



# 2017 STRATEGIC PLAN

April 12, 2017

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# 2017 STRATEGIC PLAN

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## OC LAFCO Mission

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

Adopted on 2006



# 2017 STRATEGIC PLAN

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## INTRODUCTION

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This year represents the Commission's 21st Strategic Planning Session. Through its strategic planning process, the Commission identifies challenges and opportunities facing LAFCO and develops a broad framework to guide the agency's decisions involving state and Commission-initiated mandates and providing leadership in Orange County on local and regional issues.

At the 2017 Strategic Planning Session, the Commission will:

1. Discuss the accomplishments of the agency's organizational goals and 2016-2017 Work Plan.
2. Receive a report on agency's overall performance.
3. Identify and prioritize key projects that will be included in the 2017-2018 Work Plan that begins on July 1, 2017.

The 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 the adoption of the strategic plan, staff will prepare the FY 2017-2018 Proposed Budget and Work Plan for Commission consideration at the May 10 regular Commission meeting.

The Strategic Planning Session will be held on **Wednesday, April 12, 2017 from 8:00 a.m. to 12:00 p.m.** at the **Santa Ana Police Department, 60 Civic Center Plaza, Community Room, in Santa Ana.**



## 2017 STRATEGIC PLAN

### OC LAFCO ORGANIZATIONAL GOALS

On March 18, 2016, the Commission adopted the following key organizational goals to assist the Commission in accomplishing its legislative mandates and the overall mission of OC LAFCO. The goals are used to meet the legislative purpose and intent set forth by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and establishing annual work plans that determine use of agency resources.

- **Goal One: 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.
- **Goal Two: 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.
- **Goal Three: 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.
- **Goal Four: 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.

These organizational goals are used in discussion of the Commission's accomplishments for FY 2016-17 in the next section of this Strategic Plan.



# 2017 STRATEGIC PLAN

## 2016-2017 AGENCY ACCOMPLISHMENTS

### PERFORMANCE DASHBOARD

- Project Completed
- Project to be completed by June 30
- Project to continue on FY 17-18 Work Plan
- Project Not Completed

#### ***Goal One: 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.*

- **(1) Plano Trabuco Annexation to Rancho Santa Margarita**
- **(2) LAFCO Policies and Procedures Update**
  - Guidelines for Processing Applications and Evaluating Proposals
  - Policy on Processing Conflicting Proposals
  - Fee Waiver Policy
  - Fee Schedule
- **(3) South Orange County Governance Future Governance**
  - Established study areas for future governance discussions.
  - Completed bi-annual communication with governance stakeholders.
  - Participated in ongoing status meetings with Rancho Mission Viejo.
- **(4) Unincorporated Areas**
  - Completed fiscal profiles for 33 unincorporated areas.
  - Facilitated discussions with cities of Fountain Valley, La Habra and Santa Ana.

## 2016-2017 AGENCY ACCOMPLISHMENTS

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- Project Completed
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- Project to continue on FY 17-18 Work Plan
- Project Not Completed

#### *Goal One: 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.*

- **(5) Implementation of SB 1266**
  - Notified all JPAs operating in Orange County that provide municipal services to submit copies of agreements and amendments to agreements to OC LAFCO.
  - Established an on-line database for housing of agreements that is available to the public.
- **(6) Changes of Organization or Reorganization (annexations, detachment, sphere reviews)**
  - La Habra Islands Transfer of Water Service
  - Reorganization between Cities of Orange and Garden Grove
  - The Preserve of San Juan Sphere of Influence Amendments
- **(7) LAFCO Policies and Procedures Update**
  - Policies and Procedures for the Review and/or Processing of Out-of-Area Agreements by the Executive Officer



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## 2016-2017 AGENCY ACCOMPLISHMENTS

### PERFORMANCE DASHBOARD

- Project Completed
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- Project Not Completed

#### ***Goal One: 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.*

- **(8) LAFCO Policies and Procedures Update**
  - Commission bylaws
  
- **(9) Changes of Organization or Reorganization (annexations, detachments) and Municipal Service Reviews**
  - San Juan Capistrano Focused Municipal Service Review
  - City of Orange Detachment of Open Space
  - Orange County Sanitation District Annexations for Yorba Linda and Anaheim Hills Areas
  - Reorganization between Cities of Anaheim and Orange
  - Municipal Service Review Planning Process for 4<sup>th</sup> Cycle
  
- **(10) Change of Organization or Reorganization (annexations)**
  - Esperanza Hills/Cielo Vista Annexations to Yorba Linda
  - Costa Mesa Sanitary/Newport Beach Annexation



# 2017 STRATEGIC PLAN

## 2016-2017 AGENCY ACCOMPLISHMENTS

### PERFORMANCE DASHBOARD

- Project Completed
- Project to be completed by June 30
- Project to continue on FY 17-18 Work Plan
- Project Not Completed

### *Goal Two: 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.

#### ■ (1) Administrative Projects

- Commissioner Brothers continued as CALAFCO Executive Board City Member.
- EO appointed as CALAFCO Deputy Executive Officer for Southern Region.
- Staff served on planning committee for CALAFCO Staff Workshop.
- EO participated in planning efforts of OCLS.
- Staff regularly participated in ISDOC and OCCMA meetings.
- Staff presented to the ACC-OC Legislative Committee.
- EO presented to South Orange County Economic Coalition.
- Staff conducted outreach meetings with Orange County Legislators.
- EO presented at the ACC-OC new council member orientation.
- EO presented at the UCI/ACC-OC Public Policy Academy.
- EO participated on "Leading Change" panel, CSU Fullerton Extension.
- Staff prepared communication and continued exchange with staff of State Water Resources Board and County Environmental Healthy on small public water systems.



