



January 8, 2020

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CAROLYN EMERY
EXECUTIVE OFFICER

TO: Local Agency Formation Commission

FROM: Executive Officer

SUBJECT: OC LAFCO Fiscal Year 2019-2020 Work Plan Mid-Year Update

BACKGROUND

On May 8, 2019, the Commission approved the Fiscal Year 2019-2020 OC LAFCO Work Plan (*Attachment A*). The Work Plan identifies major projects and activities for the current fiscal year that align with the five strategic focus areas outlined in the agency's 2019 Strategic Plan. This report is a mid-year update on the accomplishments and progress of the Work Plan's key areas and staff activities. The focus areas include: (1) Project Applications; (2) the Fourth Cycle – Sphere of Influence (SOI) Reviews and Updates & Municipal Service Reviews (MSRs); (3) the OC LAFCO Unincorporated Areas Program; (4) South Orange County Future Governance, and; (5) OC LAFCO Communications Plan.

The Commission's Executive Committee (Chair Brothers, Vice Chair Davert, and Immediate Past Chair McGregor) meets periodically with the Executive Officer to discuss the progress of and potential adjustments to the approved Work Plan. The committee will meet in February to discuss activities occurring up through the third quarter and the proposed FY 2020-2021 agency budget.

DISCUSSION**Project Applications**

In accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH Act"), OC LAFCO is required to efficiently process applications for changes of organization or reorganization. Annually, the Commission identifies filed and anticipated applications in its work plan and establishes that these projects shall take precedence over other agency activities. The FY 2019-

2020 Work Plan adopted on May 8 included eight projects involving city/district annexations and reorganizations and a sphere of influence review and update. Since adoption of the Work Plan, many of the timelines for these projects have been adjusted due to pending application requirements.

Below is mid-year status of the eight projects for this strategic focus area. Additional details for each of the projects are provided in **Attachment A**.

Completed Applications

- ✓ 17th Street-Tustin Island Reorganization to the City of Santa Ana
- ✓ Cielo Vista Development Annexation to the City of Yorba Linda
- ✓ Irvine Ranch Water District/Orange County Sanitation District Annexation

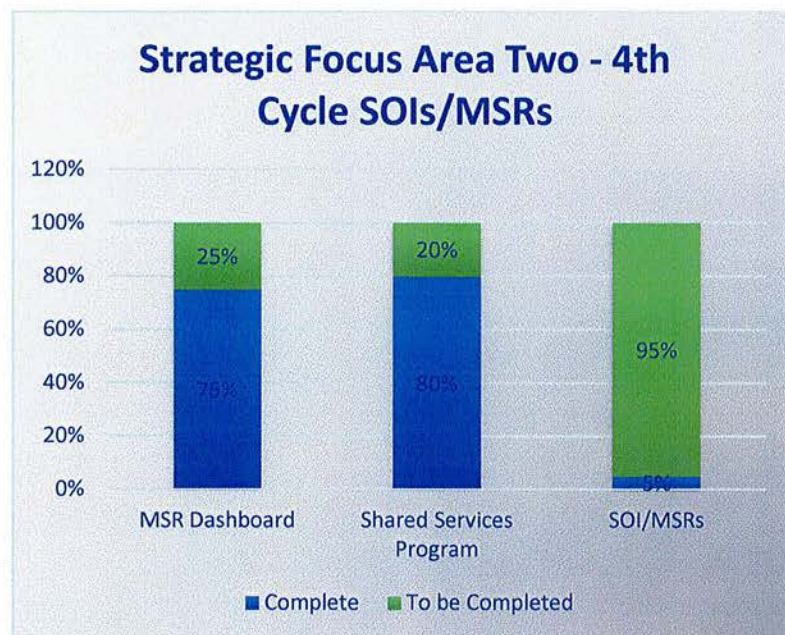
Pending Applications

- Costa Mesa Sanitary District/Newport Beach Annexation
- Laguna Woods/Laguna Hills Reorganization
- Orange County Sanitation District Annexation (Anaheim)
- Orange County Sanitation District Annexation (Yorba Linda)
- Sphere of Influence Update/Annexation of City of San Juan Capistrano Water and Wastewater Utilities to Santa Margarita Water District



Fourth Cycle – Sphere of Influence (SOI) Reviews and Updates & Municipal Service Reviews (MSRs)

