



MUNICIPAL SERVICE REVIEW AND
PARTIAL SPHERE OF INFLUENCE
REVIEW AND UPDATE

City of Huntington Beach

March 8, 2006

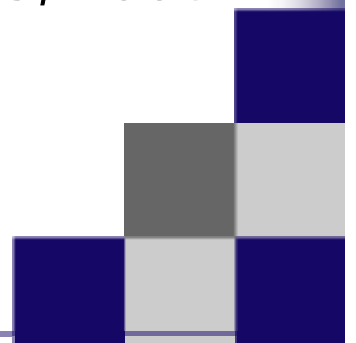




Table of Contents

Table of Contents	2
EXECUTIVE SUMMARY	3
INTRODUCTION.....	4
<i>Municipal Service Reviews (MSRs) -- Government Code §56430.....</i>	<i>5</i>
<i>Sphere of Influence Reviews and Updates – Government Code §56425</i>	<i>5</i>
History of MSR Area.....	7
MSR Determinations	10
<i>INFRASTRUCTURE NEEDS AND DEFICIENCIES</i>	<i>10</i>
<i>GROWTH AND POPULATION PROJECTIONS.....</i>	<i>14</i>
<i>FINANCING CONSTRAINTS AND OPPORTUNITIES.....</i>	<i>18</i>
<i>COST AVOIDANCE OPPORTUNITIES/OPPORTUNITIES FOR SHARED FACILITIES</i>	<i>20</i>
<i>OPPORTUNITIES FOR RATE RESTRUCTURING.....</i>	<i>21</i>
<i>GOVERNMENT STRUCTURE OPTIONS.....</i>	<i>22</i>
<i>LOCAL ACCOUNTABILITY AND GOVERNANCE.....</i>	<i>23</i>
SERVICE REVIEW DETERMINATIONS.....	25
CITY OF HUNTINGTON BEACH SPHERE OF INFLUENCE REVIEW & UPDATE	28
<i>RECOMMENDATIONS.....</i>	<i>34</i>
STATEMENT OF DETERMINATIONS	35



EXECUTIVE SUMMARY

The purpose of this report is to provide a comprehensive review of municipal services provided by the City of Huntington Beach and to update the City's sphere of influence. Municipal Service Reviews (MSRs), which are required by the Cortese-Knox-Hertzberg Act of 2000, must be completed before (or concurrently with) an agency's sphere of influence update. Spheres of influence for all agencies (cities and special districts) must be updated every five years.

MUNICIPAL SERVICE REVIEW SUMMARY

No significant issues were noted in the MSR. The City of Huntington Beach is projected to have modest growth over the next 15 years and like other municipalities of similar age, there are deferred maintenance issues with a backlog of infrastructure needs not met with adequate funding. While the City has experienced substantial revenue reductions due to shifts in local revenues to the State and a recent Supreme Court ruling, the City has taken adequate budget measures to ensure that services will remain at current levels. Huntington Beach is a full-service city that provides a range of municipal services to its residents including building and planning, redevelopment, fire, police, library, parks and recreation, and public works (including water, sewer and storm drainage). The City currently contracts with the County of Orange for animal control services and a private contractor for solid waste collection and recycling. The City uses a variety of means to increase local accountability and governance. No issues with rate restructuring or management efficiencies were identified.

SPHERE OF INFLUENCE REVIEW & UPDATE SUMMARY

The City of Huntington Beach's sphere of influence includes the existing city limits and two adjacent unincorporated areas – the Bolsa Chica Ecological Reserve (approximately 1,588 acres) and a 41-acre area located in the northeast section of the city. The City's SOI was originally adopted in 1973 and last comprehensively reviewed and reaffirmed by LAFCO in 1989. Since then, annexations to the City have been relatively few and the SOI has remained unchanged.

Recently, Hearthside Homes, a landowner within the Bolsa Chica area, filed an annexation application with LAFCO. The City has also begun exploring annexation of the remaining Bolsa Chica Reserve area. There are currently no efforts to explore the annexation of Bolsa Chica above and beyond the steps taking place in conjunction with the Hearthside development. Because of potential annexation applications in this area, the portion of the City's sphere of influence that includes the Bolsa Chica area is not



included in this SOI update. Instead, the SOI for Bolsa Chica will be reviewed and presented concurrently with the Hearthside Homes proposal. Should the City propose annexation of the remaining Bolsa Chica area, that application will also be reviewed at that time.

The other unincorporated area within the City's sphere is a 41-acre located at Beach and McFadden Avenues and sandwiched between two cities – Huntington Beach and Westminster. Spheres generally identify territory that will likely receive municipal services from a city in the next 15 to 20 years. If annexation of this area to the City of Huntington Beach does not occur in the near future, LAFCO should consider including it in the sphere of influence for the City of Westminster. Both cities could provide services, but to date, neither city has expressed interest in annexing the area.

The unincorporated community of Sunset Beach is located west of the City of Huntington Beach. It has never been placed within any city's sphere of influence primarily due to opposition of residents as well as the community's identity and unique mix of land uses. However, the City of Huntington Beach currently provides (directly and indirectly) some services to the community including water, transmission of wastewater, and emergency services (via automatic and mutual aid). The City of Huntington Beach is the most logical service provider for municipal level services in the next 15-20 years should the community decide it wants increased services. Placing Sunset Beach within the City's sphere of influence does not require subsequent annexation. It does, however, recognize the current and future service and social/economic ties between the community and the City. Therefore, staff recommends that the community of Sunset Beach be placed within the City of Huntington Beach Sphere of Influence.

INTRODUCTION

In 2000, the State of California Legislature broadened LAFCOs authority by directing the agency to conduct comprehensive reviews of the delivery of municipal services provided in the County and any other area deemed appropriate by the Commission. Additionally, legislators directed LAFCOs to complete sphere of influence reviews and updates of agencies under LAFCO's jurisdiction not less than every five years.



Municipal Service Reviews (MSRs) -- Government Code §56430

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that LAFCO review municipal services before updating the spheres of influence and to prepare a written statement of determination 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.

The MSR process does not require LAFCO to initiate changes of organization based on service review findings; it only requires that LAFCO make determinations regarding the provision of public services per Government Code Section 56430. As a general rule, MSRs are not subject to the provisions of the California Environmental Quality Act (CEQA) because they are only feasibility or planning studies for *possible* future action that LAFCO has not approved (Cal. Pub. Res. Code § 21150). However, a Negative Declaration for the City of Huntington Beach MSR has been prepared in light of the annexation application that has been filed with LAFCO for an area located within the Bolsa Chica Ecological Reserve and potential inclusion of a coastal area (Sunset Beach) in the City's Sphere of Influence. The ultimate outcome of conducting a service review, however, may result in LAFCO taking discretionary action on a change of organization or reorganization.

Sphere of Influence Reviews and Updates – Government Code §56425

LAFCO is also charged with adopting a sphere of influence for each city and special district within the county. A sphere of influence is a planning boundary that designates the agency's probable future boundary and service area. Spheres are planning tools used by LAFCO to provide guidance for individual proposals involving jurisdictional changes. Spheres ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands. The



Cortese-Knox-Hertzberg (CKH) Act requires LAFCO to develop and determine the sphere of influence of each local governmental agency within the county, and to review and update the SOI every five years. In determining the SOI, LAFCO must address the following:

- 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 LAFCO determines that they are relevant to the agency.



