San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: SEPTEMBER 17, 2026

SUBJECT: MUNICIPAL SERVICE REVIEW POLICIES AND GUIDELINES

RECOMMENDATION

Action: Approve, by motion, the proposed policies and guidelines related to the Municipal Service Review program.

BACKGROUND

On June 18, 2026, the Commission was provided with an overview of the existing Municipal Service Review (MSR) program, LAFCO's authority, available tools to address identified issues, and potential policy solutions. The Commission directed staff to return with draft policies for consideration. Specifically, the Commission directed staff to develop policies that:

1. Reinforce the Executive Officer's authority to request information reasonably necessary to conduct MSRs.
2. Establish criteria for determining when the Commission should hold a study session in order to provide direction and input on significant matters prior to the consideration and adoption of an MSR.
3. Create consistency regarding when the Commission may utilize conditions of approval or establish remediation periods to correct deficiencies.
4. Establish that delinquent financial audits are a serious concern and warrant appropriate follow-up in coordination with the County Auditor.
5. Establish the Commission's expectation that major Sphere of Influence requests be supported by sufficient analysis and data.

Accordingly, staff has prepared five draft policies consistent with the Commission's direction. Further, to maintain consistency with the Commission's adopted *Policies, Procedures and Bylaws* Manual, which includes both policies *and* implementation guidelines, staff has prepared implementation guidelines that provide additional detail regarding the criteria and procedures for implementing the respective policies. These draft policies and guidelines represent the initial versions presented to the Commission for consideration. If adopted, the proposed policies would be incorporated into Section 2.6, *Sphere of Influence Policies and* Section 2.7, *Municipal Service Review Policies*, of the Commission's *Policies, Procedures and Bylaws* Manual, while the implementation guidelines would be incorporated into Section 3.5, *Municipal Service Review Guidelines*, of the same manual.

The Commission may choose to adopt the policies as proposed, modify them during the meeting, or direct staff to return with additional revisions. The draft policies and guidelines, as they would appear in the *Policies, Procedures and Bylaws* Manual, are included in their entirety as Attachment A and shown in tracked changes for clarity.

Executive Officer Authority to Request Information to Facilitate Resolution
Policy Intent – State Government Code Sections 56378 and 56386 authorize the Commission and the Executive Officer to request information from and conduct studies of local agencies. The intent of this policy is to reinforce the authority of the Commission and Executive Officer to directly address issues with the affected agency prior to consideration by the Commission. To the extent feasible, the Executive Officer will communicate with affected agencies and seek clarification, additional information, and potential resolution of identified issues before matters are brought forward for formal Commission consideration. Issues will not always be resolved; however, the Executive Officer has the authority and support of the Commission to work with affected agencies to resolve issues during preparation of the MSR, prior to final consideration by the Commission. This policy is not intended to delegate to the Executive Officer any authority reserved by law to the Commission.

Proposed Policy

- 2.7.4 - The Commission and the Executive Officer may request information reasonably necessary to conduct MSRs, evaluate deficiencies, monitor corrective actions, evaluate SOI proposals, and prepare recommendations for Commission consideration pursuant to Government Code Section 56378 and 56386, in addition to other relevant state regulations.

Proposed Implementation Guidelines

- 3.5.8 – The Commission and Executive Officer may request information from an affected agency for purposes, including, but not limited to, the following:
  a. Conducting an MSR;
  b. Verifying an MSR finding;
  c. Evaluating a service, governance, or operational deficiency;
  d. Determining whether an identified deficiency has been corrected;
  e. Evaluating an SOI proposal;
  f. Evaluating the financial or operational conditions of an agency;
  g. Monitoring a remediation period; or
  h. Evaluating compliance with a condition imposed by the Commission.

- 3.5.9 – When an issue may reasonably be resolved before a Commission hearing, staff should, when practical:
  a. Notify the affected agency of the issue;
  b. Explain the information, documentation, or corrective action needed;
  c. Provide the agency with a reasonable opportunity to respond;
  d. Review information provided by the agency;
  e. Determine whether the issue has been resolved; and
  f. Incorporate the outcome into the staff report and MSR as appropriate.

