



August 11, 2010

CHAIR
PETER HERZOG
Councilmember
City of Lake Forest

TO: Local Agency Formation Commission

VICE CHAIR
JOHN MOORLACH
Supervisor
2nd District

FROM: Executive Officer

SUBJECT: LAFCO's 2010-2011 Strategic Plan

CHERYL BROTHERS
Councilmember
City of Fountain Valley

Attached is the 2010-2011 Orange County LAFCO Strategic Plan. As a reminder the Strategic Planning session will be held on the Commission's regularly scheduled meeting date of **August 11, 2010 starting at 8:00 am. The Commission will meet at the Ebell Society's building located at 625 French Street in Santa Ana.**

BILL CAMPBELL
Supervisor
3rd District

ARLENE SCHAFER
Director
Costa Mesa
Sanitary District

You can enter the Ebell Society's parking lot off of Santa Ana Blvd and Mortimer Street, four (4) blocks east of Broadway and the Orange County Civic Center Plaza.

SUSAN WILSON
Representative of
General Public

The following is a picture of the entrance to the Ebell Society's building.

JOHN WITHERS
Director
Irvine Ranch Water District

ALTERNATE
PAT BATES
Supervisor
5th District

ALTERNATE
PATSY MARSHALL
Councilmember
City of Buena Park

ALTERNATE
DEREK J. MCGREGOR
Representative of
General Public

ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer



2010

Orange County LAFCO's Strategic Plan

"We must learn to view change as a natural phenomenon - to anticipate it and to plan for it. The future is ours to channel in the direction we want to go...we must continually ask ourselves, "What will happen if...?" or better still, "How can we make it happen?"

-Lisa Taylor

Orange County Local Agency
Formation Commission
8/11/2010

ORANGE COUNTY LAFCO'S STRATEGIC PLAN

"Without change, there can be no progress!"

It was nearly 15 years ago that Orange County LAFCO began a formal strategic planning process. Over this period, the Commission has considered many changes of organization that included: formation of new agencies, district consolidations, merger of agencies, development of governance options, and review of county boundaries adjustments. Additionally, Orange County LAFCO has been a flagship agency for its Municipal Service Review (MSR) stakeholder process and leading the way statewide through its Unincorporated Islands Incentive Program.

Through its annual strategic planning process, the Commission identifies challenges (short and long-term) facing LAFCO and Orange County. The Commission also identifies broad initiatives that establish LAFCO priorities and resources to address these challenges.

The 2010 LAFCO Strategic Plan includes a revisit of our mission, a look-back at the past year, a summary of the budget, a discussion of the "new normal", and strategic initiatives for the upcoming year. The session will be held on Wednesday, August 11 starting at 8:00 a.m. at the Ebell Society Building in Santa Ana.

ORANGE COUNTY LAFCO'S MISSION

Our mission defines what we want to be known for, why we exist, and what services we provide.

LAFCO's MISSION

*LAFCO serves the citizens of Orange County by **facilitating constructive changes** in governmental structure and boundaries through special studies, programs, and actions that **resolve intergovernmental issues**, by fostering orderly development and governance, and by promoting the efficient delivery of services. LAFCO also serves as a **resource** for local governments and citizens by providing a structure for sharing information among stakeholders in Orange County.*

2009-2010 STRATEGIC PLAN ACCOMPLISHMENTS

“A YEAR-AT-A-GLANCE”

“Men make history and not the other way around. In periods where there is no leadership, society stands still. Progress occurs when courageous, skillful leaders seize the opportunity to change things for the better.”

Harry S. Truman

At the 2009 Strategic Planning Session, the Commission approved a Strategic Plan with four broad initiatives. The approved 2009 initiatives represented a continuation of the Commission’s focus on areas that aligned with the overall mission and policies of the agency. The approved initiatives included the following:

❖ **Initiative One – Best Practices**

Completed the second round (2007-2012) of Municipal Service Reviews (MSRs) and Sphere of Influence Updates. Began an innovative approach for MSR third round that highlights the best practices of public agencies used in delivery of municipal services to Orange County residents;

❖ **Initiative Two – LAFCO Analyses and Studies**

Met the agency’s legislative mandate by processing and analyzing routine and complex LAFCO applications; special studies relative to the provision of municipal services within the County were also identified as part of this initiative;

❖ **Initiative Three – Island Annexations**

Continued the proactive effort of transitioning unincorporated County islands to adjacent cities through incentive and stakeholder programs;

❖ **Initiative Four – South County Future Governance**

Conducted a stakeholder process that focused on how to address the governance issues for the South County area.