History of MSR Area¹

Located in the northwestern portion of Orange County, the City of Huntington Beach is approximately 27.7 square miles. Internationally known as “Surf City,” the City boundaries include eight miles of scenic and accessible beachfront, the largest stretch of uninterrupted beachfront on the West Coast. To the east, along the Santa Ana River, are the cities of Newport Beach and Costa Mesa; to the east and north are the cities of Fountain Valley and Westminster; to the north is the City of Seal Beach; and to the west is the Pacific Ocean (See attached location map -- Exhibit 1).



At the onset of the 1900's, Philip A. Stanton and Col. H.S. Finley, two businessmen visited the area and believed that it had potential for becoming a west coast resort rivaling Atlantic City, New Jersey. Strongly believing in the area's potential, Stanton and Finley began developing 1,500 acres around Main Street, one of the main arterials in the City today. The first land holdings were referred to as Pacific City. Over the course of the next couple of years, the land changed ownership

and was purchased by businessman, Henry E. Huntington for whom the city was eventually named.

Huntington Beach incorporated in 1909 and in 1920 oil was discovered. What was once a small village quickly mushroomed into a booming community. A few years following the oil discovery, a major arterial (Pacific Coast Highway) was constructed, providing access to 8.5 miles of virgin beach earning the City its renown as “Surf City.” By the 1950's and 1960's, Huntington Beach had become the fastest growing city in the nation.

Today, the City of Huntington Beach is home to approximately 200,000 residents and attracts approximately 11 million visitors on the weekends, for special events, and especially during the summer. The city's reputation is enriched by its ranking as one of the ten safest cities in the nation for cities of similar size by the “City Crime Rankings” and the presence of a variety of fine arts, museums and a strong cultural foundation.

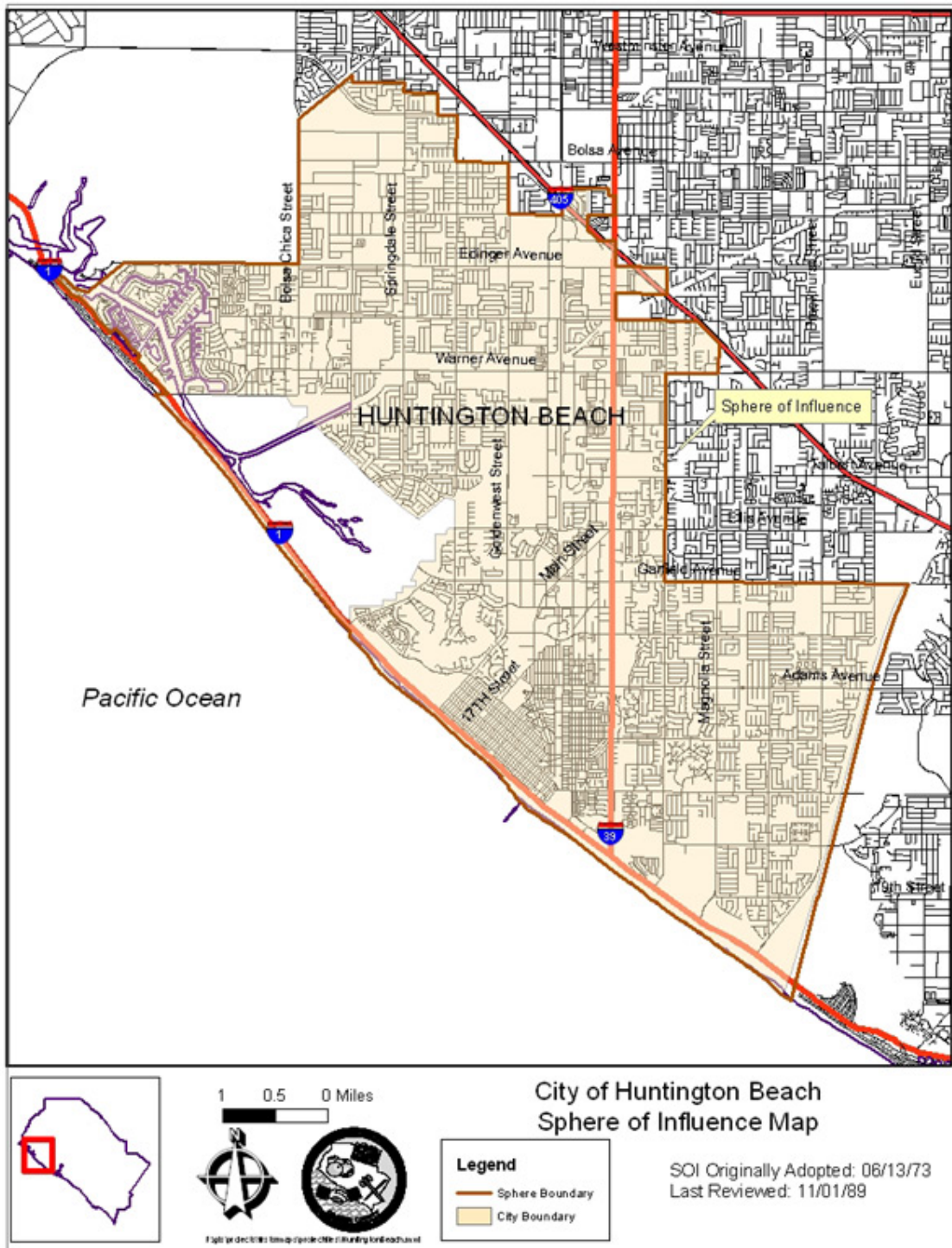
¹ www.ci.huntington-beach.ca.us



The City features one of the largest recreational piers in the world and often is the host to professional sporting events as surfing, volleyball and skateboarding.



Exhibit 1 - City of Huntington Beach Sphere of Influence





MSR Determinations

This section of the report addresses the nine determinations in accordance with Government Code Section 56430. The determinations are statements that draw conclusions, based on data related to agency operations and services, infrastructure, population and growth projections, and fiscal data. The nine municipal service review determinations are interdependent and some of the issues related to each of the nine determinations may overlap.

INFRASTRUCTURE NEEDS AND DEFICIENCIES

This determination addresses the adequacy of existing and planned infrastructure needed to accommodate future growth and the efficient delivery of public services. The City or other agencies provide services to Huntington Beach residents as summarized in *Table 1, Levels of Service for Community Services*, below:

Table 1 - Levels of Service for Community Services

Service	Current Provider	Community Service Standard	Proposed Change
Animal Control	County of Orange/Animal Care Services	N/A	None
City Attorney	City of Huntington Beach	N/A	None
Planning/Redevelopment	City of Huntington Beach	N/A	None
Fire/Paramedic	City of Huntington Beach	Maintain a 5-minute emergency response time 80 percent of the time	Arterial Highway improvements, construction of new fire station, relocation of existing fire station
Library	City of Huntington Beach	Ensure a high level of library services and facilities are provided to City residents	None
Parks/Recreation	City of Huntington Beach	5 acres of park per 1,000 population	None
Police	City of Huntington Beach	1.5 officers per 1,000 population	None
Solid Waste Collection and Recycling	Rainbow Disposal (Private Contractor)	Maintain solid waste collection services in accordance with the Integrated Waste Management Act of 1989 (AB	None



		939)	
Public Works (including, Water, Sewer, and Storm Drainage)	City of Huntington Beach	Provide adequate levels of water, sewer and storm drain services to meet projected demand and ensure public safety	None
Cable Television	Time Warner Communications	N/A	None

The City's General Plan establishes levels of service for municipal level services to ensure orderly growth and development and that services and facilities will be provided concurrent with need. To implement the community service standards, the City adopts an annual budget and a 5-year capital improvement program (CIP) to ensure that service levels are maintained or improved and that the CIP is adequately funded. Like other municipalities of similar age, there are deferred maintenance issues with a backlog of infrastructure needs not met with adequate funding.