# 2017 STRATEGIC PLAN

## 2016-2017 AGENCY ACCOMPLISHMENTS

### PERFORMANCE DASHBOARD

- Project Completed
- Project to be completed by June 30
- Project to continue on FY 17-18 Work Plan
- Project Not Completed

### *Goal Three: 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.

#### ■ (1) Administrative Projects

- Commission reviewed multiple legislative bills of interest to LAFCO and adopted positions on six bills involving city disincorporation, water and wastewater services to disadvantaged unincorporated areas and non-controversial changes to the Cortese-Knox Hertzberg Act.
- Staff continued participation as a member of the CALAFCO Legislative Committee.
- Published of two legislative quarterly reports and distributed to the County, cities, special districts and other LAFCO stakeholders.

## 2016-2017 AGENCY ACCOMPLISHMENTS

### PERFORMANCE DASHBOARD

- Project Completed
- Project to be completed by June 30
- Project to continue on FY 17-18 Work Plan
- Project Not Completed

### *Goal Four: 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.

#### ■ (1) Administrative Projects

- Preparation of annual audited financial statements
- Maintaining of agency expenditures within adopted annual budget
- Preparation of comprehensive quarterly and budget reports
- Transitioned approximately 40% of LAFCO project records to electronic archiving system
- Hiring of new Policy Analyst
- Redesign of LAFCO Logo
- Update of agency's administrative manual

#### ■ (2) Administrative Projects

- Adoption of 2017 Strategic Plan
- Adoption of Proposed and Final budgets for FY 2017-2018
- Adoption of FY 2017-2018 Work Plan

#### ■ (3) Administrative Projects

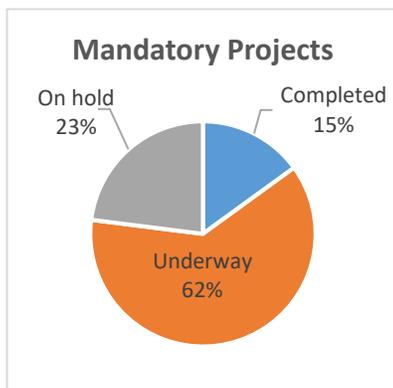
- Organizational Assessment and Professional Development

## OVERALL AGENCY PERFORMANCE

While the current work plan cycle will not conclude until June 30, 2017, the Commission and staff have completed many key projects, others are expected to be completed by fiscal year-end or have been removed from the work plan due to lack of progress, and the remaining will roll over to next work plan cycle. This year's work plan consisted of a balance of filed and anticipated applications, Commission-initiated projects and activities identified to increase the agency's efficiency. Through the leadership of the Commission and support from five full-time staff, one paid intern, and consultants, the agency accomplished key work plan milestones and made significant progress in many other areas. These accomplishments were all achieved through the application of resources provided in the agency's adopted budget. The following are snapshots of the Commission's overall performance in the key areas: (1) Mandated Projects; (2) Commission-Initiated Projects; and (3) Administrative Projects.

### ➤ Mandated Projects

The Commission's FY 2016-17 Work Plan includes 13 mandated projects that consist



of filed and anticipated applications and other statutorily required projects. To date, two applications have been filed and one of those was approved by the Commission late last year. Six other applications are expected to be filed and three others have been placed on hold due to inactivity. The two remaining mandatory projects were initiated by the Commission and include the update to multiple policies and procedures and the MSR planning process. Both of these projects are expected to roll over to the FY 2017-2018 Work Plan.

Both of these projects are expected to roll over to the FY 2017-2018 Work Plan.

### ➤ Commission-Initiated Projects

There are six Commission-Initiated projects identified in the FY 2016-2017 work plan: (1) County Unincorporated Areas; (2) South Orange County Future Governance; (3) Organizational Assessment and Professional Development; (4) Outreach and External Relations; (5) Legislative Affairs; and (6) CALAFCO.



## 2017 STRATEGIC PLAN

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### OVERALL AGENCY PERFORMANCE

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Approximately 80% of the milestones identified for these projects have been completed. These projects represent the Commission's leadership and partnership with Orange County local and regional agencies. Because of these efforts, we anticipate six island annexations moving forward by the end of the fiscal year. Additionally, the completion of the comprehensive assessment of the organizational structure and resources and enhancement of the agency's external and legislative affairs are underway and will continue into the FY 2017-2018 Work Plan.

➤ **Administrative Projects**

The Commission's key administrative projects support maintaining internal efficiencies. Some of them, such as adopting an annual budget and preparing the agency's audited financial statements, are also legislative requirements. The agency's year-end financial projections represent a balanced budget and overall administrative efficiency. Approximately 56% of the administrative activities have been completed.