On September 9, 2009, the Commission approved the 2009-2010 LAFCO Work Plan to carry out these initiatives. As noted in Table A below, most of the projects identified in the work plan were either completed or started during the current fiscal year (see

“Status”).¹ Projects not completed were deferred due to actions by an affected agency or impacts of the current economy. These projects may be considered as part of the 2010-2011 work plan.

The following table provides a summary of the 2009-2010 accomplishments from the approved work plan.

Table 1: 2009-2010 LAFCO Accomplishments

2009-2010 Accomplishments		
Initiative One: Best Practices	Summary	Status
<ul style="list-style-type: none"> School Districts Boundary Study 	Staff prepared a report highlighting the geographic relationships of OC Cities and School Districts.	Completed
<ul style="list-style-type: none"> Energy Audits 	Staff prepared a report on energy audits which provide cost savings and greater energy independence for public agencies to help cope with the current fiscal crunch.	Completed
<ul style="list-style-type: none"> Demographic Projections 	Staff prepared a report that focused on the importance of demographic projections in terms of local government plans and programs.	Completed
<ul style="list-style-type: none"> Financial Ability to Provide Services 	Staff prepared a report that provides an overview of the financial ability of local agencies to provide services using four financial ratios derived from audited financial statements.	Completed
<ul style="list-style-type: none"> Best Practices & OC League Database 	Staff worked with the OC League of Cities toward the establishment of a Best Practices database. The OC League and LAFCO staff will jointly complete this project over the next few years.	Ongoing

¹ Copies of the 2009-2010 Strategic Plan and Work Plan can be found on the CD; hard copies were not provided.

Initiative Two: LAFCO Analyses & Studies	Summary	Status
<ul style="list-style-type: none"> Rancho Santiago Annexation to OCSD 	Completed blanket annexation of multiple areas to the OCSD.	Completed
<ul style="list-style-type: none"> La Palma Detachment from the Cypress Rec & Park District 	Completed the detachment of a remnant portion of the Cypress Rec & Park District from City of La Palma; also facilitated process of administrative clean-up involving Auditor-Controller, City and County staff.	Completed
<ul style="list-style-type: none"> Sunset Beach 	Worked with City and Sunset Beach residents regarding pending annexation/incorporation applications.	Ongoing
<ul style="list-style-type: none"> Savi Ranch Annexation to Yorba Linda Water District 	Completed analysis of a proposed annexation of uninhabited area to the Yorba Linda WD; scheduled to be heard by Commission August 2010.	Near Completion
<ul style="list-style-type: none"> Data Standardization (CDR Fullerton) 	Formed a “Contributing Partnership” to CDR for receipt of demographical data to assist LAFCO in its goals of promoting orderly development, encouraging the efficient service, and working towards county-wide data standardization.	Complete
<ul style="list-style-type: none"> Garden Grove Sanitary District Detachments 	Facilitated negotiations involving the County, City of Fountain Valley and Garden Grove SD regarding district detachments.	Ongoing
<ul style="list-style-type: none"> Ortega/La Pata Open Space Annexation to the City of San Juan Capistrano 	Completed annexation of open space area to San Juan Capistrano.	Completed
<ul style="list-style-type: none"> City of Rancho Santa 	Completed update to the	Completed

Margarita Sphere of Influence Update	Rancho Santa Margarita sphere of influence.	
<ul style="list-style-type: none"> County Boundary Adjustment Report 	Developed collaborative process involving cities of Los Alamitos, Seal Beach, and Long Beach for potential boundary adjustments.	Ongoing
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Initiative Three: Unincorporated Island Annexations	Summary	Status
<ul style="list-style-type: none"> Unincorporated Islands Incentive Program 	<ul style="list-style-type: none"> ➤ Adopted Island Stakeholder Plan to continue working collaboratively with County, cities, affected agencies, and communities on transitioning to cities ➤ Updated the Unincorporated Islands Inventory Workbook ➤ Completed three island fiscal analyses (La Habra, Santa Ana, Sunset Beach); others in progress (Costa Mesa, Orange Park Acres, Fountain Valley (North), Stanton, and Placentia) ➤ Preliminary discussions with City of Los Alamitos and Costa Mesa regarding municipal services contracts 	Ongoing
<ul style="list-style-type: none"> Broadway/Thistle Annexation to City of Anaheim 	Approved annexation of a portion of the larger Southwest Anaheim island.	Near Completion
<ul style="list-style-type: none"> Southern Island Annexation to City of Fountain Valley 	Completed island annexation to Fountain Valley to ensure efficient delivery of municipal services.	Completed