For FY 2005-2006, the CIP budget allocates over \$45,000,000 to enhance existing infrastructure and provide new facilities to aid in service delivery for the City of Huntington Beach. Included in the 2005-2006 CIP are summarized in *Table 2*, below:

Table 2 - City of Huntington Beach FY 2005-2006 CIP Improvements

Expense Category	Amount Allocated
Drainage and Storm Water Quality	\$540,000
Facility Improvements/Major Maintenance (library, fire station, city hall, police station)	\$2,239,410
Neighborhood Improvements (ramps, pavement, trees, streetlights)	\$5,110,000
Parks	\$1,417,000
Sewer	\$8,740,000
Transportation/Streets	\$15,951,251
Water	\$11,813,000
TOTAL	\$45,810,825

Fire and Paramedic

The City of Huntington Beach Fire Department has seven fire stations located throughout the City. The City operates on a 24-hour shift basis with one command unit staffed with two persons, seven paramedic engine companies staffed with four persons each, a combination engine, hazmat/light air company staffed with three, two ladder truck companies staffed with four persons each, and three ambulance units staffed with two persons each. This provides a daily total of 41 firefighters supported by



dispatchers and administrative staff. Staffing levels are increased when fire risk levels are higher during high winds, active fire conditions or natural disasters.

Additional staff is available, as needed, through mutual aid and automatic aid agreements with other cities. The City receives and provides staffing assistance from and to other fire agencies on a county-wide and statewide basis through the Office of Emergency Services when a large fire or disaster occurs. Local automatic aid agreements with Orange County and the Cities of Westminster, Santa Ana, Newport Beach, Fountain Valley and Costa Mesa Fire Departments enable the participating cities' and county calls to be answered by the closest available emergency units regardless of jurisdiction in which the calls occur. The current automatic aid agreements provide each of the cooperating cities with a five alarm capability.

Based on its performance, the City's Fire Department has received a "Class 1 Fire Rating." The City's General Plan Growth Management Element identifies the emergency response time objective, including participation by other cities in the automatic aid agreement, as the arrival of the first fire or paramedic unit within five minutes, 80 percent of the time. Two areas in the City are deficient in meeting the response time objective - a large portion of the Huntington Harbour area and an area along PCH, between Goldenwest Street and Seapoint, extending around the top of the Bolsa Chica upper mesa area. The City proposes to remedy this situation by constructing Master Plan of Arterial Highway improvements for new developments, a new fire station at the proposed Cross Gap Connector and Springdale Street, and by relocating the Heil Station to a new location at Graham and Production Streets.

Police

The City of Huntington Beach provides police services through one central police station, located at City Hall, and four substations located throughout the City. According to the City's General Plan, at the five stations there are 371 personnel (229 sworn officers and 142 civilian or non-sworn employees) equating to a 1.2 ratio of officers per thousand population.

The Police Department assigns priorities to its calls for service depending on the nature of the calls. The current average response time, by priority, is as follows:

- Priority 1 - Emergencies, 7.28 minutes
- Priority 2 - Some urgency, 11.28 minutes
- Priority 3 - Non-emergencies, 20.17 minutes



The Police Department has a number of programs designed to reduce crimes, including: Neighborhood Watch and Crime Prevention, School Safety Program, Critical Accident Suppression Enforcement Team, Special Gang Enforcement Unit, Senior Patrol, Citizen Police Academy, Beach Patrol and the Anti-Crime Coalition.

In order to meet the desired 1.5 ratio of officers per thousand population, the Police Department would have to hire 56 additional officers, resulting in a total of 285 sworn officers. As the City's population grows, additional personnel will be needed to maintain an acceptable ration of officers per thousand population.

Parks and Recreation

The Huntington Beach park system consists of 71 parks which total 577 acres. These include six mini parks totaling 2.7 acres, 58 neighborhood parks totaling 157.39 acres, seven community parks totaling 143.28 acres and two regional parks comprising 274 acres. Regional facilities adjacent to Huntington Beach include the Sunset Aquatic Park (95 acres/260 boat slips), Mile Square Park in Fountain Valley (632 acres) and the Bolsa Chica Ecological Preserve (300 acres).

Huntington Beach also contains approximately nine miles of shoreline, including the Bolsa Chica and Huntington State Beaches, operated by the California State Department of Parks and Recreation, and Huntington City Beach, operated by the City. These beaches encompass a total of approximately 380 acres. According to the City's General Plan, the three beaches have an annual visitation rate estimated at 15 million visitors.



The City's park standard is five acres of parkland per 1,000 population. Combining the City's park acreage (577 acres) and the beach park acreage (380 acres) provides the City with 956 acres of total parkland. Using a 2003 State Department of Finance population

estimate for the City of 196,954, the City falls only 29 acres short of fully meeting the General Plan's park and recreation goal of 5 acres of parkland per 1,000 population.

Sewer

The City owns, operates and maintains a wastewater collection and pumping system. The collection system is comprised of approximately 360 miles of wastewater pipelines ranging in size from 6 to 30 inches in diameter. Approximately 85 percent of the City's wastewater pipelines are 8 inches in diameter. The predominant material of these



pipelines is vitrified clay pipe (VCP). Due to the City's generally flat conditions, the City also operates and maintains 27 lift stations.

Construction of the City's collection system began before 1900. However, the majority of the system was constructed to support the rapid growth that began in the 1960's. Although the City is largely built-out, and only a minimal increase in flow is projected, the City has recognized that the condition of the infrastructure needs to be further quantified and additional proactive measures for long-term reliability implemented. In recognition of this need, in August 2001, the City adopted a new sewer service charge to provide the necessary funding for ongoing investment. In recognition of this need, beginning in 1998, the City funded over \$7 million in sewer infrastructure upgrades by mid-2001 primarily in the Old Town and Downtown areas and in August 2001, the City adopted a Sewer Master Plan to identify system deficiencies and prioritize infrastructure improvements to ensure reliable and uninterrupted wastewater service to Huntington Beach residents. As identified earlier in this section, almost \$9 million in capital sewer improvements have been approved by the City in FY 2005-2006.

Water

The Huntington Beach Public Works Utilities Division supplies approximately 34 million gallons of water per day to 52,000 water meters. From 1936 to 1964, the water system serving Huntington Beach was owned and operated by the Southern California Water Company. In 1964, the City purchased the private system and the City's Water Division was established as the Public Works Utilities Division. The Public Works Utilities Division is the principal water retailer with the City boundaries and the Sunset Beach area of unincorporated Orange County. Typically, 64 percent of the City's water is supplied by groundwater wells while 36 percent is from imported sources. The City maintains four potable water storage reservoirs with a total capacity of 55 million gallons.

