a regulatory agency in each county to regulate cities and districts, promote orderly boundaries and discourage urban sprawl.
- 1971 LAFCO becomes a planning agency when directed by the Legislature to prepare and adopt a “sphere of influence” of each city and special district
- 1976 Due to a legal challenge to a city annexation, the courts declare LAFCOs are subject to the California Environmental Quality Act and annexations are “projects” under CEQA

- 1983 Responding to a lawsuit involving a special district annexation, the Legislature creates firm time limits within which LAFCOs must adopt spheres of influence or lose the ability to approve annexations.
- 1985 LAFCO and boundary change statutes are combined into one volume, the Cortese/ Knox Local Government Reorganization Act
- 1993 Significant reforms include allowing LAFCO to initiate some special district reorganizations and waive certain conduct authority protest hearings
- 2000 LAFCO required to (1) review and update spheres a least every five years and (2) prepare Municipal Service Reviews when updating spheres

5. Legislative Requirement to Prepare Municipal Service Reviews

Two separate studies recommended that LAFCOs review local agencies.

Little Hoover Commission - A May 2000 Little Hoover Commission report, *Special Districts: Relics of the Past or Resources for the Future?*, focused on governance and financial problems among independent special districts, and barriers to LAFCO's pursuit of district consolidation and dissolution.

The report focused on the need for special districts oversight, noting "the underlying patchwork of special district governments has become unnecessarily redundant, inefficient and unaccountable." It raised concerns about a lack of visibility and accountability among some independent special districts and indicated many special districts have excessive reserve funds and questionable property tax revenue. The report expressed concern about the lack of financial oversight of the districts.

The report called on the legislature to increase the oversight of special districts by mandating that LAFCOs identify service duplications and that LAFCOs study reorganization alternatives when service duplications are identified, when a district appears insolvent, when district reserves are excessive, when rate inequities surface, when a district's mission changes, when a new city incorporates and when service levels are unsatisfactory. To accomplish this, the report recommended that the state strengthen the independence and funding of LAFCOs, require districts to report to their respective LAFCO, and require LAFCOs to study service duplications.

Commission on Local Governance - The second report, *Growth Within Bounds: Planning California Governance for the 21st Century*, had its genesis in legislation that created the Commission on Local Governance for the 21st Century in 1997. It was established to review current statutes on the policies, criteria, procedures and precedents for city, county and special district boundary changes.

The 21st Century Commission released its final report in January 2000. It examined how local government is organized and operates, and established a vision of how the state will grow by “making better use of the often invisible LAFCOs in each county”.

The report points to the expectation that California’s population will double over the first four decades of the 21st Century, and raises concern that our government institutions were designed when our population was much smaller and our society was less complex. The report warns that, without a strategy, open spaces will be swallowed up, expensive freeway extensions will be needed, job centers will become farther removed from housing, and this will lead to longer commutes, increased pollution and a more stressful lifestyle. The report suggests local governments face unprecedented challenges in their ability to finance service delivery since voters cut property tax revenues in 1978 and the legislature shifted property tax revenues from local government to the schools in 1993.

The report recommended encouraging effective, efficient and easily understandable government and suggested that LAFCOs cannot achieve their fundamental purposes without a comprehensive knowledge of the services available within its county, the current efficiency of providing service within various areas of the county, future needs for each service, and expansion capacity of each service provider. Further, the report asserted that many LAFCOs lack such knowledge, and should be required to conduct such reviews to ensure that municipal services are logically extended to meet California’s future growth and development.

The Report’s recommendations were made part of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The law requires LAFCO periodically update spheres of influence and review municipal services before updating them.

MSRs are intended to provide LAFCO and the public with a comprehensive study of existing and future public service conditions and evaluate organizational options to accommodate growth, prevent urban sprawl and ensure that critical services are provided efficiently and cost-effectively.