The Commission began developing a process for conducting the fourth cycle of SOI reviews and MSRs in 2016. Since that time, each of the agency's work plans have identified key project milestones that support completion of this legislative mandate by 2022. The FY 2019-2020 Work Plan identified the following activities of this project to be completed by June 30, 2020: 1) Development of an MSR Dashboard; 2) Reactivate and complete enhancements to the Shared Services Web Program; and 3) Preparation of five



regional MSRs (Southeast, Southwest, CSA Nos. 13, 22, and 26, Municipal Water District of Orange County (MWDOC), and Orange County Sanitation District (OCSD). Below is a summary discussion on the status of each of these areas.

MSR Dashboard

The MSR Dashboard will be a dynamic and interactive web-based tool to include: the demographic profiles of cities, special districts and other service providers, fiscal trends indicators and an overview of municipal service delivery within Orange County. The intent of the dashboard is to provide and maintain ongoing demographic and other data relative to the Commission's legislative mandate involving SOI reviews and MSR preparation. The Dashboard will be completed in early Spring 2020 and will be housed on the OC LAFCO website.

Shared Services Web Program

The Shared Services Web Program was first launched in 2010 and established to facilitate collaboration among Orange County's service providers and provide an opportunity for the agencies to explore sharing and cost-savings opportunities. At the 2019 Strategic Planning Session, the Commission directed staff to focus on identifying existing and potential shared service opportunities amongst agencies as part of the SOI/MSR fourth cycle. To support this strategic focus area, staff has worked with the OC LAFCO consultant to complete enhancements to the agency's web-based program. Improvements made to the program include a more user-friendly platform for agencies. Outreach to agencies, which includes a live view reintroduction of the program and encouragement of its use, is currently underway. The program will officially launch through the OC LAFCO website in February 2020.

Preparation of MSRs

There are five regional MSRs (Southeast, Southwest, CSA Nos. 13, 22, and 26, Municipal Water District of Orange County and the Orange County Sanitation District) currently

underway. Data collection from service providers within the regions is a critical component of this process. A survey has been distributed and collected from approximately 25 agencies and staff has begun its review of the agencies. The second half of the work plan cycle will include ongoing stakeholder meetings and preparation of the MSR reports. The Commission is expected to consider the SOI and MSR determinations for these regions in early Summer 2020.

OC LAFCO Unincorporated Areas Program

There are 26 unincorporated areas remaining in Orange County. The current Work Plan identifies three areas of high interest for potential annexation: Anaheim, Buena Park and Huntington Beach. To date, there have been past and current discussions with these cities and the County on the challenges with past annexation attempts and how to address these issues in order to move the annexations forward. Over the next six months Commission staff will continue to work with all stakeholders to address the feasibility and respective challenges and concerns involving annexation. Island annexations are a multi-year effort. Below is a summary of the issues raised during past and recent discussions.

Table 1: FY 2019-2020 Unincorporated Areas of Interest

AREA	CITY SPHERE	CHALLENGES
Southwest Anaheim Island (494 acres)	Anaheim	<ul style="list-style-type: none"> • Resident opposition • Variance between County and city regarding land use, code enforcement and fees • Short term rentals • Service infrastructure, delivery, and costs • Perception of loss of community identity
Andora/Fairhope Island (39 acres)	Buena Park	<ul style="list-style-type: none"> • Resident opposition • Service infrastructure, delivery, and costs
Bolsa Chica (1,484 acres)	Huntington Beach	<ul style="list-style-type: none"> • Liability and costs to assume responsibility for wetlands area • Existing lease and ownership within the area • Assuming responsibility for regional park (Harriet Weider)

South Orange County Governance

In 2016, the Commission concluded a three-year stakeholder process on South Orange County future governance. The result of this process was a final report that discussed the potential viable governance options for the region, the service costs and revenues for existing and planned communities and the timing and next steps for the exploration of viable governance options for the unincorporated communities. Additionally, stakeholders expressed interest in OC LAFCO's ongoing leadership in collaboratively engaging communities in future discussions. During this year's strategic plan workshop, the Commission identified South Orange County governance as a focus area and milestones involving an effort with the South Orange County Unincorporated Communities (SOCUC) were included in the annual work plan.