In 1995, the City Council adopted a Water Master Plan (WMP) and an accompanying financial plan. The WMP is designed to develop new water facilities, including new water storage and transmission facilities, to address the growth the City has experienced over the last 25 years. To fund these improvements, a surcharge was established for water customers in December 1995. In addition, a capital facilities charge was instituted on all new residential development. Revenues from these charges are placed into the Water Master Plan Fund and used for capital improvements.

GROWTH AND POPULATION PROJECTIONS



The City of Huntington Beach’s population currently includes approximately 200,000 residents. The city encompasses approximately 27.7 square miles that includes 8.5 miles of beachfront territory.² The third largest city in Orange County, Huntington Beach has a mix of residential, commercial, industrial, educational, public parks, and beach areas. Of the 17,730 acres, 41% represent the residential developments, 16% include commercial and industrial use, with the remaining use involving open space, mixed and other uses (See Table 3, *City of Huntington Beach Land Use Distribution*).

Table 3 - City of Huntington Beach Land Use Distribution

Land Use Distribution	Percent
Residential	41%
Commercial	8
Industrial	8%
Institutional	1%
Public Facilities (schools, fire stations, parks, civic center, etc.)	11%
Other (streets, highways, easements, open space, city beach, state beach, vacant land, etc.)	31%

Source: City of Huntington Beach General Plan

The initial increase in population within the City of Huntington Beach began during the oil boom in 1920. As the City continued to thrive economically, socially, and demographically during the 1950s and 1960s, Huntington Beach became one of the fastest growing cities in the nation. Today, the City is ranked as the sixteenth largest City in the State of California.³

Although the City’s population and economy experienced a growing spurt nearly 50-plus years ago, its growth has stabilized and has been identified by the State Department of Finance among the lowest grown rates in Orange County cities between 1990 and 2000 at 10 percent, and lower than the County-wide average growth rate of 17 percent.⁴ By 2008, the City’s projected



² City of Huntington Beach General Plan, *****

³ City of Huntington Beach website – www.*****

⁴ City of Huntington Beach General Plan, Community Development Chapter 2000-2005 Housing Element.



increase in population will be less than 1%, and by year 2020 population will increase only marginally to nearly 230,000 residents is expected.⁵ Table 4 illustrates the population growth trends for the City of Huntington Beach and surrounding cities over the past 20 years.

Table 4 - Population Growth Trends, Huntington Beach and Surrounding Cities

City	1980	1990	2000	1990-2000 Change	% Change
Anaheim	219,311	266,406	310,654	44,248	17%
Costa Mesa	82,562	96,357	106,607	10,250	11%
Fountain Valley	55,080	53,691	56,919	3,228	6%
Huntington Beach	170,505	181,519	199,326	17,807	10%
Newport Beach	62,556	66,643	75,627	8,984	13%
Santa Ana	203,713	293,742	317,685	23,943	8%
Seal Beach	25,075	25,098	27,412	2,314	9%
Westminster	71,133	78,118	87,637	9,519	12%
Total County	1,932,709	2,410,556	2,828,351	417,795	17%

Source: Huntington Beach General Plan

The City of Huntington Beach is one of the leading commercial and industrial centers in Southern California. More than 60,000 people are currently employed by over 12,800 businesses in the city.⁶ The City's business types vary from aerospace and high technology to manufacturing and construction. The manufacturing business/professional service and construction sectors account for over 75% of all employment in Huntington Beach. Table 5 illustrates the employment by business type for the city.

Table 5 - Employment by Business Type

Employment by Business Type-2000 City of Huntington Beach	
Business	# Employees
Retail Trade	9,272
Financial/Insurance/Real Estate	2,122
Business/Professional Service	13,768
Construction	10,422

⁵ City of Huntington Beach General Plan.

⁶ City of Huntington Beach Comprehensive Annual Financial Report, September 2004



Manufacturing	14,047
Transportation/Communication/Public Utility	1,424

Source: City of Huntington Beach General Plan, Community Development Chapter 2000-2005 Housing Element

Huntington Beach is characteristically a suburban community with relatively little vacant land remaining for any new development. The City’s housing stock includes historic beach cottages clustered around Main Street/pier area, large tracts of single-family homes developed during the 1960s as well as condominium developments, small multiple-family rental units, lower density duplex and triplex units, and mobile homes that were constructed during the 1970s and 1980s. Huntington Harbour, a water and boat-oriented residential community, was built largely during the 1960s and 1970s. New home development along the inland side of Pacific Coast Highway, and equestrian estates near Central Park, offer high-end housing opportunities within the City. The median value of existing homes start at approximately \$600,000 and rental rates begin at \$985 per month. According to the data derived from the Center for Demographic Research at California State Fullerton, projections for population, dwelling units and employment within the City experience modest increases.



Table 6 -- City of Huntington Beach Population, Housing and Employment Projections

Year	Population	Dwelling Units	Employees
2005	201,692	78,376	88,511
2010	212,893	78,937	91,845
2015	217,957	79,664	94,470
2020	220,759	79,819	96,741

Source: Center of Demographic Research, CSUF

The City’s General Plan (adopted May 13, 1996, as amended through June 2004) incorporates an optional Growth Management Element, in addition to the seven mandatory elements of a General Plan that are required by State law. Huntington Beach’s Growth Management Element contains policies for the planning and provision of traffic improvements, public services and facilities necessary for orderly growth and



development within the city. The City's Growth Management Element is consistent with the policies and programs of other elements of the General Plan.

Additionally, the City has adopted a Capital Improvement Program (CIP) for FY 2005/06 through 2009/10. The CIP budget for FY 2005/06 includes over \$45 million allocated to City capital improvement projects, including water, arterials, sewer, neighborhoods, transportation, facilities, parks, drainage and storm water quality, and major maintenance. The City has adequately planned for future growth and associated infrastructure through its General Plan and annual capital improvement program (CIP).

No significant issues were noted.

FINANCING CONSTRAINTS AND OPPORTUNITIES

The City of Huntington Beach operates on a federal fiscal year basis, beginning October 1st and ending September 30th. The City Council adopts an annual budget by September 30th that serves as a blueprint for city residents on how their local tax dollars are spent. The most recent budget adopted was for the FY 2005-2006 period. Staff continues to monitor the budget throughout the year and mid-year adjustments are made when necessary.

