



ORANGE COUNTY LAFCO

2016 STRATEGIC PLAN

Approved on: March 18, 2016

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2016 STRATEGIC PLAN

INTRODUCTION

Nearly 20 years ago, Orange County LAFCO began conducting annual strategic planning sessions. Through its strategic planning process, the Commission identifies challenges and opportunities facing LAFCO and develops a broad framework and direction to guide the agency's decisions that encourage logical boundaries and efficient delivery of municipal services by Orange County local governments.

At the 2016 Strategic Planning Session, the Commission will:

1. Receive an update on the past year's accomplishments and unfinished projects.
2. Review and consider revisions to the Commission's organizational goals.
3. Identify and prioritize key projects that will be included in the 2016-2017 Work Plan that begins on July 1, 2016.

Adoption of an annual work plan allows the Commission and staff to proactively plan for multi-year projects, prioritize staff's efforts, and ensure the most efficient allocation of agency resources. Following adoption of the strategic plan, staff will prepare the FY 2016-2017 Proposed Budget and Work Plan for Commission consideration at the April 13 regular Commission meeting.

The Strategic Planning Session will be held on **Friday, March 18, 2016 from 9:00 a.m. to 1:00 p.m. at the Orange County Transportation Authority, Board Room located at 600 South Main Street in Orange.**

OC LAFCO MISSION STATEMENT

"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."



2015-2016 WORKPLAN

ACCOMPLISHMENTS

On April 8, 2015, the Commission approved the 2015-2016 Work Plan. This Work Plan identified key project opportunities and staff activities for meeting OC LAFCO's legislative charge and continued collaboration with multiple LAFCO stakeholders. The following section provides a summary of the Commission's key accomplishments for the three categories outlined in the 2015-2016 Work Plan:

- (1) *Mandatory* (projects that LAFCO is statutorily required to carry out, either by specific mandate of the Cortese-Knox-Hertzberg Act or by an application filed with LAFCO);
- (2) *Commission-Initiated* (proactive Commission projects that are discretionary and support statutory requirements); and,
- (3) *Administrative Projects* (projects that primarily involve office policy and administrative projects, some of which are statutorily required).

With three months remaining in the Work Plan cycle, completion of additional projects prior to the fiscal year end of June 30, 2016 is anticipated.

MANDATED PROJECTS (2015-2016)

LAFCOs will always have legal mandates (e.g., municipal service reviews, sphere of influence updates, changes of organization) to complete, and this year's Work Plan includes 14 mandated projects involving filed and anticipated applications. These include city/district annexations and detachments, a focused municipal service review, activation of a special district's latent power, and the potential transfer of water, sewer and storm water protection services.

Mandated projects can range from routine to complex, and it can be challenging to accurately gauge the amount of staff time and resources necessary to complete these projects. For example, the proposed Orange County Sanitation District Area 7 reorganization, originally filed in March 2014, has required a multi-year staff effort that included preparing a focused MSR, conducting multiple community outreach meetings and preparation of several staff reports and presentations to the Commission, to fully analyze the factors required by LAFCO statute and Commission policy. However, other mandated projects may only take six to nine months from start to completion.

In accordance with state law, the Commission is required to dedicate staff and financial resources to process these projects and any additional applications that are filed subsequent to the approval of the Work Plan. While a formal LAFCO application has not been filed for some of these projects, staff resources have been utilized to assist potential applicants and affected agencies in advance of formal application filing. Highlights of the Commission's accomplishments in this category are discussed below, and more complete details on each of the mandatory projects are provided in **Attachment A**.

ACCOMPLISHMENTS:

The Commission successfully completed two projects identified in the Work Plan and three others are near completion. Completed projects include the focused Municipal Service Review for Orange County Sanitation District Service Area 7 and a city sphere adjustment. Staff anticipates completion of the East Orange County Water District and Irvine Ranch Water District applications and the Meyer Reorganization by early Spring. The balance of the mandated projects involves multi-year projects that include complex changes of organization that require significant staff time and resources to complete and meet OC LAFCO application requirements.

