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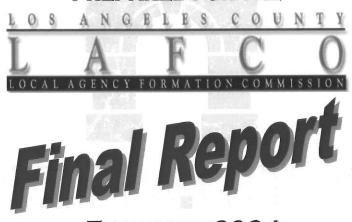
■ FOLSOM (SACRAMENTO)

MANAGEMENT CONSULTANTS

MUNICIPAL SERVICE REVIEW OF THE CITY OF AZUSA







FEBRUARY 2004



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EXECUTIVE SUMMARY

This report, prepared by Citygate Associates, LLC in conjunction with Braitman & Associates, presents a Municipal Service Review and Sphere of Influence Update for the City of Azusa. Azusa is a general law city bordered on the south by the City of Covina, the east by the City of Glendora, the west by the Cities of Duarte and Irwindale and on the north by the San Gabriel Mountains.

LAFCO was created by the Legislature to "discourage urban sprawl" and "encourage orderly governmental boundaries" by regulating the expansion of cities and special districts. It is also obligated to plan the future organization of local governments by adopting a "sphere of influence" for each city and special district.

LAFCO is required to review spheres of influence at least every five years and prepare a Municipal Service Review (MSR) in conjunction with reviewing and updating the spheres of influence.

A. CITY SERVICES

The City of Azusa provides a variety of services including water supply, wastewater collection, storm water disposal, law enforcement, electrical power, land use planning, building regulation, library services, public parks and recreation, refuse collection, transit services and street lighting.

Local agencies that overlap the City are Los Angeles County Consolidated Fire Protection District, County Sanitation District No. 22, San Gabriel Valley Municipal Water District, Three Valleys Municipal Water District, Upper San Gabriel Valley Municipal Water District and San Gabriel Valley Mosquito and Vector Control District.

B. MSR DETERMINATIONS

In approving an MSR LAFCO must adopt written determinations for the following nine factors specified in LAFCO's governing statute:

Infrastructure Needs and Deficiencies

The existing City infrastructure for water supply, sewers, natural gas, telephone service and electricity is sufficient to handle projected increases or can be expanded to meet the needs.

Growth and Population

As of 2000, there were 45,948 residents of the City, with 13,061 dwelling units and an average household size of about 3.52. Projections are that the City will continue to experience population growth as new projects are approved.

♦ Financing Constraints and Opportunities

In the past few years the City's financial condition has improved and the City continues to act to improve its financial condition, even in the face of the State's budget uncertainties. Azusa requires new developments to "pay their own way." The City's fiscal impact analysis of the Monrovia Nursery Specific Plan



concluded that methods can be imposed to pay for new services that ensure added costs are borne by new development, resulting in a neutral fiscal impact for the existing city residents.

♦ Cost-Avoidance Opportunities

Providing a full array of municipal services may allow the City to bring about economies by implementing functional reorganizations and realignments, performance measurements, and other management tools.

Opportunities for Rate Restructuring

Azusa Light & Water has maintained the lowest electric and water rates in the San Gabriel Valley. There are no apparent governmental options that would lead to a restructuring of rates charged by the City for services provided.

Opportunities for Shared Facilities

Significant sharing of facilities already occurs such as contracting with the County Fire Protection District for service within the City and utilizing a regional wastewater treatment plant.

♦ Government Structure Options

Since the City provides a wide range of services, there is less opportunity for traditional forms of government reorganizations such as detaching from regional service agencies or creating subsidiary districts governed by the City Council.

♦ Management Efficiencies

Azusa exhibits the characteristics of a well-managed city that operates efficiently and serves residents effectively. The City has initiated programs to consistently evaluate and improve services to its residents.

♦ Local Accountability and Governance

The City's relatively compact boundaries enhance the ability of the public to participate in municipal activities. City Council meetings are televised. Newsletters are sent to all households. The City holds community workshops, neighborhood meetings and other outreach activities to ensure matters are discussed with the broadest public input possible.

C. SPHERE OF INFLUENCE DETERMINATIONS

In reviewing and updating the City of Azusa Sphere of Influence LAFCO is required to adopt written determinations for the following four items specified in LAFCO's governing statute:

♦ Present and Planned Land Uses in the Area

Land within the sphere is largely built out; the great majority is within the boundaries of the City. The City is in the process of revising and updating its General Plan, which was adopted in 1983. The City has applied to LAFCO to annex the Monrovia Nursery property, which is the largest area within the sphere that is not developed with urban uses.



Present and Probable Need for Public Facilities and Services in the Area

The City provides municipal services to a population of about 46,000. These services include representation and advocacy, electrical power, law enforcement, land use planning and building regulation, library services, public parks and recreation, refuse collection and recycling, water supply, street lighting, street maintenance, storm water disposal, transit services and wastewater collection.

The Monrovia Nursery Specific Plan, if implemented, will result in development of up to 1,250 dwelling units, commercial uses, an elementary school, public parks and a future transit center. This and any other development within the City will require a full range of municipal services.

Present Capacity of Public Facilities and Adequacy of Public Service that the Agency Provides or is Authorized to Provide

The City has sufficient capacity, or can develop adequate capacity, to serve the uses allowed by the General Plan and the approved Specific Plan for the Monrovia Nursery property.

♦ Existence of Any Social or Economic Communities of Interest

The City is a compact community that has existed for more than 100 years. It has a high degree of community identity.

D. RECOMMENDATIONS

This report concludes and recommends that:

- ◆ The City of Azusa Sphere of Influence not be expanded or revised at this time.
- ◆ Coincident with annexing the Monrovia Nursery Specific Plan to the City, should that occur, the affected territory should be concurrently annexed to the San Gabriel Valley Municipal Water District and detached from the Three Valleys Municipal Water District.
- Consideration be given to annexing to the City pockets and islands of unincorporated territory to establish more logical and orderly boundaries.