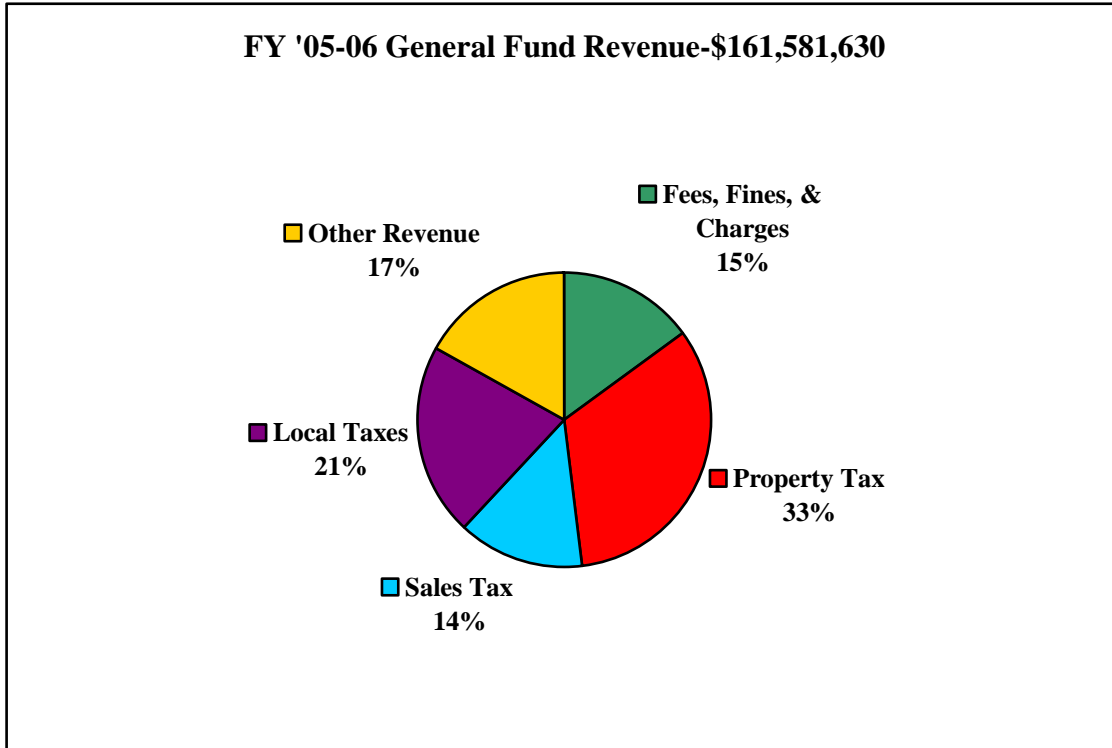
Preparation of the budget for FY 2005-2006 proved to be a challenge for City staff especially in the wake of the loss of \$2.5 million in revenue to the State of California and the loss of \$5.8 million as a result of a recent Supreme Court decision to prohibit the charging of a franchise fee (in-lieu) to one of the enterprise funds. Much like most of the cities in Orange County and throughout California, the City was faced with developing a budget to meet the demands for services under the financial constraints resulting from the court's decision and the state's ongoing budget crisis. Both losses have negatively impacted the city's General Fund.

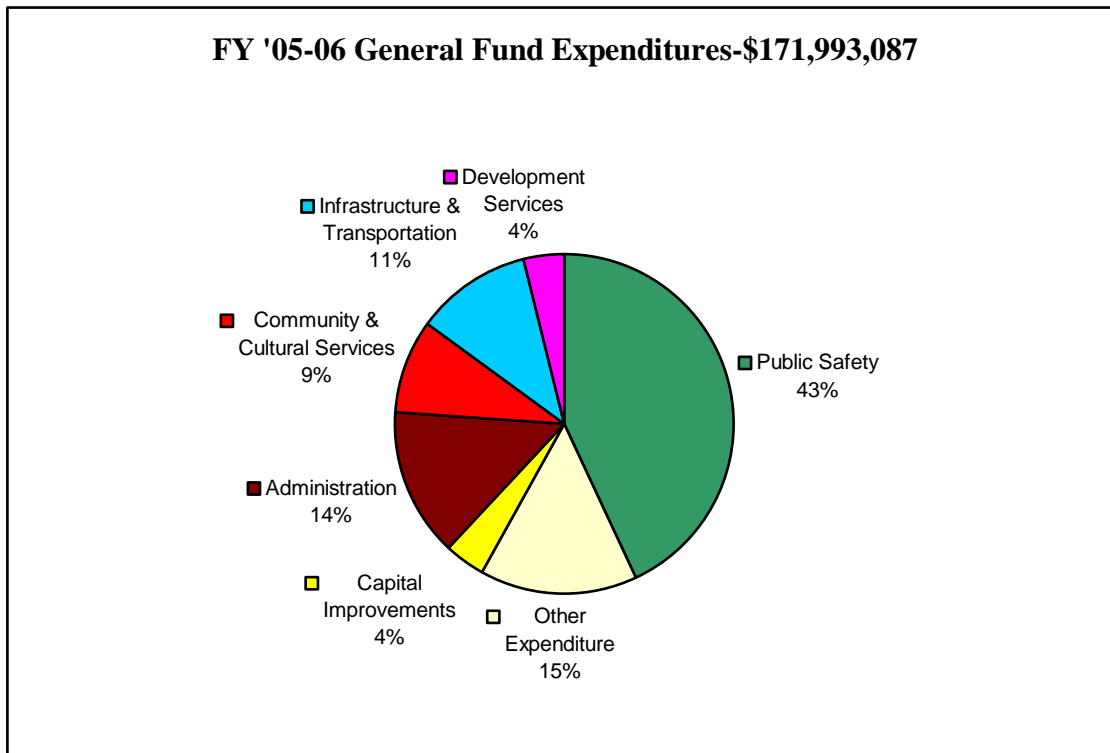
The City's proposed FY 2005-2006 budget, including all funds, totals \$329,122,806, which includes carryover appropriations from FY 2004-2005 and an overall increase of 6.9 percent from the previous year.⁷ Revenues for the General Fund are projected at \$161,581,630 with the General Fund Expenditures slightly exceeding at \$171,993,087 (see following charts). The City will use monies from the reserve fund balance to cover costs. The fund balance from FY 2004/05 was a result of prudent fiscal management and unfilled staff vacancies. Going forward, the City plans to continue to move cautiously through this budget year as it deals with the impacts of the State "take-

⁷ City of Huntington Beach Annual Budget FY 2005/06



away”, the loss in the enterprise fund transfer and its commitment to providing quality level services to the residents.





COST AVOIDANCE OPPORTUNITIES/OPPORTUNITIES FOR SHARED FACILITIES

The City of Huntington Beach provides the following municipal services to its residents: building and planning, redevelopment, fire, police, library, parks and recreation, and public works (including water, sewer and storm drainage). The City currently contracts with the County of Orange for animal control services and a private contractor for solid waste collection.

The City participates in the sharing of facilities and services by providing staffing assistance for emergency services to adjacent and other agencies through mutual agreement.

The City's budget focuses on accomplishing the following goals for FY 2005-2006:

- Cut costs and increase efficiencies wherever possible
- Balance residents' access to service and their ability to pay
- Maximize the available cost sharing opportunities with other levels of government (Federal and State)



- Ensure that anyone who has an interest in the city's budget has the opportunity to participate in the process

No significant issues were noted.

OPPORTUNITIES FOR RATE RESTRUCTURING

The City Council reviews its budget annually and establishes fees and charges for services to ensure that revenues are adequate to meet expected expenses. In the fall of this year, the City Council will be reviewing a new fee study where it will take a look at how much general tax revenues should subsidize various services and which should be self-supporting.

No significant issues were noted.



GOVERNMENT STRUCTURE OPTIONS



The City of Huntington Beach is a full-service city with approximately 1,100 employees and a budget exceeding \$300 million. Its major departments include the City Administrator's office, Administrative Services, Building and Safety, Planning, Library Services, Public Works, Community Services, Economic Development, and Police and Fire. The City Attorney, City Clerk and City Treasurer are elected positions. Animal control services to City residents are provided by

the County of Orange and solid waste collection through a private contractor.