COMMISSION-INITIATED PROJECTS (2015-2016)

OC LAFCO has been proactive through multiple Commission efforts that include innovative projects that foster healthy discussions at the local, regional, and state level and encourage sustainable local governance. This year, the Commission continued its leadership in this area through many of its marquee programs that include: South Orange County Future Governance, County Unincorporated Areas, and Legislative Advocacy. While many of the milestones for these projects identified in the 2015-2016 Work Plan were impacted by the staff changes and the allocation of resources to mandatory projects, a summary of those accomplished are discussed below.

ACCOMPLISHMENTS:

South Orange County Future Governance

The South Orange County Governance Visioning Process represents a model of proactive leadership and collaboration with key stakeholders to address how municipal services will be delivered in the future for the inhabited and developing areas in a large portion of south county. To date the Commission has allocated significant resources to this project including hiring consultants to prepare a comprehensive fiscal data model and to facilitate stakeholder group discussions. Over the past year, the Commission completed the following milestones for the Visioning Process:

- Continued facilitation of stakeholder group meetings to jointly develop potential short and long term viable governance options for the Rancho Santa Margarita and Rancho Mission Viejo Study areas. After several months of ongoing dialogue, the stakeholder meetings concluded in August 2015.
- Prepared the governance stakeholder packet that includes comprehensive fiscal accountability and data for the study areas, outlines LAFCO processes for potential boundary changes and agency formations, and discusses potential viable governance options. The stakeholder packet was developed as a resource document for outreach to stakeholder agencies and communities within the study areas.
- Completed presentations to the councils and boards of stakeholder agencies to update them on the Visioning Process and to receive feedback which will be included in a comprehensive report and assist in identifying next steps in the process. The report on the stakeholder process will be presented to the Commission in late spring as part of the current Work Plan.

County Unincorporated Areas Program

During the adoption of the 2015-16 Work Plan, the Commission approved a sub work-plan for the County Unincorporated Areas. The plan identified several proactive efforts and milestones for the Commission's Unincorporated Islands Program. While the program continues as a high priority for the Commission, during the past year completing tasks and deadlines associated with those milestones were impacted by staffing changes and reallocation of staff resources to mandated projects.

However, with the recent filling of two agency positions, the tasks identified in the Work Plan are underway. Over the past month, staff began preparation of profiles for each island containing updated demographic and fiscal data that will assist in discussions with cities regarding future annexation of islands within their spheres of influence. A discussion of the identification of future milestones for the program is outlined in a later section of the Strategic Plan.

Legislative Advocacy and Affairs

OC LAFCO continued to be proactive in legislative affairs affecting LAFCO, and staff for the sixteenth year participated as a member of the CALAFCO Legislative Committee. This past year included the following accomplishments for legislative affairs:

- Adopted *support*, *watch*, and *oppose* positions on 11 bills presented in the Legislature. Key legislation reviewed included attempts to restore VLF funding for proposed incorporations, updating the city disincorporation process, and the review and extension of fire protection services involving the LAFCO statutory process. Many key efforts were signed into law by Governor Brown, such as the city disincorporation process, approval

of out-of-area agreements, and minor, non-controversial changes to the Cortese-Knox-Hertzberg Act.

- Completed comprehensive updates and revisions to the Commission's legislative policy guidelines to clarify OC LAFCO's policy direction for legislative efforts.
- Appointed a Legislative Ad Hoc Committee to assist staff when necessary in the review of legislation and other related efforts when timeline requires immediate response.

California Association of LAFCOs (CALAFCO)

OC LAFCO staff has been a member of the CALAFCO Legislative Committee since 1999 and has contributed to the review and drafting of proposed legislation by the Committee that supports LAFCO's mission. During this Work Plan cycle, staff participated in quarterly legislative committee meetings, reviewed and provided comments to the CALAFCO on the legislative policy and guidelines, and throughout the year, provided feedback on proposed legislation of LAFCO-interest.

