



San Diego County Local Agency Formation Commission

Regional Service Planning | Subdivision of the State of California

SPECIAL MEETING AMENDED AGENDA SPECIAL DISTRICTS ADVISORY COMMITTEE

Friday, June 21, 2024
1:15 P.M. to 2:30 P.M.

In-Person Participation

County of San Diego Administration Center
1600 Pacific Highway, Room 402
San Diego, California 92101

Remote Participation

13 Pumphouse Road
Garden Valley, Idaho 83622

Ann Baldrige
RCD of Greater SDC

James Gordon
Deer Springs FPD

Dave McQuead
Rancho Santa Fe FPD

Mike Sims
Bonita-Sunnyside FPD

Jack Bebee
Fallbrook PUD

Diane Hansen
Palomar Health HCD

Marty Miller
Vista ID

Oliver Smith
Valley Center MWD

Paul Bushee
Leucadia WWD

Albert Lau
Santa Fe ID

Mark Robak
Otay WD

Kimberly Thorner
Olivenhain MWD

Jeff Egkan
North County FPD

Hector Martinez
South Bay ID

Joel Scalzitti
Helix WD

The Special Districts Advisory Committee is responsible for helping to inform the Commission on all germane items relating to San Diego LAFCO's regulatory and planning responsibilities affecting special districts.

The Committee will hold the June 21, 2024 meeting in person at the County of San Diego Administration Center (1600 Pacific Highway, Room 402, in San Diego). Three-hour visitor parking is available using the Ash Street entrance. In person attendance by the public is welcomed. The public may also watch, listen, and otherwise participate in the meeting remotely by any of the following options.

1. The public may watch and listen to the meeting live on YouTube using the link provided on our website homepage (www.sdlafco.org).
2. The public may watch, listen, and participate in the meeting by Zoom (<https://zoom.us/>) or by telephone at (669) 900-9128 using Meeting/Webinar ID: 895 6767 7168 and Passcode 508649. Please use the "raise your hand" function in Zoom or push *9 by telephone if/when you wish to speak. Then wait until your name is called before speaking.
 - a) The public may provide eComments on any item by emailing to michaela.peters@sdcounty.ca.gov
 - eComments received before 9:00 A.M. on Friday, June 21, 2024, will be forwarded to the Committee and posted online before the meeting. They will also be referenced during the meeting.
 - eComments received during the meeting and before the subject item is concluded will be referenced and later posted online.

1. 1:00 P.M. – CALL TO ORDER BY CHAIR

- a) Roll Call
- b) Pledge Of Allegiance

2. AGENDA REVIEW BY CHAIR

3. OPEN EXPRESSION

This time is reserved for any member of the public to address the Committee on germane topics that are not directly part of the agenda. This includes requests for future Committee topics. Individuals are limited to three minutes.

4. CONSENT ITEMS

a) Approval of Meeting Minutes for March 15, 2024 (action)

The Committee will consider draft summary minutes prepared for the last meeting held on March 15, 2024. Staff recommends approval as presented. (Page 5-10)

5. BUSINESS ITEMS

a) White Paper on Regional Growth Management |

“The Contours of Regional Growth: How Different Agencies Shape Development and Transportation Patterns in the San Diego Region” (information)

The Committee will receive a white paper evaluating the San Diego region's growth management policies and practices and opportunities for improved coordination going forward. The William Fulton Group has prepared the white paper and its exploration of the historical and emerging roles among the principal regional growth management agencies in San Diego County – LAFCO, the County of San Diego, and the San Diego Association of Governments (SANDAG). The item is being presented for information. (Pages 11-50)

Contact: Chris Cate, LAFCO Consultant

b) Municipal Service Review | Tentative Draft Report on Municipal Service Review on the Oceanside Region (information)

The Committee will receive a tentative draft report on the scheduled municipal service review covering the Oceanside region. The item has been prepared as part of the adopted workplan to address the Commission's task in statute to independently evaluate public services in the region with a specific focus on the principal local government agencies subject to its oversight – City of Oceanside, Oceanside Small Craft Harbor District, and Morro Hills Community Service District. The staff presentation will detail the tentative draft report's preliminary conclusions and recommendations with the qualifier that work on the document has been paused at the request of the City to provide comments before a formal public comment period is initiated. The item is being presented for discussion with the opportunity for the Committee to provide feedback on the scope and scale of the tentative draft as well as its performance measurements given its common application going forward for all local agencies. (Pages 51-58)

Contact: Michaela Peters, Analyst II

c) Final Workplan + Budget for FY 2024-2025 (information)

The Committee will receive a presentation on the final workplan and budget adopted by the Commission for 2024-2025. The adopted workplan outlines 30 specific projects in priority order and is headlined by continuing municipal service reviews (MSRs) on wholesale water service providers (No. 1a) and healthcare districts (No. 1b). New MSRs are also scheduled in 2024-2025 and marked by reviewing SANDAG (No. 2) and its housing and transportation functions. The adopted final budget totals \$2.912 million in matching expenses and revenues and reflects a 7.4% increase above the current fiscal year and is largely tied to inflationary adjustments. The item is being presented for information with the opportunity for the Committee to make related recommendations on amendments for future consideration by the Commission. (Pages 59-64)

Contact: Priscilla Mumpower, Assistant Executive Officer

d) Approved Policy Governing Out-of-Agency Services (information)

The Committee will receive an update on the recently approved policy governing outside service approvals for cities and special districts. The policy was approved by the Commission in May and done so based on extensive feedback from the Committee. The policy provisions are now effective in governing out-of-agency service activities under Government Code Section 56133 in San Diego County less fire protection services. The item is being presented to the Committee for information. (Pages 65-74)

Contact: Priscilla Mumpower, Assistant Executive Officer

6. COMMITTEE MEMBER REPORTS

7. EXECUTIVE OFFICER REPORT

8. ADJOURNMENT

Attest to Posting:



Michaela Peters
Interim Committee Secretary

Any person with a disability under the Americans with Disabilities Act (ADA) may receive a copy of the agenda or a copy of all the documents constituting the agenda packet for a meeting upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in a public meeting.

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San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

4a

AGENDA REPORT
 Consent | Action

June 21, 2024

TO: Special Districts Advisory Committee
FROM: Michaela Peters, Interim Commission Clerk
SUBJECT: Approval of Meeting Minutes for March 15, 2024

SUMMARY

The Special Districts Advisory Committee (“Committee”) will receive action minutes prepared for the last meeting held on Friday, March 15, 2024. The minutes are in draft-form and being presented for formal approval with any corrections identified by the Committee.

BACKGROUND

The Ralph M. Brown Act was enacted in 1953 and establishes standards for the public to attend and participate in meetings of local government bodies. The “Brown Act” requires – and among other items – public agencies to maintain written minutes for qualifying meetings.

DISCUSSION

This item is for the Committee to consider approving action minutes prepared by the Committee Secretary for the March 15, 2024 meeting consistent with the Brown Act.

ANALYSIS

The attached action minutes for the March 15, 2024 meeting accurately reflect the Committee’s deliberations as recorded by the Committee Secretary. A video recording of the meeting has also been posted online at www.sdlafco.org/meetings.

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 619.321.3380 E lafco@sdcounty.ca.gov www.sdlafco.org</p>	<p>Joel Anderson County of San Diego</p> <p>Jim Desmond County of San Diego</p> <p>Nora Vargas, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach</p> <p>Dane White City of Escondido</p> <p>John McCann, Alt. City of Chula Vista</p>	<p>Chair Stephen Whitburn City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p>	<p>Vice Chair Barry Willis Alpine Fire Protection</p> <p>Jo MacKenzie Vista Irrigation</p> <p>David A. Drake, Alt. Rincon del Diablo</p>	<p>Harry Mathis General Public</p> <p>Vacant, Alt. General Public</p>
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RECOMMENDATION

It is recommended the Committee approve the draft action minutes prepared for the March 15, 2024 special meeting as presented and consistent with Alternative One in the proceeding section.

ALTERNATIVES FOR ACTION

The following alternatives are available to the Committee through a single motion:

Alternative One (recommended):

Approve the draft action minutes prepared for the March 15, 2024 meeting with any desired corrections or clarifications.

Alternative Two:

Continue to the next regular meeting and provide direction to staff as needed.

PROCEDURES

This item has been placed on the Committee's agenda as part of the consent calendar. A successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation as provided unless otherwise specified by the Committee.

Respectfully,



Michaela Peters
Interim Commission Clerk

Attachment: as stated

DRAFT
SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION
SPECIAL DISTRICTS ADVISORY COMMITTEE
SPECIAL MEETING
March 15, 2024

San Diego County Administration Center
1600 Pacific Highway, Room 302
San Diego, California 92101

1. 1:00 P.M. – CALL TO ORDER BY CHAIR

Chair Kim Thorner called the meeting to order at 1:00 p.m.

Item 1a
ROLL CALL

Chair Kim Thorner requested a roll call from the Committee Secretary.

Committee Members Present:

Chair Kim Thorner (Olivenhain MWD)
Vice Chair Jack Bebee (Fallbrook PUD)
Ann Baldrige (RCD Greater San Diego County)
Paul Bushee (Leucadia WWD)
James Gordon (Deer Springs FPD)
Albert Lau (Santa Fe ID)
Dave McQuead (Rancho Santa Fe FPD)
Marty Miller (Vista ID)
Mike Sims (Bonita-Sunnyside FPD)
Oliver Smith (Valley Center MWD)

Committee Members Absent:

Jeff Egkan (North County FPD)
Diane Hansen (Palomar Health HCD)
Hector Martinez (South Bay ID)
Mark Robak (Otay WD)
Joel Scalzitti (Helix WD)

The Committee Secretary confirmed a quorum with ten members present. The following members of San Diego LAFCO staff were present at roll call: Executive Officer Keene Simonds; Assistant Executive Officer Priscilla Mumpower; Legal Counsel Aleks Giragosian; GIS Analyst Dieu Ngu; Consultant Adam Wilson; and Acting Commission Clerk Michaela Peters serving as Committee Secretary.

Item 1b
PLEDGE OF ALLEGIANCE

Chris Cate (LAFCO Consultant) led the Pledge of Allegiance.

2. AGENDA REVIEW

Chair Kim Thorner asked the Executive Officer if there were requests to remove or rearrange items on the agenda. The Executive Officer stated no changes were needed to the agenda.

3. OPEN EXPRESSION

Chair Kim Thorner asked if there were any members of the public who wished to address the Committee on a germane topic that is not directly part of the agenda.

The Committee Secretary confirmed there were no pre-registered speakers and no live email comments.

4. CONSENT ITEMS

a) Approval of Meeting Minutes for December 15, 2023 (action)

The Committee considered draft summary minutes prepared for the last meeting held on December 15, 2023. Staff recommends approval as presented.

**

On motion by Paul Bushee and seconded by Mike Sims, the Committee unanimously approved the minutes for the December 15, 2023 meeting.

5. BUSINESS ITEMS

a) Informational Report |

Property Tax Allocation and Exchanges in San Diego County (discussion)

The Committee received an informational report in the form of a brochure on property tax allocations and exchanges in San Diego County. The item was prepared as an administrative holdover from the prior fiscal year workplan with focus on the decision-making process with respect to whether property taxes will be reapportioned among local agencies in conjunction with LAFCO approving jurisdictional changes. Discussion and feedback.

Staff presentation provided by Local Government Analyst I Michaela Peters.

Committee Discussion followed.

The Committee Secretary confirmed there were no other registered speakers and no live email comments.

b) Current Workplan Update on High Priorities |

Municipal Service Reviews on Wholesale Water Agencies & Healthcare Districts in San Diego County (discussion)

The Committee received an update on the current adopted workplan and specific to San Diego LAFCO's highest placed priorities involving separate municipal service reviews on wholesale water service providers and healthcare districts. The MSR on wholesale water agencies will include a comprehensive review of the San Diego County Water Authority and a proportional review of the Metropolitan Water District of Southern California.

The latter MSR will focus on the four healthcare districts in San Diego County: Fallbrook; Palomar; Grossmont; and Tri-City and will be divided into two parts. Discussion and feedback.

Staff presentation provided by LAFCO Consultants Chris Cate and Adam Wilson.

Committee discussion followed.

The Committee Secretary confirmed there were no pre-registered speakers and no live email comments.

c) Proposed Workplan and Budget for 2024-2025 (discussion & possible action)

The Committee received the proposed LAFCO workplan and budget for 2024-2025. The draft workplan outlines 30 activities in priority order and headlined by continuing municipal service reviews on wholesale water service providers and healthcare districts as well as grant work evaluating economic conditions for certain agricultural crops. Several new projects round out the draft workplan and headlined by initiating a municipal service review on the San Diego Association of Local Governments (SANDAG) and its housing and transportation functions as well as an informational report on governmental homeless services. The draft workplan informs the draft budget, which totals \$2.887 million in matching expenses and revenues. More than four-fifths of total expenses – \$2.403 million – cover operating costs and represents an increase of 6.3% and largely ties to inflationary adjustments plus targeted enhancements in certain non-labor accounts. Local agencies' apportionments continue to represent nine-tenths of all operating revenues and set to increase in line with the rise in operating expenses at 6.3%. The item was presented for Committee review and feedback with the opportunity to forward specific recommendations and/or requests to the Commission.

Staff presentation provided by Assistant Executive Officer Priscilla Mumpower.

Committee discussion followed.

The Committee Secretary confirmed there were no pre-registered speakers and no live email comments.

d) Grant Update |

Sustainable Agricultural Lands Conservation Planning Grant 2.0 (discussion)

The Committee received an update on the ongoing SALC planning grant – i.e., “SALC 2.0” – in partnership with the County of San Diego’s Planning and Development Services (PDS). SALC 2.0 entails conducting a comprehensive market analysis for both existing and emerging crops, alongside a gap analysis aimed at pinpointing areas where governmental intervention can help bridge economic gaps, thereby supporting small-scale farming operations throughout the County. Notably, recent progress includes the finalization of the MOU between San Diego LAFCO and PDS, delineating respective roles and responsibilities. Since August 2023, LAFCO has enlisted the expertise of Agricultural Impact Associates to undertake the market analysis, as well as engaged Rick Engineering as an outreach consultant, achieving significant headway in the first two quarters. Discussion and feedback.

Staff presentation provided by Local Governmental Analyst I Michaela Peters.

Committee discussion followed.

The Committee Secretary confirmed there were no pre-registered speakers and no live email comments.

e) Selection of Chair and Vice Chair (action)

The Committee considered appointing officers – Chair and Vice Chair – for 2024 per policy. There was no written report for this item. Discussion and action.

Committee discussion followed.

**

On motion by Paul Bushee and seconded by James Gordon, the Committee unanimously approved the re-election of the Chair and Vice Chair.

6. COMMITTEE MEMBER REPORTS

- James Gordon inquired about fee waiver reductions for special districts.
- Ann Baldrige gave update on National Association of Conservation Districts Conference.
- Chris Palmer (Senior Public Affairs Field Coordinator) gave federal legislation (H.R.7525) update and SDAC report.

7. LAFCO EXECUTIVE OFFICER REPORT

Executive Officer Keene Simonds noted the following items:

- Commission appointed Stephen Whitburn (City of San Diego) to Chair and Barry Willis (Alpine Fire Protection District) to Vice Chair
- Jo Mackenzie re-appointed to 4-year term
- Public Member, Andy Vanderlaan retired from LAFCO and Harry Mathis appointed to regular public member
- Recruiting for Alternate Public Member position

8. ADJOURNMENT

With no further business, the Special Districts Advisory Committee meeting was adjourned at 2:27 p.m.

Attest:



Michaela Peters
Interim Committee Secretary



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

5a

AGENDA REPORT
 Business | Information

June 21, 2024

TO: Special Districts Advisory Committee

FROM: Priscilla Mumpower, Assistant Executive Officer
 Bill Fulton, LAFCO Consultant
 Chris Cate, LAFCO Consultant

**SUBJECT: White Paper on Regional Growth Management |
 “The Contours of Regional Growth: How Different Agencies Shape
 Development and Transportation Patterns in the San Diego Region”**

SUMMARY

The Special Districts Advisory Committee (“Committee”) will receive a white paper evaluating the San Diego region's growth management policies and practices consistent with the adopted workplan. The William Fulton Group has prepared the white paper. It explores the historical and emerging roles among the principal regional growth management agencies in San Diego County – LAFCO, the County of San Diego, and the San Diego Association of Governments (SANDAG). The white paper is in final form and includes several recommendations to improve connectivity between LAFCO, County, and SANDAG in carrying out their respective growth management duties in the region. The item is being presented for information.