Spheres of influence are planning tools used by LAFCO and cities to plan for the provision of municipal services. The time horizon for an SOI is typically 15 to 20 years at most. The City of Huntington Beach's SOI was originally adopted in 1973 and has for the most part remained unchanged. The majority of the territory that lies within the City of Huntington Beach's SOI is incorporated except approximately 1,600 acres of unincorporated territory. Currently an annexation application has been filed by Hearthside Homes for approximately 111 acres located within the Bolsa Chica Ecological Reserve and the City has begun exploration of the benefits of annexing the remaining area (approximately 1,450 acres). Bolsa Chica is virtually surrounded by the City of Huntington Beach, and there are few other alternatives, other than the County, for service provision to the area.

The City's SOI also includes a 41-acre island located at Beach and McFadden Avenues in the northeast section of Huntington Beach. The island is bordered to the south, north and east by the City of Westminster. At this time, the City of Huntington Beach has expressed no interest in annexing this area. Should annexation of this territory not occur in the near future, LAFCO should consider amending the Huntington Beach SOI to exclude this area. Because of the location of the area, the City of Westminster could be considered as an alternative service provider. Implementation of this alternative would require a sphere adjustment for both cities. LAFCO staff recommends that this area remain in the City of Huntington Beach's sphere of influence until after the MSR/SOI for the City of Westminster is completed (scheduled for 2006).

The Huntington Beach SOI currently does not include the 84-acre Sunset Beach community. LAFCO staff has identified the City of Huntington Beach as the most



logical service provider for the area and is recommending inclusion of this area in the city's sphere. The reasons for the recommendation are summarized below and explained in greater detail in the accompanying sphere of influence report.

- Sunset Beach is bound by Huntington Beach to the north, east, and south
- Some areas surrounding Sunset Beach have been previously annexed to Huntington Beach
- City of Huntington Beach currently provides water service and the transmission of wastewater for Sunset Beach
- Sunset Beach receives police services from the Orange County Sheriff Department. The City of Huntington Beach also provides police services to the area upon request via automatic aid and mutual agreements.
- Sunset Beach receives fire services from the Orange County Fire Authority. These services are provided from a "Reserve" station located within the community and staffed by local volunteers. The staff from the reserve station is ALWAYS backed up with a staffed paid crew from either the City of Seal Beach Fire Department or the medics from the City of Huntington Beach.
- A majority of City of Seal Beach, the only other logical service provider for municipal level services, is physically separated from the area. While the Surfside community is a part of the City of Seal Beach (and is adjacent to Sunset Beach), the City of Seal Beach provides few services to Surfside.

LOCAL ACCOUNTABILITY AND GOVERNANCE

No significant issues regarding local accountability and governance were noted. The City of Huntington Beach has seven (7) part-time council members, elected from the city at-large, which serve four year staggered terms. The city council selects the Mayor and Mayor Pro Tem annually to serve a one-year term. The city council also appoints citizen committees, boards, and commissions to serve as advisory boards to the city council.

The city council meets on the first and third Monday of each month. The meetings typically begin with a study session or closed session at 4:00 p.m followed by the regular council meeting at 6:00 p.m. All council meetings are televised live (and rerun the following Tuesday) through the city's local cable television outlet, Time Warner. To increase local accountability, the City maintains a website that contains general information on City departments, activities, and events, live web casts and video archives of City Council meetings. City departments include the Public Information Office (PIO), which serves as a vital communication link between city representatives



and the Huntington Beach community. The PIO keeps residents informed of city services, programs, recreational activities and opportunities. Table 6, below, lists the current city council members and their terms of office.

Table 6 - City of Huntington Beach Council

City of Huntington Beach Council Members	Title	Term Expires	Stipend
Dave Sullivan	Mayor	December 2006	\$175/month
Gil Coerper	Mayor Pro Tem	December 2006	\$175/month
Jill Hardy	Council Member	December 2006	\$175/month
Keith Bohr	Council Member	December 2008	\$175/month
Debbie Cook	Council Member	December 2008	\$175/month
Cathy Green	Council Member	December 2006	\$175/month
Don Hansen	Council Member	December 2008	\$175/month



SERVICE REVIEW DETERMINATIONS

1) *Infrastructure Needs and Deficiencies*

The City's General Plan addresses the issues of growth, development and the demand for services to ensure that the city's service infrastructures are sufficient in providing quality level of services to its residents. Additionally, the City adopts an annual budget and a 5-year capital improvement program (CIP) to ensure that service levels are maintained or improved and that the CIP is adequately funded. Like other municipalities of similar age, there are deferred maintenance issues with a backlog of infrastructure needs not met with adequate funding.

2) *Growth and Population Projections*

The City is projected to experience an increase of approximately 19,000 residents by the year 2020.

3) *Financing Constraints and Opportunities*

The City uses an annual budget process that allows for mid-year adjustments when necessary. The impact of the local revenues shift to the State from the City of Huntington Beach, like all cities in Orange County and California, will result in reductions in city revenues. As well, the city's revenue has been impacted by the recent court ruling to disallow the charging of a franchise fee (in-lieu) from one of the enterprise funds. Despite these challenges, the City's proposed FY 2005-2006 represents a commitment from City Council and City staff to decrease expenditures without a visible loss in service to the public.

4) *Cost Avoidance Opportunities*

The City of Huntington Beach is a full-service city. The City currently provides municipal services that include building and planning, redevelopment, fire, police, library, parks and recreation, and public works (including water, sewer, and storm drainage). The City currently contracts with the County of Orange for animal control services and a private contractor for solid waste collection and recycling. No significant issues were identified.

5) *Opportunities for Shared Facilities*



The City participates in the sharing of facilities and services by providing staffing assistance for emergency services to adjacent and other agencies through mutual agreement. As one of its budget goals, the City has committed to maximizing the available cost sharing opportunities with other levels of government (Federal and State). No significant issues were noted.

6) **Opportunities for Rate Restructuring**

No issues regarding rate restructuring currently apply.

7) **Government Structure Options**

The City of Huntington Beach's Sphere of Influence includes approximately 28 square miles of city jurisdictional boundaries and around 1,600 acres of unincorporated territory. Originally adopted in 1973, the City's sphere has for the most part remained unchanged. With a pending annexation of Bolsa Chica, it is expected that the majority of the unincorporated area will become a part of the city limits.

The City has not expressed interest in annexing the 41-acre unincorporated area located in the northeastern section of the city; this area should remain in the City of Huntington Beach's sphere until completion of the MSR and sphere for the adjacent City of Westminster.

Sunset Beach is bordered by the City of Huntington Beach on the north, south, and east. The City directly and indirectly provides services to the community. The only other city that could potentially provide services to Sunset Beach is the City of Seal Beach that borders the northern tip of Sunset Beach at that gated entrance to Seal Beach's Surfside residential community. Surfside, however, is physically separated from the main portion of the City of Seal Beach by the Los Alamitos Bay, and is difficult at times for even the City of Seal Beach to serve. In discussions with the City of Seal Beach staff, they have expressed no interest in the future annexation of Sunset Beach.