Policy and Guidelines Related to MSR Study Sessions

Policy Intent – Study sessions provide an opportunity for the Commission to become familiar with significant issues, consider alternatives, identify additional information or analysis that may be needed, and provide direction to staff before an MSR or related action is brought forward for formal consideration. A study session is not a final decision on the MSR or any related matter, rather, it is intended to be an opportunity for the Commission to provide input early in the MSR process.

Proposed Policy

- 2.7.5 – The Commission may utilize study sessions, when appropriate and recommended by the Executive Officer, for significant matters identified through an MSR that would benefit from Commission feedback prior to formal consideration.

Proposed Implementation Guidelines

- 3.5.10 – A study session should be considered when an MSR involves:
  a. A significant level-of-service issue;
  b. A substantial change in the manner or level of service;
  c. A significant proposed Sphere of Influence change;
  d. A substantial financial, governance, or operational issue;
  e. A matter involving significant disagreement between LAFCO staff and the affected agency;
  f. A significant issue affecting another local agency; or
  g. Any other matter that, in the judgment of the Executive Officer, would benefit from preliminary Commission feedback.

- 3.5.11 – The Executive Officer should identify the need for a study session as early in the MSR process as reasonably practical. Staff should provide sufficient information for the Commission to understand the issue and consider potential alternatives. Following the study session, staff should incorporate Commission direction, as appropriate, into the subsequent MSR and associated staff report.

MSR Conditions of Approval and Remediation of Deficiencies

Policy Intent – When appropriate and legally authorized, the Commission may establish conditions of approval, corrective actions, or preliminary remediation periods to address unresolved deficiencies and foster good governance within the County. The Commission intends to apply remediation periods consistently for substantially similar deficiencies while retaining discretion to establish different requirements based upon the nature, severity, complexity, urgency, or circumstances of the deficiency.

Proposed Policy

- 2.7.6 – At its discretion, the Commission may provide a local agency with a reasonable and consistent opportunity to remediate significant deficiencies identified through a MSR when the deficiency can reasonably be remedied and additional time is appropriate.

Proposed Implementation Guidelines

- 3.5.12 – When a MSR identifies a significant unresolved deficiency that could not be resolved prior to Commission consideration, staff should evaluate whether the matter is appropriate for one or more of the following:
  a. A condition of approval;
  b. A defined preliminary remediation period;
  c. Periodic progress reporting to the Commission; or
  d. Further Commission action.

- 3.5.13 – When recommending a formal remediation period, staff should identify:
  a. The specific deficiency;
  b. The desired corrective action;
  c. The proposed timeframe for completion;
  d. Any significant interim milestones;
  e. The information needed to demonstrate remediation; and
  f. The proposed date for Commission review.

- 3.5.14 – To promote consistency, staff should generally consider the following ranges:

Circumstance	Typical remediation period
Minor deficiency	**Up to 6 months**
Significant deficiency	**6–12 months**
Statutory remediation period per Gov Code 56375.1 intended for LAFCO initiated agency dissolution	**12 months**

  These timeframes are guidelines established by the Commission's authority, as appropriate, and are not mandatory deadlines, unless a LAFCO-initiated dissolution under Government Code section 56375.1 is proposed, which requires a 12-month remediation period prior to dissolution.

- 3.5.15 – At the conclusion of a remediation period, staff will present a formal Condition Compliance Report to the Commission at a regularly scheduled Commission meeting.

The Condition Compliance Report will be appended to the adopted MSR for the record and the report will inform the Commission whether the deficiency has been:

a. Corrected;
b. Substantially corrected;
c. Partially corrected;
d. Unresolved; or
e. Unable to be evaluated because sufficient information has not been provided.

- 3.5.16 – If the deficiency remains unresolved or unable to be evaluated because sufficient information has not been provided, the Commission may consider initiating dissolution as specified in Government Code Section 56375.1. If the Commission does not wish to pursue a LAFCO initiated dissolution, it may extend or modify the remediation period, establish additional corrective actions, or consider other action within its statutory authority.