I. INTRODUCTION

This report has been prepared for the Los Angeles Local Agency Formation Commission (LAFCO) for the City of Azusa in accordance with Section 56430 of the California Government Code. It responds to the requirement that LAFCO conduct a Municipal Service Review (MSR) to study the delivery of municipal services and update spheres of influence.

The MSR evaluates the public services provided by the City and issues regarding the City's sphere of influence. The MSR Guidelines prepared by the State Office of Planning and Research were used to develop information, perform analysis and organize this study.

The Commission was created by the Legislature in 1963 to regulate local governmental boundaries, specifically those of cities and special districts, to "discourage urban sprawl" and "encourage orderly governmental boundaries." These basic purposes remain but LAFCO responsibilities have evolved.

In 1971, the Legislature expanded LAFCO's mandate to include planning, though not land use planning. LAFCO's planning function is to project the future organization of local governments. It does this by adopting a "sphere of influence" for each city and special district within its jurisdiction.

Another revision in LAFCO's enabling statute occurred in 2000 when the Legislature required LAFCOs to review and update "spheres of influence" at least every five years and directed that the Commission prepare a Municipal Service Review (MSR) as part of the process of updating the spheres of influence.

Chapter IV of this report provides an overview of LAFCO's history, powers and duties, with special emphasis on legal and procedural requirements for preparing updating spheres of influence and preparing MSRs.

This Municipal Service Review for the City of Azusa describes and analyzes service delivery and related issues and makes recommendations for the Commission's consideration. The Commission makes the determinations as required by law. The decision to approve or disapprove any policies rests entirely with the Commission.

The legislative authority for conducting MSRs is provided in Government Code Section 56430 of the Cortese/Knox/Hertzberg Act. It states:

- "(a) In order to prepare and to update Spheres of Influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county, the region, the sub-region, or any other geographic area as is appropriate for the service or services to be reviewed and shall prepare a written statement of its determinations with respect to each of the following:
 - 1. Infrastructure needs or deficiencies
 - 2. Growth and population projections for the affected area
 - 3. Financing constraints and opportunities
 - 4. Cost avoidance opportunities
 - 5. Opportunities for rate restructuring



- 6. Opportunities for shared facilities
- 7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers
- 8. Evaluation of management efficiencies
- 9. Local accountability and governance
- "(b) In conducting a service review, the commission shall comprehensively review all of the agencies that provide the identified service or services within the designated geographic area."

Information and written determinations regarding each of the above issue areas are provided in this document for the Commission's consideration.

This report is an informational document and does not substitute for discretionary decisions that can only be made by the Commission.

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

II. CITY OF AZUSA

This section of Citygate's report describes the City of Azusa, the services provided to the community and overlapping governmental jurisdictions. It concludes with a list of exhibits that are presented at the end of this report.

A. OVERVIEW

The City of Azusa is located in the northeasterly portion of the San Gabriel Valley. It was established December 29, 1898 and is one of 88 incorporated cities in the County of Los Angeles. The City's estimated population as of January 1, 2003 was 47,150 according to the California Department of Finance.

Azusa is a general law city governed by a five-member city council that is elected at large. It has a city manager form of government and is considered a "full service" city, providing most essential municipal services. The City Clerk is directly elected.

The City of Azusa is bordered on the south by the City of Covina, the east by the City of Glendora, the west by the Cities of Duarte and Irwindale and on the north by the San Gabriel Mountains.

Azusa is approximately 25 miles east of downtown Los Angeles. It is located on the San Gabriel River and is the gateway to the San Gabriel Canyon (via State Highway 39).

The City boundaries and sphere of influence are largely coterminous although some unincorporated land is located within the sphere of influence. The largest area consists of the Monrovia Nursery, which is in the northeast quadrant of the City. It has been proposed for annexation to the City for a mixed-use development with up to 1,250 new dwelling units, parks, a school and commercial uses.

The proposed annexation is contiguous to the City on three sides; the fourth side is adjacent to the City of Glendora; in fact, 100 acres of the Monrovia Nursery is within the adjacent City of Glendora. No change in the City of Azusa sphere is needed to annex the Monrovia Nursery Specific Plan.

The remaining unincorporated lands within the City's sphere consists of developed residential areas in a illogical hodge-podge of city boundaries extending southerly to the City's common boundary with the City of Covina at Arrow Highway.

B. CITY SERVICES

As a full service municipal government, the City of Azusa provides a number of services for the benefit of its residents and property owners. The types of services provided by the City include:

- Community representation and advocacy
- ♦ Electrical power (by the subsidiary agency Azusa Light & Water)
- ◆ Local law enforcement
- Land use planning and building regulation



- Library services
- Public parks and recreation
- ◆ Refuse collection and recycling
- Retail water delivery (by the subsidiary agency Azusa Light & Water)
- Street maintenance, street lighting and storm water disposal
- Transit services
- ♦ Wastewater collection (disposal is via a regional, multi-agency treatment plant)

C. OTHER GOVERNMENTAL AGENCIES WITHIN THE CITY BOUNDARIES

Other agencies within LAFCO's jurisdiction that overlap the City of Azusa include the following:

Consolidated Fire Protection District

The Los Angeles Consolidated Fire Protection District (CFPD) includes the entire City of Azusa and surrounding areas. The District includes within its boundaries all unincorporated areas of the county and many of the cities. It is a contract provider of fire suppression, rescue and paramedic service within the City.