## 2017 STRATEGIC PLAN

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### KEY PROJECT OPPORTUNITIES FOR 2017-2018

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The OC LAFCO mission and organizational goals reflect the Commission's authority granted by the legislature and its role in Orange County local government. The Commission continues to effect efficient municipal service delivery systems in Orange County through its planning and regulatory oversight of city and special district spheres of influence, jurisdictional boundaries and Municipal Service Reviews.

With the majority of County land built out, the influx of applications for traditional boundary changes (annexations, detachment, and reorganizations) has remained steady at approximately five applications filed each year with OC LAFCO. This past year, the Commission's resources allocations towards projects were balanced between processing active applications, facilitating discussions and providing assistance to applicants of anticipated applications, and working on the proactive Commission-initiated projects, such as the successful Unincorporated Areas Program. OC LAFCO's leadership in these initiatives and collaboration with the County, cities, special districts, communities and other LAFCO stakeholders remain key in addressing the service needs of Orange County's evolving demographics and infrastructure demands.

### MANDATED PROJECTS (2017-2018)

Over the last three years, approved Work Plans have included an average of 11 filed and anticipated projects involving routine or complex changes of organizations that the Commission is mandated to process in accordance with State law. The 2017-2018 Work Plan will include several mandated projects that will continue from the current year, as well as a number of projects that are anticipated to be filed throughout the coming year. The timeline for processing routine applications can range from six to nine months from the filing of the application. However, for complex applications, the timeline for processing 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



# 2017 STRATEGIC PLAN

## MANDATED PROJECTS (2017-2018) - *Continued*

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 2017-2018 Work Plan that will commence on July 1, 2017. Three key mandated projects, Municipal Service Reviews, OC LAFCO's policies and procedures update, and other state mandates, are more fully described in the narrative following the table, beginning on page 15.

Mandated Projects 2017-2018 Work Plan	Project Description	Project Complexity	Project Status
<b>City of Orange Detachment of Open Space</b>	Proposed detachment of territory that has been dedicated as permanent open space.	Routine	Anticipated
<b>City of San Juan Capistrano Transfer of Water, Sewer &amp; Storm water Services</b>	Potential transfer of water and wastewater sewer services and operations to a successor agency.	Complex	Active Application
<b>Orange County Sanitation District Annexation (Anaheim)</b>	Potential annexation of properties located in the City of Anaheim that are connected to sewer but not within the District's boundary.	Complex	Anticipated
<b>Orange County Sanitation District Annexation (Yorba Linda)</b>	Potential annexation of properties located in the City of Yorba Linda that are not connected to sewer but not within the District's boundary.	Complex	Anticipated
<b>Municipal Service Reviews</b> <ul style="list-style-type: none"> <li>• Shared Opportunities Program</li> <li>• Fiscal Trends Program</li> <li>• Public Engagement Program</li> </ul>	Development of a roadmap to guide successful completion of the 4 <sup>th</sup> 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.	Complex Multi-year Stakeholder Process	Active
<b>LAFCO Policies &amp; Procedures Update</b>	Commission is statutorily required to establish policies and procedures that support its authority granted by the Legislature.	Administrative	Active
<b>SB 1266 Compliance (Joint Powers Authorities)</b>	Development of a web-based inventory of JPA agreements and amended agreements for public access.	Administrative	Active



## 2017 STRATEGIC PLAN

### MANDATED PROJECTS (2017-2018) - *Continued*

Mandated Projects 2017-2018 Work Plan	Project Description	Project Complexity	Project Status
<b>SB 244 (Disadvantaged Unincorporated Communities)</b>	Update data set and create maps for Orange County DUCS, work collaboratively with CALAFCO on statewide DUC map, and complete outreach to cities, special districts, and the County.	Administrative	Active
<b>Special District Selection Committee</b>	Administer Special District Selection process for appointment of special district member to the County Redevelopment Oversight Committee before July 1, 2018.	Administrative	Begin Spring 2018

### *The Next Cycle for Municipal Service Reviews (2018-2022)*

Preparing for the next Municipal Service Review (MSR) cycle was identified as a key mandated project in the 2016-2017 Work Plan. The planning process for MSRs was started this fiscal year, and the development of a comprehensive roadmap for the preparation of the MSRs is still evolving. The shaping of this process is expected to be a key interactive discussion of the Commission and staff during the 2017 Strategic Planning Session and will continue on as a significant project for the Commission's 2017-2018 Work Plan.

Since MSRs were originally mandated in 2000 by the Legislature, Orange County's demographics and infrastructure have experienced significant changes and challenges. Additionally, the OC LAFCO, the governing board charged with overseeing the boundaries for the County's infrastructure, has experienced changes in its membership through the natural attrition resulting from the election process. With that in mind, this section of the Strategic Plan includes the background and history of MSRs and a discussion of these studies continue to be a key responsibility for LAFCOs across the state. This section also reviews the value of MSRs to our stakeholders and how they are and may be used as a resource in Orange County for the next 10 to 20 years.