Since adoption of the work plan in May of this year, staff has continued to meet quarterly with the Rancho Mission Viejo development representatives and have begun outreach to the communities of Coto de Caza, Ladera Ranch, Las Flores, Stonecliffe and Wagonwheel. During the second half of the work plan cycle, staff anticipates conducting facilitated meetings with these communities to proactively assess overlapping service issues and concerns and discuss a pathway towards future governance for the unincorporated subregion. The demographics and city sphere designation for the SOCUCs are referenced in the table below.

<i>Table 2: South Orange County Unincorporated Communities</i>		
COMMUNITY	ACREAGE/POPULATION	CITY SPHERE
Coto de Caza	4,928 acres 11,888 residents	Rancho Santa Margarita
Ladera Ranch	2,368 acres 22,980 residents	None
Las Flores	1,280 acres 5,971 residents	Rancho Santa Margarita
Stonecliffe	64 acres 515 residents	Rancho Santa Margarita
Wagonwheel	219 acres 2,463 residents	Rancho Santa Margarita
Rancho Mission Viejo	23,000 acres (total) 6,000 acres (to be developed) 38,000 residents (projected)	None

OC LAFCO Communications Plan

In the 2019 OC LAFCO Strategic Plan, the Commission identified enhancing the agency's communication with local agencies and communities as a key focus area. The FY 2019-2020 Work Plan identifies the following key milestones to meet this objective: 1) Selection

of a professional consultant to assist staff on enhancing existing communication vehicles and identifying new ones; and, 2) Implementation of new communication vehicles that support the enhancement of agency communication. The first marker of this effort was completed through the hiring of CV Strategies to develop the agency's communications plan. The firm's lead staff presented some background on this effort to the Commission this past October and has begun the communications assessment. CV Strategies will present recommendations to the Commission in March 2020 that will include an implementation guide and timeline for varying communication strategies and tools.

Administrative Projects

The OC LAFCO FY 2019-2020 Work Plan includes five administrative projects to support the Commission's efficient and cost-effective operational management practices. Below is an update and the status of each of these projects. Additional details on these projects are also included in **Attachment A**.

Completed Projects

(1) Annual Audit

Preparation of the Commission's annual audited financial statements for FY 2018-2019 with no material (significant) issues noted.

(2) CALAFCO

Both the members of the Commission and staff continued their participation with CALAFCO during the first part of this fiscal year. Chair Cheryl Brothers continued serving on the CALAFCO Board of Directors for a second term and Executive Officer Carolyn Emery and Policy Analyst Luis Tapia continued participation on the CALAFCO Legislative and Advisory Committees. Chair Brothers also served on the CALAFCO Awards Committee and multiple staff served on the program committee and sessions for the 2019 CALAFCO Annual Conference that was held in Sacramento.

Additionally, Commissioners and staff continued participation in bi-annual 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. Currently, Commissioner Brothers serves as the Chair and Policy Analyst Luis Tapia serves as the Executive Officer of the southern region group.

The CALAFCO 2020 Staff Workshop will take place in Newport Beach in March 2020. With Orange County and Imperial LAFCOs as co-hosts of the workshop, the second half of this work plan cycle will include a commitment of staff resources

to this effort. This includes the coordination of the mobile workshop, which will highlight many of our coastal agencies, and participation on the program committee responsible for developing and organizing engaging sessions. OC LAFCO last hosted the CALAFCO staff workshop in 2007, and staff is excited to bring the workshop back to Orange County.

(3) *OC LAFCO Policies and Procedures Update*

A review and update of the following agency's policies and procedures were completed during the first half of this year's work plan cycle:

- ✓ Personnel Policies and Procedures
- ✓ Accounting and Financial Policies
- ✓ Policy for Inspection and Copying of Public Records
- ✓ Records Retention and Destruction Policy

These policies are reviewed annually to ensure that the agency's rules, procedures and guidelines are in compliance with State and other laws.

(4) *OC LAFCO Records Systems and Projects Database*

Completed improvements to the archival and records retrieval system and continued electronic archiving of records. Approximately 70% of this multi-year project is complete.

Additional administrative activities completed during the first six months of the fiscal year include: the assessment of the office lease options and review of operational service providers (insurance, telephone and internet service, and office equipment) for more cost savings and efficiency. While these activities are not referenced in the Work Plan, each required significant staff time, therefore, are worth noting in this update.