Government Code Section 56430, which became effective on January 1, 2001, requires LAFCO to review municipal services provided in geographic areas appropriate to the service or services to be reviewed, and prepare a written statement of determinations with respect to each of the following:

1. Infrastructure needs or deficiencies;
2. Growth and population projections for the affected area;
3. Financing constraints and opportunities;
4. Cost avoidance opportunities;
5. Opportunities for rate restructuring;
6. Opportunities for shared facilities;
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;

8. Evaluation of management efficiencies; and
9. Local accountability and governance.

MSRs do not require LAFCO to initiate changes based on service review findings, only to make determinations regarding the provision of public services. LAFCO, local agencies and the public may subsequently use the determinations to analyze prospective changes of organization or reorganization or to establish or amend spheres of influence.

MSRs are not “projects” under the provisions of the California Environmental Quality Act; they are feasibility or planning studies for *possible* future action that LAFCO has not approved.

The outcome of conducting an MSR may implement a recommended change of organization or reorganization. Either LAFCO or a local agency that submits a proposal may be the lead agency for compliance with CEQA and conduct an appropriate environmental review.

6. Legislative Requirement to Update Spheres of Influence

Since 1971 LAFCO has been obligated to develop and adopt a sphere of influence for each city and special district within the county. The statute states “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.” (Government Code Section 56425)

Section 56076 defines a sphere of Influence as:

A plan for the probable physical boundaries and service area of a local agency, as determined by the commission.

The Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 requires LAFCO, for the first time, to “review and update, as necessary, the adopted sphere not less than once every five years.” (Government Code Section 56425 (f)).

LAFCO is prohibited from approving a boundary change that is inconsistent with the adopted sphere for the affected agencies. It is therefore a planning tool to provide guidance for individual proposals involving jurisdictional changes. They are intended to encourage the efficient provision of public services and prevent service duplication.

The direct relationship between MSRs and Sphere of Influence Updates is in Government Code Section 56430, which states that “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.”

In addition to the written determinations needed to adopt an MSR, whenever LAFCO adopts or amends a sphere of influence it must make the following additional written determinations:

1. Present and planned land uses in the area, including agricultural and open-space lands;
2. Present and probable need for public facilities and services in the area;
3. Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide; and
4. Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The statute contains procedural requirements for LAFCO to review and update spheres. The Commission must notify affected agencies 21 days before holding a public hearing to consider the sphere. The Executive Officer must issue a report and recommendations on the sphere updates under consideration at least five days prior to the public hearing.

CHAPTER 1: INTRODUCTION

This report regarding the Casmalia Community Services District was prepared by the Santa Barbara Local Agency Formation Commission (“LAFCO”) in accordance with Section 56430 of the California Government Code. It responds to the requirement that LAFCO conduct a Municipal Service Review (MSR) to study the delivery of municipal services and update spheres of influence.

The MSR evaluates services provided by the District and issues regarding its sphere of influence. MSR Guidelines prepared by the State Office of Planning and Research were referred to in developing information, performing analysis and organizing this study.

This report describes service delivery and related issues for LAFCO to consider and presents determinations as required by law. The decision to approve or disapprove any determinations or policies rests entirely with the Commission.

Written determinations regarding the MSR and sphere of influence update are provided for the Commission’s consideration. This report is an informational document and does not substitute for discretionary decisions that can only be made by the Commission.

This Report is subject to reconsideration and revision as directed by the LAFCO staff or by the Commission during the course of its deliberations.

CHAPTER 2: MUNICIPAL SERVICE REVIEW

Description of District

The Casmalia Community Services District was formed 1981 and operates pursuant to the Community Services District Act (Government Code, Section 61000 et seq.).

It is located in northern Santa Barbara County, on Point Sal Road just north of Vandenberg Air Force Base. It is distant from other communities.

While the statute prescribes a five-member board of directors, elected at-large, to govern the District, it has been difficult to keep a full complement of board members. It appears a Board member, assisted by a secretary, is responsible for administrative functions.

The District's boundaries and sphere of influence are coterminous. A map of the District and its sphere is included.