The unincorporated community of Sunset Beach will likely face significant land use changes and fiscal challenges in the next 15 to 20 years under its existing governance structure. Staff recommends that the City's sphere of influence be amended to include Sunset Beach to encourage the most efficient provision of municipal level services if requested by the community.



8) **Evaluation of Management Efficiencies**

No significant issues were noted.

9) **Local Accountability and Governance**

The City provides a strong outreach effort to the community through city council meetings (also televised live through local cable), website, and the Public Information Office (PIO), which serves as a vital communication link between city representatives and the Huntington Beach community. The PIO keeps residents informed of city services, programs, recreational activities and opportunities.



CITY OF HUNTINGTON BEACH SPHERE OF INFLUENCE REVIEW & UPDATE

Government Code Section 56425 identifies the following factors that should be considered by LAFCO when determining an agency's sphere of influence:

- The present and planned land uses in the area, including agricultural and open-space lands.
- The present and probable need for public facilities and services in the area.
- The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
- The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The City of Huntington contains approximately 17,730 acres with an estimated population of approximately 200,000. Of the 19,359 acres, 41 percent are developed with residences with the remaining use involving industrial, commercial, open space, mixed and other uses.

Unincorporated Areas Located Within & Adjacent to Huntington Beach's Sphere

BOLSA CHICA

The City's current sphere of influence exceeds the City's current limits by approximately 1,629 acres which includes the Bolsa Chica Ecological Reserve (approximately 1,588 acres) (See Exhibit 2). Parts of the Bolsa Chica area have long been used for oil production; the majority of the area has been recently acquired by the State Lands Commission and designated for permanent open space and wetlands restoration.

Orange County LAFCO began considering annexations within the Bolsa Chica area to the City of Huntington Beach over 40 years ago. To date, five annexations totaling approximately 674 acres within Bolsa Chica have occurred. More recently, LAFCO has received an annexation application for approximately 111 acres (Hearthside Homes) and has engaged in preliminary discussions with the City regarding annexation of the



remaining Bolsa Chica reserve. City staff has indicated support of the pending annexation application and is exploring the potential benefits of annexing the remaining area. The Bolsa Chica reserve is surrounded by the City and the Pacific Ocean; as such, the City of Huntington Beach would be the most logical provider of municipal services to the area.

Hearthside Homes, a landowner within Bolsa Chica, has applied for the annexation of approximately 111 acres which has approvals for the construction of 349 single family residences. Because of the pending applications for this area, consideration by the Commission of the portion of the city's sphere of influence that includes the Bolsa Chica area has been postponed. Recommendations regarding the SOI for this area will be presented by staff concurrently with the pending annexation application filed by Hearthside Homes. Should the City decide to propose annexation of the entire Bolsa Chica area that application will also be presented for Commission consideration concurrently.

BEACH/McFADDEN SMALL ISLAND

Recognizing that cities are the logical service providers for municipal-level services, and that unincorporated islands can be more effectively and efficiently served by surrounding cities, Orange County LAFCO continues to be proactive and committed to the annexation of small, unincorporated islands (150 acres or less in size). In 2003, LAFCO staff met with City staff to discuss the potential annexation of a 41-acre "Beach/McFadden" unincorporated area located within the City's sphere of influence bordering the northeastern city limits (See Exhibit 2). Because of the close proximity of the area to the western boundary of the City of Westminster, LAFCO staff also engaged in discussions with Westminster staff regarding interest in annexing the area.

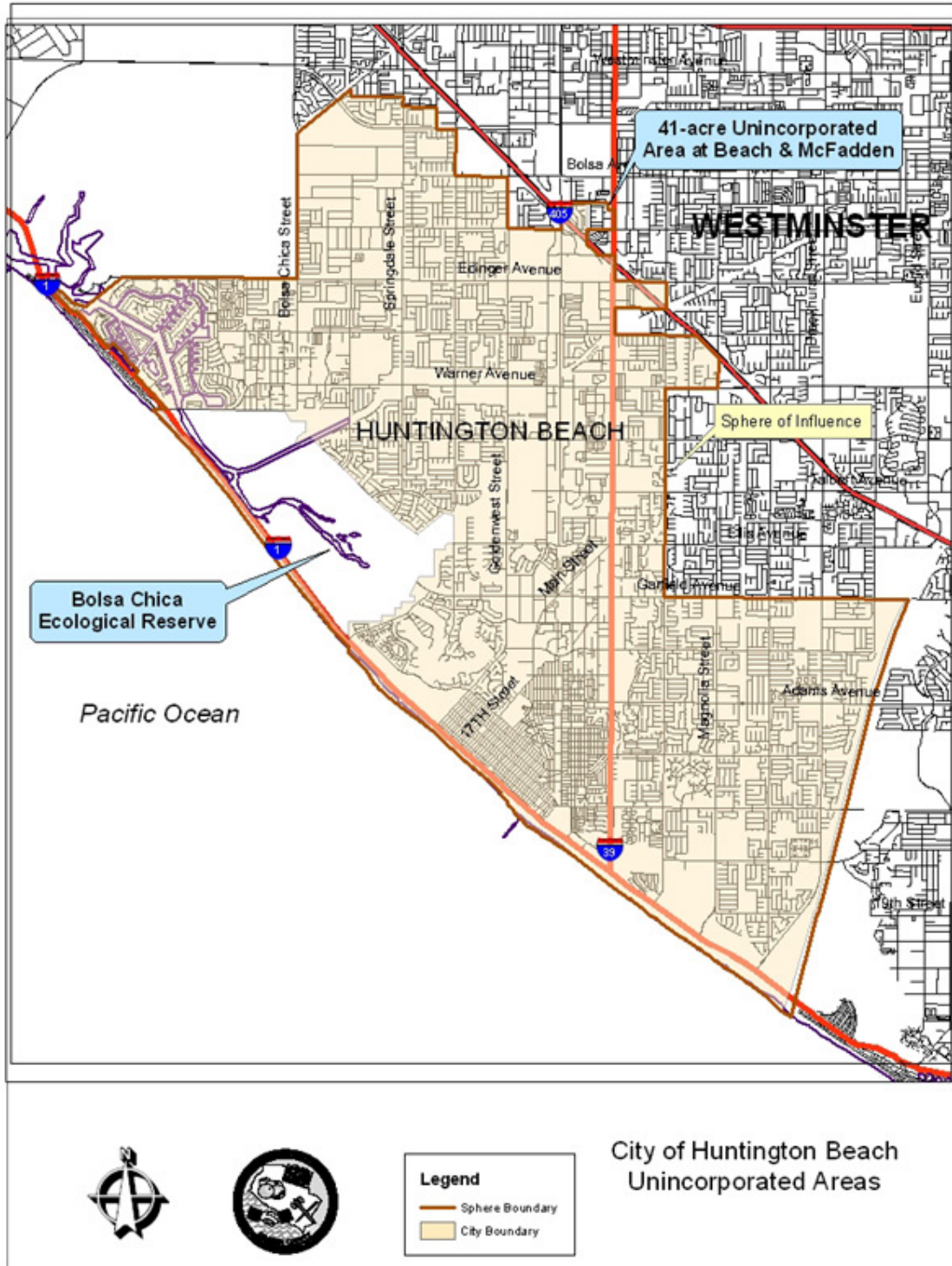
At that time, a fiscal analysis assessing the benefits of annexation to the city was completed projecting a surplus to the City's General Fund of approximately \$250,000 upon annexation.⁸ In 2004, the State instituted a number of changes in how local revenues (sales and use taxes, Vehicle License Fees (VLF), property taxes, and Educational Revenue Augmentation Funds (ERAF)) are distributed. Impacts on cities were significant. Because of these changes, the projected revenue for annexing this unincorporated area to the city would need to be reassessed.