This report does not provide a complete review of the CFPD, as the district includes many other proposed MSR study areas. We are aware of no proposal to detach the City of Azusa from the District or alter the current contract arrangement.

County Sanitation District No. 22

County Sanitation District No. 22 of Los Angeles Country provides sanitation collection, treatment and disposal services for individual parcels within the City. The entire City is within the District's sphere of influence and the developed areas of the City are within the District boundaries. There is no contractual relationship between the City and the District. The District includes surrounding developed areas and other communities within the San Gabriel Valley. The District is part of a larger confederation of Sanitation Districts providing sewerage services on a regional basis.

This report does not provide a complete review of County Sanitation District No. 22, as the district includes other proposed MSR study areas. We are aware of no proposal to detach the City of Azusa from the District or alter the current contract arrangement.

♦ Water Agencies

Retail water service is provided in the City of Azusa by City-governed Azusa Light & Water. Its service area for water extends beyond the City boundaries and sphere of influence and includes properties on the south side of the City.



The existing supplies for the City water system consist of surface water from the San Gabriel River, groundwater from the Main San Gabriel Basin and imported water purchased from the State Water Project.

The City's Urban Water Management Plan Year 2000 Update concludes that "A review of existing supply capabilities indicate that current supplies have sufficient capacity to meet current and future demands." The report notes that increased reliance on overproduction of groundwater as demands grow will result in increased supply costs.

♦ Water Districts That Overlap Portions of the City

San Gabriel Valley Municipal Water District

The City of Azusa is one of four member agencies of the San Gabriel Valley Municipal Water District. This District is a State Water Project contractor and not a member agency of the Metropolitan Water District of Southern California ("Met"). The other cities are Alhambra, Monterey Park and Sierra Madre.

The San Gabriel Valley Municipal Water District boundaries do not coincide with City boundaries in the Monrovia Nursery Specific Plan area.

Three Valleys Municipal Water District

This Municipal Water District is a member agency of Met and provides supplemental imported water to its service area. It extends east of the City to the Los Angeles/San Bernardino County line and south to the Los Angles/Orange County line.

Only a small portion of the City is within the District, as is the Monrovia Nursery project proposed to be annexed to the City.

Since the City is a member of one State Water Project contractor (the San Gabriel Valley Municipal Water District) and Three Valleys MWD is a member of another (Met) there is an "institutional separation" and Three Valleys MWD maintains only an indirect relationship with Azusa."²

> Upper San Gabriel Valley Municipal Water District

This District is a member agency of Met and provides supplemental imported water to its service area, which extends west and south of the City and includes much of the San Gabriel Valley. Thus, the City has access to both Met treated and untreated water supplies as a sub-agency of the Upper San Gabriel Valley MWD.

² Letter from Richard Hansen, P.E. General Manager/Chief Engineer of Three Valleys MWD to Sera Grossman, Los Angeles LAFCO staff (July 9, 2003)



¹ Urban Water Management Plan, Year 2000 Update, pg. 14, Civiltec Engineering Inc.

The District includes only small portions of the City and is not seen as a significant factor in the City's MSR or sphere of influence.

The Los Angeles LAFCO will conduct an MSR for water agencies in the San Gabriel Valley, during which there will be an extensive examination of the relationships between these and other water supply agencies within the area. Such analysis is beyond the scope of this report.

LAFCO staff has informed the affected water agencies that "we plan, in the near future, to meet with all 12 water districts in the San Gabriel Valley, for the purpose of discussing in detail LAFCO's process in meetings its obligation to perform sphere of influence updates and municipal service review as called for in Sections 56425 and 56430."³

San Gabriel Valley Mosquito and Vector Control District

The San Gabriel Valley Mosquito and Vector Control District (SGMVCD) includes the City of Azusa and surrounding area, extending east to the San Bernardino County line. No change in service boundaries is proposed.

The SGMVCD provides nuisance insect surveillance and abatement services, which given the expanding threat of West Nile Virus infections, will play a pivotal role in disease prevention.

This report does not provide a complete review of the SGMVCD, as the District includes other MSR study areas. We are aware of no suggestion to detach the City of Azusa or alter the current service arrangement.

D. EXHIBITS

At the conclusion of this report, we present a series of exhibits related to the City and its services. They include the following:

<u>Exhibit</u>	<u>Description</u>
Α	City of Azusa – Functional Organization Chart
В	Map of the City of Azusa Sphere of Influence and City Boundaries
C	Map of the Los Angeles Consolidated Fire Protection District
D	Map of County Sanitation District 22
E	Map of the San Gabriel Valley Municipal Water District



³ Letter from Larry Calemine, Executive Officer, Los Angeles LAFCO to Richard Hansen (July 21, 2003)

- F Map of the Three Valleys Municipal Water District
- G Map of the Upper San Gabriel Valley Municipal Water District
- H Map of the San Gabriel Valley Mosquito and Vector Control District

III. MUNICIPAL SERVICE REVIEW DETERMINATIONS

This is the portion of the report that addresses the nine factors specified in LAFCO's governing statute for the MSR for the City of Azusa.

The City of Azusa's current General Plan was adopted in 1983. Much has happened since that time. The City is in the process of producing and adopted a revised Comprehensive Plan. The ability to prepare a cogent, relevant MSR is due in large part to the environmental impact report (EIR) that was recently certified by the City for the Monrovia Nursery Specific Plan. It contains up-to-date information about the City's service capabilities, resources and population projections for both the project and cumulatively for the City.

A. INFRASTRUCTURE NEEDS AND DEFICIENCIES

LAFCO is responsible for assessing whether the City is reasonably capable of providing needed resources and infrastructure to serve areas within the City and its Sphere of Influence (SOI). It is important that infrastructure and resources are available when SOI revisions or annexations occur.