District Services

The District provides retail water service. It serves 55 dwellings and a small number of businesses. This is not very much of a customer base over which to "spread" the costs of operating and maintaining a water distribution system.

Other Governmental Agencies within the District

Overlapping agencies are County Service Area 32, Santa Barbara County Fire Protection District and Mosquito and Vector Control District of Santa Barbara County.

CHAPTER 3: MSR DETERMINATIONS

This portion of the report addresses the factors specified in LAFCO's governing statute for the MSR for the Casmalia CSD.

Infrastructure Needs and Deficiencies

The existing water distribution facilities appear sufficient for current demand, however there may be unresolved issues regarding the source of water and its dependability. This issue concerns the ownership of the well and supply pipeline by a private company.

The District's exclusive supply is groundwater. The groundwater sources are somewhat distant from the community, nor are there other retail water purveyors in the immediate vicinity of the District.

Growth and Population Projections

Due to its isolation, small size and limited opportunity to expand, notable population growth is not expected for Casmalia.

Financing Constraints and Opportunities

The District's limited customer base and minor potential for expansion or intensification severely restricts sources of funding for capital improvements. The District did not in the past make adequate attempts to secure payments from customers for services provided, a situation which may be improved now with new management.

Cost-Avoidance Opportunities

There are no obvious cost avoidance opportunities, except the possibility of having the District managed by another public agency on a fee-for-service basis. The most significant costs are related to maintaining water distribution facilities and securing payments for water service.

Opportunities for Rate Restructuring

The small customer base makes it difficult to operate the District efficiently. There does not appear to be a realistic opportunity for rate restructuring, though one option would be to collect District water fees on the tax roll rather than through monthly charges for service; this would be a more assured source of funding that would not be affected by changes in ownership or the fact some properties are occupied by renters.

Opportunities for Shared Facilities

There are no obvious opportunities for shared facilities given the small customer base and distance from Casmalia to other communities.

Sharing staff with other agencies may be possible, if other agencies would be interested and willing to manage the District for an administrative fee.

Government Structure Options

One governmental structural option is to dissolve the District as an independent agency. It could be replaced by a dependent agency such as a County Service Area, governed by the Board of Supervisors, or the community could be annexed to another local special district, such as the Vandenberg Village CSD. Under either option an agency with a professional staff could, for a fee, manage the water facilities and billing accounts.

Management Efficiencies

It is not known to what extent the District is managed efficiently and serves its residents.

Local Accountability and Governance

The District is a small single-purpose government. While the Board of Directors can be elected, most recent members have served after being appointed to vacancies on the Board. The District posts meeting agendas at the Casmalia Post Office.

CHAPTER 4: SPHERE OF INFLUENCE REVIEW AND UPDATE

Description of Current Sphere of Influence

The District's boundaries and sphere of influence are largely coterminous. A map of the District and its sphere are included.

No Proposed Sphere Changes

In response to the MSR Request for Information, the District responded as follows:

Do you feel that your agency's boundary is correct at this time? Yes

Are there areas your agency desires or plans to serve that are not now within its boundaries or its sphere of influence? No

Are there areas your agency currently serves that might be served more efficiently by another agency? No

Sphere of Influence Determinations

Inasmuch as no changes in the sphere of influence are proposed at this time it is not necessary for the Commission to adopt or approve any determinations.

CHAPTER 5: ACKNOWLEDGEMENTS & REFERENCES

The Santa Barbara LAFCO staff prepared this Municipal Service Review. Responsibility for any errors or omissions rests with those who prepared the report.

The Casmalia CSD's Board President Bill Ostini was instrumental in providing the basic information and documents upon which the report is based.

Mapping services were provided by JDL Mapping.

Available Documentation

The "Request for Information for Municipal Service Reviews" submitted by the District and the supporting documents referred to therein are available in the LAFCO office.

CHAPTER 6: RECOMMENDATIONS

In consideration of information gathered and evaluated during the Municipal Service Review it is recommended the Commission affirm the current Sphere of Influence and that it not be expanded or revised at this time.