## 2017 STRATEGIC PLAN

### MANDATED PROJECTS (2017-2018) - *Continued*

#### MSRs Origin and Background

To help better address California's future growth and service needs over the next 15 to 20 years, in 2000, the Legislature granted LAFCOs a new mandate and power – “municipal service reviews.” The Legislature, through a commissioned study (*Growth within Bounds: Report of the Commission on Local Governance for the 21<sup>st</sup> Century*) recognized the importance of LAFCO's role in guiding and shaping where and how future growth and development occurs in California. It acknowledged the unique perspective that LAFCOs could provide as an “arm of the state” through their ability to examine the form, function and structure of local governments.

This mandate requires LAFCOs to conduct comprehensive, regional studies of municipal services every year five years in conjunction with reviews, updates and amendments to agency spheres of influence (Government Code Sections 56425 and 56430). In conducting MSRs, the Commission is required to prepare a written statement of determinations that addresses seven criteria shown below.

#### **MSR Determinations (Section 56430)**

- (1) Growth and population projections for the affected area.
- (2) Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- (3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies, including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protections in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
- (4) Financial ability of agencies to provide services.
- (5) Status of, and opportunities for, shared facilities.
- (6) Accountability for community service needs, including governmental structure and operational efficiencies.
- (7) Any other matter related to effective and efficient service delivery, as required by commission policy.



## 2017 STRATEGIC PLAN

### MANDATED PROJECTS (2017-2018) - *Continued*

#### OC LAFCO's MSR History

Since 2001, OC LAFCO has conducted MSRs for Orange County's 34 cities and 35 dependent and independent special districts. The legislative mandate provides LAFCOs the flexibility in their approach to these regional and comprehensive studies. When this Commission began the planning process for the first MSR cycle, it adopted three guiding principles (see box to right) as well as local policies and procedures for establishing sphere of influence and conducting MSRs. Further, planning for this initial round of reviews, the Commission determined that most analyses would be conducted by geographic regions (north, northwest, central, west and south) rather than through an agency-by-agency review. Additionally, MSRs were conducted for agencies that provide countywide services, such as sewer, water, library and, parks and recreation.

#### **Guiding Principles for OC LAFCOs MSR Program (adopted in 2002)**

- MSRs should be *future-oriented* studies that address future growth and municipal service and infrastructure needs and opportunities over the next 15 to 20 years.
- MSRs should be *valuable to the stakeholders and the public as the ultimate end-users* of the studies.
- MSRs should be conducted through an *open and inclusive process*.

The first cycle of MSRs was completed in 2008 and consisted of a collaborative, stakeholder-driven process involving County, city, special district, community representatives, and LAFCO staff. The results were detailed, data specific MSRs for each Orange County agency. Many of these MSRs planted the seeds for discussions and actions that led to more efficient delivery of municipal services through the consolidation of water districts, a reorganization of territory between agencies to correct funding inequities, an incorporation proposal, a boundary study between counties, the identification water and sewer challenges, a continuing discussion of future governance in south County and an increased awareness of a variety of issues facing cities and special districts.

Another accomplishment of OC LAFCO's MSR process was the highlighting of how Orange County public agencies use innovative and efficient ways to tackle tough issues. For the second cycle of MSRs (2008-2012), the Commission approach focused on identifying the best practices used by Orange County local governments to service the public as well as reaffirming the determinations from the first round of MSRs for most of the County's agencies. The third round of MSRs (2012-2018) embraced an innovative approach designed to both streamline the MSR process and add increased value to our stakeholders. For that cycle, the Commission directed staff to approach MSRs from a countywide perspective using technology through LAFCO's Fiscal Trends, Shared



## 2017 STRATEGIC PLAN

### MANDATED PROJECTS (2017-2018) - *Continued*

Services, Demographic Trends and Public Engagement Programs to meet the mandated MSR requirements for Orange County's cities and special districts.

The Commission's vision and guidelines for OC LAFCO's approach to MSRs led to the successful completion of the three cycles of MSRs within the statutory timeline and requirements. The Commission's strategic approach for the upcoming cycle (2018-2022) will be key in yielding similar results.

#### Strategic Programmatic Approach for the 2018-2022 MSR Cycle

As part of the FY 2016-2017 Work Plan, staff has reviewed the efforts of past MSR processes and begun developing the roadmap for the 2018-2022 cycle. The success of past efforts have included the Commission's leadership and commitment to preparing studies that are valuable to the stakeholders and the public as the ultimate end-users of municipal services. Continuing this approach will be critical in assisting OC LAFCO in making long term decisions that address the current growth and municipal service and infrastructure needs in Orange County. Equally important to the success of this process is the incorporation of an educational component informing of the Commission's responsibilities, outlining the purpose of MSRs, and emphasizing the importance of the participation and input of affected stakeholders and the public.

The 2017 Strategic Planning Session will include an interactive discussion on the following proposed components of the MSR Program:

#### A. Establishing MSR Guiding Principles

In the past, the Commission's overarching vision for preparing MSRs has been to develop future-oriented studies to address growth and service delivery within city, district, County and other service providers' boundaries. These studies have ranged from high-level and broad reviews to more complex and detailed analyses and reports. These studies have discussed options to improve the efficiency and quality of services, cooperative planning, shared opportunities, and highlighting of agency best practices. To assist the Commission on policy direction for the next round of MSRs, discussion and adoption of the following guiding principles should be considered:



## 2017 STRATEGIC PLAN

### MANDATED PROJECTS (2017-2018) - *Continued*

- MSR should be studies that review and address issues and opportunities involving future growth, municipal service delivery, and infrastructure needs and opportunities within Orange County over the next 10 to 20 years.
- MSR should be educational and valuable to stakeholders and the public, as the ultimate end-users of the studies by raising awareness about future opportunities to provide municipal services efficiently, equitably, and reliably.
- MSR should be used to assist the Commission in determining the future boundaries and service areas for cities and special districts.
- MSR should be conducted through an open and inclusive process.