<ul style="list-style-type: none"> Hensel & Chestnut Annexations to City of La Habra 	Worked collaboratively with County, city, property owner, and residents to address issues related to pending annexation applications.	Ongoing
Initiative Four: South County Governance		
	Summary	Status
<ul style="list-style-type: none"> Governance Study 	Prepared study of future long-term governance options involving City of Rancho Santa Margarita and surrounding unincorporated communities.	Completed
<ul style="list-style-type: none"> Rancho Santa Margarita Sphere Update 	Completed update of city's sphere of influence.	Completed
<ul style="list-style-type: none"> Rancho Mission Viejo 	Working with stakeholders.	Ongoing
<ul style="list-style-type: none"> Ladera Ranch 	Some discussions with Ladera residents regarding future governance options.	No significant activity at this time
Administrative & Other Projects		
	Summary	Status
<ul style="list-style-type: none"> Annual LAFCO Budget 	Approved FY 2010-2011 budget; maintained reduction in budget allocations for funding agencies; adopted 3-yr budget projections; provided quarterly budget updates and investment reports; explored and implemented additional investment options;	Completed
<ul style="list-style-type: none"> Quarterly Project Calendar 	Developed project calendar that includes a summary and status of all LAFCO projects; provided quarterly updates to the Commission on LAFCO projects.	Completed
<ul style="list-style-type: none"> Form Automation 	Developed form templates for automation of LAFCO processes and documents.	Completed
<ul style="list-style-type: none"> Policies & Procedures Update 	Completed annual update of LAFCO Handbook (includes	Completed

	bylaws, agency policies and procedures). Developed policy that clarified standards and requirements for boundary changes.	
<ul style="list-style-type: none"> California Coalition of LAFCOs (CCL) 	Contributed to formation of CCL; coordinated CCL University courses; organized CCL first annual summit; organized GIS user group to improve quality of vicinity maps and Commission presentations; organized a working group for the Commission Clerks to explore potential collaborations and training resources.	Ongoing
<ul style="list-style-type: none"> CSDA Membership & Collaboration 	Participated in CSDA annual conference and legislative days.	Completed
<ul style="list-style-type: none"> Legislative Affairs 	Continued monitoring and participation in legislation of LAFCO interest; completed bi-annual meetings with Orange County legislators.	Ongoing
<ul style="list-style-type: none"> Website Development & Maintenance 	Created website pages for key projects (Islands, MSRs, Sunset Beach, and Southwest Anaheim).	Completed
<ul style="list-style-type: none"> Orange County Leadership Symposium 	Worked collaboratively with the OC League of Cities to continue/enhance OCLS efforts.	Completed
2009-2010 WORK PLAN PROJECTS NOT COMPLETED/STARTED		
PROJECT	SUMMARY	STATUS
Bolsa Chica Annexations	Partial annexation in progress; City of Huntington Beach exploring service issues & costs for greater Bolsa Chica area.	City deferred annexation discussions. No timeline established.
Mesa Consolidated WD Islands	Began initial discussions regarding annexation of district	Staff anticipates submission of an

	islands.	application during FY 2010-2011.
Banning Ranch Pre-annexation Agreement	Staff participated in a tour of the area with landowners.	Submittal of annexation application unknown.
Northwest Aera Annexation	Potential annexation of unincorporated territory to the City of Brea; project territory extends into LA County; coordination with LA LAFCO required.	No LAFCO activity at this time.
Yorba Linda Annexations	Proposed residential development in unincorporated area; Need to explore service delivery options with City, WD, developer.	No LAFCO activity at this time.
Legislative Affairs & Trends	CALAFCO Legislative Committee; explore national legislative trends of LAFCO-interest.	No LAFCO activity at this time.