BACKGROUND

**Adopted Workplan &
 White Paper on Regional Growth Management**

San Diego LAFCO’s current fiscal year workplan includes 30 special projects divided into two distinct categories – statutory and administrative – along with priority assignments set by the

<p>Administration Keene Simonds, Executive Officer 2550 Fifth Avenue, Suite 725 San Diego, California 92103 T 619.321.3380 E lafco@sdcountry.ca.gov www.sdlafco.org</p>	<p>Joel Anderson County of San Diego</p> <p>Jim Desmond County of San Diego</p> <p>Nora Vargas, Alt. County of San Diego</p>	<p>Kristi Becker City of Solana Beach</p> <p>Dane White City of Escondido</p> <p>John McCann, Alt. City of Chula Vista</p>	<p>Chair Stephen Whitburn City of San Diego</p> <p>Marni von Wilpert, Alt. City of San Diego</p>	<p>Vice Chair Barry Willis Alpine Fire Protection</p> <p>Jo MacKenzie Vista Irrigation</p> <p>David A. Drake, Alt. Rincon del Diablo</p>	<p>Harry Mathis General Public</p> <p>Vacant, Alt. General Public</p>
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Commission. One of these priority projects draws from an earlier recommendation included in the municipal service review on the Escondido region to prepare an informational report evaluating regional growth management responsibilities and current guiding policies.

DISCUSSION

This item is for San Diego LAFCO to receive a white paper prepared by the William Fulton Group evaluating regional growth management agencies and their guiding policies. Consultant Chris Cate will present the white paper and be available for questions.

ANALYSIS

The white paper focuses on three regional entities in San Diego County and their interconnectivity in managing regional growth: LAFCO, the County, and SANDAG. The report provides an overview of current statutory and policy issues underlying regional growth management decision-making in San Diego; the differing roles and responsibilities of the three regional agencies; and opportunities to improve connectivity going forward.

A copy of the white paper is provided in Attachment One.

RECOMMENDATION

Information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES FOR CONSIDERATION

This item has been placed on the Committee's agenda for information part of the business calendar. It will include a verbal presentation by staff paired with the opportunity for the Committee to discuss and provide feedback as it chooses.

Respectfully,



Priscilla Mumpower
Assistant Executive Officer

Attachment:

1. White Paper on Regional Growth Management:
"The Contours of Regional Growth: How Different Agencies Shape Development and Transportation Patterns in the San Diego Region"



The Contours of Regional Growth:

How Different Agencies Shape Development and
Transportation Patterns in the San Diego Region

*Prepared by the William Fulton Group
for San Diego County Local Agency Formation Commission*



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Executive Summary

Introduction

For more than 60 years, state, regional, and local governments in California have struggled with how best to manage growth and development at a regional level. In the post-World War II era, when California's population was growing rapidly, the state's policy efforts focused on managing growth in an orderly way and protecting agricultural land. However, since the state began to focus on climate change as a policy goal in the early 2000s, the landscape of power and responsibilities in dealing with regional growth management has shifted significantly to focus on the location of growth and the reduction of greenhouse gas emissions.

The purpose of this report, which was prepared in response to a request from the San Diego Local Agency Formation Commission in the process of approving the Escondido municipal services review, is to sort out roles and responsibilities. This report will also seek to provide a roadmap for the various agencies in the San Diego region to work together more successfully in managing the region's growth - and, indeed, to provide a template that LAFCOs, MPOs, and local governments statewide could use to better coordinate their efforts.

This report focuses primarily on three regional entities:

San Diego LAFCO, which oversees sphere of influence changes and annexations and conducts municipal service views.

San Diego Association of Governments, the Council of Governments and Metropolitan Planning Organization for the San Diego region, which, among other things, is responsible for the federally mandated Regional Transportation Plan and the state-mandated Sustainable Communities Strategy and Regional Housing Needs Allocation.

County of San Diego, which governs land use in the county's unincorporated area.

San Diego is the largest one-county region in the state and the most populous area where the LAFCO, MPO, COG, and county government all have the same boundaries.

Current Issues

LAFCO is the granddaddy of growth management entities, dating back to the 1960s. Since climate change became a major driver of California growth policy in the 2000s, however, SANDAG, cities, and counties have seen their roles expanded and strengthened, while LAFCO's role has remained more or less the same.

SB 375, adopted in 2008, requires SANDAG (and other MPOs) to include a "Sustainable Communities Strategy" as part of the federally required regional transportation plan. The SANDAG SCS must show how the region will reduce vehicle miles traveled (that is, overall driving). Although SANDAG has no authority over land use, the state's policy approach encourages SANDAG to incentivize the County and the cities to alter their land use plans to reduce VMT as called for in the SCS.

SB 743, adopted in 2013 and fully implemented in 2020, changed the method of traffic analysis under the California Environmental Quality Act from "level of service" to vehicle miles traveled - in other words, from congestion to the overall amount of driving. Any development projects in "VMT inefficient" areas where driving levels are higher are subject to additional analysis and mitigation under the California Environmental Quality Act (CEQA). Although different jurisdictions have adopted different standards regarding the VMT thresholds, the County of San Diego adopted a very strict standard that has discouraged housing development in unincorporated areas where housing is called for in the County's General Plan, leading developers to seek sphere changes and annexations for the first time in many years.

In addition to tightening the GHG/VMT reduction requirements, in the last few years the state has also increased requirements for the County and the cities to plan and zone for more housing, a process known as the Regional Housing Needs Assessment, which is administered by SANDAG.

In short, over the past 20 years, as the San Diego LAFCO has continued to try to manage local boundaries in a way that promotes orderly growth, with a focus on matching municipal services with community needs though mostly qualitative considerations, SANDAG, County of San Diego, and the county's 18 cities have been required by evolving state law to plan for communities that include more housing and less driving through mostly quantitative considerations. Because they are the result of different laws adopted at different times for different purposes, these efforts are not well coordinated at the regional level.

Recommendations

Better Data Sharing

The LAFCO should use SANDAG data in the process of independently verifying population growth projections and housing need. Such coordination would also help align efforts regarding the proposed recommendations below.

Regional VMT Mitigation System

SANDAG and the County of San Diego are engaged in a study of a regional VMT mitigation effort. The LAFCO should support - and ideally participate in - this study, because a regional program would likely discourage one-off sphere requests.

RHNA Transfer System and Property Tax Exchanges

The LAFCO, SANDAG, and the County should work together identify VMT efficient areas (or areas that show promise to become lower-VMT areas) across jurisdictional boundaries as possible housing sites. Housing proposals in these areas might be accommodated with sphere expansions and RHNA transfers between jurisdictions. This approach probably requires state legislation.

Comprehensive Sphere Review

In collaboration with the County (and ideally SANDAG as well), the LAFCO should conduct a comprehensive countywide sphere review that takes into account other regional growth management strategies, such as VMT mitigation and mobility hubs, in order to create a coordinated regional growth management strategy and minimize the need for one-off sphere expansion.

Introduction

For more than 60 years, state, regional, and local governments in California have struggled with how best to manage growth and development at a regional level. In the post-World War II era, when California's population was growing rapidly, the state's policy efforts focused on managing growth in an orderly way and protecting agricultural land. However, since the state began to focus on climate change as a policy goal in the early 2000s, the landscape of power and responsibilities in dealing with regional growth management has shifted significantly to focus on the location of growth and the reduction of greenhouse gas emissions.

Cities and counties have primary responsibility for land use planning and approval of individual private real estate development projects. Metropolitan planning organizations, or MPOs, such as the San Diego Association of Governments have been given new powers and responsibilities in encouraging compact development patterns and reducing driving (vehicle miles traveled).¹ Meanwhile, Local Agency Formation Commissions continue to play an important role in encouraging regional growth and development by making decisions about city spheres of influence and annexations and conducting municipal service reviews not only for cities and counties but also for special districts.

These roles have evolved over time, often as the result legislation that has been adopted separately with little coordination. The result is a patchwork of growth management efforts and requirements at the regional level. The purpose of this report, which was prepared in response to a request from the San Diego Local Agency Formation Commission in the process of approving the Escondido municipal services review, is to sort out roles and responsibilities. This report will also seek to provide a roadmap for the various agencies in the San Diego region to work together more successfully in managing the region's growth - and, indeed, to provide a template that LAFCOs, MPOs, and local governments statewide could use to better coordinate their efforts.

Report's Aim...

The purpose of this report is to sort out the roles and responsibilities - including recent changes - between regional growth management agencies in San Diego County with specific focus on LAFCO, SANDAG, and County of San Diego.

¹ As will be explained below, SANDAG, like most of its counterparts around the state, is both a Metropolitan Planning Organization and a Council of Governments and has overlapping responsibilities under state law because of these two different designations.

Overview of Growth Management in the San Diego Region

The San Diego region is the largest single-county region in California. The region encompasses 4,260 square miles, while the U.S. Census’s designed urbanized area is approximately 675 square miles.² The San Diego region is home to approximately 3.3 million people, making it the third-largest metropolitan region in California. Another 2.2 million people live in metropolitan Tijuana, which is adjacent and with which San Diego has important economic, demographics, cultural, and even commuting relationships. San Diego has traditionally experienced rapid population growth, though since the beginning of the COVID pandemic the region’s population has stagnated, as it has in most coastal regions of California.

Like most regions in California, San Diego has several local and regional agencies whose efforts - combined, though not always coordinated - shape the region’s growth pattern. The San Diego Local Agency Formation Commission, the San Diego Association of Governments, and the County of San Diego all play important regional roles.

It is important to note that these government agencies have overlapping, though by no means identical, appointing authorities. Voters elect the County of San Diego Board of Supervisors and mayors and city councilmembers in the 18 cities. Some of these elected officials are then appointed by their peers to both the LAFCO and SANDAG boards. The SANDAG board is made up only of city and county elected officials, while the LAFCO board, under state law, also includes special district representatives and a public member.

Regional Growth Decision-Making...

Most regional growth management decisions - at least at LAFCO and SANDAG - are performed by appointed elected officials drawn from the Board of Supervisors and city councils. LAFCO also includes appointed elected officials from special districts as well as an appointed member from the public.

The LAFCO is the granddaddy of all regional growth management agencies. LAFCOs were established statewide in 1963 in response to significant postwar growth in California. Between 1940 and 1960s, the state’s population grew by 127%, from 6.9 million to 15.7 million people.³

With the emergence of the “contract cities” system in the 1950s, dozens of new cities and hundreds of new special districts were created, often with little to no regional coordination. LAFCOs, accordingly, were established for the express purpose of limiting leapfrog growth via new agencies and/or annexations, thus promoting

² According to the U.S. Census, an “urbanized area” is “a continuously built-up area with a population of 50,000 or more” that includes both a central city and less dense suburbs. U.S. Census Bureau, *Geographic Areas Reference Manual*, Chapter 12, “The Urban and Rural Classifications”. <https://www2.census.gov/geo/pdfs/reference/GARM/Ch12GARM.pdf>

³ San Diego County’s population grew by 257%, from 289,000 to over 1 million people.

“orderly” growth and protecting agricultural and natural lands. LAFCO decision-making is mostly qualitative with significant discretion to individual LAFCOs to determine whether boundary changes and the like are orderly relative to local conditions. Markedly, although the 2000 changes to the law enacted by AB 2838 expanded the LAFCO’s role to include preparing regular municipal service reviews to help other decisions, the LAFCO’s primary responsibility of promoting orderly growth through responsible sphere of influence and annexation decisions has not changed much.

While LAFCOs growth management duties have remained relatively the same, California’s climate policy initiatives over the past 20 years have greatly expanded both the roles and the responsibilities of other regional agencies, especially MPOs such as SANDAG. As explained in more detail in Appendix A, AB 32 (Health and Safety Code §38500), adopted in 2006, was the first of four substantive legislative actions that

The Big Four: Legislative Changes to Regional Growth Management...

Beginning in 2006 with AB 32 and followed by SB 375 (2008), SB 743 (2013) and SB 828 (2018), the Legislature began reorienting MPOs - like SANDAG - to carry out quantified smart regional growth objectives by focusing on climate change and housing needs.

have dramatically changed regional growth management in the state. AB 32 requires a significant reduction in greenhouse gas emissions in the state over time. (Subsequent regulations have extended and increased the required GHG reduction.) Because the California Air Resources Board concluded that these targets could not be met without a decrease in vehicle miles traveled (that is, the overall amount of driving), both SANDAG and the local governments (County of San Diego and the 18 cities) now must take steps to reduce VMT, which inevitably involves potential changes in land use patterns.

SB 375, adopted in 2008, takes direct aim at implementing VMT reduction and requires SANDAG (and other MPOs) to include a “Sustainable Communities Strategy” as part of the federally required regional transportation plan. The SANDAG SCS must show how the region will reduce VMT, currently 19 percent per-capita by 2035, which requires a combination of transportation investments that provides alternatives to driving and compact development patterns that reduce the overall need for driving. Although SANDAG has no authority over land use, the state’s policy approach encourages SANDAG to incentivize the County and the cities to alter their land use plans to reduce VMT as called for in the SCS.

In 2013, the state adopted SB 743 (Public Resources Code, § 21099(b)(2)), which changed the method of traffic analysis under the California Environmental Quality Act from “level of service” to vehicle miles traveled - in other words, from congestion to the overall amount of driving. When SB 743 was ultimately implemented in 2020 the Governor’s Office of Planning & Research provided guidance (which is not mandatory)

that a full CEQA analysis⁴ should be required for any project results in VMT (again, overall driving) that is *more* than 15% *less* than the “regional” average. Based on subsequent, more informal guidance from OPR, County of San Diego interpreted “regional” as meaning the average for the entire county, including areas inside cities and outside its land use jurisdiction. As further detailed, this Board policy has affected housing potential in the unincorporated area.

In addition to tightening the GHG/VMT reduction requirements, in the last few years the state has also increased requirements for the County and the cities to plan and zone for more housing, a process known as the Regional Housing Needs Assessment, which is administered by SANDAG. SB 828, adopted in 2018, changed the methodology for calculating the amount of housing needed in such a way that overall housing targets increased significantly, and both the Department of Housing & Community Development and the state Attorney General’s Office now have more power and more resources to enforce the housing law.

In short, over the past 20 years, as the San Diego LAFCO has continued to try to manage local boundaries in a way that promotes orderly growth, with a focus on matching municipal services with community needs though mostly qualitative considerations, SANDAG, County of San Diego, and the county’s 18 cities have been required by evolving state law to plan for communities that include more housing and less driving through mostly quantitative considerations. Because they are the result of different laws adopted at different times for different purposes, these efforts are not well coordinated at the regional level.

⁴ Technically, the “significance threshold”. If a project might have an environmental impact that exceeds the significance threshold is subject to additional environmental review and most likely requires “mitigation,” or extra steps to reduce the impact.

The Roles and Responsibilities of Regional Agencies

San Diego Local Agency Formation Commission

Like its counterparts in California's 57 other counties, the San Diego Local Agency Formation Commission is a political subdivision of the State of California responsible for making legally binding decisions about the boundaries and service areas of both cities and special districts. In adopting Government Code §56000 *et seq* (the Cortese-Knox-Hertzberg Act of 2000), the legislature concluded that "the determination of local agency boundaries is an important factor in promoting orderly development and in balancing that development with sometimes competing state interests of discouraging urban sprawl, preserving open-space and prime agricultural lands, and efficiently extending government services" and "providing housing for persons and families of all incomes is an important factor in promoting orderly development".

State Subdivision...

LAFCO was created by the Legislature in 1963 and delegated regulatory and planning duties to facilitate cities and districts' orderly growth. The last comprehensive update to LAFCO law occurred in 2000 and involved adding the municipal service review directive, streamlining conducting authority (protest) procedures, and changing the local agencies' funding formula. LAFCOs' core duties and powers - however - remained largely unchanged.

For these reasons, all LAFCOs, including the San Diego LAFCO, have the power to:

- Determine cities' spheres of influence (the "probable ultimate physical boundary" of a city),
- Decide whether and when to annex property into cities (or detach land) in accordance with those spheres; and
- Manage the boundaries of special districts as well.

The LAFCO also manages the process of proposed city incorporations, including conducting fiscal analyses to ensure both that a proposed new city is fiscally solvent and that the affected jurisdiction is held financially harmless. LAFCOs also oversee the process of disincorporating cities and dissolving special districts, though these actions are not often undertaken.