This past year, Commissioner Cheryl Brothers continued serving on the CALAFCO Executive Board as one of four members representing the southern region. More recently, Commissioner Brothers was appointed by the Executive Board to serve on the Awards Nomination Committee. The Committee is responsible for selecting LAFCO staff, commissioners and projects to be honored at the CALAFCO Annual Conference. Staff also continued to provide support to CALAFCO staff for the annual conference that took place in Sacramento. At the conference, Executive Officer Carolyn Emery participated as a panel member for the LAFCO 101 session for newly appointed Commissioners and staff.

Coalition of California LAFCOs (CCL)

Both OC LAFCO Commissioners and staff continued participation in quarterly meetings involving the southern region LAFCOs (Imperial, Los Angeles, Orange, Riverside, San Bernardino, and San Diego) to discuss and collaborate on regional and local issues. During the past year, Commissioner Brothers continued as the CCL Board Member and Treasurer. More recently, the CCL members voted to change the name of the group to the CALAFCO Southern Region.

Additionally, the group has initiated a joint RFP process for selection of an independent auditor to prepare audited financial statements beginning with FY 2015-2016. Over the past several years, the Commission has participated with Imperial, Los Angeles, Riverside, and San Bernardino LAFCOs in this joint process that has realized costs savings and administrative efficiencies involving auditing services. Completion of the RFP process is anticipated by early summer.

ADMINISTRATIVE PROJECTS (2015-2016)

The 2015-2016 Work Plan includes key administrative projects that support strong organizational effectiveness and internal efficiencies. In addition to the adoption of annual budgets and independent preparation of the agency's financial statements (statutory requirements), the Work Plan includes the preparation of quarterly project, budget, and legislative reports that keep local agencies and the public informed about LAFCO and its financial operations and controls.

One significant effort undertaken by staff which was not specifically identified on the 2015-2016 Work Plan was the recruitment for two vacant staff positions. Two separate recruitments were initiated, applications were screened, and interviews were conducted internally and by outside agency representatives. LAFCO's new Staff Analyst and Assistant Executive Officer were selected, and they assumed their LAFCO responsibilities at the beginning of this calendar year.

ACCOMPLISHMENTS:

The following key administrative projects were completed during the 2015-2016 Work Plan:

- Approval of the draft and final 2015-2016 OC LAFCO budgets with no increase in the OC LAFCO apportionment funded by the County, cities, and special districts.
- Internal audit and comprehensive update of Parts I-IV of the Commission's Bylaws, policies and procedures (OC LAFCO Handbook).
- Annual audited financial statements completed for the year ending June 30, 2015 (with no material issues noted).
- Recruitment and hiring of a Policy Analyst and Assistant Executive Officer.
- A significant upgrade and redesign of the LAFCO website, the agency's primary communication portal, is currently underway and will be completed before the end of the fiscal year. The selection of the consultant for this project was initiated through a joint Request for Proposals process with Riverside LAFCO.
- Preparation of quarterly legislative and budget reports to keep the Commission and OC LAFCO stakeholders informed of the agency's fiscal status and legislative and project-related activities.

ORGANIZATIONAL GOALS

On April 8, 2015, the Commission adopted four key organizational goals to assist the Commission in meeting the legislative mandates, purpose, and intent of LAFCO's enabling act, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, and the organizational mission of Orange County LAFCO:

- To address municipal service needs, opportunities, and potential reorganizing through conducting studies that regionally and comprehensively plan for the future and regional municipal service and infrastructure needs of Orange County's residents.
- To facilitate cooperation, coordination, and collaboration between Orange County local agencies, landowners, stakeholders, residents, and LAFCO applicants that encourage efficient and sustainable local governance.
- Use LAFCO's expertise, knowledge, and resources to educate the public about the form, function, and structure of local government and the importance of sustainable governance that support the present and future social and economic sustainability of Orange County.
- To maintain internal efficiencies that support OC LAFCO's organizational effectiveness that meet statutory requirements and include proactive outreach to our funding agencies and the public.