BUDGET

The agency continues to employ conservative practices for the agency's financial operations. The Commission reduced the apportionment costs for our funding agencies by a total of \$22,000 for fiscal year (FY) 2009-2010. LAFCO total savings for the agencies these past two fiscal years (FY 08-09 and FY 09-10) has reached approximately \$54,000. Figure 1 below depicts the downward trend of apportionment costs since 2007. During this economic period, the Commission and staff continue to reduce expenditures through prudent management and utilizing staff expertise to complete ongoing as well as upcoming Commission projects.

The books have closed for FY 2009-2010 and the final budget for FY 2010-2011, which included no increase in the apportionment fees, was approved by the Commission on May 12, 2010. The total income for FY 2009-2010 was \$996,285 with 93% coming from our funding agencies – the County, cities and special districts. The remaining 7% of the FY 2009-2010 revenues came from filing fees and interest.

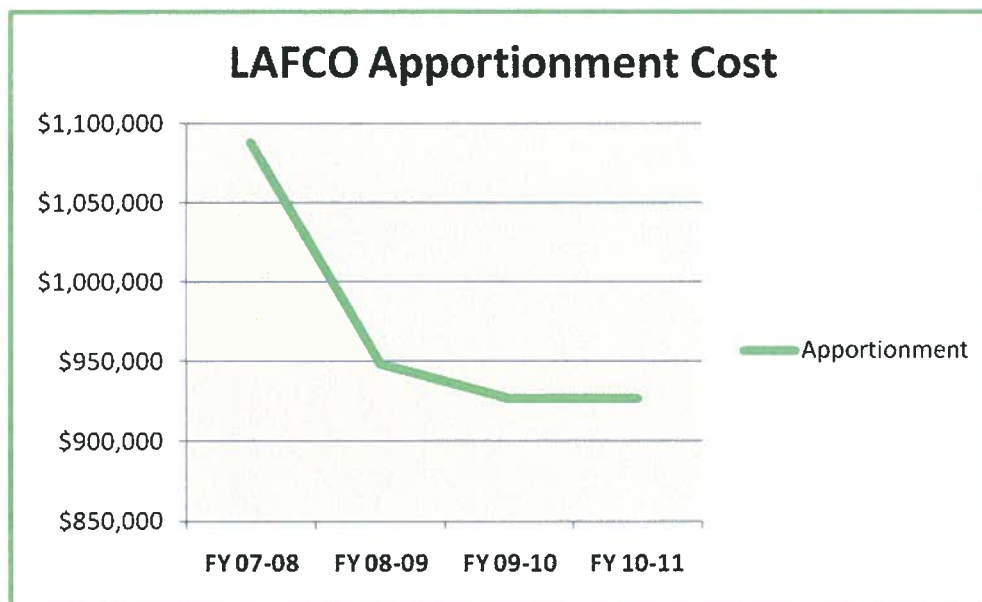


Figure 1 shows apportionment cost for funding agencies has declined since FY 07-08 by approximately \$160,000.

The Commission acts on its unofficial slogan “Doing more with less,” by keeping costs down for funding agencies while continuing to represent good and efficient government. The total agency expenses for FY 2009-2010 was \$926,148, which represents an 11% decrease from FY 2008-2009 budget expenses. Figure 2 demonstrates the consistency of the agency’s budget throughout the years. After FY 2008-2009, the Commission transitioned from three-year budget cycle to approving single-year budgets. This practice was employed to allow the Commission and staff to closely align agency resources with the respective annual work plans adopted by the Commission during strategic planning sessions.

Beginning FY 2011-2012, the Commission will return to approval of three-year budget cycles. The Commission has already approved projections for FYs 2011-2012, 2012-2013, and 2013-14. These forecasted budgets will be used in preparation of the annual budgets.