Neither the City of Huntington Beach nor the City of Westminster has expressed an interest in annexing this area.

⁸ City of Huntington Beach Draft Annexation Fiscal Feasibility Report, March 2003, prepared by Rosenow Spevacek Group, Inc.



Exhibit 2 - City of Huntington Beach Unincorporated Areas





SUNSET BEACH

The Sunset Beach community is about a mile and a half long, beginning at Anderson Street to the north and ending at Warner Avenue to the south (see Exhibit 3). The community includes businesses and homes on both sides of Pacific Coast Highway (PCH). A linear park with restrooms and tot lots is located within Sunset Beach on the inland side of PCH. The community is surrounded to the south and east by the City of Huntington Beach and the west by the Pacific Ocean. Bordering the community at its northerly tip is the community of Surfside which is part of the City of Seal Beach.

Currently, the majority of the municipal services to the Sunset Beach community is provided by the County of Orange. Water service is currently provided by the City of Huntington Beach and sewer service and solid waste collection are provided by the Sunset Beach Sanitary District. At present, the community is not within any city's sphere of influence.

Sunset Beach has a long and rich history. Beach cottages and businesses began to be developed in the area around the turn of the century. The community has developed over the decades into a tight-knit beach community with a unique mix of land uses and a small town charm. Residents in Sunset Beach still collect their mail from their "town" post office. The local community association organizes community events throughout the year. The Sunset Beach Community Association, an informal group of local residents, represents the community on key issues and has developed an effective working relationship with County elected representatives. The residents feel that their community's eclectic mix of shops and homes contrasts with the land uses in Huntington Beach.

The annexation of Sunset Beach to Huntington Beach is not a new topic of discussion. Because the Sunset Beach community is bound by the City of Huntington Beach to the northeast and south, discussions of annexation of this area date back as early as the 1960s. During that time, LAFCO approved the annexation of several areas (Huntington Harbor and areas located east of Pacific Coast Highway) in and around the Sunset Beach area to Huntington Beach and discussions began regarding the potential annexation of Sunset Beach to Huntington Beach.

In 1969, the City of Huntington Beach initiated the annexation of Sunset Beach which was subsequently approved by LAFCO. The Commission's approval was based on the information that City of Huntington Beach was the logical municipal service provider to the Sunset Beach area and was fully capable of providing those services. The annexation was later terminated by protest of the property owners. Since then, there



have been no further attempts to annex the Sunset Beach area. During the MSR and in subsequent discussions, residents maintain their opposition to annexation of the community.

LAFCO is charged to look toward the future and spheres of influence are the tools given LAFCO by the State legislature to help guide how special districts, cities, and unincorporated areas may grow and be governed in the future. The community of Sunset Beach will likely face significant challenges in the next 15 to 20 years. The County of Orange, over the past ten years, has shifted its focus from being a municipal service provider to an agency that concentrates on regional service provision - the courts, social services, regional parks, health and welfare.

The unique mix of land uses that comprise Sunset Beach, while providing a charming and unique village atmosphere, fall short of generating enough revenue to cover costs. Although these estimates have been disputed by Sunset Beach residents, it has been estimated that the County currently spends approximately \$1,558,471 annually to provide municipal services to Sunset Beach. Revenue returned to the County from Sunset Beach, primarily in property tax and sales tax, is estimated to be approximately \$569,559. Although at the current time, budget "reform" at the State level has made annexations of developed territory fiscally infeasible for cities, several bills have been introduced which may correct that imbalance..

Sunset Beach is one of two unincorporated areas in Orange County (excluding the Rancho Mission Viejo land holdings in South County) that are not within a designated city sphere of influence. Placing Sunset Beach within the City of Huntington Beach's sphere of influence encourages the community to work more closely with the City during the next 15-20 years. Given the fiscal and services issues of the County, the provision of future municipal level services, the proximity to the City and the social and economic communities of interest, staff recommends that the City of Huntington Beach's sphere of influence be amended to include the community of Sunset Beach.



Exhibit 3 - Unincorporated Community of Sunset Beach





RECOMMENDATIONS

Staff recommends amending the City of Huntington Beach sphere to include the unincorporated community of Sunset Beach. Staff also recommends that the portion of the City of Huntington Beach sphere of influence that includes the Bolsa Chica area be placed in a special study area until the pending annexation applications are ready to be heard by the Commission. It is also recommended that staff consider placing the Beach/McFadden island in the sphere of the City of Westminster during the upcoming MSR.



STATEMENT OF DETERMINATIONS

The present and planned land uses in the area, including agricultural and open-space lands.

Development within the City's existing boundaries is largely built-out. The City's 19,359-acre sphere of influence, is located in Northern Orange County. To the east, along the Santa Ana River, are the cities of Newport Beach and Costa Mesa; to the east and north are the cities of Fountain Valley and Westminster; to the north is the City of Seal Beach; and to the west is the Pacific Ocean. The Huntington Beach sphere of influence includes two unincorporated areas - the Bolsa Chica Ecological Reserve and a 41-acre area located in the northeastern section of the city that is fully developed. The Bolsa Chica area is not included in this sphere review and is not discussed as part of this determination. The Bolsa Chica area will be reviewed at a later time.

Staff supports amending the City of Huntington Beach sphere of influence to include the unincorporated Sunset Beach community. This area includes approximately 84-acres of a fully developed residential area that is surrounded by the city to the north, south and east. Currently the area receives municipal services from the County Orange and the Sunset Beach Sanitary District. Adjacent to the community, Huntington Beach is the most logical service provider for the area.

The present and probable need for public facilities and services.

The present and future need for services is addressed through the City's General Plan, budget, and seven-year capital improvement program to ensure that city services match projected growth. Staff supports amending the city's sphere to include the Sunset Beach community. As the city's services and facilities are adjacent to the area, Huntington Beach is the most logical service provider to the area. The Bolsa Chica area is not included in this sphere review and is not discussed as part of this determination. The Bolsa Chica area will be reviewed at a later time.



The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The City and other service providers have adequate capacity and facilities to serve current and future land uses. Staff supports amending the city's sphere to include the Sunset Beach community, which is surrounded by Huntington Beach to the north, south, and east. As the city's services and facilities are adjacent to the area, it is believed that Huntington Beach is capable of serving the Sunset Beach community and is the most logical service provider. The Bolsa Chica area is not included in this sphere review and is not discussed as part of this determination. The Bolsa Chica area will be reviewed at a later time.

The existence of any social or economic communities of interest in the area (if the commission determines that they are relevant to the agency).

Because of the close proximity of the unincorporated community of Sunset Beach to the City of Huntington Beach, there may be common social and economic communities of interest involving residents from the community and the City. Staff recommends that the City of Huntington Beach's sphere of influence be amended to include the community of Sunset Beach to encourage residents to work more closely with the City over the next 15 to 20 years.