Because the establishment of local government boundaries is considered a state function, the LAFCO is technically a state agency. However, its governing board is entirely local. The San Diego LAFCO, like most LAFCOs elsewhere in the state, has seven voting board members consisting of two elected county supervisors, two elected city councilmembers, and two elected special district board members, all selected by their peers; and one public member selected by the others. Unlike most other LAFCOs, San Diego also has an eighth voting board member from the City of San Diego Council as a result of special legislation.

In the course of carrying out its duties, the LAFCO is also authorized to prepare what are typically known as “municipal service reviews” – that is, comprehensive studies that assess both the availability and performance of services by the cities and special districts within the LAFCO’s jurisdiction. These reviews are intended to be coordinated with LAFCO’s statutory responsibility to update all local agencies’ spheres of influence ever five years as needed.

The San Diego LAFCO’s municipal service reviews for cities and special districts typically cover not only the adequacy of the services provided but also the likely future growth and development of the local government agency being reviewed, including a projection of future population growth and future housing need. Thus, even though the LAFCO has no direct authority over land use or growth management, its decisions can profoundly affect land use patterns. LAFCO affects land use patterns indirectly by setting spheres of influence and approving or denying boundary changes to cities and special districts. More specifically, LAFCO’s boundary decisions control access to public facilities and services that may be growth-inducing (e.g. sewer services to an undeveloped area), growth-supporting (e.g. boundary changes which affect already developed areas), or unrelated to growth (e.g. services provided by districts for rural areas).

LAFCOs’ Indirect Influence on Land Uses and Types...

LAFCO has no general governmental powers, and thus no authority to regulate the uses of land (zoning, etc.), property development, or subdivision design (e.g. roads, sizes of water lines, etc.). LAFCO does, however, engage in indirect land use decisions by setting spheres of influence and approving or denying boundary changes to cities and special districts.

More specifically, LAFCO’s boundary decisions control access to public facilities and services that may be growth-inducing (e.g. sewer services to an undeveloped area), growth-supporting (e.g. boundary changes which affect already developed areas), or unrelated to growth (e.g. services provided by districts for rural areas).

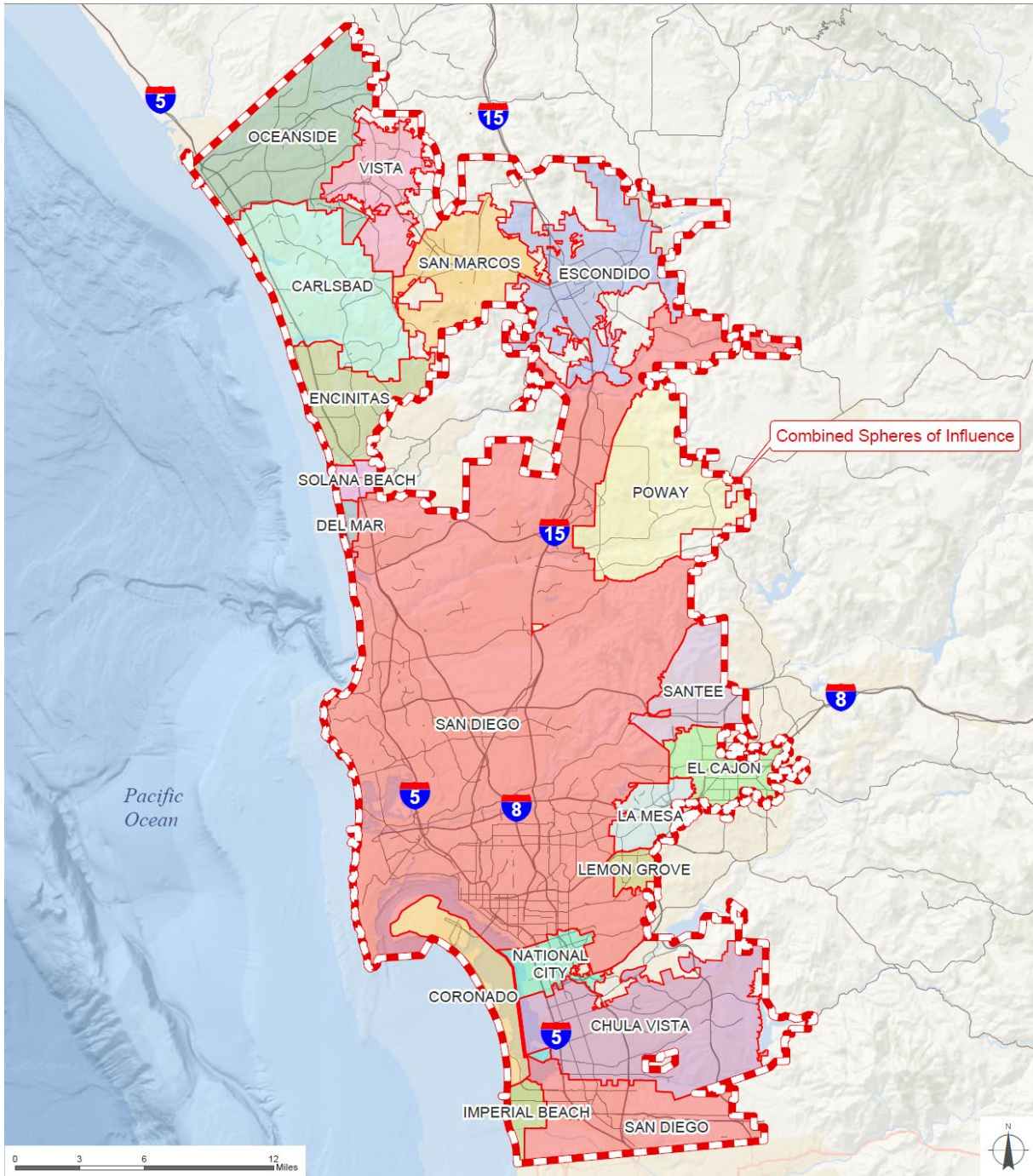
Unsurprisingly given its discretion to implement the Cortese-Knox-Hertzberg Act based on community needs, LAFCOs in different counties have adopted different philosophies about how to use their authority to manage growth. This philosophy has often evolved in tandem with the philosophy of the relevant county Board of Supervisors’ approach to growth.⁵ If a County Board of Supervisors wished to protect agricultural or natural land, the LAFCO policies often encouraged development inside cities; if a County Board of Supervisors was open to development in unincorporated areas, the LAFCO policies often led to small spheres of influence.

For example, dating from the 1970s, the Ventura County LAFCO has followed a policy known as the Guidelines for Orderly Development (informally known as “GOD”) that limited the number of cities that could be formed in the county, channeled new growth into those counties through aggressive use of spheres of influence, and established an informal agreement with Ventura County to maintaining greenbelts separating the cities from one another. Very little development has occurred outside of the cities over the decades in Ventura County.

⁵ Indeed, until the rewrite of the LAFCO law in 2000, many LAFCOs were embedded inside county governments and many LAFCO staff members were county employees. The 2000 revision did away with this practice.

By contrast, In Los Angeles County, spheres of influence have traditionally been small and new development has occurred mostly outside those spheres under the jurisdiction of Los Angeles County. Some new cities have been formed after this development in unincorporated areas has already taken place, especially in northern and western Los Angeles County. But generally, the LAFCO denied expansive spheres to these cities and new development adjacent to those cities took place under county jurisdiction.

Existing City Spheres in San Diego County



Similarly, in southern Orange County, the county government has managed the development process in recent decades, and, under the LAFCO's supervision, new cities have incorporated only after the development process is complete.

In San Diego County, the 18 cities are well established; no new city has incorporated in San Diego County since Solana Beach and Encinitas, both of which became cities in 1986.⁶ Spheres of influence have generally been small and most new development has occurred in unincorporated areas - prominent examples over the last 20 years involving the communities of Bonsal, Harmony Grove, Ramona, and Valley Center. The one major exception to this pattern is the huge, multi-phase Otay Ranch project. The Otay Ranch General Development Plan, originally adopted in 1993 and amended in 2013, called for part of the project to be annexed to the City of Chula Vista and part of it to remain in unincorporated territory.

As stated above, over the past 20 years, as the state's climate change and housing policies have come to play a dominant role in growth management, the role of LAFCOs has changed little. SB 375 from 2008, which requires MPOs like SANDAG to create "Sustainable Communities Strategies" that lay out a region's future growth, contains only one passing reference to LAFCOs, saying that the MPOs must "consider" the spheres of influence created by the LAFCOs. Similarly, even though LAFCOs exist in part, according to state law, because "providing housing for persons and families of all incomes is an important factor in promoting orderly development," none of the state's recent new land use/housing laws have changed or affected the LAFCO's power or role.

San Diego Association of Governments

In contrast to the LAFCO, which is a state agency established by state law, the San Diego Association of Governments is technically a joint powers authority under California state law. SANDAG's roots date back to the early 1960s, when the voluntary "Comprehensive Planning Organization" was created as part of the County of San Deigo, to deal with federally mandated regional transportation issues. In 1966, the Comprehensive Planning Organization become a separate joint powers authority consistent with State directives for local agencies to partner in community development and growth forecasting. In 1980, CPO changed its name to the San Diego Association of Governments.

JPA with Two Distinct Roles...

SANDAG is a joint-powers authority sponsored by the County of San Diego and 18 cities serving two distinct roles - MPO and COG. With its MPO role, and among other tasks, SANDAG maintains a continuous regional transportation plan. With its COG role, and among other tasks, SANDAG allocates regional housing needs allocations among the 19 land use authorities.

⁶ A new law in the 1990s made incorporating new cities more difficult. Not only must the new city be fiscally solvent, but it must also hold the host county fiscally harmless.

SANDAG is governed by a 21-member board made up of two elected representatives from the County of San Diego, two from the City of San Diego, and one each from the 17 other cities in the region (essentially the same governing authorities that appoint five of the eight LAFCO members). Traditionally, board approval at SANDAG required both approval from a majority of the individual board members and approval from representatives of a majority of the population in a weighted vote. Since the passage of AB 805 in 2017, the largest cities have the power to obtain board approval through a weighted vote, though this power is not frequently exercised.

Under federal transportation law, SANDAG is designated as the Metropolitan Planning Organization, which does transportation planning and programming. Under state law, SANDAG is also designated as the San Diego region's Council of Governments.

SANDAG's role as an MPO under federal law, means it must periodically produce the Regional Transportation Plan; a long-range transportation planning document that integrates with local jurisdictions' land use planning. This is not an unusual role for a council of governments, or COG. However, as the state's climate and housing laws have become dominant policy drivers in recent years, MPOs such as SANDAG have been given more power and more responsibility under state law to influence land use patterns at the regional level. Similarly, SANDAG is an unusual COG because, in addition to the MPO role, it performs a wide range of other duties. Most significantly, it provides design and construction of all regional transportation projects in the San Diego region - everything from highway expansions to trolley lines. For this reason, SANDAG has a large budget, over \$1 billion per year. It is unusual for an MPO to play this role; in Los Angeles and Orange counties, for example, the design and construction role is played by the county transportation commissions, which also oversee transit operations. (Transit operations in the San Diego region are performed by the Metropolitan Transportation System and the North County Transit District.)

SANDAG also plays a wide range of other roles, especially on issues related to transportation. For example, it is the co-lead for air quality planning with the San Diego Air Pollution Control District and it also serves as the region's Congestion Management Agency under state law. It also performs some transportation planning and programming functions in its role as the region's designated Regional Transportation Planning Agency under state law. SANDAG also serves, among other things, as the designated Regional Census Data Center, the Regional Criminal Justice Clearinghouse, and the Regional Toll Authority. SANDAG also administers the region's half-cent sales tax for transportation, commonly known as Transnet. (A complete list of SANDAG's roles and duties is available [here](#).)

SANDAG's dual role as the MPO and COG requires the agency to play a major role in growth management in the San Diego region and headlined by the aforementioned task to regularly prepare a regional transportation plan or RTP. The last RTP was adopted in 2021 and the next RTP is scheduled for adoption in 2025. The RTP lays out

the region's future transportation infrastructure plan, along with certain and potential funding sources for transportation projects ranging from federal funds down to local Transnet funds. Obviously, preparing the RTP requires SANDAG to prepare an assumed future regional growth scenario. Other key tasks include:

- Under SB 375, SANDAG as the MPO must prepare a "Sustainable Communities Strategy," or SCS, as part of the RTP that shows how the region will meet a per-capita reduction in vehicle miles travelled (essentially, overall driving). The current target, created jointly by SANDAG and the California Air Resources Board, is a 19% reduction by 2035. Preparing of the SCS requires SANDAG to create a regional growth scenario that will enable the region to hit the target. However, SB 375 specifically states that the County and the cities will retain land use authority, meaning SANDAG cannot mandate that local governments adopt land use policies that follow the SCS. Under SB 375, SANDAG is required to "consider" the spheres of influence adopted by the LAFCO and any LAFCO policies designed to protect agricultural and natural lands but is not required to consult with the LAFCO.⁷
- Under the Housing Element law (Government Code §65583 *et seq.*), SANDAG as the COG is required to administer the Regional Housing Needs Assessment (RHNA) process. Under this process, SANDAG must take the housing targets given to the region by the state for an eight-year period and allocate those housing targets to the County and the 18 cities. Targets are broken down into very low, low, moderate, and above-moderate income levels of affordability. Although housing is putatively part of the LAFCO's charge to manage growth in an orderly way, the LAFCO plays no role in the RHNA process.

These two requirements are intertwined and have together led SANDAG to become more deeply enmeshed in regional growth management and are further detailed below.

⁷California Transportation Commission, "2024 Regional Transportation Plan Guidelines for Metropolitan Planning Organizations," <https://dot.ca.gov/-/media/dot-media/programs/transportation-planning/documents/division-transportation-planning/regional-and-community-planning/sustainable-transportation-planning-grants/adopted-2024-rtp-guidelines-for-mpos-2-a11y.pdf>

Sustainable Communities Strategy

The SCS requirement, combined with the provision that local governments retain complete land use authority, places SANDAG in a difficult position. On the one hand, SANDAG must devise a land use scenario and an accompanying transportation system that reduces overall driving significantly, at least on a per-capita basis. On the other hand, local governments need not follow SANDAG's land use scenario and could adopt land use policies in their general plans that conflict with the SCS, making it more difficult for the region to meet the VMT target. And if SANDAG is not aggressive in crafting an SCS likely to meet the targets, the agency may be legally vulnerable; the first SANDAG SCS was challenged in court by the Cleveland National Forest Foundation, a process that lasted six years.

SCS + VMT Targets...

To achieve goals set by AB32, SCSs help California meet its climate and air quality goals, as well as advance community goals for public health, accessibility, equity, conservation and the economy.

Because SB 375 did not include a connection between the SCS and local general plans, state policymakers have always encouraged MPOs such as SANDAG be aggressive in incentivizing compact development in combination with transportation alternatives. Again, quoting the California Transportation Commission's SCS guidelines, "MPOs can encourage well-designed and sustainable local and regional projects that encourage reductions in GHG emissions by considering and implementing land use and transportation strategies." The guidelines specifically mention such strategies as mixed use, infill, and higher density development projects as well as housing and jobs in proximity to public transit.

For this reason, SANDAG has undertaken several incentive-based policies and grant programs. For example, SANDAG has adopted the "Mobility Hub" strategy to concentrate transportation infrastructure and similar amenities in centralized locations, thus setting the stage for possible increases in allowed density in those locations by local cities. SANDAG has also promoted "Transit Priority Areas," which are designated by the state for the purposes of expedited CEQA review. Similarly, SANDAG has used grants to incentivize local governments to adopt land use policies that closely align with the SCS. For example, the Smart Growth Incentive Program - originally adopted shortly after SB 375 passed - has provided \$60 million in Transnet funds for "public infrastructure projects and planning activities that facilitate compact, mixed-use, transit-oriented development and increase housing and transportation choices. Such grants are not unusual, as all major MPOs in California have adopted similar grant programs.

In crafting and implementing the RTP/SCS, SANDAG is subject not only to litigation from both development and environmental interests but also the oversight of the California Air Resources Board, which is the regulatory agency at the state level

charged with implementing the GHG/VMT reduction targets contained in state policy. As part of this oversight, CARB conducts an evaluation of each MPO's SCS.

In its evaluation of SANDAG's 2021 SCS, CARB gave SANDAG high marks for "region-specific funding and planning program actions. In particular, SANDAG has included new programs and commitments to support acceleration and planning for housing near mobility hubs sufficient to house the 6th cycle regional housing needs assessment (RHNA) plan allocation, and land conservation efforts needed to implement the SCS land use and housing strategies." [See below for more discussion of RHNA.]

