

LAFCO MEMORANDUM

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

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September 4, 2025 (Agenda)

TO: Each Member of the Commission

FROM: Mike Prater
Executive Officer

SUBJECT: Report on conditioning authority when establishing Spheres of Influence of a local government agency

This is an Informational Report. No Action is Necessary

DISCUSSION

The use of terms and conditions when adopting Spheres of Influence can be one of the many tools for LAFCOs to use. Government Code Section 56425 (e) calls for the Commission to review and update each sphere of influence of a local government agency. A number of factors are often considered when establishing a sphere of influence, particular attention when updating these spheres is the determination to further the goals of orderly development and efficient and affordable service delivery of the services provided or any new functions or class of services that may be recommended. Government Code Section 56425 (b) allows for Cities and the County to meet and explore methods to reach an agreement. This can usually result in a memorandum of agreement on where to draw an appropriate sphere of influence and develop standards and planning and zoning requirements within the sphere to ensure the development occurs in a manner that reflects the concerns of the affected city and accomplishes in a manner that promotes the logical and orderly development of an area. Finally, Government Code Section 56430 states in order to prepare and update spheres of influence consistent with Section 56425, the Commission shall conduct a service review of the municipal services provided in the county or appropriate area designated by the Commission. At a minimum seven written statements of its determination are required to assist in making the sphere of influence boundary determination.

These three tools in the LAFCO Commissioners toolbox are designed to help the Commission establish and adopt Spheres of Influence for each local public agency under LAFCO authority. The focus of this report is to take a closer look into the Commission's conditioning authority as

a useful tool to establish an appropriate sphere to further the goals of orderly development and efficient and affordable delivery of services. The Commission received a report on the purpose and intent of a Sphere of Influence and Municipal Service Review on February 4, 2021, a LAFCO 101 Orientation on May 5, 2022, a report on Urban Utility Services for AG parcels on October 5, 2023, use of the Memorandum of Agreements (MOA) process and pursuit of Sustainable Agriculture Lands Conservation Program (SALC) Grant Planning application on January 11, 2024, along with periodic MSR Program update reports to stay informed on the use of these tools and how Santa Barbara LAFCO can use them to adopt appropriate spheres of influence to achieve logical and orderly boundaries. Each year staff has added to our reporting on various methods and tools to better understand the role of the Commission and inform commissioners about best practices.

BACKGROUND

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, beginning with California Government Code (G.C.) §56425, requires the Local Agency Formation Commission (LAFCO or “Commission”) to establish and maintain spheres of influence for all local agencies within its jurisdiction. A sphere of influence (SOI) is defined by statute as a “plan for the probable physical boundary and service area of a local government agency as determined by the commission” (G.C. §56076). Every determination made by LAFCO shall be consistent with the SOIs of the local agencies affected by that determination (G.C. §56375.5). The Commission shall give “great weight” to any agreements to the extent they are consistent with its policies (G.C. §56425(b) and (c)). Local agency SOIs are established and changed in part based on information in municipal service reviews, including adopted determinative statements and recommendations (G.C. §56430).

The intent of the Commission to determine appropriate SOIs that promote the orderly expansion of cities and special districts in a manner that ensures the protection of the environment and agricultural and open space lands while also ensuring the effective, efficient, and economic provision of essential public services, including public water, wastewater, fire protection and emergency response, and law enforcement. The Commission recognizes the importance of considering local conditions and circumstances in implementing its policies. Once adopted, these spheres of influence are to be used by the Commission as one factor in making decision on proposals over which it has jurisdiction and as a basis for recommendations on governmental reorganization. A proposal shall not be approved solely because the area falls within the sphere of influence of an agency. The Commission will generally apply their sphere of influence policy guidelines when making spheres of influence determinations. These policies follow below.

SPHERE OF INFLUENCE POLICIES

The Commission will generally apply the following policy guidelines in spheres of influence determinations while also taking into account local conditions and needs.

1. The plans and objectives contained within the adopted General Plans of the cities and the county will be supported. In cases where these plans are inconsistent, the Commission will adopt findings relative to its decision.
2. Community-centered urban development will be encouraged wherever justified on the basis of reduced cost of desired levels of community services, energy conservation, and preservation of agricultural and open space resources.
3. Duplication of authority to perform similar service functions in the same territory will be avoided.
4. Multiple-service agencies will be preferred to a number of limited services districts. In this regard, city provision of multiple services will be preferred where possible because of the substantially broader authority and responsibility to provide services and controls to their constituencies, including land-use planning controls.
5. Where possible, a single larger agency rather than a number of adjacent smaller ones, established for a given service in the same general area, will be preferred.
6. An economically sound base for financing services without including territories which will not benefit from the services will be promoted.
7. Sphere of influence lines shall seek to preserve community identity and boundaries and will urge the political and functional consolidation of local government agencies that cross-cut those affected communities.
8. Sphere of influence lines may be larger or smaller than existing local agency boundaries and may lead to recommendations for changes of organization.
9. Agencies which do not have major impact upon land, road, or capital facilities planning (such as cemetery districts) shall generally have a sphere of influence which is coterminous with their existing jurisdictional boundaries.
10. Agricultural resources and support facilities should be given special consideration in sphere of influence designations. High value agriculture areas, including areas of established crop production, with soils of high agricultural capability should be maintained in agriculture, and in general should not be included in an urban service sphere of influence.
11. The Commission will consider area-wide needs for governmental services and evaluate individual districts serving the area as they relate to the total system of the existing local government in the community and alternative arrangements.

