



# MSR/SOI Report

City of Yorba Linda &  
Yorba Linda Water District

May 10, 2006



---



# Table of Contents

<b><u>EXECUTIVE SUMMARY .....</u></b>	<b><u>1</u></b>
INTRODUCTION .....	1
MSR SUMMARY – CITY OF YORBA LINDA .....	2
SOI SUMMARY – CITY OF YORBA LINDA .....	3
MSR SUMMARY – YORBA LINDA WATER DISTRICT.....	5
SOI SUMMARY – YORBA LINDA WATER DISTRICT.....	6
<b><u>INTRODUCTION.....</u></b>	<b><u>8</u></b>
STATUTORY REQUIREMENTS .....	8
ENVIRONMENTAL REVIEW .....	9
<b><u>HISTORY OF MSR AREA .....</u></b>	<b><u>11</u></b>
HISTORY OF THE CITY OF YORBA LINDA .....	11
HISTORY OF THE YORBA LINDA WATER DISTRICT .....	15
<b><u>REVIEW &amp; ANALYSIS OF SERVICE PROVISION – CITY OF YORBA LINDA .....</u></b>	<b><u>17</u></b>
GROWTH AND POPULATION PROJECTIONS .....	17
INFRASTRUCTURE NEEDS & DEFICIENCIES .....	19
FINANCING CONSTRAINTS & OPPORTUNITIES.....	25
EVALUATION OF MANAGEMENT EFFICIENCIES / COST AVOIDANCE / OPPORTUNITIES FOR SHARED FACILITIES .....	29
MANAGEMENT EFFICIENCIES.....	29
SHARED FACILITIES.....	31
OTHER COST AVOIDANCE MECHANISMS .....	32
OPPORTUNITIES FOR RATE RESTRUCTURING .....	32
GOVERNMENT STRUCTURE OPTIONS .....	33
LOCAL ACCOUNTABILITY & GOVERNANCE .....	37
<b><u>THE NINE DETERMINATIONS – CITY OF YORBA LINDA.....</u></b>	<b><u>41</u></b>
GROWTH AND POPULATION PROJECTIONS .....	41
INFRASTRUCTURE NEEDS OR DEFICIENCIES.....	41
FINANCING CONSTRAINTS & OPPORTUNITIES.....	41
COST AVOIDANCE OPPORTUNITIES.....	42
OPPORTUNITIES FOR RATE RESTRUCTURING .....	42
OPPORTUNITIES FOR SHARED FACILITIES .....	42
GOVERNMENT STRUCTURE OPTIONS .....	43
EVALUATION OF MANAGEMENT EFFICIENCIES .....	43
LOCAL ACCOUNTABILITY & GOVERNANCE .....	44



**REVIEW & ANALYSIS OF SERVICE PROVISION – YORBA LINDA WATER DISTRICT ..... 45**

GROWTH AND POPULATION PROJECTIONS ..... 45

INFRASTRUCTURE NEEDS OR DEFICIENCIES ..... 48

FINANCING CONSTRAINTS & OPPORTUNITIES ..... 54

EVALUATION OF MANAGEMENT EFFICIENCIES / COST AVOIDANCE / OPPORTUNITIES FOR SHARED FACILITIES ..... 55

OPPORTUNITIES FOR RATE RESTRUCTURING ..... 57

GOVERNMENT STRUCTURE OPTIONS ..... 58

LOCAL ACCOUNTABILITY & GOVERNANCE ..... 63

**THE NINE DETERMINATIONS – YORBA LINDA WATER DISTRICT ..... 66**

INFRASTRUCTURE NEEDS OR DEFICIENCIES ..... 66

GROWTH AND POPULATION PROJECTIONS ..... 66

FINANCING CONSTRAINTS & OPPORTUNITIES ..... 67

COST AVOIDANCE OPPORTUNITIES ..... 67

OPPORTUNITIES FOR RATE RESTRUCTURING ..... 67

OPPORTUNITIES FOR SHARED FACILITIES ..... 68

GOVERNMENT STRUCTURE OPTIONS ..... 68

EVALUATION OF MANAGEMENT EFFICIENCIES ..... 69

LOCAL ACCOUNTABILITY & GOVERNANCE ..... 69

**SPHERE OF INFLUENCE UPDATE – CITY OF YORBA LINDA ..... 70**

**STATEMENT OF DETERMINATIONS – CITY OF YORBA LINDA..... 73**

**SPHERE OF INFLUENCE UPDATE – YORBA LINDA WATER DISTRICT ..... 75**

**STATEMENT OF DETERMINATIONS – YORBA LINDA WATER DISTRICT ..... 79**



# EXECUTIVE SUMMARY

## Introduction

The purpose of this report is to provide a comprehensive review of the municipal services provided by the City of Yorba Linda and Yorba Linda Water District. To comply with the requirements of the Cortese-Knox-Hertzberg Act of 2000, the following report includes the municipal service reviews and sphere of influence (SOI) reviews/updates for the City of Yorba Linda and Yorba Linda Water District.

This report is organized into eleven sections:

1. *Executive Summary* – Provides an overview of the report’s structure and content.
2. *Introduction* – Explains the statutory requirements related to municipal service and sphere of influence reviews and a summary of the environmental review required under the California Environmental Quality Act (CEQA).
3. *History of the MSR Area* – Provides a brief historical overview of the MSR area as it pertains to the City of Yorba Linda and Yorba Linda Water District
4. *Review and Analysis of Service Provision, City of Yorba Linda* – Examines the City of Yorba Linda’s structure and service provision as they pertain to the nine municipal service review (MSR) determinations required by law.
5. *The Nine Determinations, City of Yorba Linda* – Summarizes LAFCO staff’s nine MSR determinations based on the analysis of the City of Yorba Linda’s structure and service provision.
6. *Review and Analysis of Service Provision, Yorba Linda Water District* – Examines the Yorba Linda Water District’s structure and service provision as they pertain to the nine municipal service review (MSR) determinations required by law.
7. *The Nine Determinations, Yorba Linda Water District* – Summarizes LAFCO staff’s nine MSR determinations based on the analysis of the Yorba Linda Water District’s structure and service provision.