However, the evaluation also said: "CARB staff is concerned that SANDAG's analysis of future housing growth is not reflected or well-supported by all of its member jurisdictions, with 7 of the region's local jurisdictions in compliance and 12 of the region's local jurisdictions out of compliance with the 6th cycle RHNA housing element requirements." (The RHNA process is described below.) The situation in the SANDAG region has improved since CARB's evaluation, as currently 18 jurisdictions now have compliant elements and the 19th jurisdiction, Coronado, recently reached a legal settlement with the state regarding how to comply.

Among SANDAG's other activities related to VMT reduction are the agency's geographically based VMT interactive mapping tool⁸, which depicts and predicts VMT according to a variety of factors, and a joint effort with San Diego County, funded by Caltrans, to explore the feasibility of a regional VMT mitigation program. These efforts become more important in light the discussion below about San Diego County's approach to SB 743.

RHNA, Housing Elements, and Other SANDAG Housing Programs

SANDAG also has growing responsibilities until state law regarding housing, and as the previous section suggests these responsibilities are intertwined with its GHG/VMT responsibilities. The most important responsibility is to administer the Regional Housing Needs Assessment program in the San Diego region. Under state Housing Element law, each city and county in California must plan and zone for an adequate number of housing units (available to all income levels) for a forthcoming eight-year period. The most recent eight-year period for SANDAG jurisdictions - commonly known as the "6th Cycle" - is from 2021 to 2029, coinciding with two RTP/SCS deadlines.

California's Plan for Housing...

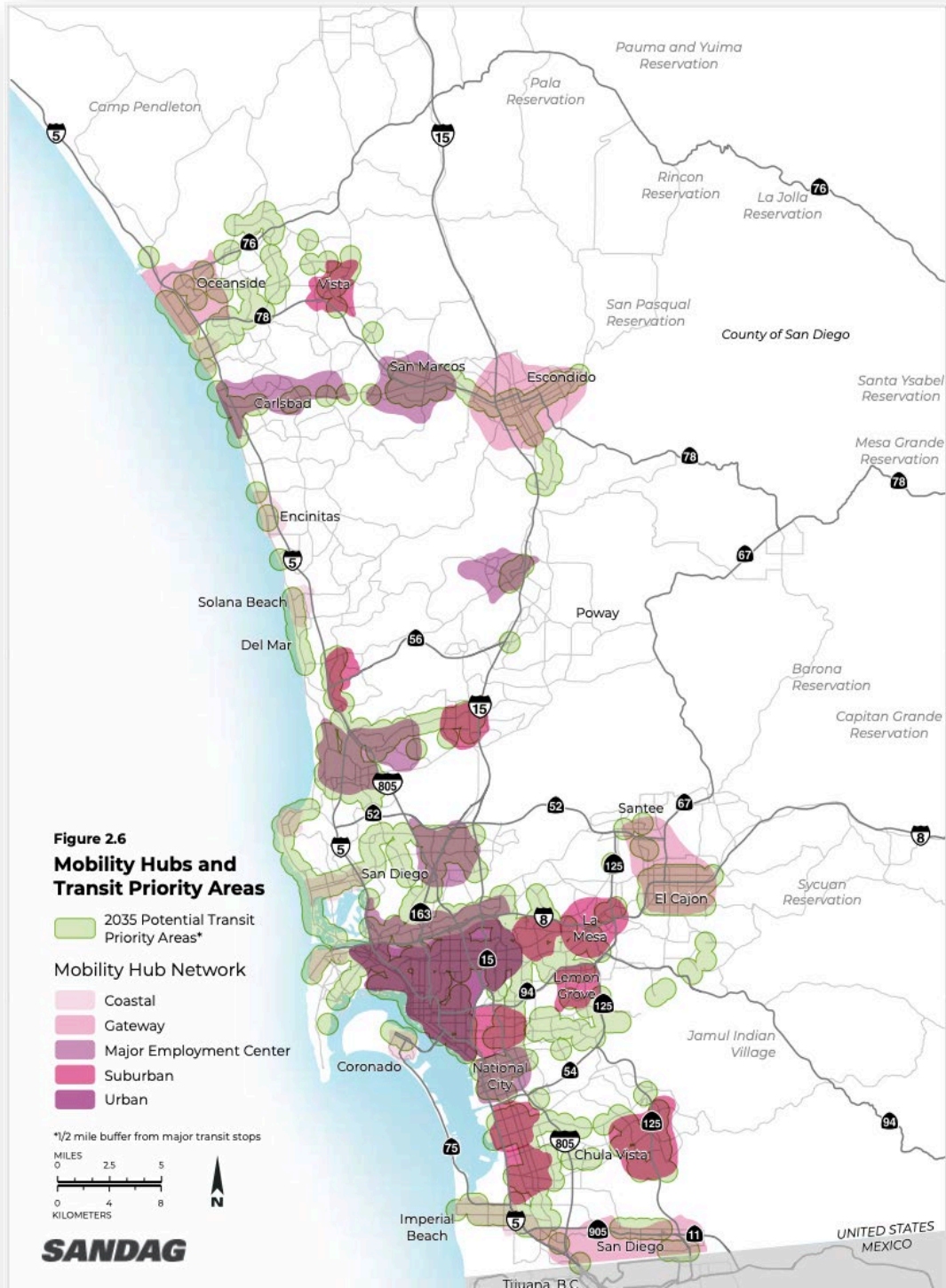
Since 1969, California has required all local jurisdictions to adequately plan to meet the housing needs for everyone in the community.

The Department of Housing and Community Development establishes the targets for each region and under state law, the COGs - including SANDAG - must allocate the regional housing targets to each jurisdiction - an often-contentious process.

⁸ <https://www.arcgis.com/apps/webappviewer/index.html?id=bb8f938b625c40cea14c825835519a2b>

Furthermore, under SB 828 (Government Code §65584 et seq.), the HCD methodology changed in a way that significantly increased the housing targets all over the state.

SANDAG MOBILITY HUBS + TPAS



In addition, as the COG SANDAG must meet five state goals contained in the RHNA law: promoting infill development and the protection of environmental resources, AFFH, promoting a better jobs/housing balance, fostering economic integration, and allowing the region to meet its GHG reduction goals. As the MPO, SANDAG is not required to meet all these goals in the SCS.

Once the housing targets have been allocated, each individual city and the County is responsible for updating the Housing Element of its General Plan to show how it will change zoning and use its housing resources to meet the target. This process is overseen by state HCD and MPO/COGs such as SANDAG are not involved, though the remarks contained in the CARB evaluation of the SCS show how intertwined these two processes are.

The San Diego region's housing targets rose by only 6%, from 161,000 to 171,000 - far less than in other metropolitan regions around the state.⁹ But the allocation process, aligning with an SCS land use scenario that emphasized infill development, resulted in significant increases in some older, mostly built out cities and some decreases elsewhere. For example, Coronado's target increased from 50 to 912, while the County of San Diego 's target for unincorporated areas decreased from 22,412 to 6,700. Several cities whose targets increased, including Coronado, challenged the allocation in court but lost. (Coronado subsequently reached a legal settlement with the state on its implementation plan for the targets.)

But SANDAG's housing responsibilities do not end with the RHNA. Over the past few years, as the state has expanded its efforts to encourage local governments to increase housing production, the state has also provided MPOs such as SANDAG with funds to support that effort. (The state has also adopted a wide variety of laws designed to ease land-use regulation on housing, but these laws do not affect SANDAG's role.)

Perhaps most importantly, SANDAG, like other major MPOs in the state, has received significant funding from the Regional Early Action Grant (REAP) program to incentivize local governments to approve more housing, especially near transit stations. SANDAG received \$6.8 million from the first REAP round (REAP 1.0) and is scheduled to receive \$43 million from the second round (REAP 2.0), though second-round funding may be delayed or reduced because of the state's budget deficit. With these funds, SANDAG has established the Housing Acceleration Program, or HAP, that provides grants and technical assistance to local governments. These grants assist local governments in the San Diego region to facilitate housing production in a wide variety of ways, ranging from funding of rezoning efforts to funding housing-related infrastructure and environmental analysis.

⁹ https://opendata.sandag.org/dataset/5th-and-6th-Cycle-RHNA-by-Jurisdiction-Long-Format/4srx-jucd/data?no_mobile=true

In sum, SANDAG's role in regional growth management has grown dramatically in the last 20 years as the state has given MPOs like SANDAG more responsibility to reduce driving (lower VMT per capita) and increase housing production. Though SANDAG has no land use authority, it has used its planning power, as well as state funds (and Transnet funds) to incentivize local governments to adopt more compact and transit-oriented development patterns. In addition, the result of the most recent RHNA process was to allocate more housing units to largely built-out cities while reducing the housing target in unincorporated areas.

County of San Diego

While land use authority inside city limits and in spheres of influence rests with the San Diego region's 18 cities, land use authority in unincorporated territory rests with the County of San Diego. Because the county is so large - and by local tradition spheres of influence are quite small - the San Diego County government has historically served as a *de facto* regional growth management entity.

As stated above, most of the remaining privately owned land available for development is located in unincorporated San Diego County. Of the 4,500 square miles located in county territory, more than half is owned either by the federal government or tribes. Of the remaining land, approximately 1,200 square miles are privately owned, while 200 square miles of privately owned land is considered possibly suitable for future development.

Historically, a large portion of new housing and other development in San Diego County occurred in the unincorporated area. Unincorporated communities such as Fallbrook, Bonsall, Alpine, Spring Valley, and Lakeside are significant population centers. More remote communities such as Ramona and Julian serve as more or less free-standing rural villages.

Federal and state environmental policy has played a significant role in shaping land development patterns in unincorporated territory. In particular, the Multiple Species Conservation Programs in place in the county, which date to the late 1990s, require developers in many unincorporated locations to set aside certain lands to protect endangered species as a condition of development. It is important to note, however, that the MSCP program emerged in response to the difficult burden placed on developers by the state and federal endangered species acts to analyze impacts on species on a project-by-project basis. Using both the habitat conservation planning methods contained in both the federal Endangered Species Act and the state Natural Communities Conservation Planning law, the MSCP provided developers with program-level requirements regarding the level of mitigation they would have to provide. While far from costless, this method did smooth the development process by providing certainty.

In order to implement this new law, every city and county in the state had to adopt a “significance threshold” identifying the level of VMT that might have a significant impact on the environment. Significance thresholds are an important demarcation point for CEQA analysis. If an environmental impact is not significant, no mitigation is required. If an environmental impact may be significant, additional CEQA analysis is required, and mitigation is likely also to be required. In the case of housing development projects, mitigations would likely include fees to cover the cost of additional transit service and the like. Many developers argue that steep VMT fees will render their projects financially infeasible.

In 2018, based on research from the California Air Resources Board, the Governor’s Office of Planning & Research issued a technical advisory on SB 743 implementation.¹¹

OPR’s guidance, which is advisory but not mandatory, suggested that the significance threshold for CEQA analysis on most development projects should be 15% *below* the *existing* regional VMT average. That is, additional CEQA analysis should be required if a project would generate VMT *above* the 15% *below regional average* threshold. OPR did not define “region” in the technical advisory. The state, SANDAG, and the County all produced maps depicting current VMT levels by transportation analysis zone or Census tract.

Not all jurisdictions followed OPR’s advice on the 15% threshold, but some did. The County of San Diego initially adopted a threshold of 15% below the average VMT in unincorporated areas, which excluded many urbanized areas inside cities with low VMT. According to county staff, the zoned capacity of “VMT efficient” areas was approximately 14,000 units, or about 25% of the overall zoned capacity.

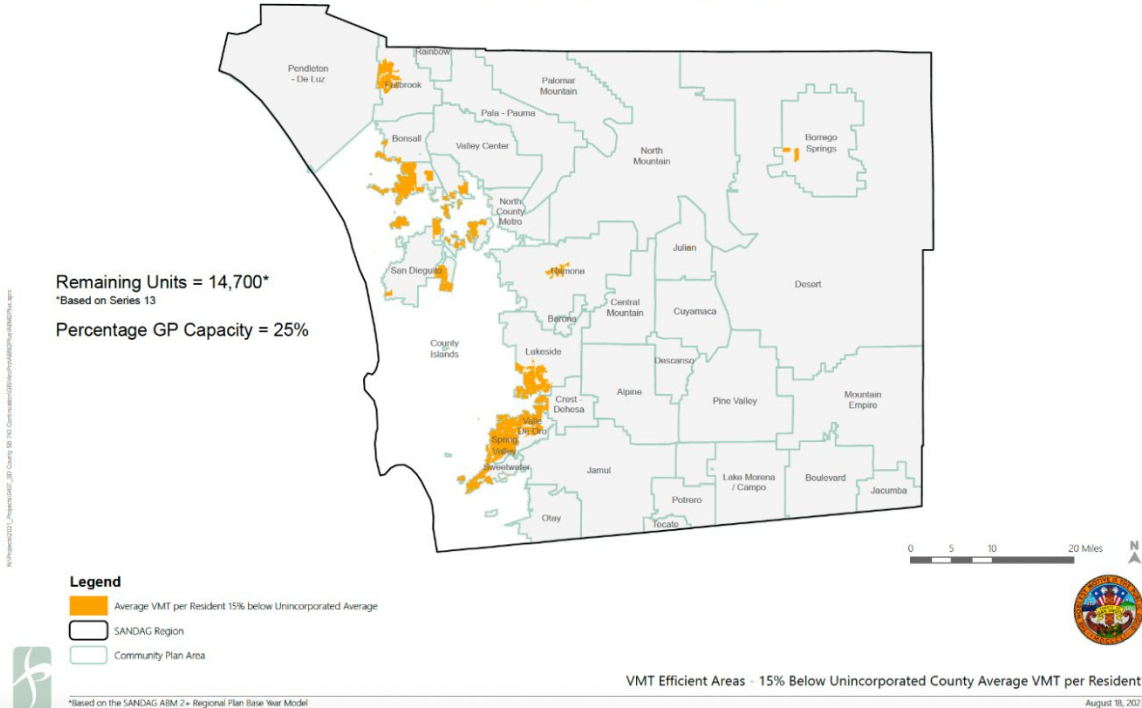
However, in 2021, OPR provided additional informal clarification about the definition of “region,” saying the term meant the entire region encompassed by the MPO, not just unincorporated areas. (This guidance was provided in the form of an edited “FAQ”; the technical advisory was never changed to reflect this view).¹²

The San Diego County Board of Supervisors subsequently chose to use the region (i.e. all of San Diego County) average VMT as its metric, rather than average VMT in the unincorporated areas.