#### B. MSR Program Components

In order for the MSR program to be conducted efficiently through budgeted Commission resources, the following are key components of the process: (1) Stakeholder participation; (2) Identification of key common service issues and other challenges to address in MSRs; and (3) Work plan for completion of MSR reports over the next five years (2018-2022). Each of these areas is summarized below for further discussion by Commission and staff at the strategic planning session.

##### **1. Stakeholder Participation**

During the past three MSR cycles, stakeholder participation has been significant component in assisting OC LAFCO with identifying key municipal service and infrastructure issues and opportunities throughout Orange County. Stakeholders, which include the County, cities, special districts, and residential and business communities are critical to these discussions as they are either ultimately responsible for delivering the services or are the end users. From the stakeholder input, OC LAFCO will seek to identify common issues related to growth, services, finance, infrastructure, and other challenges for discussion in the MSRs.

Over the past year, OC LAFCO staff has discussed and identified various alternative approaches to the MSR Program. In the December 2016 Comprehensive Quarterly Report, staff informed the Commission that it was determined that engaging a consultant through a competitive process would best serve the needs of the Commission for this project. This past



## 2017 STRATEGIC PLAN

### MANDATED PROJECTS (2017-2018) - *Continued*

December, a Request for Qualifications (RFQ) was released soliciting consultants to submit proposals for assisting staff in developing the roadmap and designing and conducting the MSR stakeholder input process. The stakeholder input process will include conducting interviews, developing method for soliciting input, and preparation of a consultant report to OC LAFCO that will include a summary of the stakeholder input and an analysis of relative findings. The use of an experienced consultant rather than staff to conduct the stakeholder input process will encourage open and candid responses and discussions from the stakeholders. Additionally, a consultant with background and experience in this subject area will complement the process and validate results of input.

The RFP was sent to eight firms and posted on the agency's website. After a three-week proposal period, only one proposal was submitted, but from a very strong and reputable firm. Management Partners. Management Partners provides consulting services to all types of local government. They have two offices in California, one in Costa Mesa and the other in San Jose. The firm has extensive experience with the MSR process and understands the role of LAFCOs and the Cortese-Knox-Hertzberg Act. They have expertise in regional governance issues of all types and have worked with a variety of Orange County public agencies. Their knowledge of local government in California will provide important context and background information as we design the MSR process.

Consideration of the contract with Management Partners by the Commission will be scheduled for the May 10 regular meeting.

#### **2. *Identification of Key Municipal Services and Challenges***

Using the required MSR determinations and the findings from the stakeholder input that will be summarized in the consultant report, OC LAFCO will identify key service issues and challenges to discuss in the next round of MSRs. In order for these MSRs to be of value to the Commission, as the planner and regulator of agency boundaries, and to the end users, it is important that the process accurately captures local and regional issues. While the focus of MSRs will largely include discussion of key municipal services, such as water, wastewater, fire, police, animal control, and parks and recreation, the reviews may include other common area of interests that are fiscally impacting local governments. These issues may include matters such as homelessness, transportation or pension liabilities.



## 2017 STRATEGIC PLAN

### MANDATED PROJECTS (2017-2018) - *Continued*

#### **3. Development of MSR Work Plan**

Identifying key services and challenges through stakeholder participation and OC LAFCO's legislative requirements are key in assisting the development of the Commission's MSR work plan. The work plan will be used as the framework for successfully completing MSRs for 34 cities and 35 special districts over the next five years. With the assistance of the consultant and stakeholder input, OC LAFCO staff will develop a work plan for Commission consideration that includes:

- Identification of six or more regions or sub regions for conducting MSRs. These regions may be based on geographic location or a type of municipal service or services. Stakeholder input will be greatly considered when establishing MSR boundaries.
- Development of timeline for conducting and preparing MSRs and sphere of influence reviews, updates or amendments over the next five years (2018-2022).
- Development and implementation of an outreach process for providing MSRs as a resource to stakeholders and the public as end users of these studies.

#### *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.

Since adoption of the LAFCO Handbook in 2005, the handbook has been revisited at least annually to update any policy changes directed by the Commission and to incorporate updates required by revisions to State and federal law. However, at the 2015 Strategic Planning Session, the Commission discussed completing a more in-depth review of the agency's policies and procedures and included the new effort in the FY 2015-2016 Work Plan. Since that time, Sections I through IV of the Commission's Handbook, which includes OC LAFCO's by laws and the



## 2017 STRATEGIC PLAN

### MANDATED PROJECTS (2017-2018) - *Continued*

accounting, financial, personnel and administrative policies and procedures, have been reviewed and updated as warranted. In 2016, the Commission identified, reviewed and updated three additional policies and guidelines and the agency fee schedule. Identifying specific policies and procedures within each annual work plan allows for better planning and the appropriate allocation of staff resources for this project.