8. *Sphere of Influence Update, City of Yorba Linda* – Provides staff analysis and recommendations related to the City of Yorba Linda’s sphere of influence update.
9. *Statement of Determinations, City of Yorba Linda* – Addresses the four sphere of influence determinations that LAFCO must by law address in completing a sphere of influence review and update for the City of Yorba Linda.
10. *Sphere of Influence Update, Yorba Linda Water District* – Provides staff analysis and recommendations related to the Yorba Linda Water District’s sphere of influence update.
11. *Statement of Determinations, Yorba Linda Water District* – Addresses the four sphere of influence determinations that LAFCO must by law address in completing a sphere of influence review and update for the Yorba Linda Water District.

## MSR Summary – City of Yorba Linda

The nine determinations for the City of Yorba Linda are examined in great detail beginning on page 17 of this report. Staff did not identify any significant issues and, based on its analysis of the city’s structure and service provision, came to the following conclusions:

- ◆ The city’s infrastructure is sound and adequate. Further, through its biennial budget and capital improvement program, the city has adequately planned for infrastructure maintenance and improvements that will result from future growth within its current and projected service territory.
- ◆ The city’s expenditures appear to be based on efficient methods of operation. While the State-mandated local revenue shift from the city to the State will result in an overall reduction in the city’s revenue, the city has planned accordingly. It is fiscally solvent and has adequate revenues.
- ◆ The city’s organizational structure is sound, and the city provides efficient and cost effective services. Further, the city has implemented many cost reduction mechanisms, including facilities sharing, contracting with other public agencies and private entities for services, and investing in technology upgrades.
- ◆ The city’s fee schedule and cost for services is very much in line with those of neighboring municipalities.



- ◆ The city operates with a high degree of transparency and is highly accountable to the public.
- ◆ While the city could potentially consolidate or reorganize with the Yorba Linda Water District (YLWD), whereby the district would either merge with or become a subsidiary district of the city, staff does not recommend or advocate that government structure option. Further, the city is investigating the possibility of transferring its sewer service provision and infrastructure to YLWD, an action that does not require consolidation or reorganization of the city and district.

## SOI Summary – City of Yorba Linda

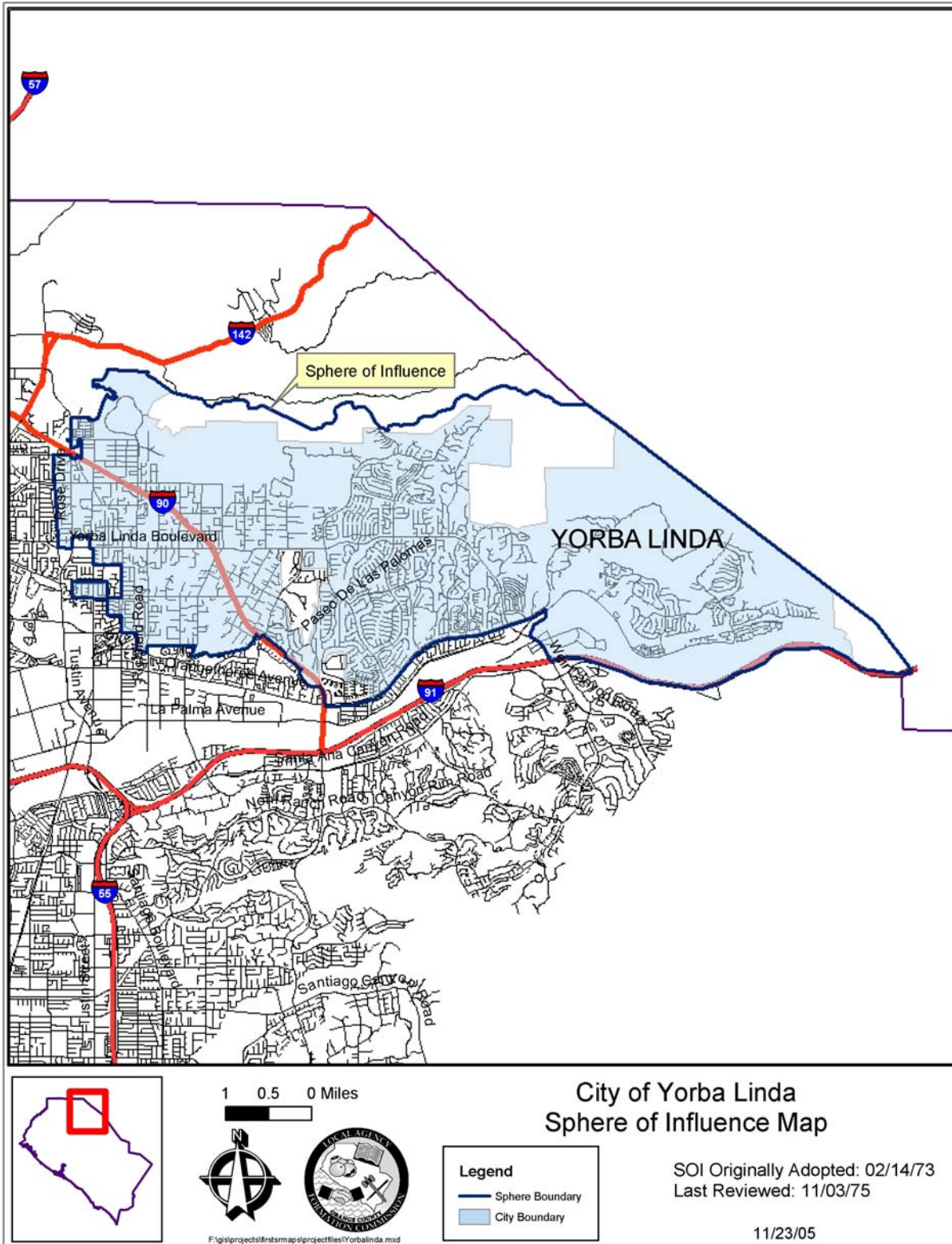
LAFCO established the City of Yorba Linda’s sphere of influence in three increments in 1973: the northern sphere on March 28, 1973; the western and southern spheres on June 27, 1973; and the eastern sphere on July 11, 1973. The city requested an expansion to its sphere of influence in 1975, prompting the Commission to review the sphere on November 3, 1975. LAFCO has not comprehensively reviewed the city’s sphere since.

The city’s approximately 14,926-acre sphere of influence extends beyond its corporate boundaries to the north and to the east. The city’s sphere also includes two noncontiguous unincorporated islands, known as the Country Club and Fairlynn islands, which comprise approximately 362 total acres. Both islands have been subject to at least three annex attempts by the city, the last of which was defeated by election in March 2004.