Over the next year, the Commission will conduct proceedings for applications and other legislative mandates that include planning for the next round of Municipal Service Reviews, transitioning of unincorporated areas to adjacent cities and envisioning for long-term governance for a developing and inhabited unincorporated communities.

At the Strategic Planning meeting of May 18, 2016, the Commission reviewed and revised its goals. These updated goals, which replace the four organizational goals previously adopted by the Commission, are provided on the following page. These revised goals will be used as guidelines for the Commission to accomplish the overall mission of OC LAFCO and complete the key project opportunities identified in a later section of this Strategic Plan.

ORGANIZATIONAL GOALS

- **Statutory and Commission-Initiated Mandates**
Carry out the legislative purpose of LAFCO to encourage efficient municipal services and orderly formation and development of local agencies, through the annexation of areas to adjacent cities and special districts and conducting of Municipal Service Reviews and other studies.

- **Outreach and External Relations**
Through the leadership of executive staff, foster the development of collaborative relationships among the executive staff of Orange County's local and regional agencies and organizations that support efforts to collectively address common challenges and the roles of each agency in the planning and shaping of Orange County's infrastructure.

- **Legislative Advocacy**
Support legislation that enhances LAFCO authority and powers to perform the duties mandated by the California Legislature and that recognizes the Commission's authority to establish policies based on local needs and conditions relative to Orange County.

- **Internal Efficiency**
Maintain internal efficiencies that support OC LAFCO's organizational effectiveness that meet statutory requirements and include proactive outreach to our funding agencies and the public within the adopted budget.

KEY PROJECT OPPORTUNITIES

FOR 2016-2017

The OC LAFCO mission and organizational goals reflect the Commission's unique organizational identity and its role and function in Orange County local government. Over the past several years, the Commission has continued to encourage efficiency in the delivery of municipal services through approval of traditional types of organizational changes - annexations, detachments, and reorganizations. Additionally, with the change in how services are delivered within and outside the jurisdictional boundaries of our local governments, OC LAFCO leadership and focus on more innovative and proactive efforts continues to be important.

Over the next several years, the Commission will continue to analyze and act on applications for boundary changes. Additionally, OC LAFCO can maintain its legislative charge as a boundary oversight agency and role as a facilitator through existing programs and proactive efforts, such as the County Unincorporated Areas, Municipal Service Reviews, and South Orange County Governance. These projects and programs provide the opportunities for the Commission to work collaboratively with the County, cities, special districts, communities and other LAFCO stakeholders to address service needs based on the evolving demographics and infrastructure needs of Orange County. This section discusses mandated and potential key opportunities for FY 2016-2017.

MANDATED PROJECTS (2016-2017)

Over the last three years, Work Plans have included up to 14 filed and anticipated projects that involved routine to complex changes of organizations. The 2016-2017 Work Plan will include projects from the current year not yet completed, as well as projects filed throughout the year that the Commission must process in accordance with state law. The processing timeline for routine applications can range from six to nine months from the filing of the application. For complex applications the estimated processing timeline can be from one to two years. With each application, processing and external issues, such as legal, agency/resident opposition, agency negotiations, may impact these estimated timelines. In the upcoming year, the Executive Officer will meet with the Executive Committee quarterly to provide updates on projects and staffing. If additional mandatory applications are filed, or existing projects require extraordinary staff efforts and resources, the Executive Officer may be required to shift staff resources from the more discretionary projects to the applications that LAFCO is mandated to process.