Significant Sphere of Influence Changes

Policy Intent – Significant SOI changes proposed by an agency may have substantial regional effects and therefore should be supported by sufficient analysis and data so that the Commission may make a fully informed decision. The intent of this policy is to ensure the Commission has the information required to make sound policy and regional planning decisions.

Proposed Policy

- 2.6.13 – It is the policy of the Commission that significant changes to a local agency's SOI, or other significant proposals, should be supported by sufficient analysis to determine the implications of the proposed change for future service delivery, governmental organization, and long-range planning.

Proposed Implementation Guidelines

- 3.5.17 – Staff should consider an SOI change to be potentially significant when the proposal:
  a. Adds or removes a substantial geographic area relative to its existing service area or SOI;
  b. Affects another agency's SOI, service area, governance structure, or service responsibilities;
  c. Has significant implications for City or County planning;
  d. Otherwise is significant due to the nature of the proposal; or
  e. Significant changes should be studied and analyzed in detail and supported by data, when applicable, prior to Commission consideration. The analysis should be prepared by the respective agency. A study session should be considered when an SOI change is substantial enough that early Commission feedback would benefit staff's subsequent analysis or recommendation.

Financial Audits

Policy Intent – State law requires agencies to prepare annual financial audits. However, some agencies within the County experience difficulty fulfilling this requirement. The Commission recognizes the distinction between an isolated or temporary audit delay and a recurring pattern of chronic audit delinquency. The intent of this policy is to address chronic issues related to financial audits or otherwise serious financial issues.

Proposed Policy

- 2.7.7 – It is the policy of the Commission that delinquent financial audits represent a financial accountability deficiency that warrants appropriate review and follow-up. The nature and extent of the Commission's response should be proportionate to the duration, frequency, and circumstances of the delinquency, in coordination with the County Auditor, as appropriate. When appropriate and legally authorized, the Commission, in coordination with the County Auditor, may establish corrective actions, conditions of approval, or a remediation period to facilitate completion of delinquent audits and address other serious financial-related issues.

Proposed Implementation Guidelines

- 3.5.18 – When staff identifies a delinquent audit, staff should determine the following:
  a. The applicable statutory requirement;
  b. The length of the delinquency;
  c. Whether the agency has retained an independent auditor or initiated the audit process;
  d. The reason for the delay;
  e. The estimated completion date for the delinquent audit(s);
  f. Whether previous audit delinquencies exist;
  g. Whether other financial or governance deficiencies are present; and
  h. Whether the agency has coordinated with the County Auditor to explore options or alternatives to comply with auditing requirements of Government Code Section 26909.

- 3.5.19 – For an isolated or relatively recent audit delinquency, staff should generally contact the agency to determine the status of the audit and provide an opportunity for the agency to resolve the matter. Staff should request a reasonable completion schedule when appropriate and report the result in the MSR.

- 3.5.20 – When an agency has repeated or extended audit delinquencies, staff should evaluate whether the issue indicates broader concerns regarding:
  a. Financial management;
  b. Internal controls;
  c. Administrative capacity;
  d. Governance;
  e. Transparency; or
  f. The agency's ability to provide services,

- 3.5.21 – For significant or chronic deficiencies, staff should consider recommending a preliminary remediation period, a formal remediation period as specified in Government Code Section 56375.1(a)(2) as applicable, or other Commission action. When a preliminary remediation period is established, the MSR should identify a clear completion deadline. Periodic reporting may be required when the remediation period extends beyond a reasonable period or when the Commission determines that interim monitoring is warranted.

- 3.5.22 – If the agency fails to complete the required audits or demonstrates inadequate progress towards compliance, staff should advise the Commission regarding available options under applicable law and provide a status update on any agency and County Auditor coordination.

OUTCOMES

The proposed policies directly address the concerns raised by the Commission and enhance both the value and effectiveness of the MSR process. While no policy framework can guarantee that every issue will be fully resolved, these updates would increase transparency and encourage agencies to address identified deficiencies and improve operations when appropriate.

It is important to recognize that many agencies within the County operate effectively and generate few, if any, concerns. For these agencies, MSRs will continue to be presented to the Commission through the standard review process, with no additional action required. The proposed policies are primarily intended to apply to agencies experiencing operational, governance, financial, or service-related challenges. Nevertheless, implementation of these policies would have implications for staff workload and may extend the time required to complete certain MSRs.