Based on its study and analysis, staff recommends that the Commission reaffirm the City of Yorba Linda’s existing sphere of influence, as demonstrated in *Figure 1a, City of Yorba Linda Sphere of Influence Map*.



Figure 1a, City of Yorba Linda Sphere of Influence Map





## MSR Summary – Yorba Linda Water District

The nine determinations for the Yorba Linda Water District are examined in great detail beginning on page 45 of this report. Staff did not identify any significant issues and, based on its analysis of the district's structure and service provision, came to the following conclusions:

- ◆ YLWD's infrastructure is sound and adequate. The district has adequately planned for infrastructure maintenance and improvements, as well as the increased water supply demand that will result from future growth within its current and projected service territory through its biennial budget and capital improvement program.
- ◆ YLWD's expenditures appear to be based on efficient methods of operation. While the revenues from current water rates plus non-operating revenues will not balance operating expenses during the 2005-2007 budget cycle, much of this is attributed to several large capital improvement and replacement projects.
- ◆ YLWD's organizational structure is sound, and the district provides efficient and cost effective services. The district hopes to increase groundwater production while reducing its reliance on imported water as a significant cost savings mechanism.
- ◆ YLWD's rates directly reflect the district's actual cost of providing service to its customers and are very competitive in comparison to the area's other service providers.
- ◆ YLWD operates with a high degree of transparency and is highly accountable to the public.
- ◆ While YLWD could potentially consolidate or reorganize with the City of Yorba Linda, whereby the district would either merge with or become a subsidiary district of the city, staff does not recommend or advocate that government structure option. The district maintains high service levels, while also effectively safeguarding the public health.
- ◆ City of Yorba Linda is investigating the possibility of transferring its sewer service provision and infrastructure to YLWD.



## SOI Summary – Yorba Linda Water District

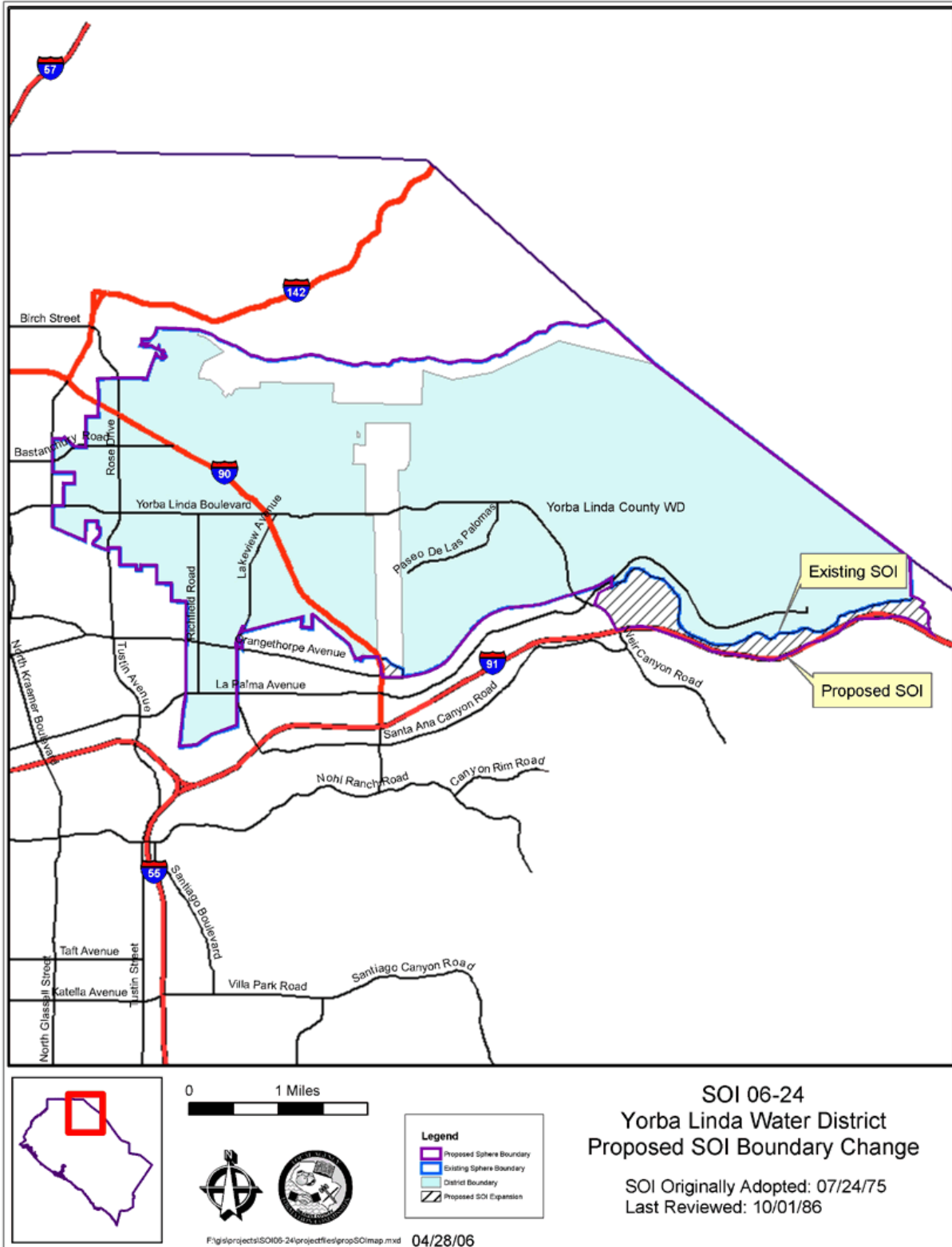
The Yorba Linda Water District's approximately 15,807-acre sphere of influence was established by LAFCO on July 23, 1975. Since that time, the Commission has comprehensively reviewed and reaffirmed the district sphere twice – on July 7, 1977 and October 1, 1986.

YLWD provides water service, sewer service, or a combination of both to customers in the Cities of Yorba Linda, Anaheim, Brea, and Placentia, as well as, three unincorporated County islands – two in the City of Yorba Linda and one in the City of Placentia – and some unincorporated territory in the City of Yorba Linda's northern sphere. The district also extends water and sewer service to many areas beyond its current service territory. These areas are all within the City of Yorba Linda's corporate or sphere of influence boundaries and are served via out-of-area agreements with the city.