POLICIES ENCOURAGING CONSISTENCY WITH SPHERES OF INFLUENCE

1. All proposals approved by the Commission shall be consistent with adopted spheres of influence and Commission policies. Within the sphere of influence each agency should

- implement an orderly, phased annexation program.
2. Already developed unincorporated lands located within the established sphere of influence boundary of a city and which benefit from municipal services provided by such city should be annexed to that city. Vacant land in the same position should be annexed prior to development. LAFCO recognizes that costs for serving some developed unincorporated areas, when studied independently, may exceed revenues. In other cases, revenues will exceed service costs. To the fullest extent possible, cities should develop programs that propose annexation of several areas which, if combined together, achieve a net balance in city costs and revenues.
 3. Districts within a city's sphere of influence should develop plans for orderly detachment of territory from the district or merger of the district as territory is annexed to the city and should plan capital improvements according, except where the type of district services provided are not provided by the city. The county shall be encouraged to ensure that development within a sphere of influence and area of interest meets city standards for public facilities and improvements by providing for city review of all county proposals within the city's area of interest.

CONDITIONING AUTHORITY

GC 56426. The commission shall not approve or conditionally approve a change to the sphere of influence of a local government agency of territory that is subject to a farmland security zone contract pursuant to Article 7 (commencing with Section 51296) of Chapter 7 of Part 1 of Division 1, if that local government agency provides or would provide facilities or services related to sewers, nonagricultural water, or streets and roads to the territory, unless these facilities or services benefit land uses that are allowed under the contract and the landowner consents to the change to the sphere of influence.

GC 56428(d)(2)(e) At the conclusion of its consideration, the commission may approve with or without amendment, wholly, partially, or conditionally, or disapprove the request. The commission shall follow the procedures in Section 56425.

The Commission is granted the authority to apply conditions to its approvals related to SOIs amendments and annexations/changes of organizations. If the Commission desires to approve an SOI amendment and impose conditions the following are examples of conditions that may fall within authority when considering such actions:

- Require the City to first update its General Plan and pre-zone the property.
- Require the urban limit line (ULL) to first be expanded to include the property, which would or may require a change to the any existing agreements between the City and the County.

- As part of pre-zoning, address the location, distribution, intensity, and extent of the land use designation(s), including open space.
- Require a Memorandum of Agreement or Understanding between the City and County that defines mutually acceptable terms for the extension of planned services in the SOI prior to annexation approval by LAFCO.
- Require the applicant and/or the City to enroll a portion of the property in a conservation easement or similar protection mechanisms.
- Prior to any future annexations, require a Strategic Plan that includes any or all of the following: fiscal analysis, analysis of current water system and fire suppression operations, current water usage and demands, future anticipated water usage and demand (such as subdivision ability, accessory dwelling/secondary dwelling unit ability, and other growth), and consistent outreach plan.
- Create a framework for future annexation review and to foster joint agency collaboration regarding expanded services to the SOI areas. 1) Adopt a Memorandum of Agreement (MOA) between the affected agencies. 2) Future development within the District's SOI shall be coordinated based on the availability and capacity of urban services within planned urban development and expansion areas. 3) the affected agencies and County should meet collectively with LAFCO to discuss the timing and need for infrastructure and services in the proposed annexation area(s). 4) document with a fire, water, and wastewater system capacity analysis that adequate capacities are available to serve existing and planned development as part of an annexation application filed with LAFCO. 5) consider formalizing an agricultural service zone or other mechanism (conservation easements) that limits the extension of services to areas that contain agricultural uses as part of an annexation application filed with LAFCO.
- Subject to the granting and recording of industrial easements (consistent with an earlier agreement between the County and the City).
- Will-Serve Letters shall have a sign-off signature from a licensed qualified engineer with appropriate expertise confirming that, with the annexation, the annexing territory will continue to satisfy the district's minimum requirement that the system meet a set standard.
- Condition that the City develop an annexation plan before their next service review.
- Establish more transparency towards operation, governance, and finances requiring this information be made publicly available on the agency's website or within a standalone webpage no later than a specified date.
- Require that applicants protect one acre of existing farmland of equal or higher quality for each acre of Prime, Unique, or Farmland of Statewide Importance that would be developed as a result of an annexation.