LAFCO’s long-term objective is to complete an MSR for each agency approximately every five years, and significant progress has been made toward achieving that goal. However, in certain cases, the proposed policies may necessitate additional analysis, coordination, and follow-up when issues are identified during the review process. As a result, the timeframe for completing an MSR may be extended in those cases.

Under current practices, a standard MSR generally takes between six and twelve months to complete, with smaller agencies typically requiring less time and larger agencies, such as cities, requiring more extensive review. However, for agencies with issues that trigger one or more of the proposed policies, the completion timeline may be extended by several months. While this may increase the overall processing time, staff believe the resulting improvements in accountability, transparency, and the quality of the final MSR justify the additional effort and time required.

With respect to staffing, the Executive Officer believes the current staffing model of four employees is sufficient to accommodate the additional workload associated with these policies. However, staff also recognizes the benefit of reverting the existing Commission Clerk position back to a Clerk Analyst position and, potentially, converting the current 0.75 FTE allocation to a full-time position. Implementation of the proposed policy framework will increase the need for analytical, research, and coordination duties. A Clerk Analyst position could continue to perform Commission Clerk functions while also providing valuable support in areas such as research, data collection, agency coordination, and special projects. The budgetary impact of these changes could be absorbed through salary savings during the current fiscal year and would result in only a modest increase in expenditures in future fiscal years. Should staffing modifications become necessary, staff would return to the Commission at a later date with specific recommendations or actions related to staffing adjustments for consideration.

CONCLUSION

The Commission may accept the proposed policies and implementation guidelines, modify as desired, or direct staff to return with changes at a later date.

ATTACHMENTS

Attachment A: Proposed Amendments to the Commission’s Policies, Procedures and Bylaws

Attachment A

Proposed Amendments to the
Commission's Policies, Procedures and
Bylaws

2.6 Sphere of Influence Policies

The CKH Act provides the legislative authority and intent for establishing a Sphere of Influence and is included by reference in these policies. A Sphere of Influence is the probable 20-year growth boundary for a jurisdiction's physical development. These policies are intended to be consistent with the CKH Act and take into consideration local conditions and circumstances. All procedures and definitions in the CKH Act are incorporated into these policies by reference.

2.6.1. LAFCO intends that its Sphere of Influence determination will serve as a master plan for the future organization of local government within the County. The spheres shall be used to discourage urban sprawl and the proliferation of local governmental agencies and to encourage efficiency, economy, and orderly changes in local government.

2.6.2. The Sphere of Influence lines shall be a declaration of policy which shall be a primary guide to LAFCO in the decision on any proposal under its jurisdiction. Every determination made by the Commission shall be consistent with the spheres of influence of the agencies affected by those determinations.

2.6.3. No proposal which is inconsistent with an agency's adopted Sphere of Influence shall be approved until the Commission, at a noticed public hearing, has considered an amendment or revision to that agency's Sphere of Influence.

2.6.4. The adopted Sphere of Influence shall reflect city and county general plans, growth management policies, annexation policies, resource management policies, and any other policies related to ultimate boundary area of an affected agency unless those plan or policies conflict with the legislative intent of the CKH Act (Government Code Section 56000 et seq.).

Where inconsistencies between plans exist, LAFCO shall rely upon that plan which most closely follows the legislature's directive to discourage urban sprawl, direct development away from prime agricultural land and open space lands, and encourage the orderly formation and development of local governmental agencies based upon local conditions and circumstances.

In accordance with the CKH Act a municipal service review shall be conducted prior to the update of a jurisdiction's Sphere of Influence. The service review is intended to be a basis for updating a jurisdiction's Sphere of Influence.

2.6.5. LAFCO will designate a Sphere of Influence line for each local agency that represents the agency's probable physical boundary and includes territory eligible for annexation and the extension of that agency's services within a zero to twenty-year period.