For this reason, and because the City of Yorba Linda is researching the possibility of transferring its sewer service provision to YLWD, staff recommends that the Commission modify YLWD's existing sphere of influence as demonstrated in *Figure 1b, YLWD Proposed Sphere of Influence Map*. The sphere would be expanded about 665 acres to include all territory within the City of Yorba Linda's corporate and sphere of influence boundaries, with the exception of an area in the southeastern corner of the city's sphere, which includes territory belonging to the Chino Hills State Park. The district's proposed sphere would be comprised of approximately 16,472 acres.



Figure 1b, YLWD Proposed Sphere of Influence Map





# INTRODUCTION

## Statutory Requirements

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

### *Overview of Municipal Service Review (MSR) Law—Government Code §56430*

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

1. Infrastructure needs or deficiencies;
2. Growth and population projections for the affected area;
3. Financing constraints and opportunities;
4. Cost avoidance opportunities;
5. Opportunities for rate restructuring;
6. Opportunities for shared facilities;
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
8. Evaluation of management efficiencies; and
9. Local accountability and governance.

The MSR process does not require LAFCO to initiate changes of organization based on service review findings; it only requires that LAFCO make determinations regarding the provision of public services per Government Code Section 56430. MSRs are not subject to the provisions of the California Environmental Quality Act (CEQA) because they are only feasibility or planning studies for possible future action that LAFCO has not approved (Cal. Pub. Res. Code § 21150). The ultimate outcome of conducting a service review, however, may result in LAFCO taking discretionary action on a change of organization or reorganization.



### *Overview of Sphere of Influence (SOI) Law—Government Code §56425*

LAFCO is also charged with adopting a sphere of influence for each city and special district within the county. A sphere of influence is a planning boundary that designates the agency's probable future boundary and service area. Spheres are planning tools used by LAFCO to provide guidance for individual proposals involving jurisdictional changes. Spheres ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands. The Cortese-Knox-Hertzberg (CKH) Act requires LAFCO to develop and determine a sphere of influence for each local governmental agency within the county and to review each agency's SOI every five years. In determining the SOI, LAFCO must address the following sphere determinations:

1. Present and planned land uses in the area, including agricultural and open-space lands;
2. Present and probable need for public facilities and services in the area;
3. Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide; and
4. Existence of any social or economic communities of interest in the area if LAFCO determines that they are relevant to the agency.

### **Environmental Review**

Municipal service reviews (MSRs) and sphere of influence (SOI) reviews are subject to the California Environmental Quality Act (CEQA). LAFCO is the lead agency for both MSRs and SOI reviews under CEQA.

#### *Municipal Service Reviews*

MSR proposals are considered Categorical Exempt from CEQA pursuant to several sections of the State CEQA Guidelines. MSRs are not a "project" within the meaning of the CEQA, because conducting MSRs does not have any potential to cause an adverse change in the environment.

Even to the extent that a municipal service reviews may be considered a "project," MSRs are exempt from the provisions of CEQA under several sections. Firstly, MSRs are statutorily exempt from the provisions of CEQA pursuant to State CEQA Guidelines Section 15262, which exempts feasibility and planning studies. MSRs are merely planning studies for possible future actions that have not been approved, adopted, or funded and, therefore, are exempt from CEQA.



Secondly, municipal service reviews are Categorical Exempt from CEQA pursuant with Section 15306 of the Guidelines, which exempts basic data collection, research, experimental management, and resource evaluation activities that do not result in a serious or major disturbance to an environmental resource. This exemption may be used strictly for information gathering purposes or as part of a study leading to an action which a public agency (LAFCO) has not yet approved, adopted, or funded.

Lastly, municipal service reviews are also covered by the general rule of CEQA, Section 15061(b)(3) of the CEQA Guidelines, which states that CEQA only applies to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

In this case, the city and district's MSR's evaluate the agencies' current operations and do not propose any changes or organization or reorganization. As a result, the MSR's will not have any impact upon the environment and, therefore, are not subject to CEQA. Staff has drafted Notices of Exemption for the city and district's MSR's (MSR 06-21 and MSR 06-23 respectively).

### *Sphere of Influence Reviews*

#### *City of Yorba Linda*

The City of Yorba Linda's sphere of influence update will validate the boundaries of its existing sphere (i.e., no changes to that sphere of influence will occur). Therefore, the city's sphere update is exempt from CEQA pursuant to State CEQA Guidelines Section 1501(b)(3), which states that a project is exempt from CEQA where it can be seen with certainty that there is no possibility that the activity in question may have significant effect on the environment. The city's sphere of influence update is further exempt from CEQA pursuant to State CEQA Guidelines Section 15306, which exempts basic data collection and research activities that do not result in a major disturbance to an environmental resource.

Because the city's SOI review is not subject to CEQA, staff has drafted a Notice of Exemption for SOI 06-22.

#### *Yorba Linda Water District*

Since the Yorba Linda Water District's sphere of influence review resulted in recommended amendments to the district's current sphere of influence, staff completed an Initial Study and determined that the SOI update would not have a significant effect on the environment. Accordingly, staff prepared a draft Negative Declaration and noticed in accordance with existing guidelines for implementing CEQA.



# HISTORY OF MSR AREA

## History of the City of Yorba Linda

While archaeological evidence indicates that ancient Native American populations occupied the Santa Ana River banks in the Yorba Linda area as early as 4,000 years ago, the city's modern history began in the mid-nineteenth century. Bernardo Yorba received a 13,328-acre land grant from the Mexican government in 1834, which he christened "Rancho Canon de Santa Ana," meaning the "Canyon of Saint Anne." This included territory that would one day become present day Yorba Linda and, combined with the nearby landholdings of his father, a Spanish soldier who had been part of a 1769 expedition through the area, it formed one of the largest ranchos of the period. Within a year, Yorba had constructed the grandest adobe of California's Golden Age, a two-story hacienda with more than 50 rooms. He called the hacienda "San Antonio," and it is said



that a staff of hundreds was required to tend the rancho's vast agricultural production and livestock pursuits.

In 1850, California became the 31<sup>st</sup> state to enter the Union. Yorba died eight years later, in 1858, leaving his vast landholdings to be divided between his wife and twenty children. By 1907, a Fullerton resident by the name of Jacob Sterns

purchased a portion of this land, which he sold the following year to the Janss Investment Company of Los Angeles. The Janss Corporation retitled the territory "Yorba Linda" – "Yorba" after Bernardo Yorba, and "Linda," the Spanish word for "beautiful." It then subdivided the land and sold agricultural plots for \$150-250 per acre.