The table below lists the projects anticipated for inclusion in the 2016-2017 Work Plan commencing July 1, 2016. Two key mandated projects, Municipal Service Reviews and OC

LAFCO's policies and procedures update, are more fully described in the narrative following the table, beginning on page 11.

Mandated Projects 2016-2017 Work Plan	Project Description	Project Complexity	Project Status
Esperanza Hills Annexation to the City of Yorba Linda	Proposed annexation of the Esperanza Hills development to the City of Yorba Linda.	Complex	Active Application
La Habra Islands Potential Transfer of Water Service	Potential transfer of retail water service from private water company and annexation of remaining unincorporated islands to the City of La Habra.	Complex	Active Application
Cielo Vista Project located within the City of Yorba Linda Sphere of Influence	Potential annexation of the Cielo Vista development to the City of Yorba Linda.	Complex	Anticipated
City of Orange Detachment of Open Space	Proposed detachment of territory that has been dedicated as permanent open space.	Routine	Anticipated
City of San Juan Capistrano Transfer of Water, Sewer & Storm water Services	Potential transfer of water, sewer, and storm water protection services to a successor agency.	Complex	Anticipated
Costa Mesa Sanitary District Annexation	Potential annexation of five properties located in the City of Newport Beach for sanitary sewer service.	Complex	Anticipated
Municipal Service Reviews <ul style="list-style-type: none"> • Shared Opportunities Program • Fiscal Trends Program • Public Engagement Program 	Development of a roadmap to guide successful completion of the 4 th round of MSR's addressing OC LAFCO's 34 cities and over 30 special districts; updates to Shared Opportunities, Fiscal Trends and Public Engagement Programs to support MSR analysis/determinations.	Multi-year Stakeholder Process	Active
LAFCO Policies & Procedures Update	Commission is statutorily required to establish policies and procedures that support its authority granted by the Legislature.	Administrative	Active

Municipal Service Reviews (Shared Services, Fiscal Trends and Public Engagement Programs)

One of the most significant projects that staff will begin as part of the 2016-2017 Work Plan will be the development of a comprehensive roadmap for the preparation of Municipal Service Reviews (MSRs) for each of the 34 cities and over 30 special districts under OC LAFCO's purview. State Law requires the preparation of MSRs for each agency prior to or concurrent with agency sphere of influence updates. Spheres, by law, must be updated at least once every five years.

In June 2015, the Orange County Grand Jury released a report entitled, "**Orange County Local Agency Formation Commission (OC LAFCO): It's Time to Redraw the Lines**" which included a discussion of the Commission's Municipal Service Review stakeholder process. The Grand Jury commented that LAFCO has failed to pursue efficiency of local governmental organizations by restructuring them and reshaping their boundaries in a logical, orderly and timely manner. The Commission's response to the Grand Jury indicated that the Commission has used its MSR process to proactively work with the County of Orange, cities, special districts, and community groups to establish logical boundaries, reorganize illogical boundaries, and encourage governmental structures that reflect Orange County's current and future demographics. The MSR process has been the most important mechanism for reviewing how agencies are planning to deliver public services in the most cost-effective and efficient manner.

Over the next year, OC LAFCO staff will continue to move forward the roadmap approved by the Commission and included in the current Work Plan. The roadmap remains key to the successful completion of the fourth round of MSRs, to begin in 2018, for 35 special districts and 34 cities under OC LAFCO's jurisdiction. For the upcoming Work Plan, staff resources will be focused on continued outreach to stakeholders, development of criteria to establish MSR focus boundaries and prioritization of agencies and services to undergo MSR reviews. Once focus group efforts and criteria are complete, a 5-year timeline for completion of MSRs will be developed.

Shared Opportunities Program

In 2011, the Commission launched the Shared Opportunities Program as a tool to meet its legislative mandate of reviewing how agencies are engaging in shared service alternatives. This program will provide a critical resource for staff as it undertakes the fourth round of Municipal Service Reviews for Orange County agencies. Shared service opportunities and government structure options remain a mandated determination that the Commission will be required to make for all MSR reviews. The Shared Services Program has been redesigned and the next steps will include an outreach effort to our member agencies as part of the overall MSR work program.