2.6.6. LAFCO shall consider the following factors in determining an agency's Sphere of Influence:

a. Present and future need for agency services and the service levels specified for the subject area in applicable general plans, growth management plans, annexation policies, resource management plans, and any other plans or policies related to an agency's ultimate boundary and service area (CKH 56425 (e)(1)).
b. Capability of the local agency to provide needed services, taking into account evidence of resource capacity sufficient to provide for internal needs and urban expansion (CKH 56425 (e)(2)).
c. The existence of agricultural preserves, agricultural land and open space lands in the area and the effect that inclusion within a Sphere of Influence shall have on the physical and economic integrity of maintaining the land in non-urban use (CKH 56426.5 (a)).
d. Present and future cost and adequacy of services anticipated to be extended within the Sphere of Influence.
e. Present and projected population growth, population densities, land uses, and area, ownership patterns, assessed valuations, and proximity to other populated areas.
f. The agency's capital improvement or other plans that delineate planned facility expansion and the timing of that expansion.
g. Social or economic communities of interest in the area (CKH 56425 (e)(4)).

h. 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, a written determination regarding the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing Sphere of Influence shall be prepared.

2.6.7. LAFCO may adopt a zero Sphere of Influence encompassing no territory for an agency. This occurs if LAFCO determines that the public service functions of the agency are either nonexistent, no longer needed, or should be reallocated to some other agency of government. The local agency which has been assigned a zero Sphere of Influence should ultimately be dissolved.

2.6.8. Territory not in need of urban services, including open space, agriculture, recreational, rural lands, or residential rural areas shall not be assigned to an agency's Sphere of Influence unless the area's exclusion would impede the planned, orderly and efficient development of the area.

2.6.9. LAFCO may adopt a Sphere of Influence that excludes territory currently within that agency's boundaries. This occurs where LAFCO determines that the territory consists of agricultural lands, open space lands, or agricultural preserves whose preservation would be jeopardized by inclusion within an agency's Sphere of Influence. Exclusion of these areas from an agency's Sphere of Influence indicates that detachment is appropriate.

2.6.10. Where an area could be assigned to the Sphere of Influence of more than one agency providing needed service, the following hierarchy shall apply dependent upon ability to serve:

a. Inclusion within a municipality Sphere of Influence.
b. Inclusion within a multipurpose district Sphere of Influence.
c. Inclusion within a single-purpose district Sphere of Influence.

In deciding which of two or more equally capable agencies shall include an area within its Sphere of Influence, LAFCO shall consider the agencies' service and financial capabilities, social and economic interdependencies, topographic factors, and the effect that eventual service extension will have on adjacent agencies.

2.6.11. Sphere of Influence boundaries shall not create islands or corridors unless it can be demonstrated that the irregular boundaries represent the most logical and orderly service area of an agency.

2.6.12. Nonadjacent publicly owned properties and facilities used for urban purposes may be included within that public agency's Sphere of Influence if eventual annexation would provide an overall benefit to agency residents.

2.6.13. It is the policy of the Commission that significant changes to a local agency's Sphere of Influence, or other significant proposals, should be supported by sufficient analysis to determine the implications of the proposed change for future service delivery, governmental organization, and long-range planning.

2.6.14. At the time of adoption of a city Sphere of Influence LAFCO may develop and adopt in cooperation with the municipality, an urban area boundary pursuant to policies adopted by the Commission in accordance with Government Code Section 56080. LAFCO shall not consider any area for inclusion within an urban service area boundary that is not addressed in the general plan of the affected municipality or is not proposed to be served by urban facilities, utilities, and services within the first five years of the affected city's capital improvement program.

2.6.15. LAFCO shall review Sphere of Influence determinations every five years or when deemed necessary by the Commission consistent with an adopted work plan. If a local agency or the County desires amendment or revision of an adopted Sphere of Influence, the local agency, by resolution, may file such a request with the LAFCO Executive Officer. Any local agency or county making such a request shall reimburse the Commission for the actual and direct costs incurred by the Commission. The Commission may waive such reimbursement if it finds that the request may be considered as part of its periodic review of spheres of influence.

2.6.16. LAFCO shall adopt, amend, or revise Sphere of Influence determinations following the procedural steps set forth in CKH Act 56000 et seq.