By 1911, Yorba Linda had about 35 residents, most of them citrus farmers, as oranges and lemons were the mainstay of the community's early economy. The Pacific Electric



Railway extended service to the area in 1912, and the railway depot soon became the community's center. Southern California Edison Company installed electric service that same year. The following year, the future 37<sup>th</sup> President of the United States, Richard M. Nixon, was born in Yorba Linda.

Still, Yorba Linda was small. Even by 1920, Yorba Linda had only 350 residents. Its population eventually climbed, albeit very slowly. In 1960, the farm town had a population of 1,198, but change was on the horizon. Seven years later, Yorba Linda had grown to include nearly 11,500 residents.



It could perhaps be said that Yorba Linda wanted incorporation more than any other Orange County city before or since. The first stirrings of the incorporation effort began in the mid-1950s. The oil companies had moved into the area by that time, and the community's residents developed an interest in more orderly development that would safeguard their property values. In 1955, a nine-man committee developed the community's first zoning ordinance. Late the following year, rumors that neighboring cities were seeking to annex land adjacent to Yorba Linda spurred the committee to study the possibility of incorporation. The effort was quashed during a townhall meeting in January 1957, when residents voted against the proposal, 88 to 62.

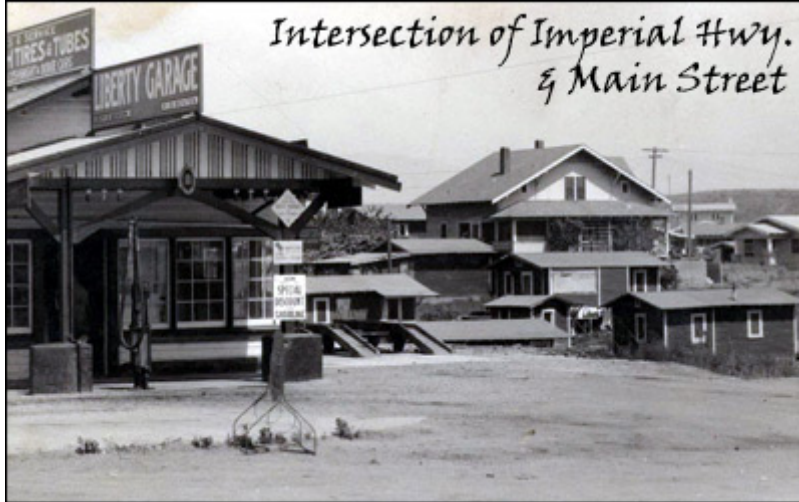
Incorporation proponents continued to advocate independence for Yorba Linda, while other factions touted the advantages of merging with Placentia or Brea. Still some others wanted to protect the community's friendly, rural atmosphere and remain as is. Discussions drew out over several years until late 1961. In December, a petition signed by 75 percent of Yorba Linda's residents was submitted to the Orange County Board of Supervisors (BOS) in support of incorporation. The proposed new city would roughly follow the boundaries of the recently established Yorba Linda County Water District, comprising approximately 5,000 acres and a population of 4,500.

The BOS considered the incorporation proposal at a public hearing in April 1962, during which it was revealed that incorporation opponents had secured the signatures



of persons owning nearly 63 percent of the total assessed land value of the proposed city. The incorporation effort was defeated again.

The City of Placentia approached the Yorba Linda Homeowners Association in April 1963 to negotiate mutually satisfactory boundaries with Yorba Linda, but the city's



efforts were derailed within a few weeks when residents discovered Placentia had submitted applications to annex much of Yorba Linda.

Incorporation proponents fought for cityhood a third time in 1963, submitting yet another petition for incorporation, which was considered by the BOS in July 1963. The county clerk was given thirty days to

validate the signatures on the petition, during which time the battle over incorporation intensified. While proponents hired a consultant to prove the merits and feasibility of Yorba Linda's incorporation, the City of Placentia filed a proposal to annex some of Yorba Linda's westside neighborhoods. Despite the residents opposition and intense litigation, the city was eventually successful in acquiring a 250-acre area.

Coincidentally, in September 1963, the State legislature passed the bill that mandated the formation of Local Agency Formation Commissions, a new commission that would be charged with determining city and district boundaries, including annexations and incorporations. While each county was afforded sixty days to form their commissions, Yorba Linda's incorporation effort was already in progress, so Orange County's LAFCO would never get the opportunity to weigh in.

In October 1963, incorporation opponents submitted another slough of protests comprising of 57.5 percent of the land and mineral valuation. While the legality and legitimacy of the protests was called into question at the BOS public hearing, the Board eventually upheld the protest documents, and Yorba Linda cityhood seemingly failed for a third time in four years.

Outraged by the unsightly way in which the oil companies maintained their operations throughout the community, incorporation proponents would not surrender. They continued investigating irregularities in the October 1963 protest submissions. In

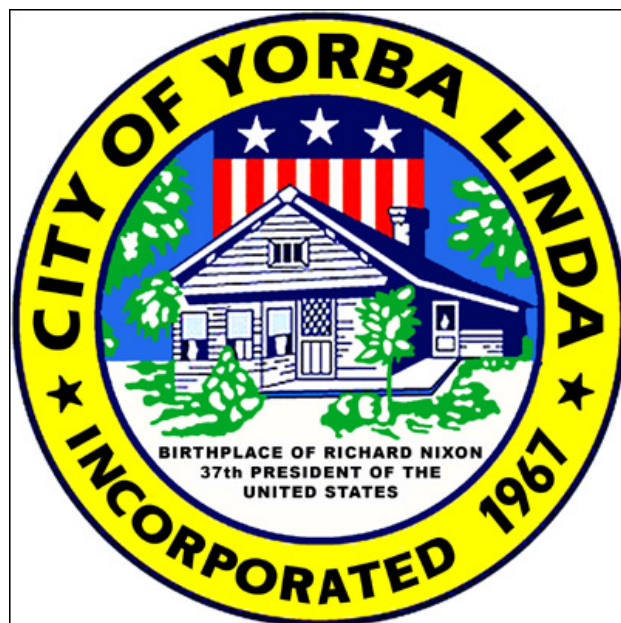


November 1963, they submitted a writ of mandate in Orange County Superior Court to compel the BOS to set aside the resolution terminating the Yorba Linda incorporation and hold an election on the matter. The court's final judgment against Yorba Linda was filed in late April 1964, and incorporation proponents filed a notice of appeal in June.