Fiscal Trends Program

Assessing the financial sustainability of our local agencies remains a key component of staff's MSR efforts. The Fiscal Trends Program was developed by the Commission to provide a resource for both LAFCO and local agencies while addressing a state mandate to review the financial ability of agencies to provide services. However, the Fiscal Trends Program has the potential to do more than just provide metrics of fiscal health. While each of the cities and independent special districts in Orange County have both common and unique fiscal challenges, the program can provide another tool for fiscal self-awareness among local agencies and may assist in identifying opportunities to reevaluate internal functions. Over the next year, LAFCO staff, in conjunction with the development of its MSR roadmap, will focus efforts on updating the financial data and narratives contained in the Fiscal Trends Program by working with local stakeholders.

Public Engagement Program

The Public Engagement Page of the LAFCO website provides an opportunity for the agency to educate and solicit input from the public. This page provides direct access to information about LAFCO projects and offers the opportunity for local agencies and the public to provide feedback and receive email notifications on the latest news and information.

This component of the website remains a key element in the process of soliciting input for the projects undertaken by the Commission in the coming year and will be a critical outreach component during the preparation of the next round of MSRs. As part of the 2016-2017 Work Plan, staff will continue to refine and update the Public Engagement Program to ensure it meets the needs of the public, the Commission and all OC LAFCO stakeholders.

LAFCO Policies and Procedures Update

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.) requires that each LAFCO adopt written policies and procedures. First adopted by the Commission in 2005, the Orange County LAFCO Handbook organizes the Commission's policies and procedures into five categories: bylaws, accounting and finance, personnel policies, general administrative and project processing. These policies and procedures serve as guidelines for statutory processing of LAFCO applications, projects, and operational efficiencies.

As part of the 2015-16 Work Plan, an audit and update of the policies and procedures to reflect the current direction of the Commission and all recent changes to State law were completed for portions of the handbook. The second part of the audit and updates will involve the general

administrative and project processing policies and will be included in the 2016-2017 proposed Work Plan. As part of a preliminary review, staff has identified the following policies that will be a focus of this effort:

➤ Guidelines for Evaluating Proposals

This section includes guidelines for the Commission and staff for evaluating proposals. Current guidelines establish criteria for evaluating proposals that meets statutory and Commission requirements. More recent applications have raised issues such as timeline for deeming an application complete, revisions to an application subsequent to scheduling for hearing, and late submittal of correspondence that warrant review of this policy.

➤ Policies and Procedures for the Review and/or Processing of Out-of-Area Agreements by the Executive Officer

This section establishes procedural guidelines for the Commission's authority and review of agencies requests to provide services outside of their jurisdictional boundary (Govt. Code 56133). Recent legislative changes to the statute and the Commission's effort involving shared opportunities warrant a review of this section of the handbook.

➤ LAFCO Fee Schedule

In accordance with the statute, the Commission adopted a schedule of fees and service charges for proceedings undertaken by OC LAFCO. In 2005 the Commission shifted from acreage-based fees to a fee schedule based on direct time and materials charged against deposits. The current fee schedule does not account for any time and materials allocated to projects prior to an application being filed. With complex projects, those hours can be excessive. A review of the fee scheduled is warranted to assess the adequacy of current fees for LAFCO applications and services and address the time and materials allocated to project activities prior to an application being filed with the Commission.

➤ Commission Bylaws

According to Robert Rules of Order, an agency's bylaws are the most important document of the organization as they provide structure for the organization. The Commission's bylaws were first established in 1977 and include OC LAFCO's mission, authority, selection and appointment of members, terms of office and defines the role of regular and alternate members. While the bylaws have experienced minor revisions over the past several years, as the structure for

LAFCO's authority on making decisions, the Commission may consider additional revisions to ensure the handling of the affairs of the agency are being done in the most efficient manner.