For the 2017-2018 Work Plan, staff has identified the following for continuing this effort:

- 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. This policy was identified in the FY 2016-2017 Work Plan but was not completed due to other work plan priorities and is being recommended for inclusion in the next fiscal work plan.
  
- Standards for Evaluating Service Plans and Preparing Municipal Service Reviews  
This section of the handbook establishes current standards to assist the Commission in the evaluation of service plans (Govt. Code 56653) and preparation of municipal service reviews (Govt. Code 56430). In accordance with the statute, the applicant for a change of organization or reorganization must submit a plan for providing municipal services within the affected territory. Additionally, LAFCOs are required to comprehensively review all municipal services provided by agencies in conjunction with a sphere review, update or amendment at least once every five years. With the next MSR cycle (2018-2022) approaching, a review of these standards is warranted to ensure consistency with existing and recently enacted state law and the Commission's effort in completing municipal service reviews.



## 2017 STRATEGIC PLAN

### MANDATED PROJECTS (2017-2018) - *Continued*

➤ Sphere of Influence Policy and Guidelines for Preserving Community Identity

This section of the handbook establishes a policy and guidelines to assist the Commission in establishing, reviewing, amending and updating agency spheres of influence and assisting communities, where feasible, in preserving community identity upon a change of organization or reorganization. Spheres of influence are reviewed in conjunction with the preparation of municipal service reviews. With the next MSR cycle (2018-2022) approaching, a review of these standards is warranted to amend, as needed, for consistency with State law and the Commission's standards for preparing municipal service reviews.

➤ Disadvantaged Unincorporated Communities (DUCs)

Beginning January 1, 2012, state law was enacted requiring LAFCOs, cities and counties to plan for municipal service delivery to DUCs. The new law includes annexation and sphere of influence update criteria and requirements involving DUCs. Currently, there are seven DUCs in Orange County. Adoption of a policy for DUCs will clarify the review and processing requirements of the Commission in accordance with State law. Once a policy is adopted, outreach to the County, cities, and special districts will be conducted.

#### *Other State Mandates*

Senate Bill 244 was enacted on January 1, 2012 and requires LAFCOs to identify and make determinations regarding disadvantaged unincorporated communities (DUCs). The Commission initially identified and created maps for the Orange County DUCs in 2012. However, to continue its compliance with State law, the data set used to make the determinations for the Orange County DUCs needs a more current review and to be updated as warranted. The updated Orange County DUC maps will be submitted to CALAFCO as part of its coordinated effort to map all DUCs located in California's 58 counties.

Senate Bill 1266 was enacted on January 1, 2017 and requires that Joint Power Authorities (JPAs) that provide municipal services (et. seq fire, police, water, and sewer) submit copies of their agreements and amendments to their agreements to their county LAFCO by July 1, 2017. OC LAFCO staff has informed JPAs operating in Orange County of the new State law. This new



## 2017 STRATEGIC PLAN

### MANDATED PROJECTS (2017-2018) - *Continued*

requirement will provide pertinent information for inclusion in the Commission's municipal service reviews. Staff will also develop a web-based database that will house the JPA agreements for public access and transparency.

On July 1, 2018, Orange County is one of 37 counties throughout California that will have its redevelopment agency (RDA) oversight boards consolidated into a countywide oversight board. When the RDA oversight board consolidation occurs, the Independent Special Districts Selection Committee will be granted the authority to appoint one special district representative to the County's oversight board. The committee must be established before July 1, 2018. In accordance with State law, the OC LAFCO Executive Officer shall administer the process for the Special District Selection Committee's appointment to the RDA board. During the upcoming year, staff and legal counsel will finalize prepare a communication to be sent to the Special District Selection Committee regarding this process. Administering of the process will be incorporated into the FY 2017-2018 Work Plan.

### COMMISSION-INITIATED PROJECTS (2017-2018)

OC LAFCO has provided key leadership and partnership roles in Orange County through proactive initiatives designed to support the efficient delivery of municipal services and to foster relationships among local and regional agencies and organizations. The Commission has continuously committed resources to successful programs such as the Unincorporated Areas Program, legislative affairs efforts, and outreach activities that keep LAFCO stakeholders informed of Commission projects and activities.

While these Commission-initiated projects support the mission and organizational goals of OC LAFCO, the allocation of resources to the discretionary projects still needs to be prioritized and balanced with the active and anticipated mandatory projects. At the Strategic Planning Session, the Commission will discuss the prioritization of these projects in order to provide guidance to staff for appropriately adjusting work assignments when mandatory projects and other programs



## 2017 STRATEGIC PLAN

### COMMISSION-INITIATED PROJECTS (2017-2018) – *Continued*

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
<b>County Unincorporated Areas Program</b>	Continue implementation strategy with affected stakeholders to annex islands of high interest.	High
<b>Outreach and External Relations</b>	Proactively establish and foster collaborative relationships with local, regional agencies and organizations and other stakeholders to address common challenges and educate on role of OC LAFCO.	High
<b>Legislative Affairs</b>	Proactively monitor and participate in legislative activities related to LAFCO's mission and the Orange County region.	Medium
<b>South Orange County Governance</b>	Continue ongoing monitoring of Rancho Mission Viejo development and discussions, as warranted, on overlapping issues related to short, mid, and long-term governance options.	Low