While the District Court of Appeals considered the issue, the cities of Anaheim, Brea, and Placentia each made annexation overtures to Yorba Lindans, hoping to annex the entire community into one of the surrounding cities. The discussions with Anaheim culminated in a 1965 election, where voters decided against annexing to Anaheim. Further, in November of that same year, the *Yorba Linda Star* published a four-page spread touting the benefits of merging with the City of Placentia. Before the issue was brought to a vote, however, the Appellate Court issued its verdict: the BOS had improperly considered the incorporation protests, and Yorba Lindans would be given the right to vote on incorporation. Though the BOS appealed the decision to the California Supreme Court, the Supreme Court upheld the Appellate Court's verdict and the BOS was forced to set the city boundaries and call an election.

The incorporation election was held October 24, 1967. Of the 2,601 voters who went to the polls, 1,963 voted in favor of incorporation and 683 voted against it. Incorporation efforts were, at long last, victorious.

The city population, just fewer than 12,000 at the time of incorporation, is now more than 65,600. The original 2,864 acres that comprised the original city is now approximately 12,715 acres, and the city's boundaries now extend to the Riverside County line on the east.





## History of the Yorba Linda Water District

*This section was derived from a district history written by Mike Robinson, Public Information Officer of the Yorba Linda Water District. This is his text, though slightly revised.*

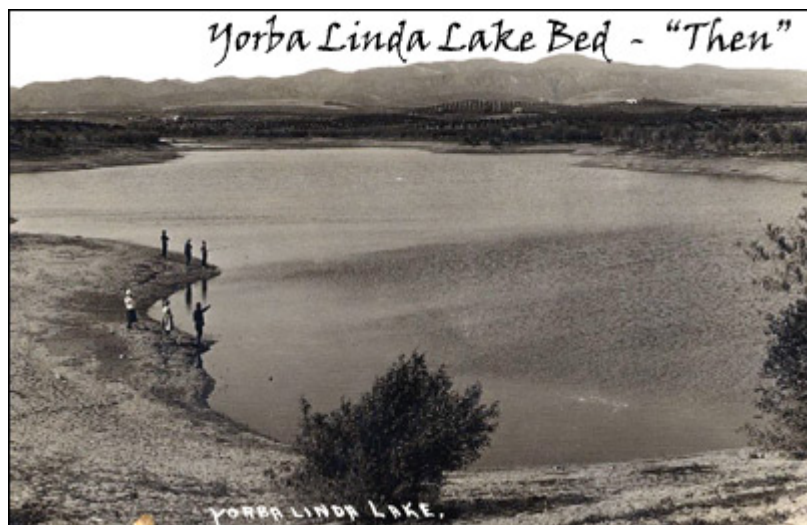
The present Yorba Linda Water District was formed in 1960, principally to acquire, improve, and extend the existing mutual water system, which had served the area well for the preceding fifty years. The mutually held Yorba Linda Water Company was incorporated in December 1909 to furnish water to the Yorba Linda tract, a then raw, semi-desert land being developed by the Janss Development Company.

The mutual water company was governed by a Board of Directors elected by the stockholders of the company. These directors served for little monetary compensation but garnered tremendous personal satisfaction seeing the area develop from a dry farming economy into an irrigated agricultural community of small ranches containing beautiful green groves of oranges and avocados.

The mutual water company served the area well until after World War II, when Yorba Linda became attractive for residential development. Families bought property and built homes in order to raise their children in a country atmosphere, and the mutual water company could no longer keep up with the water system improvements necessitated by the rapidly growing community. Further, the company could not access the county sewer collection system. Forming a county water district seemed the best alternative.

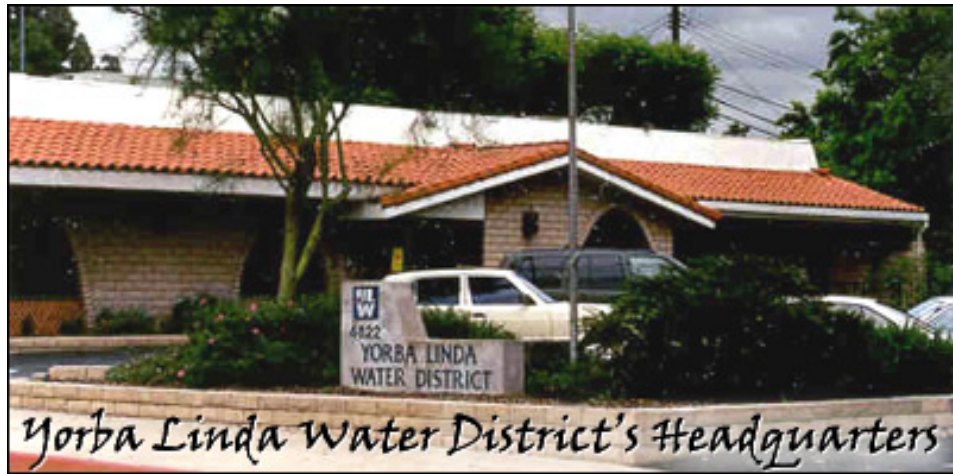
The Yorba Linda County Water District (YLWD) was approved by over two-thirds of the voters in a September 1959 election. The district formed under the California County Water District Act and acquired the mutual water company's assets on January 1, 1960. In 1985, the YLWD Board of Directors, seeking a more accurate identification as an independent special district, dropped the word "County" from the district's name.

When the district began operations in 1960, it provided water service to about 1,500. By 1999, YLWD had approximately 23,500 water accounts and 15,300 sewer accounts in the





Cities of Yorba Linda, Placentia, Anaheim, and Brea, as well as areas of unincorporated Orange County. Today, the YLWD's service territory spans approximately 14,475 acres, or about 22.6 square miles, of territory and serves an estimated 74,800 customers through approximately 23,000 service connections.





# REVIEW & ANALYSIS OF SERVICE PROVISION – CITY OF YORBA LINDA

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

## Growth and Population Projections

### *Countywide Growth Trends*

As of January 1, 2005, the California State Department of Finance estimated Orange County's official population as 3,056,865 people. With just over 3 million residents, Orange County is the second most populous county in California and the fifth most populous in the nation. In terms of density, Orange County ranks second within California, just behind the County/City of San Francisco.

Orange County's population, according Cal State Fullerton's Center for Demographic Research, will reach nearly 3.5 million people by the year 2020, with a natural increase (i.e., births minus deaths) being the most significant factor contributing to population growth.