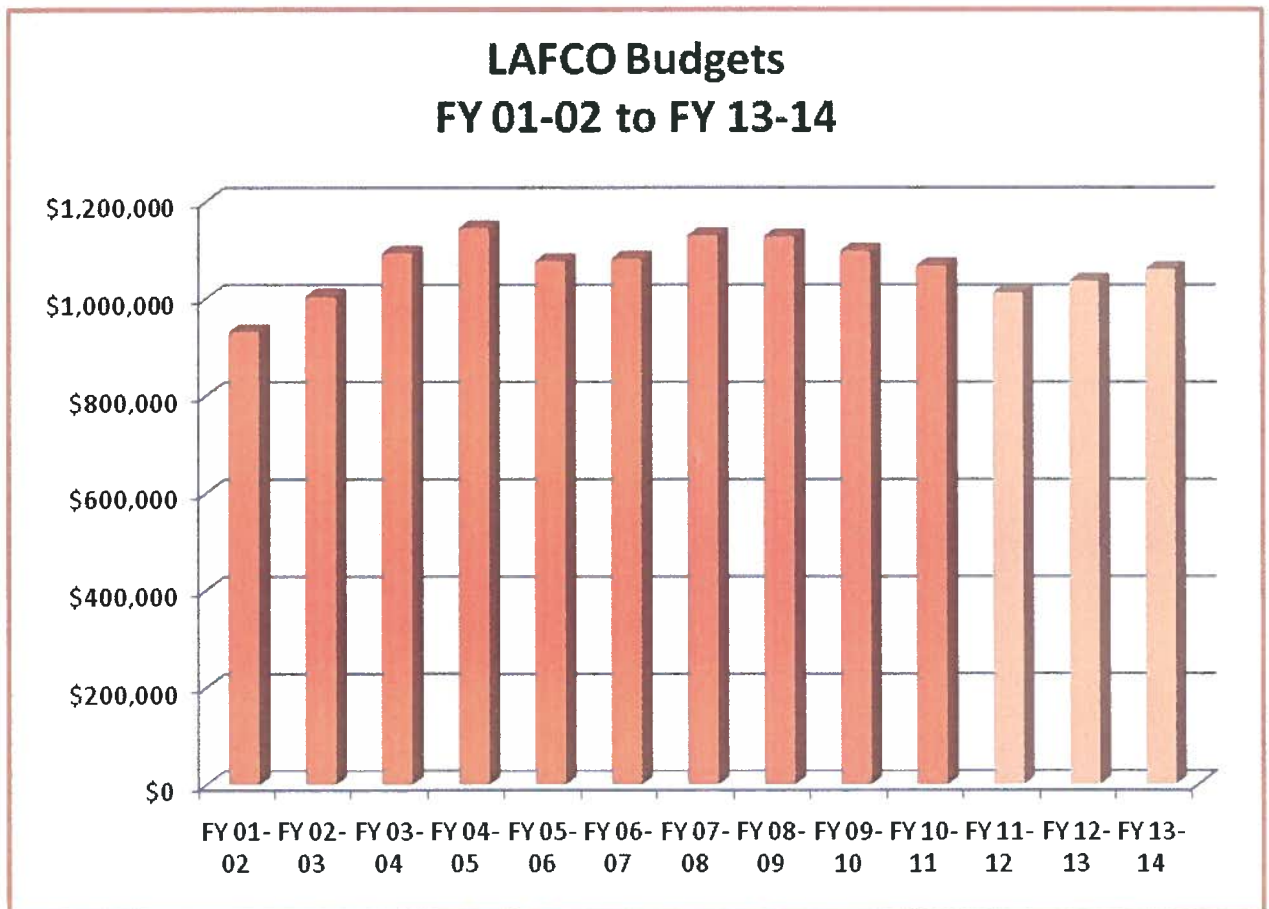


Figure 2 illustrates the approved LAFCO budgets from FY 2001-2002 to FY 2010-2011. The graph also shows the forecasted budgets for FY 2011-2012 to FY 2013-2014.

THE NEW NORMAL

Wake up and smell the coffee. This is not your father's economy. And it's not the boom that inflated our expectations and then exploded. But it's also not the doom and gloom we've been mired in for nearly three years now! So, wake up. Pull yourself together. Get on with it. It's a bright, fresh world full of opportunities.²

There has been nothing normal about the last few years. California's recovery from the recession may be starting but we will endure a longer, slower recovery than from prior downturns as we face numerous challenges. The UCLA Anderson Forecast projects that unemployment in California will remain at 12.1 percent throughout 2010, and double digit unemployment will remain until at least 2012. Since its peak in 2007, California has lost 1.3 million jobs – a loss of over 10 percent of its workforce in just three years. Everyone has a story about neighbors in foreclosure, a family member that has lost a job or a retiree going back to work as a Wal-Mart greeter.