It is prudent for LAFCO to evaluate present and long-term infrastructure demands and available resources for the community, which can be accomplished by evaluating the resources and services that are currently available in relation to adopted plans and projections.

The Draft EIR for the Monrovia Nursery Specific Plan and Project (October 2002) concludes on page 5-7 that "The existing infrastructure for water supply, wastewater and sanitary sewers, natural gas, telephone service and electricity for the City of Azusa is either sufficient to handle projected increases resulting from the cumulative projects or are expandable so that such increase would cause minimal impacts."

Key infrastructure areas are discussed below.

Water Supply and Availability

Azusa Light & Water is the retail water purveyor for the City of Azusa. There are no other retail water purveyors within the City.

The City is supplied by surface water, groundwater and imported water. It is a member agency of the San Gabriel Valley Municipal Water District that maintains a State Water Project contract to obtain supplemental water supplies. District bonds are being repaid through property taxes.

The San Gabriel Valley is an adjudicated basin and the demands of the cities have the potential at times to exceed allowable ground water supplies obtained by pumping. In such cases the City has access to imported supplemental supplies from the State Water Project.

Water Code Section 10910 requires public water suppliers to provide an availability assessment of water supplies for all developments greater than 500 homes. The analysis must evaluate water supply sufficiency in normal, single-dry and multiple-dry years over a 20-year time horizon.

In September 2002, the City Council approved a Water Supply Assessment prepared by City staff for the proposed Monrovia Nursery Specific Plan. This analysis concluded that ". . . Azusa



Light and Water's facility capacity is well in excess of current or projected system-wide demand."4

Electrical Power

Azusa Light & Water is the electrical power purveyor for the City of Azusa. The supply of power for the City appears to be secure for the foreseeable future. The City belongs to a consortium of other public agencies providing electrical power. It has negotiated long-term supply contracts and also can purchase electrical supplies on the open market (for short term needs).

Southern California Edison is the purveyor to the unincorporated "islands" in the southern part of the City. If those areas annex to the City, condemnation might be required for the City to replace SCE as the electrical purveyor.

Sanitation Treatment and Disposal

The City owns and operates the sewage collection system within its boundaries. The treatment and disposal of sewage is provided by County Sanitation District No. 22, a regional agency governed and administered by its own separate Board of Directors.

Sewage flows are directed through regional trunk lines to the San Jose Creek Water Reclamation Plant adjacent to the City of Industry and the Joint Water Pollution Control Plant located in the City of Carson. The San Jose Creek WRP has a design capacity of 100 million gallons a day (mgd) and currently processes 88.7 mgd, which is still significantly below the design capacity of the facility. It appears there is sufficient capacity in District facilities to accommodate projected City land uses.

As part of a larger regional system, capacity at other County Sanitation District facilities can be made available to District No. 22. The overall permitted capacity of the Joint Outfall system (serving the central Los Angeles basin) is 577.7 mgd, with a current flow of approximately 475 mgd.

Law Enforcement

The Azusa Police Department operates from a main station at 725 North Alameda Avenue, which was renovated in 1999 and is considered adequate to accommodate a citywide population of 63,500, as anticipated under the City General Plan.

There are 60 POST-certified officers, 10 reserve officers, 31 civilian employees, 15 crossing guards and eight volunteers. The sworn officer-to-population ratio is about 1.35 officers for each 1,000 residents. Staffing levels, facilities, response times and levels of service are considered adequate for the current population.

A comparison with other moderately sized cities⁵ in Southern California indicates that the City's sworn officer-to-population ratio of 1.35 is slightly below the benchmark average of 1.6.



⁴ Monrovia Nursery Specific Plan and Project Draft EIR, pg. 4.13-10 (October 2002)

Fire Protection and Emergency Services

The City of Azusa contracts with the Los Angeles Consolidated Fire Protection District for fire suppression, rescue and paramedic service within the City. Two stations are within the City's sphere of influence: Station 32 at 605 North Angeleno Avenue and Station 97 at 18453 E. Sierra Madre Avenue. Station 32 is staffed with an engine company (and one on reserve), a paramedic squad (and one on reserve), water tender and urban search and rescue trailer. Station 97 is staffed with one engine company and one patrol unit. Stations in nearby communities are also available to respond to emergencies within the City.

Stations available to the City provide adequate response times and levels of protection.

Parks, Recreation, Library and Senior Services

The City of Azusa provides local parks and recreation. The City Master Plan of Local Parks establishes a parkland standard of 3.5 acres per 1,000 residents. The City maintains 52 acres of park land and an additional 18 acres will be added if the Monrovia Nursery project is implemented. It is noted that the proposed Parks Masterplan will adopt a standard of 5.0 acres per 1,000 population and will include joint use of school property for park use.

The City also provides recreational programming including highly structured youth and adult sports leagues, Citywide special events, specialty instructional classes, facilities for group picnics, day camp child care during Spring break and Summer vacation for children 5-12 years of age and after school park and playground programs. There is a 1.8 million dollar aquatic center with a Learn To Swim program, a novice swim team and recreational swim times.

The Azusa Senior Center provides a number of services and programs designed for older adults including social events, congregate senior meals, home delivered meals and transportation services.

The City Library is at 729 North Dalton Avenue and provides a variety of services in both English and Spanish including books, videos and technology.

Land Use Planning and Regulation

The City's effective General Plan was adopted in April 1983. It is complete with all statutorily required elements, i.e., land use, circulation, housing, seismic safety, and so forth but the City feels it is outdated and in need of revision.