- As a condition of an annexation application being filed with LAFCO, the City shall document with a water supply analysis that an adequate, reliable, and sustainable water supply is available and deliverable to serve the areas proposed for annexation.
- SOI approval requires the City to efficiently utilize its existing inventory of vacant land within the City prior to requesting annexation of new territory.
- Future development shall be prohibited from utilizing groundwater from the specific Aquifer. Future annexations shall use deed restrictions, covenants or other appropriate measures to ensure that the groundwater is not pumped from this aquifer.
- Other groundwater basins in the area proposed for use shall document the safe yield of the basin and the future reliability of the aquifer.
- In order to avoid a "leap-frog" development pattern, encourage orderly growth in the area, and discourage urban sprawl, any proposals within the Sphere of Influence shall be phased such that properties adjacent to the existing City Limits are developed as part of the first phase of development.
- As a condition of an annexation application, the development on vacant or underutilized parcels already within the boundaries of the City shall be evaluated. The City shall provide LAFCO with a build-out estimate or inventory and document how it was prepared.
- The City shall identify all agricultural and open space lands to be protected in the SOI areas when preparing a Specific Plan.
- Prior to LAFCO filing the certificate of completion (if an annexation is approved), conservation easement(s) shall be recorded on the deed(s) of the properties affected by the annexation specifying the areas to be protected in perpetuity.
- Revise and update its General Plan in accordance with State law;
- Obtain a determination of substantial compliance from the California Department of Housing and Community Development (HCD) consistent with Government Code section 65585(d) or (h). The City shall establish in its approved Housing Element that it has or will meet its regional share housing needs for all income levels for the given housing element cycle revisions, as defined in Government Code section 65588.
- Adopt appropriate land use designations for all property within the Sphere of Influence area;
- Pursuant to Government Code section 56375, pre-zone the property consistent with the City General Plan. In pre-zoning within the sphere of influence amendment, the City shall address the location, distribution, intensity, and extent of the land use designations, including open space.
- Agency is encouraged to promote annexations within the Sphere of Influence Amendment area that are well planned, capable of being efficiently served, have an orderly development pattern, and avoid the premature conversion of open space and agricultural lands.

- Submit to LAFCo for its review and approval, an updated Master Services Element which includes a program of implementation and financing measures necessary to support the provision of major components of infrastructure and services, and other essential facilities, needed to support the proposed distribution, location, extent and intensity of land uses proposed within the sphere of influence area. The Master Services Element shall identify a water source(s) and the ability to acquire said water source(s) sufficient to serve the area contained in the annexation application. The Master Services Element shall identify the process the City will undertake to acquire and secure a water supply sufficient for LAFCO to determine compliance.
- Shall prepare a plan to address the necessary improvements to the local roadway network of each jurisdiction in order to mitigate the impacts associated with development within the sphere of influence area. The plan should include a list of improvements, description of the responsible jurisdiction, phasing plan and a clearly defined financing mechanism. Implementation of the plan shall result in service levels on local roadways that are consistent with the General Plans of the City and County and the plan shall be submitted with the annexation application.
- Shall identify the traffic/transportation measures that must be implemented to mitigate the potential impacts on regional transportation infrastructure from proposed development. The City shall further set forth a funding strategy to construct the traffic/transportation measures necessary to fully mitigate the impacts from the development of the SOI area and a proposed timeline for the construction of such improvements. The timeline shall be linked to the approval and construction of new development within the SOI, within a time frame intended to mitigate the long-term impacts from the SOI development. Where appropriate, the City shall utilize assessment districts and impact fee programs to fund improvements.
- Shall include a Transit Master Plan, Bikeway Master Plan, Drainage Master Plan, Habitat Conservation Plan, Airport Master Plan, etc. for the SOI area consistent with the policies of the City's General Plan.
- Prior to LAFCo approval of any application to annex property within the Sphere of Influence the agency or other applicants shall meet and confer with other affected agencies regarding impacts to the districts and their operations.

CONCLUSION

The Commission when establishing spheres of influences for local agencies typically use the SOI boundary as a vehicle to highlight future actions or positions, the commission might take, related to the agency's boundaries and services. Sphere updates are a way to make some real improvements with local agencies. However, if SOIs stay status quo or coterminous forever, establishment of the SOI as a leverage tool becomes non-existent aside from any potential grand jury reviews as a result of municipal service reviews.

Although the conditioning authority can be broadly implemented, its use as an effective tool should remain reasonable, coordinated with the affected agency, have a related nexus to the desired outcome, and enough specifics to be carried out in a timely manner. Under an individual SOI amendment as part of an application, typically they are always accompanied by an annexation application for which the commission has greater conditioning and discretion as necessary to approve, or conditionally approve, or deny a request. These types of SOI proposals are typically viewed differently because the annexation is made apart of the review and decision process.

LAFCO staff will likely be recommending that the sphere boundaries of each city be reaffirmed once again with the condition that each city with spheres greater than their service boundary develop an annexation plan by or before their next cycle of sphere of influence adoption. Each city should develop a plan to determine when the areas within its sphere boundary should be annexed into. If no plan is submitted prior to their sphere of influence adoption cycle (January 2031), then the Commission should consider reducing the sphere boundary to better reflect the city's future growth expectations.

In addition, each participating city will be encouraged to continue discussions with the county to develop a memorandum of agreement that proposes an appropriate sphere of influence and develops standards, planning, and zoning requirements within the sphere to ensure the development occurs in a manner that reflects the concerns of the affected city and accomplishes in a manner that promotes the logical and orderly development of an area.

Attachments

Attachment A – None

Please contact the LAFCO office if you have any questions.