COMMISSION-INITIATED AND DISCRETIONARY PROJECTS (2016-2017)

OC LAFCO has a long history of innovative leadership through a series of ground-breaking programs which support its legislative charge. In fact, two of the proposed discretionary projects for 2016-17 have long been supported by the Commission. For example, the County Unincorporated Areas Program has consistently ranked as one of the Commission's top priorities over that last 15 years.

The progress on the discretionary programs was impacted in 2015-2016 by staff changes and an unavoidable shift in resources to mandatory projects. Although a full complement of LAFCO staff is now in place, the allocation of resources to the discretionary projects still needs to be prioritized. The Commission's prioritization of these projects during the strategic planning process provides guidance to staff for appropriately adjusting work assignments when mandatory projects and other programs create competing demands for resources during the year. The following chart provides a brief description of the projects and identifies the priority level proposed by staff.

Commission-Initiated and Discretionary Projects 2016-2017 Work Plan	Project Description	Recommended Priority
County Unincorporated Areas Program	Update fiscal studies, develop an implementation strategy with affected stakeholders to annex islands of high interest.	High
South County Governance	Complete a final Visioning Report for Commission consideration in May 2016; establish one to two South Orange County Study Areas that includes all developed and developing unincorporated communities for purposes of ongoing discussions on overlapping issues related to short, mid, and long-term governance options.	Medium
Organizational Assessment and Development	Review and update employee classifications, compensation schedule, and staff development program.	High

County Unincorporated Areas Program

A focus of the Orange County Grand Jury's 2015 report was OC LAFCO's effort in annexing the remaining unincorporated islands. While the report highlighted the success of the Commission's unincorporated islands program, the Grand Jury noted that island annexations had slowed over the past several years and recommended that the Commission revive and reinstate its commitment to the annexation of islands. In response to the report, the Commission informed the Grand Jury of its continued commitment to the islands program as a priority project and to working collaboratively with affected stakeholders to transition remaining islands to cities. However, the Commission also noted that a mutual commitment of resources by OC LAFCO and the County are essential in order for the islands effort to once again be successful.

Since the release of the report and OC LAFCO's response, the Commission has begun reviving the islands program through a commitment of resources. Over the past few months, the Commission has added additional staff that has begun the preparation of fiscal profiles for each of the remaining 33 islands. With data being provided by the County, as the current service provider, the profiles will be used as one of the guiding tools for staff in directing resources to the unincorporated areas that potentially have a higher probability of being annexed to an adjacent city. Staff recommends rebuilding the momentum by concentrating efforts and resources towards three cities demonstrating a willingness to discuss annexation. With the most challenging islands remaining, this effort will require the proactive participation of both the staff and Commission.

Based on the Commission's discussion at the Strategic Planning Session, staff will define high priority areas and identify specific milestones for the unincorporated islands as part of the 2016-2017 Work Plan.

South Orange County Governance

Continuing to identify South Orange County governance as a key priority supports the organizational goal of the Commission "to facilitate cooperation, coordination, and collaboration between Orange County local agencies, landowners, stakeholders, residents, and LAFCO applications that encourage efficient and sustainable local governance." During the past year, the Commission has proactively conducted a stakeholder process for South Orange County governance that included a collaborative forum for issue identification, information sharing, and collective exploration of viable governance options. Throughout this process, the stakeholders were involved, dedicated and actively engaged in discussions, and key takeaways from these discussions will assist LAFCO in future governance meetings.

The feedback from this process confirmed that the communities value LAFCO as a resource provider, facilitator, and partner. While the Visioning Process may be complete, there continues to be a need for LAFCO's leadership as stakeholder interests in future governance continue to evolve. Over the next year, LAFCO has the opportunity to continue the mission of the Visioning Process by remaining engaged as the area is developing and as governance options become more sustainable. For stakeholders, the Commission's ongoing commitment to working with them to identify the optimal governance provides the leadership and resources needed to keep discussions moving forward with appropriate timing.