A comprehensive modification of the General Plan and Development Code has been prepared. It is the subject to hearings being conducting by the City Planning Commission.

Solid Waste Disposal

The City maintains a contract for waste collection and disposal with Athens Disposal Company, a commercial waste hauler. The level of service appears to be adequate for the community. The



⁵ Including the cities of Culver City, Monrovia, Montclair and LaVerne.

City has been able to comply with State requirements to reduce the volume of trash going to the landfill by recycling programs.

Waste is taken to the Athens Material Recovery Facility for recycling and the remaining waste is disposed of at the Puente Hills Landfill, which is located in unincorporated territory adjacent to Hacienda Heights. Waste may also be disposed of at other landfills throughout the County, including the Olinda Alpha Sanitary Landfill in Brea, which has an anticipated closure date of January 1, 2013.

The EIR for the Monrovia Nursery Specific Plan identified the need for increased landfill capacity in the future based on cumulative impacts. This is a regional issue that affects a service area larger than Azusa and consideration will need to be given in the future to securing expanded or alternative disposal capacity.

B. GROWTH AND POPULATION PROJECTIONS

As of 2000, the U.S. Census Bureau estimates that there are 45,948 residents of the City of Azusa, with 13,061 dwelling units and an average household size of about 3.52.

Azusa has experienced considerable growth over the last few decades. From 1970 to 2000 population increased by 82%. The following table (**Table III-1**) depicts decennial population changes in Azusa from 1900 based on census data.

Year	Table III-1 Population	Percent Change
1900	863	
1910	1,477	41.6
1920	2,460	40.0
1930	4,808	48.8
1940	5,209	7.7
1950	11,042	52.8
1960	20,497	46.1
1970	25,217	18.7
1980	29,380	14.2
1990	40,831	39.0
2000	45,948	12.5

The Southern California Association of Governments (SCAG) is the regional planning agency for a six-county region (Imperial, Los Angeles, Orange, Riverside, San Bernardino and Ventura). SCAG is divided into 14 sub-regions; Azusa is in the San Gabriel Valley Council of Governments sub-region.

The following table (Table III-2) depicts SCAG Regional Growth Forecasts for Azusa through 2020.

T-11- TTT 2

Year	Projected Population	Percent change
2010	49,248	7.2
2020	50,274	2.1



According to the City's 2001 Housing Element, among the eight San Gabriel Valley Foothill cities, Azusa has long supplied a disproportionate amount of the affordable housing. As a result, it has the lowest rate of home ownership and lowest median housing sales price, factors that have contributed to a decline in retail economic activity as surrounding cities sales tax revenues increased due to stronger local buying power. The annexation of the Monrovia Nursery Specific Plan is projected to add a number of homes that are predominately owner-occupied, thereby reducing the percentage of city-wide tenant occupied housing and bringing about an improved ratio of owner-occupied units with beneficial effects for community stability and balance.

City population growth will probably exceed SCAG projections. The proposed Monrovia Nursery project would generate 5,505 residents, or 1,179 more than projected by SCAG for Azusa for 2020. This growth however appears to be consistent with the underlying policies of the Regional Comprehensive Plan and Guide (RCPG) which encourages focusing growth in already developing urban areas through infill development, higher densities along transit and transportation corridors and on–site commercial and support uses to serve new residents.

The Los Angeles County Assessor, in its 2003 Annual Report, ranks Azusa as having the greatest increase in assessed value of cities in the San Gabriel Valley. As reported in the City of Azusa's website, "A 10.6% increase in assessed valuation last year reflected Azusa's growing residential and business appeal. Ranked highest in the San Gabriel Valley, Azusa was number two out of all 88 cities in L.A. County, exceeded only by fast-growing Palmdale." The L.A. Times Real Estate section noted Azusa as a place where "comparatively affordable single family homes and new residential and commercial developments are bringing buyers."

C. FINANCING CONSTRAINTS AND OPPORTUNITIES

Like most cities coping with tax limitations and transfers of revenues to the State, Azusa requires new developments to "pay their own way." The practice of requiring economic analyses to identify fiscal impacts of proposed developments is a commonly used practice.

The City conducted a fiscal impact analysis of the Monrovia Nursery Specific Plan that describes the current and projected capacity of the City's public facilities and ability to accommodate development without adversely impacting existing residents. The study concluded that methods could be imposed to pay for new services that would ensure the added costs are borne by new development, resulting in a neutral fiscal impact for the existing city residents.

The City has in place a capital improvement plan, development impact fees, developer-required mitigation in the form of infrastructure improvements for new projects and programs to monitor public service needs. It is reasonable to conclude that the City endeavors to avoid long-term, unfounded financial obligations for capital improvements or their maintenance.

D. COST-AVOIDANCE OPPORTUNITIES

Azusa provides a full array of municipal services (except for wastewater treatment) to its residents and business community. This may allow the City administration to bring about economies by implementing functional reorganizations and realignments, performance measurements, and other management tools.



The Semi-Annual Report to the City Council on Workplan Progress (February 10, 2003) reveals many programs and procedures that the City is pursuing to create a more efficient and effective municipal service organization. There are numerous programs affecting all City departments that have been inaugurated to create efficiencies for the public.

New development in the City increases demands for City services but through a sophisticated development review process, City needs, both short- and long-term, can be addressed before annexation proposals are presented for LAFCO approval.

E. OPPORTUNITIES FOR RATE RESTRUCTURING

There are no apparent governmental options that would lead to a restructuring of rates charged by the City for services provided.