2.7 Municipal Service Review Policies

The following policies are meant to guide San Luis Obispo LAFCO in the preparation of the municipal service review for jurisdictions:

2.7.1. The Commission shall use the Municipal Service Review Guidelines found in Chapter 3 as a framework for preparing a municipal service review for a jurisdiction.

2.7.2. In order to prepare an update of spheres of influence in accordance with Section 56425, the Commission shall conduct a municipal service review of the municipal services provided by the local agency or service jurisdiction.

2.7.3. LAFCO shall complete a municipal service review consistent with the provisions contained in the CKH Act including identification of disadvantaged unincorporated communities located contiguous to the Sphere of Influence of a jurisdiction.

2.7.4. The Commission and the Executive Officer may request information reasonably necessary to conduct municipal service reviews, evaluate deficiencies, monitor corrective actions, evaluate sphere of influence proposals, and prepare recommendations for Commission consideration pursuant to Government Code Section 56378 and 56386, in addition to other relevant state regulations.

2.7.5. The Commission may utilize study sessions, when appropriate and recommended by the Executive Officer, for significant matters identified through a municipal service review that would benefit from Commission feedback prior to formal consideration.

2.7.6. At its discretion, the Commission may provide a local agency with a reasonable and consistent opportunity to remediate significant deficiencies identified through a municipal service review when the deficiency can reasonably be remedied and additional time is appropriate.

2.7.7. It is the policy of the Commission that delinquent financial audits represent a financial accountability deficiency that warrants appropriate review and follow-up. The nature and extent of the Commission's response should be proportionate to the duration, frequency, and circumstances of the delinquency, in coordination with the County Auditor, as appropriate. When appropriate and legally authorized, the Commission, in coordination with the County Auditor, may establish corrective actions, conditions of approval, or a remediation period to facilitate completion of delinquent audits and address other serious financial-related issues.

3.5 Municipal Service Review Guidelines

The following questions are designated to help agencies and LAFCO compile information needed to complete municipal service reviews. Questions and Information sources will vary depending upon jurisdictions. Answers to these questions will be used by LAFCO to prepare service reviews and will be used to update jurisdictions' spheres of influence.

3.5.1 Growth and Population projections for the affected area.

a. How does the projected growth of the proposed sphere of influence areas compare with present County land use designations?
b. How have surrounding County land use patterns evolved and what impacts have they caused on infrastructure, e.g., roads, water, sewer, fire, police?
c. Will changes as proposed in the sphere of influence increase pressure to develop surrounding County lands causing an increase in growth potential?

d. Information Sources: City and County general plans, EIRS, US Census website, State Department of Finance, planning departments, Council of Governments, and economic reports.

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

Disadvantaged unincorporated communities, or "DUCs," are inhabited territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

a. Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?
b. Are there any "inhabited unincorporated communities" within or adjacent to the subject agency's sphere of influence that are considered "disadvantaged" (80% or less of the statewide median household income)?
c. Information Sources: City and County general plans, US Census, California Rural Legal Assistance, and Council of Governments reports.

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

a. Are the jurisdiction's water resources and facilities adequate to serve the area in the existing boundaries? What about future growth or expansions?
b. What is the jurisdiction's current status with regard to wastewater collection, treatment, and disposal? What are the plans for the future?
c. What is the present condition of the streets, roads, and circulation? Where are the problem areas and what are the future needs and plans?

d. Does the jurisdiction have adequate police and fire resources to meet the existing needs of the community? What about future needs?
e. Information Sources: Water master plans, urban water management plans, Department of Water Resources annual reports, wastewater master plans, general plans, EIRs, circulation elements, regional transportation plans and EIRs, capital improvement plans, Insurance Service Office (ISO) ratings, police and fire department websites, questionnaires, and interviews.