The economic news is equally dire for local agencies. Even though most cities and special districts have already cut budgets and reduced services, more will come. Any rebound in local government revenues will lag at least two years behind any general recovery in the market. Local governmental revenues will not return any time soon to levels experienced in past. The State, suffering from a daunting budget shortfall of a size never before imagined, continues to shift responsibilities for programs to local governments without the requisite funding. What is happening now for special districts and cities is, for the foreseeable future, the “new normal.”

But most of our cities and special districts are not just hunkering down, but responding to the external environment with creativity and imagination— with new programs, with creative and imaginative changes in how services are being provided and with focused and effective leadership.

LAFCO is also responding to the new normal. We started making cuts in the staff more than four years ago, combined positions where possible, and implemented the use of joint service contracts with other LAFCOs to save money. We continue to search for ways to make money go farther while moving Orange County forward. Still there is more to do. As we emerge from this recession, LAFCO needs new ideas and smart strategies as well as the continued support of our effective leaders. Having strong and forward thinking leaders will help: (1) steer OCLAFCO toward innovative and effective actions, and (2)

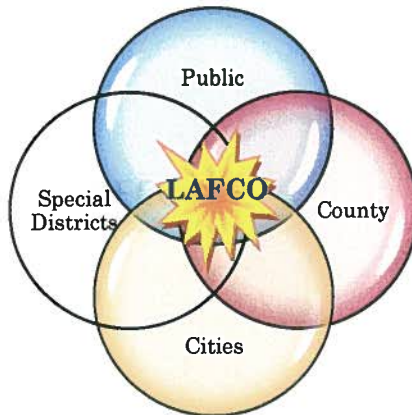
² Excerpt from [Http://www.thenewnormal.com/](http://www.thenewnormal.com/)

implement LAFCO's mission of serving as a resource and providing a structure for local governments to share information and resolve intergovernmental issues.

This year's Strategic Planning Session comes at a time when it's not enough to just review last year's accomplishments, pat ourselves on the back on a job well done, and plan out next year's projects (although that will still be a part of today's session). The real questions that require focus today are:

- ◆ Can Orange County LAFCO play a role in helping our member agencies address the fiscal crisis we all face today?
- ◆ What are the opportunities for LAFCO to make a real difference in local government effectiveness?
- ◆ How can LAFCO's resources, and our unique position in Orange County government, be used to help move Orange County forward?

The "New Normal" and LAFCO



LAFCO's unique position among local government agencies provides opportunities for positive change.

Those of you who had the opportunity to attend CCL Summit in Lake Arrowhead back in June likely came away with a sense that the role for LAFCOs (at least the Southern California LAFCOs) is changing to address the current economic crisis. Each LAFCO, in their own way, is searching for ways to increase their effectiveness by developing strategies to fit the needs of their own County.

Perhaps we can all roll up our sleeves and begin to explore some potential opportunities for Orange County LAFCO to make a bigger impact. The goal of this year's strategic plan is to develop and share new ideas that may bring about a breakthrough year for Orange County LAFCO – one in which the “new normal” fosters “...a bright, fresh world full of opportunities.” We need your feedback, and we need your ideas too.

STRATEGIC INITIATIVES

Orange County LAFCO is uniquely positioned. With County, city, special district and public interests each represented on LAFCO, the Commission offers a wide spectrum of expertise and understanding on local and regional issues. Similarly, Orange County LAFCO's staff also has a variety of skills developed over decades in local government service including, but not limited to, planning, facilitation, public finance, issue analysis, GIS mapping, CEQA review, and project management.

The following three "strategic initiatives" provide some high level direction for the Commission to consider when directing staff. Each initiative is titled as one of the following headings: (1) Communication, (2) Shared Services and Resources, or (3) Leadership. Each "strategic initiative" is inter-related and may overlap another.