Significant progress appears to have been made in providing cost-effective services. Azusa Light & Water has maintained the lowest electric and water rates in the San Gabriel Valley. It has won two major awards for having the best record in California for energy conservation during the electricity crisis in 2001 (from the State of California and the California Municipal Utilities Association).

The City received a Model Community Achievement for Clear Air in 1998 from the south Coast Air Quality Management District for its Metrolink shuttle service and a "pass subsidy" program.

F. OPPORTUNITIES FOR SHARED FACILITIES

It is recognized that significant sharing of facilities is already occurring. Two obvious examples are contracting with the County Fire Protection District for service within the City and utilizing a regional wastewater treatment plant.

The City, through Azusa Water and Light, provides water to several areas that are located outside of the City boundaries and outside of the City sphere.

The proposed Monrovia Nursery Annexation will bring much of the undeveloped portion of the City's sphere of influence into the City boundaries. Continued growth and development within the City sphere of influence may present increased opportunities for Azusa, the County and neighboring cities to work together to share facilities to more effectively serve the public.

The recreational aspects of trail connections may offer opportunities for the City and County to join their recreational resources not only to the benefit of the City residents, but for the general public of the County as well. Coordination of open space corridors that cross the City limit will enhance the viability of habitat from the area and preserve important habitats for generations to come.

G. GOVERNMENT STRUCTURE OPTIONS

The fact that the City provides a wide range of municipal services, as described earlier, creates less opportunity to examine traditional forms of government reorganizations such as detaching from regional service agencies or creating subsidiary districts governed by the City Council.



Opportunities to increase governmental efficiency, promote local democratic representation and enhance the City's ability to implement its adopted plans is presented by the city boundaries located largely in the southern part of the sphere area, from I-210 to Arrow Highway. The City limits are illogical and confusing.

A challenge may be to create a smooth transition for this part of the City planning area from being unincorporated to becoming part of the City. This can be facilitated by understanding and utilizing the existing annexation statutes in conjunction with continued cooperation with the County and LAFCO. Development and implementation of an annexation program may be appropriate.

H. MANAGEMENT EFFICIENCIES

Azusa exhibits the characteristics of a well-managed city that operates efficiently and serves residents effectively. In the past few years the City's financial condition has improved and the City continues to act to improve its financial condition.

The City appears to be proactively managing its future, the effects of which will be tested given the State's current fiscal difficulties. Various City Departments consistently monitor and quantify their activities in a number of ways to improve effectiveness and reduce costs.

I. LOCAL ACCOUNTABILITY AND GOVERNANCE

The City of Azusa is a relatively compact government, which enhances the ability of the public to participate in municipal activities. The governing City Council is elected by and accountable to the voters who reside in the City. City Council meetings are televised. The City holds community workshops, neighborhood meetings and other outreach activities to ensure matters are discussed with the broadest public input possible. For example, newsletters are sent to all households.

The City has an excellent Website providing a variety of information about City services and activities that is updated frequently. The City maintains relationships with local news media, providing information as requested. It maintains agenda mailing and distribution lists, similar to most cities in the state in an effort to maintain public dialogue regarding municipal issues.



IV. SPHERE OF INFLUENCE REVIEW AND UPDATE

A. Description of Current Sphere of Influence

Sphere of Influence Definition:

"A plan for the probable physical boundaries and service area of a local agency, as determined by the commission." (Government Code Section 56076)

Government Code section 56425 states, "The Commission shall develop and determine the sphere of influence of each local governmental agency within the county and enact policies designed to promote the logical and orderly development of areas within the sphere."

It provides further that in determining the sphere of each agency the Commission must prepare a written statement of its determinations with respect to the following considerations:

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

It has become common practice for LAFCOs to prepare written statements concerning these factors whenever modifying a sphere, so these considerations are kept current.

One statutory change brought about the by Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 was to require LAFCO, for the first time, to periodically review adopted spheres and update them if necessary. The law requires they be reviewed not less than once every five years.

B. No Proposed Sphere Changes

In response to the Request for Information distributed by LAFCO for the Municipal Service Review program, the City of Azusa said "No" to the following questions:

- 21. Are there any areas that the agency desires or plans to serve that are not now within its boundaries or SOI area?
- 22. Does your agency anticipate submitting to LAFCO within the next two years any proposal to amend your sphere of influence?

This response is in keeping with an examination of the City of Azusa sphere of influence in relation to the boundaries of other nearby cities: On the west the sphere in contiguous with the Cities of Duarte and Irwindale; on the south the sphere adheres to Arrow Highway which is contiguous with the City of Covina; on the east the sphere is largely conterminous with the City of Glendora and on the north the sphere is within and adjacent to steep and not easily developable terrain.



C. SPHERE OF INFLUENCE DETERMINATIONS

This portion of the report addresses the required determinations as specified in LAFCO's governing statute for the sphere of influence of the City of Azusa.

Present and Planned Land Uses in the Area

Land within the sphere is largely built out, with the great majority within the boundaries of the City. The City is in the process of revising and updating its current General Plan, which was adopted in 1983. The City has applied to LAFCO to annex the Monrovia Nursery property, which is the largest area within the sphere that is not developed with urban uses.

Present and Probable Need for Public Facilities and Services in the Area

The City has a population of about 46,000 and provides an array of municipal services that benefit current residents and property owners, including local representation and advocacy, electrical power, law enforcement, land use planning and building regulation, library services, public parks and recreation, refuse collection and recycling, water supply, street lighting, street maintenance, storm water disposal, transit services and wastewater collection.

While the City is largely built out, the approved Monrovia Nursery Specific Plan if implemented will result in the development of up to 1,250 new dwelling units, 50,000 square feet of commercial uses, a new elementary school, public parks and trails and a future transit center. These uses and any other development that occurs within the City will require a full range of municipal services.