Stakeholder Discussions "Takeaways"

- ✦ *Future governance discussions should include one consolidated working group and should be broadened to include the business community.*
- ✦ *There are legislative and economic realities affecting the feasibility of incorporation in the short term.*
- ✦ *The stakeholders are interested in LAFCO's continued leadership of governance discussions and exploring interim solutions to address the needs of their respective communities.*

A final report highlighting the key findings of the Visioning Process for South County will be presented to the Commission in May 2016. The report will contain valuable insights and feedback from the stakeholders. With a long-term horizon of the more permanent governance options, it will be important for LAFCO to remain up-to-date on current events in South Orange County. Over the next year, LAFCO can continue building on the momentum of the efforts of the past year and work with interested stakeholders by establishing one to two South Orange County study areas that include all developed and developing unincorporated communities for purposes of periodic discussions on short term service issues and long-term governance opportunities. The Commission can continue its role as a resource provider during quarterly or ad-hoc meetings with study area stakeholders to stay current on governance discussions and other regionally important issues of water resource management, mobility and the economy.

Administrative Projects

In addition to its role of encouraging efficiency within other agencies, one of the Commission's organizational goals is, "To maintain internal efficiencies that support OC LAFCO's organizational effectiveness to meet statutory requirements and include proactive outreach to our funding agencies and the public." Over the past year, the Commission has achieved this goal through multiple administrative projects identified in the Work Plan that continue to promote competence and effectiveness.

To continue support of this goal, one major key administrative project for the coming year has been identified for Commission discussion. This project will complement the continuing administrative efforts of staff, including maintaining and updating the website, and preparing

quarterly project, budget and legislative reports that provide information about the services and activities of LAFCO to the public and other local agencies.

Organizational Assessment and Development

Orange County LAFCO, similar to all other public agencies, provides services through its workforce. For the past several years, the Commission has maintained a staff that has included forward-thinking Executive Officers and staff that possess strong educational and professional experience in policy and local government. These staff attributes have played a significant role, under the leadership of the Commission, in the shaping of the OC LAFCO's Work Plan and the completion of projects.

Therefore, in order to continue the success achieved and accomplishment of its goals, the Commission must have an effective, professional and well-trained staff to conduct the studies, perform the analysis, prepare the reports, facilitate the community discussions, and educate the public on its projects and activities. To ensure that the Commission attracts, develops, and retains a high quality team of employees, it is necessary to periodically review and revise its compensation structure, job descriptions and professional development programs.

In general, it is the intention of LAFCO to provide compensation to its employees based on identified responsibilities, skill levels, performance, educational accomplishments, and current comparable wages for the region. An assessment of the job classifications and salary ranges for the Commission's staff should be based on consideration of a number of key factors including: requirements of the organization, availability of qualified individuals, current labor market conditions, and compensation for comparable positions in the marketplace. The current staff salary schedule was last reviewed and approved by the Commission in 2008. Based on the Commission's discussion at the Strategic Planning Session, a comprehensive analysis of the classifications, compensation and professional development program may be included in the 2016-17 Work Plan.

CONCLUSION

The adoption of a mission, goals and annual strategic plans exemplifies the Commission's leadership and commitment to its legislative charge. The prime objective of this year's Strategic Plan is to apply the Commission's authority and resources to those programs and projects that will move the agency forward toward attaining its organizational goals. The discussion and direction provided during the Strategic Planning Session will guide staff in the development of the 2016-17 Work Plan that will be presented to the Commission for consideration in April.

The preparation and presentation of this Strategic Plan was a collaborative effort by the Commission's Executive Committee and staff.

Attachment

A. *2015-2016 Work Plan Update*