#### *County Unincorporated Areas Program*

In 2015, the Orange County Grand Jury prepared a report titled, “Orange County Local Agency Formation Commission (OC LAFCO): It’s Time to Redraw the Lines.” The report generally stated that the Commission has not been proactive in annexing unincorporated islands, citing the discontinuation of proactive efforts and the diminution of dedicated staff resources as evidence. However, the Commission has continuously identified unincorporated islands as a priority and, over the past year, has responded to the findings in the report by increasing its staff by one full-time position and providing proactive leadership to a concentrated effort on small unincorporated areas (less than 150 acres) with a high potential for annexation. The success of the Commission’s latest approach is expected to result in six additional small island annexations by the late-Summer, bringing OC LAFCO’s annexation total of these areas to 56.

OC LAFCO’s leadership in this effort is a key component of this success and the Commission may build on this momentum by concentrating efforts and resources in the coming year toward three additional cities that demonstrate a willingness to discuss annexation. Each of the remaining 23



# 2017 STRATEGIC PLAN

## COMMISSION-INITIATED PROJECTS (2017-2018) – *Continued*

small islands has unique challenges and 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 identify key priority areas as part of the 2017-2018 Work Plan.

**Table 1: Small OC Islands (150 acres or less) Annexed Since 2000**

<i>Island</i>	<i>Annexing City</i>	<i>Acres</i>	<i>Effective Date</i>
<b>Bristol Annexation #2</b>	Costa Mesa	1.63	1/29/2000
<b>Bristol Annexation # 1</b>	Costa Mesa	5.69	11/29/2000
<b>Hawk’s Point</b>	Fullerton	99.45	4/19/2001
<b>Bexley Lane</b>	Brea	6.14	4/25/2001
<b>Del Prado</b>	Laguna Niguel	35.6	12/1/2002
<b>Bonner Drive</b>	Tustin	11.41	10/1/2003
<b>Eastern Islands (11 islands)</b>	Orange	186.18	7/1/2003
<b>Irvine Ave/Tustin Ave Islands (6 islands)</b>	Costa Mesa	22.8	7/1/2003
<b>Santa Isabel/Tustin (portion)</b>	Costa Mesa	53	7/1/2003
<b>Santa Isabel/Tustin (portion)</b>	Newport Beach	30	7/1/2003
<b>North Central Islands (4 islands)</b>	Anaheim	70	8/20/2004
<b>Page Ave</b>	Fullerton	16.05	11/3/2004
<b>Schuller Island</b>	San Juan Capistrano	92	11/13/2006
<b>NW La Habra Islands (6 islands)</b>	La Habra	13.68	11/16/2006
<b>Southern Island</b>	Fountain Valley	10.45	1/14/2009
<b>Chestnut</b>	La Habra	2.58	1/20/2011
<b>Hensel (portion)</b>	La Habra	0.65	4/12/2011
<b>Sunset Beach</b>	Huntington Beach	84	8/22/2011
<b>Kermore</b>	Stanton	11.47	5/7/2012
<b>Emerson</b>	Newport	1.9	3/19/2013
<b>Northeast Annexation</b>	Mission Viejo	44.6	8/9/2013
<b>Carmel/Lampson</b>	Garden Grove	1.0	8/13/14
<b>Colleen</b>	Costa Mesa	14	12/16/2014
<b>TOTAL ISLANDS = 46</b>		<b>TOTAL ACRES = 814.28</b>	



## 2017 STRATEGIC PLAN

### COMMISSION-INITIATED PROJECTS (2017-2018) – *Continued*

**Table 2: Large OC Islands (over 150 acres) Annexed Since 2000**

Island	Annexing City	Acres	Effective Date
East Santa Ana Heights	Newport Beach	200	7/1/2003
MCAS El Toro	Irvine	4,287	1/14/2004
Tonner Hills	Brea	872	9/29/2006
West Santa Ana Heights	Newport Beach	153	1/1/2008
<b>TOTAL ISLANDS = 4</b>		<b>TOTAL ACRES = 5,512</b>	

#### *Outreach and External Relations*

At the FY 2016-17 strategic planning session, the Commission discussed the importance of working with other key stakeholders across the County to collectively address common challenges. The Commission identified fostering these relationships as one of four organizational goals and included specific activities in the work plan to support this effort. Over the past year, Commissioners and staff continued participation in external activities that included multiple meetings and presentations to cities, special districts, community groups, and other external organizations and associations. OC LAFCO’s participation in these activities provides an opportunity to inform public officials and community members of current projects that may impact them and to raise their awareness of the Commission’s legislative responsibility and role in Orange County government.

For next year’s work plan, it is important for the Commission and staff to continue cultivating relationships with the various local and regional agencies and organizations and the public. This effort will support the following initiatives:

- Provide educational opportunities to local government boards, councils, staff, and communities that informs of LAFCO’s legislative and local role in government and activities directly impacting them.
- Partner with other local government organizations and associations to address common challenges regarding Orange County’s infrastructure.
- Provide resources and facilitate discussions with local agencies, organizations and communities that support OC LAFCO’s legislative mandates and cost-effective and efficient municipal service systems.