Present Capacity of Public Facilities and Adequacy of Public Services That the Agency Provides Or Is Authorized to Provide

The City of Azusa has sufficient capacity, or can develop adequate capacity to serve the uses planned by the General Plan and approved Specific Plan for the Monrovia Nursery property including adequate water supply and wastewater disposal.

Existence of Any Social Or Economic Communities of Interest

The City of Azusa is a compact community that has had a presence in the San Gabriel Valley and County of Los Angeles for more than 100 years. The City has a high degree of community identity. Developed unincorporated "pockets" interspersed with area of the City, located primarily south of Base Line Road, appear to be part of the social and economic community of interest that includes the City of Azusa but are outside the City's legal and political boundaries.



V. COMMENTS AND RESPONSES

The following written comments about the draft report were received and are attached as part of this report; the responses to these comments are as indicated.

- ◆ County Sanitation Districts of Los Angeles County (12/8/2003 *Modifications were made to the final text of the report.*
- ◆ San Gabriel Valley Mosquito & Vector Control District (12/18/03)

 Comment is noted; no response is required.
- ◆ County of Los Angeles Fire Department (12/29/03)

 Comment is noted; no response is required.
- ♦ Three Valleys Municipal Water District (1/2/04)

The District is opposed to the recommendation that if the Monrovia Nursery Specific Plan is annexed to the City of Azusa it should be concurrently annexed to the San Gabriel Valley Municipal Water District and detached from the Three Valleys Municipal Water District.

Response: The Municipal Service Review proposes that if and when the Monrovia Nursery project is annexed to the City of Azusa, water district boundaries should be adjusted to be consistent with the newly established municipal boundaries.

No proposed detachment is currently pending before the Commission. The appropriate time to address the specific issues raised in this comment letter would be when a proposed boundary change is being considered. The District would receive proper notice of any such hearing.

Municipal Service Reviews are not required to address specific factors to be considered in the review and consideration of a specific boundary change. It would be appropriate for LAFCO to consider specific matters, such as the effect of a detachment on the affected agencies, when a specific proposal is before the Commission.

While it is understood that the District reserves the option of opposing any subsequent efforts to detach territory from the District, it is well established in both statute and case law, i.e., Simi Valley RPD (51 Cal.App.3d 648) that special districts do not have a "veto" over detachments.

It is noted that the reference in the January 2, 2004 letter from the District's legal counsel should be to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 rather than to its predecessor statute.

◆ Upper San Gabriel Valley Municipal Water District (1/6/04)

The comment is appreciated; modifications were made to the final text of the report.



Verbal testimony was received from the following individuals at a public meeting held at the Azusa City Hall by the Commission staff on January 7, 2004 to receive comments about the draft report:

- ◆ Joe Guerrera
- ◆ Lana F. Grizzell
- ♦ Seamus McKeever
- Peggy Martinez

The comments that were made do not deserve specific responses in the text since they addressed the proposed annexation and development of the Monrovia Nursery.

One comment concerned comparative cost-per-capita of providing municipal services by cities in the San Gabriel Valley; it is not seen as modifying the text of the report.



VI. RECOMMENDATIONS

In consideration of information gathered and evaluated during the Municipal Service Review the following recommendations are provided for consideration by the Commission and affected parties:

- ♦ It is recommended the City of Azusa Sphere of Influence not be expanded or revised at this time.
- ♦ It is recommended that coincident with the annexation of the Monrovia Nursery Specific Plan to the City of Azusa, should that application be approved, the affected territory be concurrently annexed to the San Gabriel Valley Municipal Water District and detached from the Three Valleys Municipal Water District.
- ♦ It is recommended that consideration be given to making service area boundaries more logical and rational in the southern portion of the City by annexing the pockets and islands of unincorporated territory to the City utilizing the annexation procedures available in the Cortese/Knox/Hertzberg Local Government Reorganization Act.

VII. LAFCO HISTORY, POWERS AND DUTIES

A. INTRODUCTION

Local Agency Formation Commissions (or LAFCOs) are a unique California approach to dealing with population growth and public service problems that first became evident in a significant way in the post-World War II era.

During and following World War II California experienced a dramatic increase in population and economic development. These changes, together with popular ownership of automobiles, created growing demands for housing, public services and public infrastructure, often in suburban areas.

Before LAFCO

Prior to 1964, decisions to expand city boundaries were left to the city and the annexing landowner. There was no external or third party oversight. As a result, and due to the desires of some communities to capture their perceived share of new growth, annexation "wars" evolved between some cities, with cities annexing land to be a position to annex additional territory.

Annexations to special districts and the creation of new cities or special districts also occurred without any third party review. A general lack of coordination led to a multitude of overlapping, inefficient jurisdictional and service boundaries and premature conversion of much of the State's productive agricultural and open-space lands. In short, the result was "urban sprawl."

Recognizing these problems, in 1959 newly elected Governor Edmund G. Brown, Sr. appointed the Commission on Metropolitan Area Problems. It was to study and make recommendations on the "misuse of land resources" and the growing complexity of local governmental jurisdictions. The Commission's revelations about local governmental reorganization were converted into proposed legislation that was enacted in 1963 and created a Local Agency Formation Commission in each county (except the City and County of San Francisco).

LAFCO Review of Boundary Changes

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

LAFCO regulates, through approval or denial, boundary changes of cities and special districts. It is empowered to undertake studies of local agencies and to initiate updates to the spheres of influence. Typically, applications to LAFCO originate with affected landowners, developers, cities or districts.