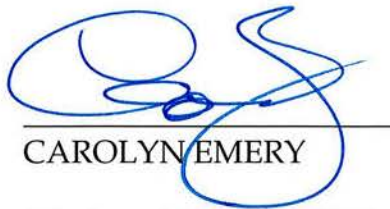
RECOMMENDATION

At the mid-year point, the Commission has completed many project milestones within each of the agency's five Strategic Focus Areas. The second half of the work plan cycle is expected to involve the processing of applications, completion of SOI and MSR reports, engagement of South Orange County unincorporated communities on future governance and the development of the agency's communications plan. The next update on the agency's work plan will be a year-end report at the July regular meeting.

Staff recommends that the Commission:

1. Receive and file the FY 2019-2020 Work Plan Mid-Year Update.

Respectfully submitted,



CAROLYN EMERY

Attachment A: *OC LAFCO Work Plan (Updated December 30, 2019)*

**2019-20 OC LAFCO
WORK PLAN
(Approved: May 8, 2019)**

ATTACHMENT A

STRATEGIC AREA ONE

Prioritize and process applications for changes of organization and reorganization, sphere of influence reviews, updates and municipal service reviews.

Project	Status/Description	Project Complexity	Comments
<i>Anticipated Applications</i>			
Annexation of the 17th Street-Tustin Island to the City of Santa Ana	Status: Complete Proposed annexation of small unincorporated island to the City.	Complex	Project approved by the Commission on November 13, 2019.
Annexation of the Cielo Vista Development to the City of Yorba Linda	Status: Complete Proposed annexation of an unincorporated area to include 83 residential units to the City.	Complex	Project approved by the Commission on November 13, 2019.
Costa Mesa Sanitation District/Newport Beach Annexations	Status: Application Anticipated in January 2020. Proposed annexation to the District to align service and jurisdictional boundaries.	Complex	Staff has participated in ongoing discussions with the district and city on annexation requirements. Filing of annexation application delayed pending rate reviews being completed by City.
Irvine Ranch Water District/Orange County Sanitation District Annexation	Status: Complete Proposed annexation to match district boundaries to conform with current out-of-area service agreement.	Routine	Project approved by the Commission on June 12, 2019.

STRATEGIC AREA ONE

Project	Status/Description	Project Complexity	Comments
<i>Anticipated Applications</i>			
Laguna Woods/Laguna Hills Reorganization	<p>Status: Application Anticipated in January 2020.</p> <p>Proposed reorganization of small areas involving the cities of Laguna Woods and Laguna Hills to clean up boundaries along common right-of-ways.</p>	Routine	Staff has participated in meetings with the City of Laguna Woods to discuss subject areas and annexation process and requirements.
Orange County Sanitation District Annexation (Anaheim)	<p>Status: Application Anticipated in Summer 2020.</p> <p>Potential annexation of properties located in the City of Yorba Linda that are connected to sewer but not within the District's boundary.</p>	Complex	The District is currently conducting an internal review of the potential annexation area and annexation will be processed in line with agency MSR that is currently underway.
Orange County Sanitation District Annexation (Yorba Linda)	<p>Status: Application Anticipated in Summer 2020.</p> <p>Potential annexation of properties located in the City of Anaheim that are connected to sewer but not within the District's boundary.</p>	Complex	The District is currently conducting an internal review of the potential annexation area and annexation will be processed in line with agency MSR that is currently underway.
Sphere of Influence Update/Annexation of the City of San Juan Capistrano Water and Wastewater Systems to the Santa Margarita Water District	<p>Status: Application Anticipated in January 2020.</p> <p>Proposed sphere of influence update and annexation of the City's water and wastewater systems to the District.</p>	Complex	Staff participates in bi-weekly meetings with the City and Santa Margarita Water District on the preparation of an application, a plan for service and other annexation requirements.