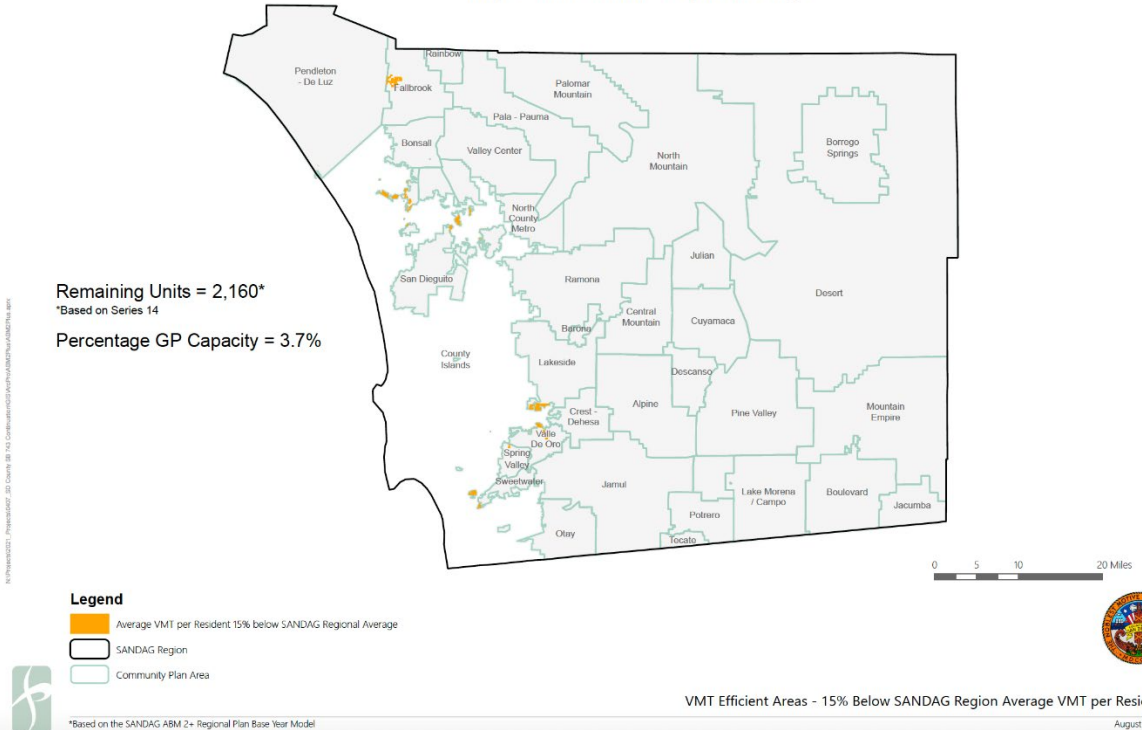
¹¹ Technical Advisory On Evaluating Transportation Impacts In CEQA,” Governor’s Office of Planning & Research, December 2018. https://opr.ca.gov/docs/20190122-743_Technical_Advisory.pdf

¹² “SB 743 Frequently Asked Questions,” Governor’s Office of Planning and Research, <https://opr.ca.gov/ceqa/sb-743/faq.html>

Map 1 - VMT Efficient - Unincorporated Average



Map 2 - VMT Efficient - Regional Average

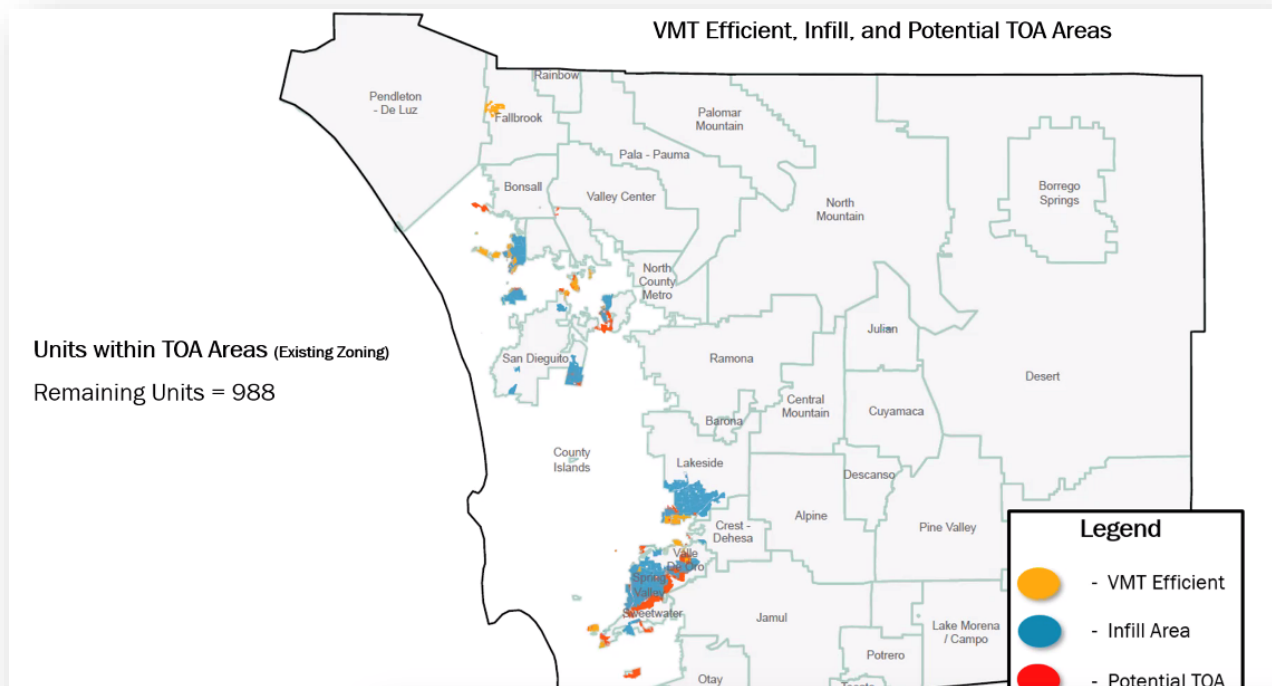


There are some exceptions to this significance threshold, including small projects, affordable housing projects, and projects that contain primarily local-serving retail. However, the board chose not to include the rural villages as exceptions. According to county staff, this reduced the zoned capacity of “VMT efficient” areas to approximately 2,200 units, or approximately 4% of the overall zoned capacity. By contrast, San Diego County’s RHNA target for the unincorporated area is 6,700 units between 2021 and 2029.

More recently, the Board of Supervisors has directed the staff to conduct market analyses for four unincorporated infill areas in VMT-efficient locations to determine whether the county should provide development incentives in those areas. As well, the county is also analyzing whether to exempt certain proposed unincorporated “Transit Opportunity Areas” from the VMT significance threshold, which would expand the locations exempt from CEQA analysis.

In addition, as mentioned above, the County is working with SANDAG under a Caltrans grant to develop a regional VMT mitigation program.

However, this program is likely to take two years to design and implement. In the meantime, as a result of the County’s SB 743 implementation approach, some developers are - for the first time in decades - pursuing major annexations to existing cities rather than seeking to develop housing in unincorporated territory. Most notably, the developers of Otay Ranch Village 13, part of the Otay Ranch development, are seeking to annex their property to the City of Chula Vista instead of continuing



approval processes through the County of San Diego - a departure from the agreement between the Chula Vista and the County contained in the Otay Ranch General Development Plan.

It is likely that other developers will pursue a similar course, seeking to partner with receptive cities in San Diego County to annex their property through the LAFCO process rather than developing their property via the County, as has traditionally been the norm.

Conclusions and Recommendations

Over time, the regional growth management system in California generally and San Diego in particular has become more fragmented. Legislation from different periods seeking to achieve different objectives through different means and different agencies have led regional agencies to pursue their own goals (and fulfill their own legal obligations) without coordinating with each other.

The VMT is a good example. On the one hand, SANDAG is required to prepare an RTP/SCS that reduces regional VMT but has no land use authority to implement the plan. On the other hand, San Diego County and the 18 cities each must devise their own VMT strategy under SB 743. Although the County and SANDAG are exploring a regional VMT program, it would appear that the current situation is leading to jurisdictional-shopping among developers, which places the LAFCO in a reactive position.

By contrast, the RHNA process forces local governments to work together at the regional level through SANDAG to reach an agreement on how to allocate targets for housing. But this consensus is very difficult to change, both politically and under state law. At the same time, however, if developers begin jurisdictional-shopping on housing projects, the delicate regional agreement reached in the RHNA can be disrupted.

But the three regional agencies (as well as the 18 cities) can take important steps toward achieving regional goals by coordinating their efforts better than they have in the past.

Some of the recommendations below may require state legislation. But as the largest single-county region in the state, San Diego is well suited to serve as a pilot program for the state.

Again, to frame this issue, SANDAG, City, and County roles regarding growth management have changed significantly because of stater climate change/GHG laws, which the LAFCO's role has not changed or been much affected by these laws. LAFCO law does not anticipate the importance of an MPO in driving regional growth by reducing GHG/VMT.

With of this in mind, we make four recommendations:

1. Better Data Sharing

In its municipal service reviews, the LAFCO must independently verify likely future population growth and need for housing and municipal services, though LAFCO has limited staff capacity. At the same time, SANDAG must conduct a wide variety of projections and forecasts in order to prepare the RTP/SCS and to manage the RHNA. It would behoove the region for the LAFCO to use SANDAG data in the process of independently verifying population growth projections and housing need. Such coordination would also help align efforts regarding the proposed recommendations below.

2. Regional VMT Mitigation System

As stated above, different VMT mitigation requirements in different jurisdictions may lead to jurisdictional-shopping by developers, resulting in one-off sphere requests in front of the LAFCO. At the same time, both the County of San Diego and smaller cities may struggle to find enough VMT-efficient locations to accommodate the housing required to meet their RHNA requirements. The LAFCO should support - and ideally participate in - the SANDAG/County study of a regional VMT mitigation effort, because a regional program would likely discourage one-off sphere requests.

3. RHNA Transfer System and Property Tax Exchanges

The ability to readily transfer RHNA allocations in the middle of an eight-year RHNA cycle has been discussed for decades as a possible way to increase housing production and reduce friction in the RHNA process. Fair-housing and social justice advocates have typically opposed efforts to make RHNA transfers easier because this opens up possibility that wealthy anti-growth communities will “buy’ their way out of housing obligations by providing funding to less affluent communities willing to accept housing.

In the context of the analysis proposed in Recommendation #2 above, however, a revision to state law permitting easier RHNA transfers in some circumstances might make sense and could be implemented as part of negotiated property tax exchanges administered by LAFCO whenever considering jurisdictional changes. One possible outcome is that the analysis would identify VMT efficient areas (or areas that show promise to become lower-VMT areas) across jurisdictional boundaries as possible housing sites. Housing proposals in these areas might be accommodated with sphere expansions and RHNA transfers.

4. Comprehensive Sphere Review

It seems likely that more developers will seek one-off sphere changes. At the same time, Cortese-Knox-Hertzberg Act calls on the LAFCO to conduct sphere reviews every five years along with municipal service reviews. In collaboration with the County (and ideally SANDAG as well), the LAFCO should conduct a comprehensive countywide sphere review that takes into account other regional growth management strategies, such as VMT mitigation and mobility hubs, in order to create a coordinated regional growth management strategy and minimize the need for one-off sphere expansion.

Appendix A: Evolution of California Growth Management System

The fragmentation in regional growth management in California today is the result of 60 years of evolving state legislation involving cities and counties, local agency formation commissions, and metropolitan planning organizations. This evolution also involves a wide variety of issues, ranging from agricultural land preservation to greenhouse gas emissions reduction, but the overall goal has remained the same: to encourage orderly growth and prevent unnecessary sprawl.

Early 1960s: LAFCO Beginnings

California's growth and development was largely unregulated until the passage of the original Local Agency Formation Commission law in 1963. Many new cities and special districts were created in the postwar era, but there was no mechanism for coordination. In particular, many cities annexed willy-nilly onto nearby agricultural and natural lands, often in a "hopscotch" way. As the executive director of the League of California Cities said at the time: "At the present time, no one is charged with the responsibility of determining the effect of each one of hundreds of annexations or formations upon the future development of the entire county. Lack of any coordinated review of such proposals has created many of our urban problems."¹³

Based on the recommendations of the "Commission on Metropolitan Problems" appointed by Gov. Pat Brown, the state created the Local Agency Formation Commission structure, through a series of laws. LAFCOs are technically state agencies but with a local board made up, originally, mostly of local government elected officials. They were charged with "discouraging urban sprawl and encouraging the orderly formation and development of local agencies". The law established the concept of "Spheres of Influence" - the "probable ultimate boundary" of a city, determined by the LAFCO, so that more orderly annexations will occur. (The original LAFCO laws were consolidated into the Cortese-Knox Local Government Reorganization Act in 1985.) At first most LAFCOs were staffed by county governments.

Late '60s/Early '70s: Regional Planning, Councils of Governments, and Metropolitan Planning Organizations

Even as LAFCOs began seeking to curb sprawl and protect agricultural and natural land by establishing spheres of influence and a more structured annexation process, concern about regional growth and development in California grew. Starting in 1962, the federal government began requiring "urban" (metropolitan or regional) transportation planning. Metropolitan planning organizations, or MPOs, emerged to undertake this function.

¹³ <https://sonomalafco.org/about-the-commission/history>

In 1965, a change in regulations from the Department of Housing and Urban Development encouraged the creation of voluntary membership organizations called “councils of governments,” made up of elected officials, which could serve as MPOs.¹⁴ Because the State of California seriously considered creating powerful regional planning agencies, most major metropolitan areas in California, including San Diego, created councils of governments to perform the MPO role. These COG/MPO organizations grew in size and power with federal support in the 1970s as they focused on preparing periodic “Regional Transportation Plans”.

[1971: Revision of General Plan Requirements](#)

In 1971, the Legislature adopted a major revision to the general plan law, which established that all cities and counties must adopt general plans that include seven required “elements” or sections (land use, circulation, conservation, open space, housing, safety, and noise); that the land use and circulation elements must be “correlated”; and the zoning and the general plan must be consistent, at least for general law cities.

[1970-72: California Environmental Quality Act](#)

In 1970, the California Environmental Quality Act was adopted, requiring environmental review of all “projects” “carried out” by the government. In 1972, the California Supreme Court ruled that CEQA applies not only to plans and programs but also to the permitting of individual real estate development projects. This expansion was later codified by the Legislature.

[1980s: Expansion of the Regional Housing Needs Assessment Process](#)

California adopted the first housing element/regional housing needs assessment law in 1969 but, at least at first, it was focused more on “fair housing” than on housing production. A major revision to the law in 1980 – and practices developed at the Department of Housing & Community Development over the next few years – laid the foundation for the RHNA process we know today. HCD began to give housing targets to each region, housing element requirements were greatly expanded, and local governments were required to update their housing elements every five years (even though the law contained no specific timeline for general plan updates overall). [https://www.ppic.org/wp-content/uploads/content/pubs/report/R_203PLR.pdf] Still, HCD had neither the legal tools nor the staff to enforce the housing element law aggressively.

¹⁴ <https://ampo.org/about-us/about-mpos/>

1985: Cortese-Knox Act

As stated above, in 1985 several laws governing LAFCO activities were consolidated into the Cortes-Knox Act.

1991: The U.S. Intermodal Surface Transportation Efficiency Act (ISTEA)

The federal government typically adopts a new transportation authorization bill every five years. But the 1991 reauthorization bill, commonly known as ISTEA, radically altered the role of metropolitan planning organizations and set the stage for even more powerful MPO changes in the 2000s, when greenhouse gas emissions reduction became a major policy driver in California.

ISTEA'S changes nationally were the result of aggressive efforts on the part of the Metropolitan Transportation Commission, the MPO in the Bay Area, to obtain more control and flexibility over how federal transportation funds were spent in the region. Traditionally, even as MPOs did transportation planning, actual transportation programming (spending) was controlled by state Departments of Transportation and, in California, the California Transportation Commission. In the late '80s, MTC began demanding that it take over transportation programming from the state.

ISTEA cemented this idea in federal law. Specifically, ISTEA "mandated that the MPO in each metropolitan area must take the lead role in preparing both a long-range, comprehensive transportation plan and a shorter-range transportation improvement program (TIP)," essentially taking power from states to do so.¹⁵

Though strictly focused on transportation, ISTEA set the stage for more aggressive MPO activity on regional land use and transportation planning, which emerged in the early 2000s and is explained below.

1992: Revenue Neutrality

In the years after Proposition 13 passed in 1978, incorporation of new cities became more popular, because it no longer involved a property tax increase.¹⁶ Rather, if a city incorporated, property tax revenue was shifted from the county to the new city. This trend obviously harmed counties fiscally, creating greater separation of interest between counties and LAFCOs. In 1992, the Legislature passed SB 1559, which required revenue neutrality for city incorporations and led to so-called "alimony"

¹⁵Lewis, Paul G., and Mary Sprague, "Federal Transportation Policy and the Role of Metropolitan Planning Organizations in California," Public Policy Institute of California, April 1997
https://www.ppic.org/wp-content/uploads/R_497PLR.pdf

¹⁶ Proposition 13, passed in 1978, limited property tax rates to 1% combined for all taxing entities. Thus, creating a new city no longer required increasing taxes; rather, property taxes were transferred from counties to cities upon incorporation.

agreements in which new cities paid money to counties to hold them harmless financially as a result of incorporation. Because prospective new cities now had to prove their own fiscal solvency *and* hold counties financially harmless, new incorporations slowed to a trickle.

[2000: The Cortese-Knox-Hertzberg Act](#)

In 1997, in response to a new call for reform in local government, the Legislature formed the Commission on Local Governance for the 21st Century. After many months canvassing the state, the Commission prepared a comprehensive report that included recommendations for changes to the laws governing LAFCOs.¹⁷

The proposed changes included giving LAFCO more staffing and financial independence from Counties (which were increasingly seen as having a financial stake in sphere, annexation, and incorporation decisions because of revenue neutrality concerns), updating spheres every five years, and conducting municipal services reviews. The Commission also proposed a significant overhaul of the local government fiscal system, which was viewed as an incentive to create an imbalance between housing and retail/commercial development (often called “the fiscalization of land use”).¹⁸

While the structural changes to LAFCOs were adopted by the Legislature in 2000 as part of the Cortese-Knox-Hertzberg, local government fiscal reform was not part of that legislation.