"Are there opportunities in FY 2010-2011 to increase the effectiveness of both Orange County LAFCO Commissioners and staff in pursuing our mission of being a resource for our member agencies? "

Under each "strategic initiative" there are options, or examples of specific projects, to implement the initiative. These options are a starting point only and are designed to prompt discussion from the Commission. **Some may be determined to have merit, others may prompt new, better ideas for further Commission discussion and consideration, and still others may be infeasible.**

At the conclusion of the discussion on the proposed initiatives and the options, the Commission will provide direction to staff for incorporation of the best initiatives and options into the 2010-2011 Draft Work Plan for final consideration at the September 15, 2010 meeting.

STRATEGIC INITIATIVE #1

Communication

During the first two rounds of Municipal Service Reviews (MSRs) and LAFCO's 2009 Best Practices Summit, both involving city and special district representatives from all of Orange County, a key finding was the need for more communication among agencies and groups. Participants indicated that there was little opportunity for cities and special districts to discuss issues outside their own jurisdictional boundaries. Because of LAFCO's role and experience, we may have the opportunity to foster communication not only among our member agencies but with other agencies and groups.

Some agencies are currently addressing this need in their response to the "New Normal". For example, over the past 18 months, City Managers of six cities in northern Orange County (Brea, La Habra, Fullerton, Anaheim, Yorba Linda and Placentia) have began bi-monthly meetings to discuss joint contracting, joint use of facilities, staff sharing and other opportunities to save money and maintain service levels. Initial reports have been very positive and practices may serve as a resource to other agencies looking to reduce costs and continue providing quality level services. However given the current fiscal stresses many agencies are facing, some agencies may not have the resources to explore sharing opportunities beyond their borders. LAFCO, though, has had good success with our stakeholder working groups.

Can LAFCO play a role in replicating our successful stakeholder working groups for Orange County agencies to discuss other topics? What other ways can LAFCO facilitate increased communication between agencies? Some ways the Commission may want to consider to foster more communication include:

❖ *Implement Additional "Collaborative Forums"*

Use LAFCO Commissioners, other elected officials, members of the business community and key staff to conduct Collaborative Forums in various parts of the County throughout the year to enhance communication among adjacent cities and special districts and discuss opportunities for shared facilities and services. Topics might include:

- Stakeholder groups among agencies, communities and HOAs to discuss ways to share facilities and services

- Geographic Information Systems (GIS)—sharing LAFCO’s system and abilities with our agencies (currently underway with Southern California LAFCOs). Are there opportunities for LAFCO staff to assist member agencies by using our GIS capability to gather data and/or prepare maps to analyze service-related issues?
- Developing economic indicators/benchmarks for local agencies in fiscal stress with a stakeholder group that includes agencies and the business community
- Establishing an incorporation “advisory group” from our newest cities to advise areas that want to incorporate
- Partnering with other agencies on legislation

❖ *Increase LAFCO’s communication through social networking tools*

While LAFCO has an active and well used webpage, current trends are for more public agencies to use social networking sites for increased communication. LAFCO could use Twitter and Facebook to reach more (and possibly broader) groups of OC residents about LAFCO’s meetings, reports and events.

❖ *Expand LAFCO 101 presentations*

Currently LAFCO staff makes bi-annual presentations to Orange County city councils, special districts and key Orange County legislators to provide updates on LAFCO current activities and resources. LAFCO staff also makes “LAFCO 101” presentations to community groups and college classes as requested.

While presentations to individual classes allow for more interaction, the Commission may want to expand these presentations to creation of a “Student Academy” for an on-going series of workshops for students through webinars and virtual classrooms.

❖ *Others*

What other opportunities are there for LAFCO to increase communication among our member agencies and other organizations and groups?

STRATEGIC INITIATIVE #2

LAFCO as a Resource

The Commission and staff have been proactive in exploring potential opportunities for shared services and resources. These shared resources have included: partnering with other Southern California LAFCOs on joint contractual agreements, approval of contract with the Center for Demographic Research to provide demographic data specific to the unincorporated islands in Orange County, participating member of the Coalition of California LAFCOs. The Commission's approach has been successful and staff believes that through collaboration, agencies will be able to identify a potential for shared services and/or resources. By merely gathering together and sharing perspectives and approach to matters in their respective agency, they have already shared a resource-- human capital. As is often the case, there are often multiple agencies providing the same or similar services across the County; these agencies may be able to adopt the approach taken by this Commission and submit joint RFPs for services and purchases. Additionally, neighboring cities or agencies might be able to reduce costs and increase efficiency by agreeing to share or purchase with a neighboring agency to share common equipment or fleet. The collaboration will provide agencies an opportunity to have this discussion with others.

