

History of MSRs

From 1973 to the present, the Local Agency Formation Commission's (LAFCO) planning authority has been carried out through the establishment and updating of agencies' Sphere of Influence (SOI). An SOI is a tool used by LAFCOs to define a city's or special district's future jurisdictional boundary and service areas. In 2000, the California Legislature amended the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) to require LAFCOs to prepare Municipal Service Reviews (MSRs) in conjunction with the establishment, review, or update of SOIs of all cities and special districts. The MSR requirement was adopted to ensure that Commission decisions regarding boundary planning were supported by objective evaluations of service delivery and governance.

MSRs are generally intended to inform in the areas of efficiency and affordability of infrastructure and municipal service delivery, and to assist LAFCOs in reviewing and initiating changes of organization (i.e., annexations, detachments, among others). State law requires that with each prepared MSR, LAFCOs must prepare a written statement of determinations with respect to each of the following factors codified in G.C. Section 56430:

- 1) Growth and population projections for the affected area.
- 2) The location and characteristics of any disadvantaged unincorporated communities (DUCs) within or contiguous to the affected sphere of influence.
- 3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies, including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the affected sphere of influence.
- 4) Financial ability of agencies to provide services.
- 5) Status of, and opportunities for, shared facilities.
- 6) Accountability for community service needs, including governmental structure and operational efficiencies.
- 7) Any other matter related to effective or efficient service delivery, as required by commission policy.

MSRs are directly tied to SOIs; a Commission cannot establish, update, or reaffirm a sphere of influence without first preparing or updating the related MSR. With each SOI that is established, amended, or updated, LAFCOs are required to consider and prepare written statements of determinations with respect to the following factors codified in G.C. Section 56425:

- 1) Present and planned land uses in the area, including agricultural and open space lands.
- 2) Present and probable need for public facilities and service area.
- 3) Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
- 4) Existence of any social or economic communities of interest in the area.
- 5) If a city or special district provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those

facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Since each SOI must be reviewed at least once every five years, the MSR process is an ongoing responsibility of every LAFCO, which provides the foundation for sphere determinations that serve as the Commission's long-range planning tool.

OC LAFCO's MSR Program

Ever since the MSR requirements were implemented by State law, OC LAFCO has completed three cycles of MSRs and is currently conducting its fourth cycle. The first cycle, completed between 2005 and 2008, was a stakeholder-driven process with a collaborative approach involving staff from cities, special districts, the County, and OC LAFCO to ensure the reports were meaningful and not merely procedural. The MSRs laid the groundwork for the completion of numerous changes of organizations, which improved service delivery in Orange County. Two key lessons were learned from the first round of MSRs: (1) Orange County's agencies are generally well organized and provide high-level services; and (2) the stakeholder-driven MSR process is time-consuming and costly in terms of staff time and resources for LAFCOs, cities, and special districts.

In the second cycle, conducted from 2008 to 2013, the Commission reconfirmed the MSR determinations for most of the Orange County agencies, but directed staff to provide additional analysis for six agencies (City of Huntington Beach, Orange, Los Alamitos, Rancho Santa Margarita, Tustin, and Sunset Beach Sanitary District). Ultimately, Focused MSRs and SOI updates were completed for those agencies with separate recommendations and determinations adopted by the Commission.

During the third cycle, completed between 2013 and 2018, the Commission reconfirmed the findings of the first and second cycles of MSRs. To ensure the MSR process was meaningful, the Commission developed a new "Best Practices" approach that utilized technology to create ongoing tools, such as fiscal indicators to highlight innovative service delivery and provide greater transparency for Orange County's local agencies.

The fourth MSR cycle started in 2022, with a stakeholder effort that included the participation of staff from cities, special districts, and the County to identify areas of interest. The current MSR effort represents a shift to a regional framework, which includes MSRs for regional agencies (those serving large regions of the county or operating countywide), and MSRs by region (Central, Coastal, North, Southeast, Southwest, West). To view the current MSR schedule, click on the following link ([Schedule](#)).

OC LAFCO will continue to prepare MSRs in conjunction with sphere reviews, making sure that boundary decisions are informed by evaluations of service delivery and governance. Through the MSR program, OC LAFCO ensures that boundary and organizational decisions remain informed and responsive to community needs. The program continues to serve as the foundation for the Commission's sphere of influence responsibilities under State law. OC LAFCO remains committed

to fostering collaboration among local agencies and supporting the efficient delivery of municipal services in Orange County.