[2000-2005: First MPO Regional “Blueprints”](#)

At the same time that LAFCOs obtained more power to conduct regular sphere reviews and municipal service reviews, the state’s major MPOs began to move use their new powers beyond mere regional transportation planning to prepare regional growth scenarios commonly known as “blueprints.” Using advanced GIS mapping, these blueprints provided local decisionmakers with a variety of growth scenarios based on different density and distribution of development, thus showing the impact these different growth scenarios would have on the needed transportation system (and its cost). The first such blueprint was adopted by the Sacramento Area Council of Governments in 2005, but the other big MPOs in California soon followed suit.

The blueprint trend was important because it was the first time MPOs overtly addressed land use issues. The MPOs, of course, had no power over land use decisions (and still don’t). And in many cases, local jurisdictions made land use decisions that differed from what the blueprint called for. Nevertheless, the blueprints highlighted (for elected

¹⁷ <https://sonomalafco.org/about-the-commission/history>

¹⁸ “Growth Within Bounds,” Report of the Commission on Local Governance For The 21st Century, State of California, January 2000, <https://www.acgov.org/lafco/documents/GrowthWithinBounds.pdf>

officials and others) how different land use scenarios would affect both the transportation system and consumption of agricultural and natural land. In this way, regional blueprints foreshadowed the Sustainable Communities Strategies that were later required under SB 375.

2005-2006: Emergence Of Climate Change As A Policy Driver

Beginning in 2005, climate change - and, more specifically, a desire to reduce greenhouse gas emissions - emerged as one of the leading drivers of land use and transportation policy in California.

In 2005, Gov. Arnold Schwarzenegger signed Executive Order S-03-05, which called for significant reductions in greenhouse gas emissions in the state by 2020. In 2006, the Legislature codified similar goals in AB 32, the "Global Warming Solutions Act."

2008: SB 375 and Sustainable Communities Strategies

The policy goal of reducing greenhouse gas emissions soon led to focus on reduction of vehicle miles traveled - essentially, the amount of driving. Approximately 40% of California's GHGs come from the transportation sector, mostly from the burning of transportation fuel. During the 2000s, it became clear that technological solutions - decarbonizing gasoline, increasing fuel efficiency so that less gas would be used, and even the introduction of electric vehicles - would not result in enough GHG reduction, at least in the short term, for the state to meet its goals. A reduction in the overall amount of driving would also be required.

Thus, in 2008, the Legislature adopted SB 375, the "Sustainable Communities and Climate Protection Act". SB 375 specifically charged Metropolitan Planning Organizations with incorporating a new component into their federally required regional transportation plans, known as the Sustainable Communities Strategy, which would show how the region would achieve the state's GHG emission reduction targets.

SB 375 also empowered the California Air Resources Board, which has traditionally regulated mobile sources of air pollution such as vehicle emissions, with setting the specific emissions reduction targets and allocating them to the regions.¹⁹ Eventually, CARB created per-capital VMT targets for each region, which were used in the Sustainable Communities Strategies eventually created by the MPOs. Significantly, SB 32 also sought to synchronize the timing of the RTP/SCSs and the Regional Housing Needs Assessment process.

¹⁹

[https://hermosabeach.granicus.com/MetaViewer.php?view_id=6&clip_id=1105&meta_id=61995#:~:text=California's%20Sustainable%20Communities%20and%20Climate%20Protection%20Act%20\(SB%20375\)%20is,\(GHG\)%20by%20curbing%20sprawl.](https://hermosabeach.granicus.com/MetaViewer.php?view_id=6&clip_id=1105&meta_id=61995#:~:text=California's%20Sustainable%20Communities%20and%20Climate%20Protection%20Act%20(SB%20375)%20is,(GHG)%20by%20curbing%20sprawl.)

Under SB 375, a Sustainable Communities Strategy must identify and consider the following eight items:

- Identify existing land use.
- Identify areas to accommodate long-term housing needs.
- Identify areas to accommodate eight-year housing needs.
- Identify transportation needs and the planned transportation network.
- Consider resource areas and farmland.
- Consider statutory housing goals and objectives.
- Lay out a future growth and development pattern.
- Comply with federal law for developing an RTP.

In essence, SB 375 mandates that MPOs create a growth management plan for each region with the goal of reducing vehicle miles traveled.

While MPOs could seek to implement the SCSs through their own transportation planning and programming, SB 375 did not give MPOs any direct control over land use or housing. In fact, thanks to the lobbying of the League of California Cities, the law specifically stated that there was no mandatory link between the SCS and local general plans. But SB 375 did create the expectation that there would be a stronger link between transportation, land use, and housing, which would be managed and promoted by the MPOs; and it was also clear that hitting the VMT reduction targets was not possible without creating more compact land use patterns. Because general plans were specifically de-linked from the SCSs in SB 375, the state recognized that the MPOs and CARB would have to use “carrots” to promote VMT reduction rather than “sticks”. (One Schwarzenegger official joked that the state would have to use carrots so big they would be “carrot sticks.”²⁰)

For this reason, the large MPOs, including SANDAG, all created grant programs to encourage cities to plan for more compact land use patterns and transportation infrastructure strategies, such as SANDAG’s mobility hubs program, that would create favorable conditions around transit stations for denser development.

Despite the obvious overlap with LAFCO’s responsibilities to curb sprawl, encourage orderly development, and protect farmland and natural resources areas, LAFCOs were barely mentioned in SB 375. In fact, there is only one reference to LAFCOs in SB 375, which is as follows: “In preparing a sustainable communities strategy, the metropolitan planning organization shall consider spheres of influence that have been adopted by

²⁰ “Will Climate Change Save Growth Management in California, William Fulton, in *Planning for States and Nation-States*, edited by Gerrit-Jan Knaap, Zorica Nedovic-Budic, and Armando Carbonell, Lincoln Institute of Land Policy, 2015.

the local agency formation commissions within its region.” [Government Code 65080 (b)(2)(F).

There were some early efforts to coordinate LAFCO activity and SCSs, many of which were documented in a 2018 report jointly issued by CALAFCO, the Governor’s Office of Planning and Research, and the Strategic Growth Council.²¹ By and large, however, LAFCOs have not played an important role in shaping and implementing Sustainable Communities Strategies.

2016-2018: Renewed Focus on Housing

Beginning in 2016, the state began to pay more attention to issues of housing supply and affordability – a trend that accelerated after the election of Gov. Gavin Newsom in 2018. Though the state has adopted literally more than 100 new laws related to housing and land use since that time, two actions in particular are relevant to this discussion of regional growth management.

The first was the passage of SB 828 in 2018. This law changed the methodology for calculating housing targets in the RHNA process in such a way that the targets for every city and county in the state increased dramatically. (The allocation increase for the SANDAG region was less than it was in other major metropolitan areas in California, but it still represented a significant increase, especially for some smaller cities.) This change put increased pressure on local governments to upzone property to accommodate more housing and focused more attention on MPOs such as SANDAG, which are responsible for allocating RHNA targets within their region.

The second was the creation of the Regional Early Action Grant program, administered by the Department of Housing & Community Development, which allocated hundreds of millions of dollars of state funds to stimulate housing production, but especially focusing on infill housing and creating linkages between housing and transportation that will reduce VMT.²² These funds (two rounds so far) were allocated mostly to MPOs for competitive distribution to member local governments, further strengthening the role of MPOs in promoting the state’s policy of more compact land-use patterns that will reduce driving.

²¹ California Association of Local Agency Formation Commissions, Governor’s Office of Planning and Research, and California Strategic Growth Council, “Creating Sustainable Communities and Landscapes Recommended practices and tools for local collaboration on climate-smart growth,” November 2018.

https://napa.lafco.ca.gov/files/060586174/Creating_Sustainable_Communities_and_Landscapes.pdf

²² <https://www.hcd.ca.gov/grants-and-funding/programs-active/regional-early-action-planning-grants-of-2021>

2020: SB 743 Implementation and VMT Mitigation

In 2013, as part the state’s policy emphasis on reduction of vehicle miles traveled as a way to reduce greenhouse gas emissions, the state adopted SB 743, which changed the standard of review for traffic under CEQA from level of service (congestion) to vehicle miles traveled (amount of driving). The change was important because it meant that conditions of approval on development projects designed to alleviate congestion could no longer be enforced as CEQA mitigation measures, while actions designed to reduce VMT could be enforced as CEQA mitigation measures. However, the state did not require full implementation from lead agencies under CEQA until 2020.

In 2018, the Governor’s Office of Planning and Research issued a “technical advisory” providing guidance on how to implement SB 743.²³ As the document itself notes, “The purpose of this document is to provide advice and recommendations, which agencies and other entities may use at their discretion. This document does not alter lead agency discretion in preparing environmental documents subject to CEQA.”

Obviously, an important question in implementing SB 743 was what VMT level constitutes a “significant impact” under CEQA, thereby triggering a full CEQA analysis, possibly an environmental impact report, and possible mitigation measures. Neither CEQA itself nor the CEQA Guidelines, which are enforceable regulations, specify thresholds of significance for environmental impacts; these are typically determined by the city, the county, or other agency leading the CEQA process. Neither did SB 743 define a significance threshold for VMT.

In the 2018 technical advisory, OPR suggested that local governments and other lead agencies use a 15% reduction in “regional VMT” as the significance threshold - that is, a project that would generate VMT *above* 15% *below* the regional VMT should be regarded as a significant impact. The 15% came from research by the California Air Resources Board which suggested that about a 15% reduction in VMT would be required to meet the state’s GHG reduction targets. OPR did not define “regional” in its technical advisory. In 2021, OPR changed its “FAQs”²⁴ regarding SB 743 implementation to define “regional” as the average for the entire MPO region, but to date has not revised the technical advisory to reflect this clarification.

Both before and after the FAQ clarification, cities and counties around the state adopted SB 743 significance thresholds for VMT. Some local governments followed OPR’s guidance, but many did not, instead using their local discretion to choose a different (and often less stringent) standard. San Diego County chose to use the more stringent standard recommended by OPR in its SB 743 FAQs.

²³ Governor’s Office of Planning and Research, “Technical Advisory: Evaluating The Transportation Impacts In CEQA,” November 2017.

²⁴ <https://opr.ca.gov/ceqa/sb-743/faq.html>

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San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

5b

AGENDA REPORT
 Business | Information

June 21, 2024

TO: Special Districts Advisory Committee
FROM: Michaela Peters, Analyst II
SUBJECT: **Tentative Draft Report on Municipal Service Review on the Oceanside Region**

SUMMARY

The Special Districts Advisory Committee (“Committee”) will receive a tentative draft report on the scheduled municipal service review on the Oceanside Region. The tentative draft has been prepared as part of the adopted workplan and independently assesses the availability, need, and adequacy of key public services provided in the region and specifically by the principal local government agencies subject to Commission oversight – City of Oceanside, Oceanside Small Craft Harbor District, and Morro Hills Community Services District. This includes preparing determinations addressing the factors required in statute as part of the municipal service review process as well as informing other LAFCO decision-making – including future boundary changes and sphere of influence updates in the region. The staff presentation will detail the tentative draft report’s preliminary conclusions and recommendations with the qualifier work on the document has been paused at the request of the City to provide comments before a formal public comment period is initiated. The item is being presented for discussion with the opportunity for the Committee to provide feedback on the scope and scale of the tentative draft as well as its performance measurements given its common application going forward for all local agencies.

BACKGROUND

State law directs San Diego LAFCO to regularly prepare municipal service reviews in conjunction with updating each local agency’s sphere of influence as well as informing potential jurisdictional changes within the affected territory over the next five-year period.

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The legislative intent of the municipal service review and its five-year cycle requirement is to proactively inform the Commission regarding the availability and sufficiency of governmental services relative to current and future community needs. LAFCO also utilizes municipal service reviews as source documents to take other actions under its authority, such as forming, consolidating, or dissolving one or more special districts.

DISCUSSION

This item is for the Committee to receive a presentation on San Diego LAFCO's tentative draft municipal service review on the Oceanside region. The tentative draft was presented to the Commission for preliminary discussion at its June 3, 2024 meeting with direction to place a 4-week hold on initiating a public review and comment period and in doing so allow the City to perform a more in-depth review of the document given their initial feedback. The presentation will include a summary of preliminary conclusions and recommendations in the tentative draft for Committee review and discussion. Feedback will aid staff in proceeding forward with preparing a final document for future action by the Commission and/or apply to other future municipal service reviews.

A prospectus covering the tentative draft report's key conclusions and recommendations is provided as Attachment One. The full draft report is available online at www.sdlafco.org.

ANALYSIS

See Attachment One.

RECOMMENDATION

This item is presented to the Committee for discussion and feedback only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on the Committee's agenda for information as part of the business calendar. The following procedures are suggested.

- 1) Receive verbal presentation from staff unless waived.
- 2) Discuss item and provide feedback as appropriate.

Respectfully,



Michaela Peters
Analyst II

Attachment:

- 1) Prospectus on the Oceanside Region
Tentative Draft, May 2024



Municipal Service Review

OCEANSIDE REGION

Tentative
Draft

PROSPECTUS | MAY 2024



General Themes and Conclusions

The Oceanside region serves as a historical flagship community anchoring northern San Diego County with a current estimated population approaching 180,000 – making it the third largest municipal footprint behind only San Diego and Chula Vista. The City of Oceanside is the economic and social epicenter. It accounts for nearly all residents and jobs in the region. This also includes serving as a daily host to an additional 70,000 residents, workers, and visitors associated with Marine Corps Base Camp Pendleton to the immediate north. Oceanside Small Craft Harbor District overlaps all of Oceanside with service functions focused on the approximate 100-acre Oceanside Harbor and its role as a micro hub for marine and pleasure activities serving locals and tourists.

The physical setting of the region largely reflects a traditional suburban layout. Smaller single-family and multi-family residential lots dominate the older blue-collar developments in Oceanside west of I-5 paired with local serving commercial corridors and headlined by Old Coast Highway.

Densities gradually decrease eastward towards increasingly larger single-family residences via a series of subdivisions constructed between the 1950s and 2000s. The suburban layout cedes at South Morro Hills, which serves as Oceanside's unofficial greenbelt and remains – at least to date – largely agricultural with rural single-family residential uses. Morro Hills Community Services District lies immediately to the east of Oceanside's unofficial greenbelt and has already experienced its own transition away from historical agricultural uses to now mostly upscale residential estimates. More of this acreage appears to have been left fallow and suggests – among other items – the cost of growing avocados in the "Avocado Capital of the World" for many local farmers has become unsustainable.

Consequently, and in the absence of a turnaround and/or replacement crop emerging, the region will increasingly become an intersection point where the demand for housing in greater San Diego County meets the supply of available land.

» General Themes and Conclusions

A review of the Oceanside region relative to San Diego LAFCO's growth management tasks and interests produces seven central themes or conclusions. These conclusions collectively address core policy considerations and related growth and development factors present in the region. The conclusions also address potential sphere of influence changes among the three affected local agencies. The conclusions are independently drawn and sourced to information collected and analyzed by the Commission between 2018 and 2022 with limited exceptions and detailed within each of the agency profiles provided in the next chapter.



The Oceanside Pier, first built in 1888 (and now in its sixth incarnation), is one of the longest wooden piers on the western United States coastline, at 1,942 feet (592 m).

No. 1 Introductory Municipal Service Review

This report represents the first comprehensive municipal service review dedicated to the Oceanside region and three affected local agencies under LAFCO oversight – City of Oceanside, Oceanside Small Craft Harbor District (SCHD), and Morro Hills Community Services District (CSD). (Earlier municipal service reviews covering one or more of the affected agencies were part of countywide reports prepared in 2007 and 2009). The report consequently serves as a dual introduction. This is marked by introducing the affected agencies and their constituents in real-time to an otherwise unfamiliar and relatively detailed outside planning process. The introduction similarly introduces the Commission to the affected agencies and their service functions at depths previously unvisited with the underlying goal of establishing baseline information to track and measure going forward.

No. 2 Pivot to Slower Growth – the Good (Community Empowerment)

The City of Oceanside – the epicenter of the region's economic and social well-being – has experienced a significant slow-down in growth starting in 2000 with the annual population change averaging 0.4% through the end of the five-year report period – or the net addition of two persons each day. This period change marks a five-fold decrease over the prior 20-year span in which Oceanside averaged the net addition of 12 persons each day. This relatively seismic pivot towards slower growth appears largely attributed to changing resident demographics and the accompanying community empowerment to organize opposition to otherwise unwanted developments; the latter reflected in a successful 2020 ballot referendum overturning the City Council's 2019 approval of a 585-unit residential project in South Morro Hills (North River Farms).