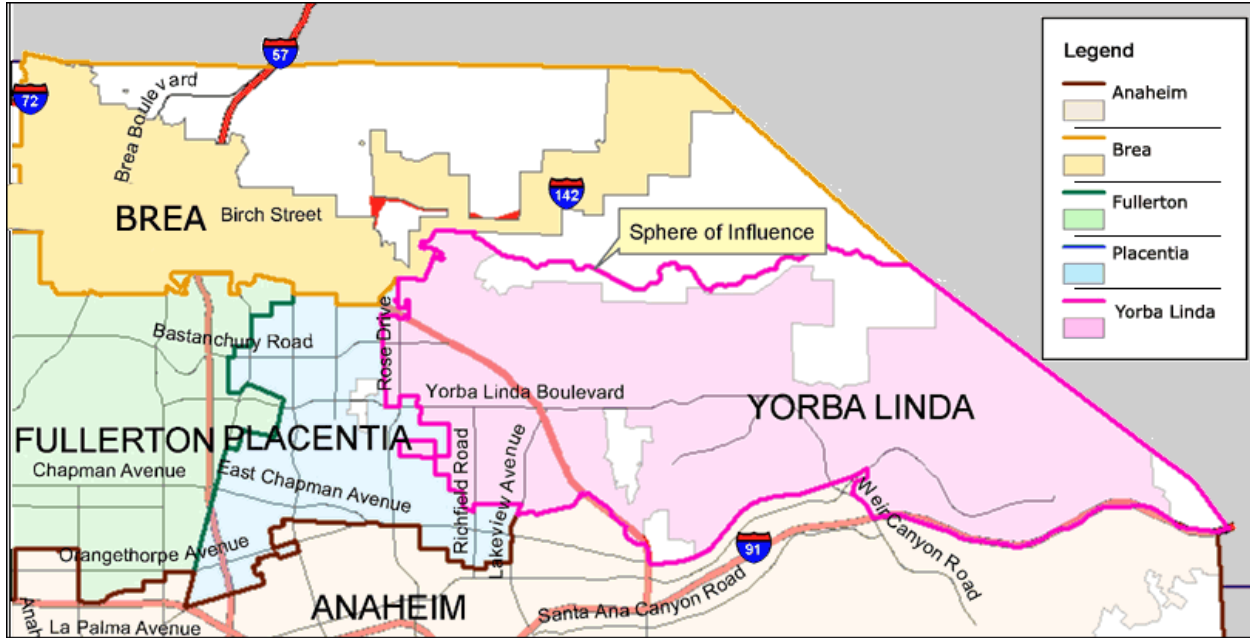
### *Growth within the City of Yorba Linda*

The City of Yorba Linda encompasses 19.9 square miles of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. The city is bordered by unincorporated County territory to the north and east, the City of Brea to the northwest, Placentia to the west, and Anaheim to the south.

*Figure 4a, City of Yorba Linda and Surrounding Cities* demonstrates the City of Yorba Linda's service territory and sphere boundaries in relation to those of nearby cities. The city's service territory is comprised of approximately 12, 715 acres, while its sphere is slightly larger, comprised of about 14,926 acres.

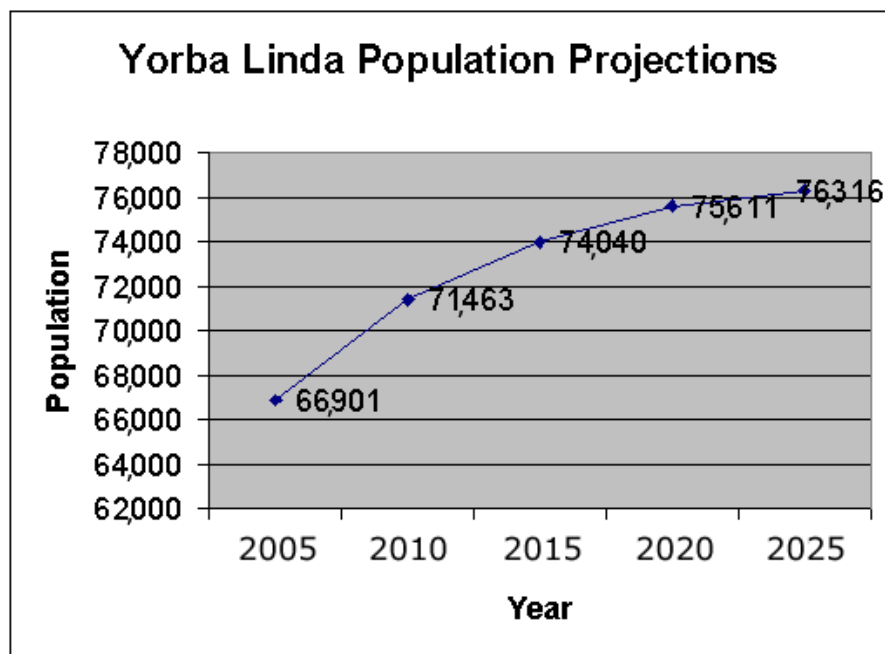


Figure 4a, City of Yorba Linda and Surrounding Cities



According to the State Department of Finance, the City of Yorba Linda's 2005 population was 65,621. The Center for Demographic Research (CDR) anticipates that the city's population will continue to grow and approximates the city's 2025 population will be in excess of 76,000 residents. *Figure 4b, City of Yorba Linda Population Projections*, demonstrates the city's population projections through 2025.

Figure 4b, City of Yorba Linda Population Projections





LAFCO staff did not note any significant issues related to growth and population projections. The city has adequately planned for future growth and associated infrastructure.

## Infrastructure Needs & Deficiencies

This determination addresses the adequacy of the existing and planned infrastructure needed to accommodate future growth and the efficient delivery of public services.

The City of Yorba Linda provides a wide range of municipal services to its residents, either directly or by contract with other government agencies or private vendors. Those services provided directly by the city include roadway maintenance and repair, landscape and trail maintenance, community planning, building services (e.g., plan checks, permits, and inspections), code enforcement, street sweeping, civil engineering, storm drain and sewer maintenance, weed abatement, business licensing, park maintenance, park and recreation services and programs, emergency preparedness, redevelopment, and library services. *Table 4a, City of Yorba Linda Municipal Service Provision*, details services provided by the city and by contract.