Los Angeles LAFCO

The Los Angeles LAFCO consists of nine regular members: three members are appointed by the Board of Supervisors, two from its own membership and one citizen resident of the San Fernando Valley Statistical Area; one member appointed by the Los Angeles City Council from its own members; two members appointed by the mayors of the other cities in the County; two members of special district boards appointed by the presiding officers of the independent special districts in the County; and one public member, appointed by the other members of the Commission.

There are also six alternates members who vote in the absence of a regular member. Commissioners are appointed to four-year terms.

The day-to-day business of the Commission, including preparing reports and recommendations is the responsibility of the Executive Officer and other members of the LAFCO staff and the Commission has legal counsel for assistance.

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

B. LEGISLATIVE HISTORY (MAJOR CHANGES ONLY)

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

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

- LAFCO is created as regulatory agency in each county to organize cities and special districts in order to promote orderly boundaries and discourage urban sprawl.
- 1971 LAFCO becomes a planning agency when directed by the Legislature to prepare and adopt a "sphere of influence" of each city and special district
- Due to a legal challenge to a city annexation, the courts declare LAFCOs are subject to the California Environmental Quality Act and annexations are "projects" under CEOA
- Responding to a lawsuit involving a special district annexation, the Legislature creates firm time limits within which LAFCOs must adopt spheres of influence or lose the ability to approve annexations.
- 1985 LAFCO and boundary change statutes combined into one law, Cortese/Knox Local Government Reorganization Act
- 1993 Significant reforms that authorize LAFCO to initiate certain special district reorganizations, waive conduct protest hearings under certain circumstances and other changes



Significant reforms, some in response to "Growth Within Bounds," the report of the State Commission on Local Governance for the 21st Century. Among the changes:

- ◆ Require LAFCO to review and update spheres a least every five years, and
- Require LAFCO to prepare Municipal Service Reviews when updating spheres

C. LEGISLATIVE REQUIREMENT FOR MUNICIPAL SERVICE REVIEWS

Two separate studies recommended that LAFCOs review local agencies.

Little Hoover Commission

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

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

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

Commission on Local Governance

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

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

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



voters cut property tax revenues in 1978 and the legislature shifted property tax revenues from local government to the schools in 1993.

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

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

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

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

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

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

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

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



D. LEGISLATIVE REQUIREMENT FOR UPDATING SPHERES OF INFLUENCE

Since 1971, LAFCO has been obligated to develop and adopt a sphere of influence for each city and special district within the county. As defined in Government Code Section 56076 "A 'sphere of influence' means a "plan for the probable physical boundaries and service area of a local agency, as determined by the commission."

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

The 2000 amendments to the statute require LAFCO to "review and update, as necessary, the adopted sphere not less than once every five years." (Government Code Section 56425 (f)).

The direct relationship between MSRs and Sphere of Influence Updates is in Government Code Section 56430, which states "In order to prepare and to update spheres of influence in accordance with Section 56425, the Commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission."

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

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

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



ACKNOWLEDGEMENTS

This Municipal Service Review (MSR) of the City of Azusa was prepared under the general direction of Larry Calemine, Executive Officer of the Los Angeles LAFCO and members of his staff. The maps presented in the report were prepared by the LAFCO staff.

Members of the management of the City of Azusa, specifically City Manager Rick Cole, Director of Community Development Roy Bruckner, Director of Public Works Bill Nakasone and Director of Utilities Joseph Hsu were available and instrumental in providing data and responding to questions.

The responsibility for any errors or omissions rests with those who prepared the report, Citygate Associates LLC in conjunction with Braitman & Associates.

REFERENCES

DOCUMENTS

City of Azusa Response to LAFCO MSR Request for Information (Part I and Part II)

City of Azusa Operating Budget (Fiscal Year 2003—2004)

City of Azusa Comprehensive Annual Financial Report (CAFR) – June 30, 2002

City of Azusa Semi-Annual Report to City council on Workplan Progress (February 10, 2003)

City of Azusa General Plan (April 1983)

Note: This is the current General Plan; a comprehensive update is in process.

City of Azusa Monrovia Nursery Specific Plan and Project Draft EIR (October 2002)

City of Azusa City Council Resolution No. 03-C7 Certifying the Final EIR prepared for the Monrovia Nursery Specific Plan and Project Draft EIR (October 2002)

City of Azusa Application to LAFCO to annex Monrovia Nursery Specific Plan

City of Azusa Urban Water Management Plan Year 2000 Update (Civiltee Engineering, Inc.)

City of Azusa Master Plan of Drainage (Revised 1984)

City of Azusa Sewer Collection System (November 2001)

Cortese Knox Hertzberg Local Government Reorganization Act, California Government Code Section 56000 et seq.

Letter from Richard Hanson, Three Valleys Municipal Water District to Sera Grossman at Los Angeles LAFCO (July 9, 2003)

Final Municipal Service Review Guidelines, Governor's Office of Planning and Research, State of California (August 2003)

Growth within Bounds: Planning California Governance for the 21st Century. Sacramento: Commission on Local Governance for the 21st Century, January 2000.

Special Districts: Relics of the Past or Resources for the Future? Sacramento: Little Hoover Commission, May 2000.

Maps prepared by the LAFCO staff for the City of Azusa boundaries and sphere of influence and of other local agencies within the City area

INTERVIEWS

Larry Calemine, Executive Officer, Los Angeles LAFCO Sandor Winger, Deputy Executive Officer, Los Angeles LAFCO Rick Cole, City Manager, City of Azusa Roy Bruckner, Director of Community Development, City of Azusa Bill Nakasone, Director of Public Works Joseph Hsu, Director of Utilities, City of Azusa



EXHIBITS

City of Azusa