No. 3

Pivot to Slower Growth – the Bad (Housing Affordability)

The City of Oceanside’s pivot towards slower growth starting in 2000 has contributed to a sizable acceleration in housing prices over the last 20 years and through the end of the five-year report period with the median home sale increasing from \$195,800 to \$784,800 – an average annual change of 14%. This period change marks a 50% rise over the prior 20-year span in which median home sales experienced an average annual rise of 10%. The acceleration of home prices in Oceanside – among other outcomes – has noticeably impacted the market’s ability to construct new affordable workforce housing at the traditional entry levels – i.e., starter homes. This dynamic is reflected in the most recently completed housing element cycle (2013 to 2021) where only 23% of Oceanside’s assigned housing share at moderate or lower levels received building permits. Permits issued through the first quarter of the current housing cycle (2021–2029) suggest housing affordability at the moderate or lower categories will similarly fall substantively short of goals, albeit at improved levels with current projections showing the attainment level reaching 36%.



Oceanside Harbor

No. 4

Variations in Fiscal Health + Navigating Related Stresses

A prominent schism exists among the three affected agencies in the Oceanside region involving their fiscal well-being and navigating financial stresses. The City of Oceanside has steadied its financial position after several years of operating shortfalls in the General Fund in large part to successfully making the case to voters in 2018 to approve a seven-year one-half cent sales tax. Measure X reset Oceanside’s overall sales tax rate to 8.25% with the additional revenue broadly earmarked to improve City infrastructure and public safety. Measure X has been a clear success; it has reversed shortfalls into surpluses and underlies a significant two-thirds increase in General Fund reserves (\$66.5 to \$112.5 million) over the reporting period. Nonetheless, the extension of the one-half cent sale tax beyond its current sunset date in 2026 remains a pronounced variable in Oceanside’s near-term health and is expected to be taken up by voters in late 2024. While Oceanside’s fiscal health largely ties to the present and near-term status of Measure X, the other two agencies’ standing is comparatively more opaque, although for entirely different reasons. Oceanside SCHD, similar to its parent

governing body, has steadied its actual expense-to-revenue relationship through incremental budgeting true-ups. These budgeting actions have contributed to a helpful increase of nearly one-fourth in SCHD’s unassigned fund balance (\$3.7 to \$4.6 million) over the reporting period. However, the budgeting true-ups have not addressed decades of deferred or otherwise neglected maintenance. This qualifier is illustrated in capital assets (docks, pilings, piers, etc.) having surpassed their expected useful lives by more than two-fold and serves as a critical stress test for SCHD going forward. Unlike the other two agencies in the region, Morro Hills CSD has maintained a positive actual revenue-to-expense relationship through the reporting period without any obvious hardships; at least that are known. The CSD operates entirely within the confines of the annual collection of its 1% property tax share, which netted \$0.090 million at the end of the reporting period. Although CSD has been effective in keeping expenses in line with annual revenues – which is also reflected in an unassigned fund balance increasing by more than four-fifths (\$0.142 to \$0.267 million) during the period – less is known regarding pending costs. Specifically, no pavement rating has been performed on CSD’s 6.0-mile roadway system nor has a capital improvement plan been prepared. These factors directly contribute to a subtle – but real and emerging – stress test.



Mission San Luis Rey, Oceanside

» General Themes and Conclusions

No. 5 Adequate Municipal Service Capacities with a Qualifier...

All three affected agencies in the Oceanside region have established sufficient and excess capacities involving their core municipal functions to meet both current and anticipated demands through the report's timeframe – at least on a macro level and irrespective of any micro limitations for specific areas. This overall sufficiency is reflected with the region's principal service provider – City of Oceanside – and its available resources involving water and wastewater, which traditionally represent the services most closely affiliated with either supporting or hindering new development. Markedly, and based on current demand-to-capacity ratios for the reporting period, it estimated the water and wastewater systems can accommodate buildout populations of 970,000 and 275,000, respectively.

A material qualifier applies, nevertheless, to Oceanside's other services that are dependent on General Fund monies and the uncertain status of Measure X and its critical revenue enhancement beyond the current sunset date in 2026. This latter variable suggests added caution in the interim for LAFCO in considering boundary actions and their potential impact – advantageous and disadvantageous – on the Oceanside General Fund.

No. 6 City of Oceanside's Role as an Urban Center + LAFCO Support

The City of Oceanside is favorably positioned to plan and accommodate additional growth and become a focal urban center for North County. This opportunity ties to Oceanside's role as a full-service municipality and the controls it provides paired with its physical location along existing major transportation corridors as well as planned expansions – including the modernization of rail (Metrolink and Amtrak) linking Oceanside throughout Southern California. This opportunity further ties and can be supported by LAFCO's own interests and duties to facilitate orderly and city-centered growth.

No. 7 Proceeding with Limited Sphere Updates + Telegraphing Potential Changes with Special Study Areas

It would be appropriate for LAFCO to proceed with limited sphere of influence updates for all three affected regions in the Oceanside region and defer consideration of more comprehensive actions to the next municipal service cycle. The approach would involve proceeding with affirming all three agencies current designations without changes. It would also involve establishing one or more specific special study areas to all three agencies to memorialize areas the Commission would allow to come forward over the next five-year period without requiring a new municipal service review. A key example includes establishing dual study areas for Oceanside and Oceanside SCHD and their matching spheres to include an approximate 150-acre area immediately to the southwest near Sunset Drive and Melrose Way that qualifies as a DUC under local policy.



Recommendations

The following recommendations call for specific action either from San Diego LAFCO and/or one or more of the three affected agencies in the Oceanside region based on information generated as part of this report. The recommendations are ordered in sequence to their placement in Section 5.0 (Written Determinations). Recommendations for LAFCO action are dependent on a subsequent directive from the Commission and through the annually adopted work plan.

1. As a long-term principle, LAFCO should prioritize and direct growth in the region to the City of Oceanside – including development that would otherwise occur in the surrounding unincorporated areas – and its appropriate role to serve as an urban center in San Diego County.
2. LAFCO should coordinate with SANDAG to develop current buildout estimates within the Oceanside region – including potential lot-splitting as allowed under Senate Bill 9 (Weiner) and incorporate the information into the next scheduled municipal service review.
3. LAFCO should coordinate with the County of San Diego to identify and map active wells and septic systems within the Oceanside region and incorporate the information into the next scheduled municipal service review.
4. Should Measure X's ½ cent sales tax expire during the timeframe of the report, all jurisdictional changes involving the City of Oceanside shall demonstrate de minimis impacts on the City General Fund unless overriding policy considerations are made by the Commission on a case-by-case basis.
5. It is appropriate for LAFCO to defer the identification and evaluation of mutual water companies in the Oceanside region as otherwise prompted in the LAFCO statute to a future informational report.
6. The City of Oceanside should revisit its arrangement with Oceanside SCHD involving the payment plan associated with the SCHD patrol vessel to account for the City's usage of the capital asset outside of the Oceanside Harbor.
7. Morro Hills CSD should explore options to contract with the City of Oceanside or the County of San Diego to provide road maintenance services at a pre-agreed hourly rate to help protect the CSD from variables – costs and availability – associated with the current practice to utilize private contractors as needed.



8. As the City of Oceanside proceeds to implement the initial phases of its novel Re-Beach program, it would be pragmatic to explore opportunities to enlist other local agencies in consolidating efforts – functional or political – given inescapable impacts and interests in beach restorations along the greater coastline. LAFCO should assist if Oceanside and/or other stakeholders wish to explore a political model to organize sand nourishment on a larger scale.
9. Efforts should be taken by Oceanside SCHD to publicly distinguish its role as a stand-alone governmental entity separate from the City of Oceanside.



Oceanside Lighthouse at Harbor Village

» Recommendations

10. Oceanside SCHD should formalize its existing relationship with the City of Oceanside through an official memorandum of understanding to clearly outline roles and responsibilities and associated costs in utilizing City staff, supplies, and resources in carrying out District duties.
11. Oceanside SCHD informally deactivated its previously authorized and active patrol and rescue municipal function in 2009 in step with these responsibilities being assumed by the City of Oceanside. SCHD’s legal authorization to provide patrol and rescue – however – remains active under State law. To clarify service expectations and mitigate potential liabilities, SCHD should formally request divestiture approval under Government Code 56824.10.
12. LAFCO is aware there is community interest in exploring the reorganization of Oceanside SCHD into an independent agency to provide direct constituent influence on decision-making. It would be appropriate for the Commission to consider authorizing a future governance study to assess alternatives – functional and political – for the benefit of both agencies and their shared constituents.
13. It appears appropriate for LAFCO to proceed with limited sphere of influence updates for both the City of Oceanside and Oceanside SCHD to affirm the existing designations with one or more common special study areas.
 - (a) One special study area has been identified to date and spans nearly 150 acres covering DUC lands located immediately southwest of the agencies near Sunset Drive and Melrose Way; it also currently lies within the Vista sphere. Establishing this special study area would provide LAFCO the opportunity to discuss the potential annexation of the DUC lands with both Vista and Oceanside and in doing so help facilitate the delivery of elevated municipal services to the community consistent with State law.
14. It appears merited for LAFCO to partner with the Morro Hills CSD in sponsoring or otherwise supporting a legislative change to the principal act to reduce the number of Board members from five to three consistent with existing special provisions in State law.
15. The Morro Hills CSD Board should revisit conditions on Sleeping Indian Road and its most recent traffic assessments and the analysis therein that appears to support a significant increase in the speed limit.
16. It would be advantageous for Morro Hills CSD to explore interest among adjacent landowners that presumably benefit and use the road system to annex and have direct participation in Board decision-making while concurrently expanding the CSD property tax base.
17. It appears appropriate for LAFCO to proceed with a limited sphere of influence update for Morro Hills CSD to affirm the existing designation with the addition of a special study area. The special study area represents the notional expansion of the CSD to capture adjacent lands that presumably use and benefit from the roadway system.



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

5C

AGENDA REPORT
 Business | Information

June 21, 2024

TO: Special Districts Advisory Committee
FROM: Priscilla Mumpower, Assistant Executive Officer
SUBJECT: **Adopted Workplan and Budget for 2024-2025**

SUMMARY

The Special Districts Advisory Committee (“Committee”) will receive a presentation on the adopted workplan and budget for fiscal year 2024-2025 at its May 6th meeting. The adopted workplan outlines 30 specific projects in priority order and is headlined by continuing municipal service reviews (MSRs) on wholesale water service providers (No. 1a) and healthcare districts (No. 1b). The workplan also includes several new high-priority projects and is marked by a new MSR on SANDAG (No. 2) and its housing and transportation functions. The adopted budget totals \$2.912 million in matching expenses and revenues. The operating portion of expenses tallies \$2.428 million and reflects a 7.4% increase above the current fiscal year and largely involves inflationary adjustments. The item is being presented to the Committee for information with the opportunity to make recommendations for future consideration by the Commission.

BACKGROUND

San Diego LAFCO is responsible under State law to adopt a proposed budget by May 1st and a final budget by June 15th. A mandatory review by all local funding agencies is required between the two adoption periods.

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DISCUSSION

This agenda item is for the Committee to receive San Diego LAFCO's adopted workplan and budget for the upcoming fiscal year. LAFCO adopted both items at its May 6, 2024 meeting following a formal public review period. A user-friendly guide on the final workplan and budget is available as Attachment One.

ANALYSIS

See Attachment One.

RECOMMENDATION

Information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES FOR CONSIDERATION

This item has been placed on the Committee's agenda for information part of the business calendar. It will include a verbal presentation by staff.

Respectfully,



Priscilla Mumpower
Assistant Executive Officer

Attachment:

- 1) Guide to the Adopted Workplan and Budget for FY2025



ADOPTED FINAL

Workplan & Budget Guide

FOR 2024-2025

About Us

Local Agency Formation Commissions – or LAFCOs – are boundary makers that oversee the creation and expansion of cities and special districts in all 58 counties of California. LAFCOs exercise regulatory and planning powers to coordinate publicly provided services, such as water or fire protection, and match them with community needs.

The goal of every LAFCO is to facilitate smart growth while avoiding urban sprawl.

San Diego LAFCO operates within the second largest county in California as measured by population and currently tasked with overseeing over 100 local governmental agencies.

A summary of San Diego LAFCO's adopted final workplan and budget for 2024-2025 follows.

2024-2025 Workplan Guide

The final workplan list 30 targeted projects for 2024–2025 comprising both new and continued activities. The targeted projects complement LAFCO’s baseline commitment to process jurisdictional proposals and related service requests in a timely manner and are divided between three priority categories – high, medium, and low. An outline of all 30 projects with additional details on the “Top 10” follows.



No. 1a

Municipal Service Review on Wholesale Water Service Providers
San Diego County Water Authority + Metropolitan Water District



No. 2

Municipal Service Review on SANDAG
Initiate agency-specific municipal service review of San Diego Association Of Governments (SANDAG) and its housing and transportation functions



No. 4

Municipal Service Review on the Greater Carlsbad Region
City of Carlsbad, Carlsbad Municipal Water District, + Leucadia Wastewater District



No. 6

RCD Ad Hoc Committee, Year Two: Transitioning OSAs to Boundary Changes
Greater San Diego, Mission, + Upper San Luis Rey Resource Conservation Districts



No. 8

Municipal Service Review on Greater San Marcos/Vista Region: Part II
San Marcos and Vista Fire Protection Districts, Vista Irrigation District, Vallecitos Water District, + Buena Sanitation District



No. 1b

Municipal Service Review on Healthcare Districts
Fallbrook, Grossmont, Palomar, + Tri-City Healthcare Districts



No. 3

Transition External Accounting System
Implement Cloud Conversion for Quickbooks and Add Public-Facing Features



No. 5

State Planning Grant Award (SALC 2.0): “Greening Agriculture”
Return-on-Investment and GAP Analyses in Support of Small Farming Operations



No. 7

Municipal Service Review on Greater San Marcos/Vista Region: Part I
Cities of San Marcos and Vista



No. 9

Policy Review on Accounting + Auditing Procedures
Modernize and Harmonize Accounting + Auditing Policies to LAFCO’s Needs

Medium Priorities

- No. 10** | Staffing + Professional Development
- No. 11** | Policy Review: Job Descriptions
- No. 12** | Custom Project Manager Tracker
- No. 13** | Staffing Special Districts Advisory Committee
- No. 14** | Info Report on Homeless Services
- No. 15** | Staffing Cities Advisory Committee
- No. 16** | MSR: Greater Encinitas Region
- No. 17** | Complete FY2023 Audit
- No. 18** | MSR: Greater Del Mar/ Solana Beach Region
- No. 19** | Website Content Expansion + Enhancement

Lower Priorities

- No. 20** | Annual Local Agency Directory
- No. 21** | Policy Review: Applicant Forms + Requirements
- No. 22** | Authorizing Credit Card Payments
- No. 23** | CALAFCO Legislative Committee
- No. 24** | Legislative Proposal on G.C. 56133
- No. 25** | SDAC Bylaws
- No. 26** | Info Report on Community Choice Aggregations
- No. 27** | Liaison with Local Native American Tribes
- No. 28** | Online Service + Fiscal Indicators
- No. 29** | Policy Review: Public Member Appointments

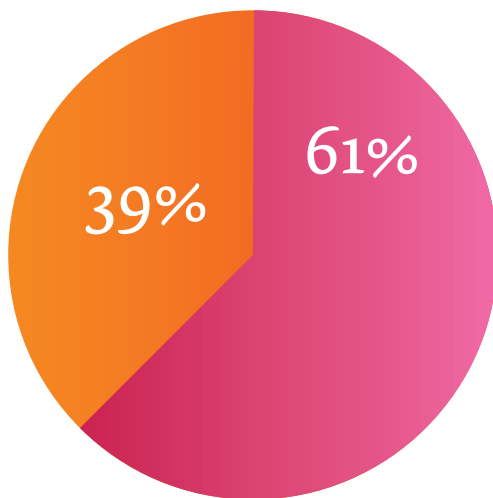
For a complete listing of the final workplan, please visit: sdlafco.org

2024-2025 Final Budget Guide

San Diego LAFCO’s final budget for 2024–2025 ties directly to funding the associated workplan and sets total matching expenses and revenues at \$2.912 million. Four-fifths of total expenses tie to operating costs, which tally \$2.428 million and represents a change over the current fiscal year of 7.4% – or \$0.167 million and above the 5.8% annual inflation rate for the San Diego area. The remaining portion of the total budget involves non-operating units and largely tie to transacting revenues and expenses involving a State planning grant and debt service.

Key budgeted operating expenses and revenues follow.