3.5.4 Financial ability of agencies to provide services.

a. What is the current fiscal status of the jurisdiction? What are the indicators?
b. Will the fiscal impacts of the proposed changes to the sphere of influence be greater or lesser than the fiscal benefits?
c. Does the jurisdiction have financial reserves? If so, what percentage of the general fund do their reserves represent?
d. How will the jurisdiction fund needed capital improvement projects, i.e., bonds, loans, other?
e. How does the jurisdiction analyze and establish rates and fees?
f. How will the sphere of influence action impact the rates and fees within the jurisdiction?
g. How will the sphere of influence territories pay their share of the jurisdictions' costs for services?
h. Information Sources: Budgets for the last three years, city managers, state and city annual reports, Department of Finance, retail sales and transient occupancy tax (TOT), city fiscal policies, development impact fee information, debt information, joint-financing efforts, and UCSB Economic Report, Budget processes, special purchasing contracts, bidding policies, service studies, and interviews rates and fees studies, EIRs, cost-of-service studies, and rates and fees policies.

3.5.5 Status of, and opportunity for, shared facilities.

a. Does the jurisdiction share facilities with other agencies?

b. Has either the jurisdiction or County suggested sharing facilities in the SOI/Annexation areas?
c. Are there presently any shared relationships for services between agencies in the sphere of influence areas? Are there opportunities for sharing in the future?
d. Is there any or will there be any duplication of facilities in the sphere of influence area?
e. Information Sources: Capital improvement plans, shared road construction plans, open space preservation plans, City and County recreational facilities, and shared water storage and distribution facilities.

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

a. Does the jurisdiction strive to involve the public in decision-making?
b. Does the jurisdiction facilitate local media coverage and public information programs?
c. Are elected and appointed representatives accessible and attentive to their constituents?
d. Are annual budget and audit reports available to the public?
e. Does the jurisdiction have the administrative capacity to assume expanded responsibilities over the SOI areas without decreasing existing services?
f. Does the jurisdiction have a customer-oriented service philosophy, including written goals and mission statements, master services plans, customer outreach programs, and an active quality control program?
g. Does the jurisdiction maintain capital improvement programs and enterprise fund management plans?
h. Does the jurisdiction maintain sound accounting principles and best practice fiscal management programs?
i. Does the Jurisdiction have a reasonably good record of safety, environmental and permit compliance?
j. How will services to the sphere of influence areas be enhanced by the jurisdiction?
k. Will services to the sphere of influence areas proposed for exclusion be enhanced, decreased, or remain the same?

l. Will opportunities for public participation in the development review process be enhanced in the jurisdiction or the County for the SOI areas?

m. Information Sources: Interviews, websites, public involvement policies, public information programs, customer complaint processes, customer surveys, budgets for the last three years, city managers, state and city annual reports, fiscal management policies, and indicator reports.

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

3.5.8 The Commission and Executive Officer may request information from an affected agency for purposes, including, but not limited to, the following:

a. Conducting a municipal service review;
b. Verifying a municipal service review finding;
c. Evaluating a service, governance, or operational deficiency;
d. Determining whether an identified deficiency has been corrected;
e. Evaluating a Sphere of Influence proposal;
f. Evaluating the financial or operational conditions of an agency;
g. Monitoring a remediation period; or
h. Evaluating compliance with a condition imposed by the Commission.

3.5.9 When an issue may reasonably be resolved before a Commission hearing, staff should, when practical:

a. Notify the affected agency of the issue;
b. Explain the information, documentation, or corrective action needed;
c. Provide the agency with a reasonable opportunity to respond;
d. Review information provided by the agency;
e. Determine whether the issue has been resolved; and

f. Incorporate the outcome into the staff report and municipal service review as appropriate.

3.5.10 A study session should be considered when a municipal service review involves:

a. A significant level-of-service issue;
b. A substantial change in the manner or level of service;
c. A significant proposed sphere of influence change;
d. A substantial financial, governance, or operational issue;
e. A matter involving significant disagreement between LAFCO staff and the affected agency;
f. A significant issue affecting another local agency; or
g. Any other matter that, in the judgment of the Executive Officer, would benefit from preliminary Commission feedback.

3.5.11 The Executive Officer should identify the need for a study session as early in the municipal service review process as reasonably practical. Staff should provide sufficient information for the Commission to understand the issue and consider potential alternatives. Following the study session, staff should incorporate Commission direction, as appropriate, into the subsequent municipal service review and associated staff report.