LAFCO staff has developed skill sets that include, among others, issue analysis, CEQA, facilitation, GIS mapping, and data collection. Are there ways that LAFCO staff can provide support to our member agencies? Some options the Commission may want to consider include:

❖ *Fiscal study of all islands with business community*

LAFCO has been working for several years on development of a fiscal model that would provide the revenues and expenditures for individual islands. Given the number of islands remaining and the current economic crisis, should the Commission prepare a comprehensive fiscal study with stakeholders, including the business community, which could be used by the County, the cities, LAFCO and the residents for island annexations?

❖ *Conduct inventory of out-of-area service agreements and contracts between Orange County local governments.*

Agreements exist between many of our local agencies for municipal services across jurisdictional boundaries. A comprehensive inventory of agreements under

LAFCO purview as well as those exempt from LAFCO purview would provide a valuable tool for LAFCO staff, a resource for local agencies, and fulfill part of the MSR mandate through a Best Practices update.

❖ *Share LAFCO staff*

Budget shortfalls for many cities and districts have resulted in staffing cutbacks. LAFCO staff has the capability to provide data analysis, facilitation and other skills to supplement city and district staff on service-related issues.

❖ *Others*

What other opportunities are there for LAFCO to share services and resources with our member agencies?

STRATEGIC INITIATIVE #3

Leadership

Over the many years, the Commission's involvement in local and regional issues has grown. OC LAFCO is recognized throughout the State as a leader through its Islands Program, innovative use of Municipal Service Reviews, the Best Practices summit and monthly reports, South County stakeholder working group, and, most recently, its analysis of irregularities in jurisdictional boundaries and service issues along the Orange County/Los Angeles County border. While the Commission continues to be proactive in these efforts, during the next fiscal year, are there opportunities to increase LAFCO's leadership role in Orange County and further assist our member agencies? Some examples the Commission may want to consider include:

❖ *Creation of an "Islands Annexation Task Force"*

Orange County LAFCO's Islands Program, now a decade old, is arguably one of the most successful islands program Statewide. The remaining Orange County islands, however, pose some unique challenges due to city/resident opposition, infrastructure/ cost issues, or other factors. Recently, with consultant assistance, we have developed a fiscal model which illustrates potential "win-win" strategies for specific islands for both the County and the annexing city.

Still, staff faces hurdles to move many of these remaining island annexations forward. Creation of an "Islands Annexation Task Force," which could include

participation of Commissioners, other elected officials, the business community and key LAFCO/agency staff to meet to provide the new insight and additional momentum needed.

❖ *Commission-Initiated Proposals*

The Cortese-Knox-Herzberg Local Government Reorganization Act of 2000 gives the Commission a wide range of powers to reorganize special districts, initiate studies and use Municipal Service Reviews and other tools to encourage city boundary adjustments to increase service delivery and efficiency. Some of the cities and districts providing services in Orange County in 2010 were formed decades ago and still operate under their original boundaries.

Given Orange County's dramatic rise in population (from 703,224 in 1960 to over 3.2 million in 2010), increasing service demands, and declining revenue streams, is our current system of delivering municipal services through city and special districts organized in the most efficient way possible? The Commission can look at alternative models of governmental boundaries.

❖ *Focused Municipal Service Reviews*

Prepare a focused MSR on how services are delivered to the unincorporated islands. Target cities and/or special districts in fiscal trouble – jointly explore options and opportunities through a “focused” MSR approach. Utilize LAFCO's fiscal model when appropriate. Develop broad economic indicators with members of the business community to determine the fiscal health of agencies.

❖ *School District Boundary Adjustments Task Force*

Convene a working group to talk about school district boundary changes. Expand the school district boundary report and where appropriate petition the Orange County Committee on School Reorganization to change illogical boundaries.

❖ *Others*

Are there other roles for LAFCO to show leadership in Orange County in 2010-2011? If so, how can staff support those efforts?

NEXT STEPS

If the Commission approves the proposed Strategic Initiatives, staff will prepare the 2010-2011 Draft Work Plan incorporating these initiatives for final consideration at the September 15, 2010 meeting.