# 2017 STRATEGIC PLAN

## COMMISSION-INITIATED PROJECTS (2017-2018) – *Continued*

The table below highlights activities to include in the FY 2017-2018 Work Plan to meet the Commission organizational goal for outreach and external relations.

Activity	Description
<b>Conduct LAFCO 101 Sessions</b>	Provide educational sessions on LAFCO’s legislative role and key projects through the following opportunities: <ul style="list-style-type: none"> <li>■ One-on-one meetings with executive staff of the County, Cities and Special Districts.</li> <li>■ Presentations to local departments and regional organizations and associations (ISDOC, OCCMA, OC League of Cities, ACC-OC, Public Works and Planning Managers and Directors).</li> <li>■ Annual educational workshop for Orange County agencies, organizations and community groups on Commission’s role, current legislation impacting LAFCO stakeholders, current projects, and case studies.</li> </ul>
<b>Foster partnerships and facilitate discussions</b>	Work collaboratively and facilitate discussions with local, regional and state agencies and organizations to address common challenges (et. seq fiscal health, infrastructure, shared service opportunities).
<b>Provide resources</b>	Through technology, proactively promote OC LAFCO’s legislative mandates and projects and role as a resource to local governments and communities through the following: <ul style="list-style-type: none"> <li>■ LAFCO Website (resource library, fiscal trends, shared services and public engagement programs)</li> <li>■ Social Media (Twitter, Facebook)</li> <li>■ Communications (OC LAFCO PowerPoint and brochure)</li> </ul>

### *Legislative Affairs*

OC LAFCO continues to be proactive in legislative affairs through its participation as a member of the CALAFCO Legislative Committee and the Southern Region of CALAFCO by monitoring and adopting positions on bills affecting LAFCOs and the southern region. Additionally, Commissioners and staff have participated on CALAFCO working groups for drafting legislation and in outreach to Orange County legislators on proposed bills. The Commission’s participation in this area has been key to heightening OC LAFCO’s awareness and involvement in efforts to effect legislation impacting LAFCOs and other local governments. Further, the agency has made



## 2017 STRATEGIC PLAN

### COMMISSION-INITIATED PROJECTS (2017-2018) – *Continued*

concerted efforts to ensure that the County, cities and special districts are informed of LAFCO-related legislation.

Over the past few years, there has been an increase in proposed legislation introduced that either bypassed established local LAFCO processes or divested LAFCO of authority in some way. An example is the State's role in forced consolidation of water entities. More recently, CALAFCO was invited by the Little Hoover Commission (LHC) to participate in its public hearing process to discuss the issues that will be covered in the Commission's upcoming report that is expected to be released in Summer or Fall 2017. This is a follow-up to a report published by the LHC in May 2000 that focused on empowering LAFCOs to help them consolidate special districts, finding ways to make special districts more transparent and accountable to the public, requiring more prudent management of special districts' financial reserves and making it tougher for special districts to simultaneously collect fees and property taxes. One of the results of the LHC's effort was the new mandate for LAFCOs – Municipal Service Reviews. While the focus of the LHC's most recent effort is, once again, special districts and LAFCO, some of the LH Commissioners have expressed concern regarding the number of special districts and whether LAFCOs are doing enough in their oversight and management of special districts. CALAFCO continues to be proactive in working with its membership and the LHC staff to address their concerns and questions regarding LAFCO. CALAFCO has formed a small working group to help shape outreach and education efforts to all LHC Commissioners, including Legislators appointed to the Commission. The OC LAFCO Executive Officer will participate on the working group. Staff recommends that the continued monitoring the effort of the Little Hoover Commission and legislative affairs be identified as a key Commission-initiated project for the FY 2017-2018 work plan.

### ADMINISTRATIVE PROJECTS (2017-2018)

As the Legislature's arm for encouraging efficiency in local government, the Commission's organizational goals support ensuring that its own operations involve maintaining internal efficiencies and organizational effectiveness within the adopted budget.

To support this goal, the Commission will continue the 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, and preparation of the agency's annual audited financial statements. To



## 2017 STRATEGIC PLAN

### ADMINISTRATIVE PROJECTS (2017-2018) – *Continued*

ensure a level of transparency regarding the agency’s operations, staff will also include a review of agency consultant contracts as an administrative project for the FY 2017-2018 work plan. Currently, the Commission has nine consultant contracts for professional services that include: legal, accounting and bookkeeping, auditing, human resources, information technology and support, payroll processing, and other specialized projects and assistance. The Commission will receive a report on the current contracts in May in order to provide staff further direction on the review.

Additionally, the Commission identified one major key administrative project for the FY 2016-2017 Work Plan that was not completed but will continue during the next work plan cycle – the Organizational Assessment and Development. The assessment will include a comprehensive analysis of the OC LAFCO positions classifications, compensation and a recommendation for professional development opportunities and is expected to be completed during the first quarter of the 2017-2018 work plan.

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### CONCLUSION

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The OC LAFCO mission, goals and annual strategic plans exemplify 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 proposed FY 2016-17 Work Plan that will be presented to the Commission for consideration in May.

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### *Attachment*

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- A. *2016-2017 Work Plan*