STRATEGIC AREA TWO

Complete fourth cycle of Sphere of Influence (SOI) Reviews and Updates and prepare Municipal Service Reviews (MSRs) that serve as repositories of information for affected agencies and communities.¹

Project	Status/Description	Project Complexity	Comments
4 th Cycle of Spheres of Influence and Municipal Service Reviews	Work Program for the 4th cycle (2018-2022) of SOI reviews, updates and MSRs addressing Orange County's 34 cities and 35 special districts and other service providers.	Complex Multi-year Project	<p>Staff will complete the following work program components:</p> <ol style="list-style-type: none"> 1. Develop MSR Dashboard to include the following: <ol style="list-style-type: none"> a. Agency Demographic Profiles b. Agency Fiscal Indicators c. Agency Municipal Services Overview 2. Shared Services Web Program: <ol style="list-style-type: none"> a. Reactivate and complete enhancements to Web Program. b. Conduct outreach meetings with MSR regions on use of program and promoting shared services agreements. 3. Prepare MSRs for following regions and agencies: <ol style="list-style-type: none"> a. Southeast b. Southwest c. CSA Nos. 13, 22 and 26 d. MWDOC e. OCSD

¹ The 2018-2022 SOI/MSR timeline may be viewed at the OC LAFCO website, www.oclafco.org.

STRATEGIC AREA THREE

Provide leadership on effort to transition unincorporated areas of high interest for the County and adjacent cities through the OC LAFCO Unincorporated Areas Program.

Project	Status/Description	Project Complexity	Comments
County Unincorporated Areas	Develop an implementation strategy with affected stakeholders to annex islands of high interest.	Complex Multi-year Project	Facilitate discussions with county and city staff from Anaheim, Buena Park, and Huntington Beach.

STRATEGIC AREA FOUR

Engage the South Orange County Unincorporated Communities (SOCUC) to assist with pathway to future governance.

Project	Status/Description	Project Complexity	Comments
South Orange County Future Governance	Engage South Orange County Unincorporated Communities (SOCUC) to assist with pathway to future governance.	Ongoing	<ul style="list-style-type: none"> Continue quarterly meetings with Rancho Mission Viejo representatives to discuss development timeline and future governance. Reengage the communities of Coto de Caza, Ladera Ranch, Los Flores, Stonecliffe, and Wagonwheel through stakeholder discussions to discuss common issues and interests to assist with pathway to future governance.

STRATEGIC AREA FIVE

Develop a program that enhances communication with local agencies and communities.

Project	Status/Description	Project Complexity	Comments
Outreach and External Relations	Enhancement of communication with local and affected agencies and communities.	Ongoing	<ul style="list-style-type: none">• Conducted <u>ed the</u> selection process for consultant to assist staff on enhancing existing communication vehicles and identifying new ones.• Implement new communication vehicles that support enhancement of communication.

ADMINISTRATIVE PROJECTS

The following internal efficiencies support administrative and organizational effectiveness and proactive outreach to our funding agencies and the public. These projects also involve statutory requirements.

Project	Description	Status	Comments
Annual Budget	Preparation of OC LAFCO annual budget for 2020-2021	Begin January 2020	State law requires the Commission to adopt proposed and final budgets at two public hearings.
Annual Audit	Preparation of annual audited financial statements and presentation of Auditor's report.	Complete	Commission policy requires the preparation of annual audited statements by an independent auditor.
CALAFCO	<p>Continue membership with CALAFCO, attend staff workshops and conferences, and participate in CALAFCO's Legislative Committee.</p> <p>Continue to attend and participate in the bi-annual meetings of LAFCOs from the Southern Region of CALAFCO.</p>	Ongoing	<p>Participation in the following:</p> <ol style="list-style-type: none"> 1. CALAFCO Executive Board 2. CALAFCO Legislative Committee and subcommittees 3. Co-host the 2020 CALAFCO Staff Workshop 4. Southern Region Bi-Annual Meetings

ADMINISTRATIVE PROJECTS

Project	Description	Status	Comments
OC LAFCO Policies and Procedures Update	Commission is statutorily required to establish policies and procedures that support its authority granted by the Legislature and are in line with any subsequent changes to law.	Ongoing	Staff/Ad Hoc Committee to present policies and guidelines and updates, as warranted, on the following: <ol style="list-style-type: none"> 1. Out of Area Agreements 2. Small Island Annexations 3. Accounting and Financial 4. Records Retention 5. Inspection/Copying Public Records 6. Indemnification Agreement 7. Legislative Guidelines
OC LAFCO Records Systems and Projects Database	Continuous improvements to OC LAFCO's electronic and hardcopy records retention and retrieval systems.	Multi-year project	Continue the electronic archiving and integration of agency records with County database system.