Operating Expenses: \$2.428 Million



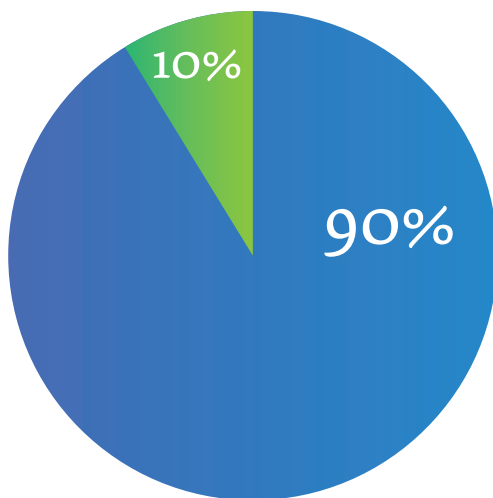
Salaries and Benefits Cost

- \$1.468 million; an increase of 2.3% over current year
- Amount equals 61% of all operating expenses
- Reduces budgeting staffing from 9.0 to 8.0 FTE
 - Eliminates vacant executive assistant position
- Accommodates previously approved 2.75% COLA
- Also accommodates anticipated merit increases
- Also accommodates CPI increase to meeting per diems to \$291
- All line-item accounts show decreases expect pension

Services and Supplies Cost

- \$0.959 million; an increase of 16.3% over current year
- Amount equals 39% of all operating expenses
- Two line item accounts underlie increase:
 - Increase in professional services to cover increase need for consultants and their technical expertise in preparing MSRs
 - Increase in memberships to cover new partnership with Assura Group to implement and host online project management tracking

Operating Revenues: \$2.399 Million



Application Fees

- \$0.200 million; same as current year
- Amount equals 8% of all operating revenues

Local Agency Contributions

- \$2.184 million; an increase of 7.4% over current year
- Amount equals 90% of all operating expenses
- Allocation set by State law as follows:
 - 1 County of San Diego covers \$0.624 million
 - 2 Cities less San Diego cover \$0.624 million
 - 3 Special Districts cover \$0.624 million
 - 4 City of San Diego covers 0.312 million

Amounts for specific cities and districts further apportioned by Auditor’s Office based on each agency’s percentage of revenues relative to all revenues collected by their city/district peers



UNRESTRICTED FUND BALANCE
(estimate as of June 1, 2024)

Committed:	\$750,000
Assigned:	\$62,500
Unassigned:	\$836,154
TOTAL:	\$1,648,654

TOP CITY ALLOCATION

1. San Diego
2. Chula Vista
3. Carlsbad
4. Oceanside
5. Escondido

(based on FY2023 contributions)

TOP DISTRICT ALLOCATIONS

1. Otay Water District
2. Helix Water District
3. Padre Dam Municipal Water District
4. Olivenhain Municipal Water District
5. Vallecitos Water District

(based on FY2023 contributions)



Mission Trails
Regional Park

San Diego LAFCO’s Commission

San Diego LAFCO is governed by a 13-member “Commission” comprising county, city, special district, and public members. All Commissioners are appointed elected officials with the exception of the two public members. Commissioners serve four-year terms and divided between “regulars” and “alternates” and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. Commissioners are subject to standard disclosure requirements and must file annual statements of economic interests. The Commission has sole authority in administering its legislative responsibilities and decisions therein are not subject to an outside appeal process.



Stephen Whitburn
Chair
City of San Diego



Baron Willis
Vice Chair
Alpine Fire Protection



Jim Desmond
Past Chair
County of San Diego



Joel Anderson
Commissioner
County of San Diego



Kristi Becker
Commissioner
City of Solana Beach



Jo MacKenzie
Commissioner
Vista Irrigation



Dane White
Commissioner
City of Escondido



Harry Mathis
Commissioner
General Public



David Drake
Alternate
Rincon Del Diablo



John McCann
Alternate
City of Chula Vista



Nora Vargas
Alternate
County of San Diego



Marni von Wilpert
Alternate
City of San Diego



San Diego County
Local Agency Formation Commission
 Regional Service Planning | Subdivision of the State of California

5d

AGENDA REPORT
 Business | Information

June 21, 2024

TO: Special Districts Advisory Committee

FROM: Priscilla Mumpower, Assistant Executive Officer
 Adam Wilson, LAFCO Consultant

SUBJECT: Approved Policy Governing Out-of-Agency Services

SUMMARY

The Special Districts Advisory Committee (“Committee”) will receive an update on the recently approved policy governing outside service approvals for cities and special districts covering all municipal functions less fire protection. This includes making explicit the Commission’s role to determine exemption eligibility in statute as well as establishing local exemptions. The policy was approved by the Commission in May and done so based on extensive feedback from the Committee. The item is being presented for information.

BACKGROUND

Government Code Section 56133

State law was expanded in January 2001 to require cities and special districts to request and receive approval from LAFCOs before providing new or extended services outside their jurisdictions by contracts or agreements. The addition is codified in Government Code Section 56133 and includes a limited number of exemptions where LAFCOs’ approval is not needed. The includes agreements between two or more public agencies where the contract service is an equal substitute for services already provided.

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Jo MacKenzie
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David A. Drake, Alt.
 Rincon del Diablo

Harry Mathis
 General Public

Vacant, alt.
 General Public

Annual Workplan & Direction to Prepare Policy on Out-of-Agency Services

LAFCO's current annual workplan was adopted at a noticed public hearing in May 2023 and includes 30 specific projects for the fiscal year with several having been carried over from the prior fiscal year. One of these carried-over projects involves establishing formal policies to govern out-of-agency service approvals at LAFCO and in doing so focus on formalizing and expanding on existing practices.

Earlier Draft Policy Versions on Out-of-Agency Services

LAFCO staff prepared an initial draft policy on out-of-agency services for discussion by the Commission in November 2022. This initial version was subsequently shared with the Special Districts Advisory Committee in December 2022 with significant concerns and/or objections raised by a majority of the 16 members. LAFCO staff continued to work with the Committee through multiple revisions paired with providing an update to the Commission in October 2023. Commission feedback helped to narrow talking points and a new version – sixth overall since November 2022 – was unanimously supported by the Committee in December 2023. This version was subsequently presented to the Cities Advisory Committee in March 2024 with no concerns or objections raised by the 18 members. The Commission approved this sixth and final version with an immediate effective date at its May 6th meeting.

DISCUSSION

This item is for the Committee to receive an update on the year-in-the-making policy to govern out-of-agency service requests in San Diego County. A summary of all key provisions reflected in the approved policy follows.

- Make explicit the Commission's policy preference to consider out-of-agency service requests on an exception basis when otherwise merited new or extended municipal services cannot be accommodated through jurisdictional changes.
- Premise the policy on the Commission's preference to consider out-of-agency service requests on an exception basis when otherwise merited services cannot be accommodated through jurisdictional changes.
- Establish local definitions for "new" and "extended" services and in doing so, frame the overall extent of the Commission's regulation of out-of-agency services as follows.
 - New services would involve the actual delivery of municipal functions or classes to previously unserved non-jurisdictional lands and/or the re-commencement of functions or classes after a discontinuous period of one or more years.
 - Extended services mean the intensification of municipal functions or classes to serve (actual) non-jurisdictional lands facilitated by a zoning change.

- Establish local exemptions in which Commission review and approval – which is separate from determining eligibility – is not required for the following activities:
 - Advisory or automatic aid services provided by a city and/or special district where no monetary compensation is provided other than reimbursements.
 - Temporary access to a city and/or special district’s potable water or wastewater collection, treatment, and discharge facilities.
 - Shared services between two or more agencies where monetary compensation is provided beyond reimbursements for any of the following:
 - Abandoned Vehicle Abatement
 - Accounting, Billing, and Payroll
 - Animal Care and Control
 - Building and Code Enforcement
 - Customer Service
 - Dispatch
 - Grant Writing
 - Heavy Equipment Exchange and/or operation
 - Human Resources
 - Information Technology
 - Laboratory Services
 - Legal
 - Pooled Equipment Purchasing and Use
 - Pooled Materials Purchasing and Use
 - Pooled Services Purchasing and Use
 - Public Affairs/Outreach
 - Training
 - Water, Wastewater, Recycled Water, Stormwater, and Advanced Purification Plant Operations
- Make explicit LAFCO via the Executive Officer determines exemption eligibility with related no-cost request procedures.
- Amend the existing delegation to the Executive Officer to approve out-of-agency service requests tied to public health or safety threats to only water and wastewater functions. All other requests are redirected to the full Commission.

A complete copy of the adopted policy is provided in Attachment One.

ANALYSIS

None.

RECOMMENDATION

This item is presented to the Committee for information only.

ALTERNATIVES FOR ACTION

None.

PROCEDURES

This item has been placed on the Committee's agenda for information part of the business calendar. It will include a verbal presentation by staff paired with the opportunity for the Committee to discuss and provide feedback as it chooses.

Respectfully,



Priscilla Mumpower
Assistant Executive Officer

Attachments:

- 1) Approved Policy on Out-of-Agency Services

Subject:

OUT-OF-AGENCY SERVICES
(Exclusive of Fire Protection Services)

Purpose:

Serve as a guide to the Commission in receiving, evaluating, and acting on requests by cities and special districts to provide new or extended services other than fire protection outside their jurisdictional boundaries.

Background:

State law requires cities and special districts to request and receive Commission approval before providing new or extended outside services by contracts or agreements with limited exemptions (Government Code Section 56133).¹

Policy:

It is the policy of the Commission:

1. Goals and Priorities:

- a) The Commission will consider out-of-agency service requests whenever otherwise merited new or extended services cannot be reasonably accommodated through annexations or other jurisdictional changes.
- b) The Commission will review out-of-agency service agreements not previously considered by the Commission in conjunction with future applications for related changes to organization and not unilaterally seek out and review out-of-agency service agreements for compliance with Government Code Section 56133.
- b) The Commission shall only approve out-of-agency service requests for cities and special districts involving territory within their spheres of influence in anticipation of future jurisdictional changes.
 - i. The Commission will exercise independent discretion in potentially prescribing the timing of future jurisdictional changes through its authority to condition out-of-agency service approvals.

¹ Contracts involving fire protection services are separately addressed under Government Code Section 56134 and are not covered under this policy.

- c) The Commission shall only approve out-of-agency service requests for cities and special districts involving territory outside their spheres of influence in response to efficient utilization of regional government resources and existing or impending public health and safety threats.
 - i. The Commission will exercise its independent discretion in determining efficient utilization of government resources and when existing or impending public health and safety threats exist with consideration of State Water Resources Control Board Division of Drinking Water, Regional Water Quality Control Board, California Department of Public Health and San Diego County Department of Public Health regulatory guidance and based on available documentation and analysis provided by LAFCO staff.

2. Definitions:

- a) "Agreement" and/or "contract" shall mean a formal written arrangement contemplated under Section 56133.
- b) "Service" shall mean any authorized municipal service functions and/or classes provided by cities and special districts other than fire protection as well as those exempted by the Commission within Section 4 of this policy.
- c) "New service" shall mean the actual provision of municipal service functions or classes to previously unserved non-jurisdictional lands.
 - i. New service shall also mean the re-commencement of actual services after a discontinuous period of 12 months or more.
- d) "Extended service" shall mean the intensification of municipal service functions and/or classes to served (actual) non-jurisdictional lands that require a zoning change by the land use authority.

3. Applicability:

- a) The Commission determines exemption eligibility of all statutory exemptions under 56133(e) as well as local exemptions provided under Section 4 of this policy.
- b) The Commission shall emphasize the "point of delivery" in assessing the applicability of Section 56133.

- c) Cities and special districts may request a no-cost determination from the Commission as to whether any proposed out-of-agency services are eligible for exemption under 56133 (e) and/or Section 4 of this policy.
 - i. The Commission delegates all inquiries for exemption eligibility under 56133(e) and/or Section 3 of this policy to the Executive Officer. The Executive Officer shall provide written notice of their determination to the city or special district to either accept, deny, or deny pending additional information all exemption inquiries within five business days.
 - ii. Should the Executive Officer determine an inquiry does not qualify for exemption, the city or special district may appeal directly to the full Commission. The appeal request must be made in writing and signed by the city manager or special district manager. The Executive Officer shall include the appeal request at the next available meeting.
 - iii. Should the Executive Officer determine an inquiry does qualify for exemption, any city or special district that contains – whether the sphere of influence or jurisdictional boundary – the affected territory shall be given immediate written notice and may appeal directly to the full Commission. The appeal request must be made in writing and signed by the city manager or special district manager. The appeal must be received within three business days of receiving the original notice from the Executive Officer. The Executive Officer shall include the appeal request at the next available meeting and provide notice to all interested parties.

4. Exemptions

- a) In addition to those provided by the Legislature under Section 56133(e), which includes agreements established prior to 2001, the Commission establishes the following local exemptions in which approvals are not required:
 - i. Advisory or automatic aid services provided by a city and/or special district where no monetary compensation other than reimbursements are exchanged.
 - ii. Agreements solely involving two or more public agencies where the public service to be provided (by Agency A) is an alternative to, or substitute for, public services already being provided by an existing public service provider (by Agency B) and where the level of service

to be provided by (Agency A) is consistent with the level of service contemplated by the existing service provider (Agency B).

- a. For the purposes of this section, “already being provided” means the services are within the agency’s (Agency B) jurisdictional boundary and an established service area wherein services are being actively provided by the agency (Agency B).
- b. For the purposes of this section, “contemplated” means:
 - i. The service level is anticipated in a master plan or some long-range planning document of Agency B.
 - ii. Sufficient infrastructure and capacity exist (by Agency A) to provide the service.
- iii. Service agreements between cities and/or special districts for the use, installations, and maintenance of meter or operational technology (OT) communications infrastructure similar to wireless ethernet, cellular towers, fiber optic, etc.
- iv. Agreements involving Cathodic protection of pipelines.
- v. Temporary access to cities and/or special districts’ potable water supplies due to an interruption – planned or otherwise.
- vi. Temporary access to cities and/or special districts’ wastewater collection, treatment, or discharge facilities.
- vii. Temporary access to cities and/or special districts’ potable, raw, or recycled water when deemed the best and most efficient use of resources.
- viii. Shared services between cities and/or special districts where monetary compensation is exchanged beyond reimbursements for any of the following activities:
 - Abandoned Vehicle Abatement
 - Accounting, Billing, and Payroll
 - Animal Care and Control
 - Building and Code Enforcement
 - Customer Service
 - Dispatch

- Grant Writing
- Heavy Equipment Exchange and/or operation
- Human Resources
- Information Technology
- Laboratory Services
- Legal
- Pooled Equipment Purchasing and Use
- Pooled Materials Purchasing and Use
- Pooled Services Purchasing and Use
- Public Affairs/Outreach
- Training
- Water, Wastewater, Recycled Water, Stormwater and Advanced Purification Plant Operations

5. Request Procedures:

- a) All approval requests for out-of-agency services shall be made in writing by cities and special districts and filed with the Executive Officer. Requests shall be made in letter form by the city or special district manager and include all of the following information:
 - i. Identification of the affected territory by parcel number or another appropriate geographic marker.
 - ii. Description of the ability of the agency to provide the contract service and relationship – including impacts – on existing and/or planned infrastructure and resources.
 - iii. Application fee.
 - iv. Any other information required by the Executive Officer.
- b) All approval requests for out-of-agency services received under this part shall immediately be forwarded by LAFCO to any other city or special district whose sphere of influence or jurisdictional boundary contains the affected territory.

6. Consideration Procedures:

- a) The Commission shall consider all requests for out-of-agency service approvals at a public meeting unless otherwise provided in this policy.

- b) The Executive Officer shall ensure all procedures under Section 56133 are completed and responsible for placing the request on the first available meeting agenda thereafter. The Executive Officer shall include his or her written recommendation on the request to the Commission.
- c) Should requests involve purported public health or safety threats, the Commission delegates approval authority to the Executive Officer under the following circumstances.
 - i. The request involves water and/or wastewater services only. If approved, the Executive Officer shall provide notice to the Commission at the next public meeting for information only.
- d) All other requests involving purported public health or safety threats shall be considered by the Commission at the earliest time possible – including the scheduling of a special meeting with no less than 24-hour notice.

7. Reconsideration:

- a) Should an out-of-agency service request be approved with conditions or denied, the applicant may request reconsideration consistent with Rule 3.4(2)
- b) Should an out-of-agency service request be approved, any other city or special district whose sphere of influence or jurisdictional boundary contains the affected territory may request reconsideration consistent with Rule 3.4(2).

8. CEQA

- a) All out-of-agency service request approvals shall be subject to concurrent review under the California Environmental Quality Act (CEQA).
- b) The Commission assigns all functions and related responsibilities provided under CEQA Guidelines Section 15025 to the Executive Officer – including, but limited to, making exemption findings and related findings.