3.5.12 When a municipal service review identifies a significant unresolved deficiency that could not be resolved prior to Commission consideration, staff should evaluate whether the matter is appropriate for one or more of the following:

a. A condition of approval;
b. A defined preliminary remediation period;
c. Periodic progress reporting to the Commission; or
d. Further Commission action.

3.5.13 When recommending a formal remediation period, staff should identify:

a. The specific deficiency;
b. The desired corrective action;

c. The proposed timeframe for completion;

d. Any significant interim milestones;

e. The information needed to demonstrate remediation; and

f. The proposed date for Commission review.

3.5.14 To promote consistency, staff should generally consider the following ranges:

Circumstance	**Typical remediation period**
Minor deficiency	**Up to 6 months**
Significant deficiency	**6–12 months**
Statutory remediation period per Gov Code 56375.1 intended for LAFCO initiated agency dissolution	**12 months**

These timeframes are guidelines established by the Commission's authority, as appropriate, and are not mandatory deadlines, unless a LAFCO-initiated dissolution under Government Code section 56375.1 is proposed, which requires a 12-month remediation period prior to dissolution.

3.5.15 At the conclusion of a remediation period, staff will present a formal Condition Compliance Report to the Commission at a regularly scheduled Commission meeting. The Condition Compliance Report will be appended to the adopted MSR for the record and the report will inform the Commission whether the deficiency has been:

a. Corrected;

b. Substantially corrected;

c. Partially corrected;

d. Unresolved; or

e. Unable to be evaluated because sufficient information has not been provided.

3.5.16 If the deficiency remains unresolved or unable to be evaluated because sufficient information has not been provided, the Commission may consider initiating dissolution as specified in Government Code Section 56375.1. If the Commission does not wish to pursue a LAFCO initiated dissolution, it may extend or modify the remediation period, establish additional corrective actions, or consider other action within its statutory authority.

3.5.17 Staff should consider a sphere of influence change to be potentially significant when the proposal:

a. Adds or removes a substantial geographic area relative to its existing service area or Sphere of Influence;
b. Affects another agency's sphere of influence, service area, governance structure, or service responsibilities;
c. Has significant implications for City or County planning;
d. Otherwise is significant due to the nature of the proposal; or
e. Significant changes should be studied and analyzed in detail and supported by data, when applicable, prior to Commission consideration. The analysis should be prepared by the respective agency. A study session should be considered when an SOI change is substantial enough that early Commission feedback would benefit staff's subsequent analysis or recommendation.

3.5.18 When staff identifies a delinquent audit, staff should determine the following:

a. The applicable statutory requirement;
b. The length of the delinquency;
c. Whether the agency has retained an independent auditor or initiated the audit process;
d. The reason for the delay;
e. The estimated completion date for the delinquent audit(s);
f. Whether previous audit delinquencies exist;
g. Whether other financial or governance deficiencies are present; and
h. Whether the agency has coordinated with the County Auditor to explore options or alternatives to comply with auditing requirements of Government Code Section 26909.

3.5.19 For an isolated or relatively recent audit delinquency, staff should generally contact the agency to determine the status of the audit and provide an opportunity for the agency to resolve the matter. Staff should request a reasonable completion schedule when appropriate and report the result in the municipal service review.

3.5.20 When an agency has repeated or extended audit delinquencies, staff should evaluate whether the issue indicates broader concerns regarding:

a. Financial management;
b. Internal controls;
c. Administrative capacity;
d. Governance;
e. Transparency; or
f. The agency's ability to provide services.

3.5.21 For significant or chronic deficiencies, staff should consider recommending a preliminary remediation period, a formal remediation period as specified in Government Code Section 56375.1(a)(2) as applicable, or other Commission action. When a preliminary remediation period is established, the municipal service review should identify a clear completion deadline. Periodic reporting may be required when the remediation period extends beyond a reasonable period or when the Commission determines that interim monitoring is warranted.

3.5.22 If the agency fails to complete the required audits or demonstrates inadequate progress towards compliance, staff should advise the Commission regarding available options under applicable law and provide a status update on any agency and County Auditor coordination.