*Table 4a, City of Yorba Linda Municipal Service Provision*

<b>Service</b>	<b>Current Provider</b>
<b>Animal Control</b>	County of Orange
<b>City Attorney</b>	Best, Best & Krieger, LLP
<b>Planning/ Redevelopment</b>	City of Yorba Linda
<b>Fire/Paramedic</b>	Orange County Fire Authority
<b>Library</b>	City of Yorba Linda
<b>Park &amp; Recreation</b>	City of Yorba Linda, Yorba Linda/Placentia YMCA
<b>Planning &amp; Zoning</b>	City of Yorba Linda
<b>Police</b>	City of Brea
<b>Public Works</b>	City of Yorba Linda Private Contractors (various)
<b>Redevelopment</b>	Yorba Linda Redevelopment Agency
<b>Solid Waste Collection/Recycling</b>	Yorba Linda Disposal
<b>Street Maintenance &amp; Infrastructure</b>	City of Yorba Linda
<b>Water &amp; Wastewater</b>	City of Yorba Linda (sewer), Yorba Linda Water District (water and sewer), Golden State Water Company (water)



## Public Services

### Fire Services

The City of Yorba Linda is part of the Orange County Fire Authority's (OCFA) Structural Fire Fund, which means a portion of Yorba Linda residents' individual property tax bills pay for the fire protection and paramedic services provided to the city by OCFA. OCFA has three fire stations within the City of Yorba Linda, from which it responded to nearly 5,000 calls in 2004. *Table 4b, OCFA Fire Station Statistics*, provides more complete information about the three stations that serve the City of Yorba Linda.

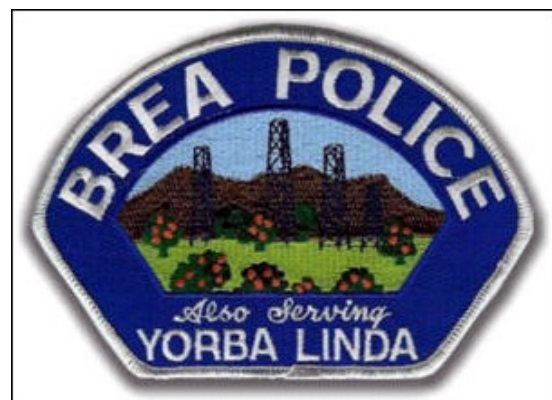
*Table 4b, OCFA Fire Station Statistics*

Station Location	Est'd	Staffing	2004 Calls
<b>OCFA Fire Station #10</b> 18422 E. Lemon Drive Yorba Linda, CA 92886	1931	3 Captains, 3 Engineers, 9 Firefighters, Reserve Firefighters	1,775
<b>OCFA Fire Station #32</b> 20990 Yorba Linda Blvd. Yorba Linda, CA 92886	1976	3 Captains, 3 Engineers, 9 Firefighters, Reserve Firefighters	2,607
<b>OCFA Fire Station #53</b> 25415 E. La Palma Yorba Linda, CA 92886	1990	3 Captains, 3 Engineers, 3 Firefighters	546

### Police Services

For more than 30 years, the City of Yorba Linda has contracted with the City of Brea Police Department (PD) for law enforcement and police protection services. The Brea PD provides police services to more than 94,000 residents and a daytime population of more than 150,000 in the cities of Brea and Yorba Linda. This includes 24-hour patrol seven days a week. The department's central station is located in the Brea Civic Center, but the department also maintains a substation in Downtown Brea and an administrative office in Yorba Linda near Arroyo Park.

The Brea PD offers a number of community-oriented services, including a Bicycle Safety Program, Explorers Program, Citizen's Academy, Community Action Patrol, and several traffic safety programs. The department also operates the "Skills and Assets for Excellence," or S.A.F.E., program in the local schools, which concentrates on





developing students' "development assets" in an effort to reduce future alcoholism, illicit drug use, risky behavior, and violence as a mean to resolve conflict.

According to an October 2005 survey conducted by the *Orange County Register*, of 22 police agencies within Orange County, the Brea Police Department was among seven departments countywide receiving the highest overall rating. The *Register* survey measured police agencies' effectiveness in eight categories: response time, citizens per officer, homicide clearance, violent crime clearance, property crime clearance, burglary clearance, violent crime rate, and property crime rate.

Law enforcement expenditures continue to represent the majority of the city's discretionary spending. Police services combined with other public-safety related expenses account for some 37 percent of the city's General Fund operating expenditures.

#### *Library Services*

The City of Yorba Linda has its own public library located at 18181 Imperial Highway. Originally an independent special district, the library was dissolved as a special district and became a city department in July 1985.



Completely remodeled in 1992, the Yorba Linda Public Library now boasts a collection of more than 120,000 books, 6,000 audio tapes, 3,000 video tapes, and 400 magazine/periodical subscriptions, as well as numerous electronic resources. The library offers a variety of programs to its patrons, including book clubs, discussion groups, story times, and a summer reading program. The library maintains its own website at [www.ylpl.lib.ca.us](http://www.ylpl.lib.ca.us).

#### *Parks & Recreation*

The City of Yorba Linda currently maintains some 135 acres at nineteen local park and recreational facilities. These include typical baseball fields and multipurpose open spaces, as well as more specialized uses, including equestrian trails, lighted tennis courts, beach volleyball courts, horseshoe pits, and gymnasiums, such as the 7,350-



square-foot-gymnasium at the Travis Ranch Activity Center and the 22,500-square-foot gym at the Thomas Lasorda Jr. Field House.

The city offers a variety of youth, teen, adult, and senior recreation programs. These include anything from cooking to dance lessons, chess to music lessons, and more traditional offerings, such as basketball, volleyball, and softball leagues. The city also maintains the Yorba Linda Community Center at 4501 Casa Loma.

Beyond the city offerings, the residents of Yorba Linda have access to the facilities and programs offered by the Yorba Linda/Placentia YMCA located at 1833 Lemon Drive. The YMCA offers youth and adult recreational sports leagues, parent/child programs, camp, and a backyard swim program.



#### *Redevelopment*

The City of Yorba Linda established the Yorba Linda Redevelopment Agency and a single redevelopment project area – approximately 2,640 acres in the eastern portion of the City of Yorba Linda – in May 1983. In July 1990, the city amended the project area, extending it to include another 344 acres in the city’s commercial town center. The agency’s scope is the rehabilitation and redevelopment of blighted areas within the city’s territorial limits. The city’s mayor serves as the agency’s chairperson, and city staff provides management assistance to the agency.

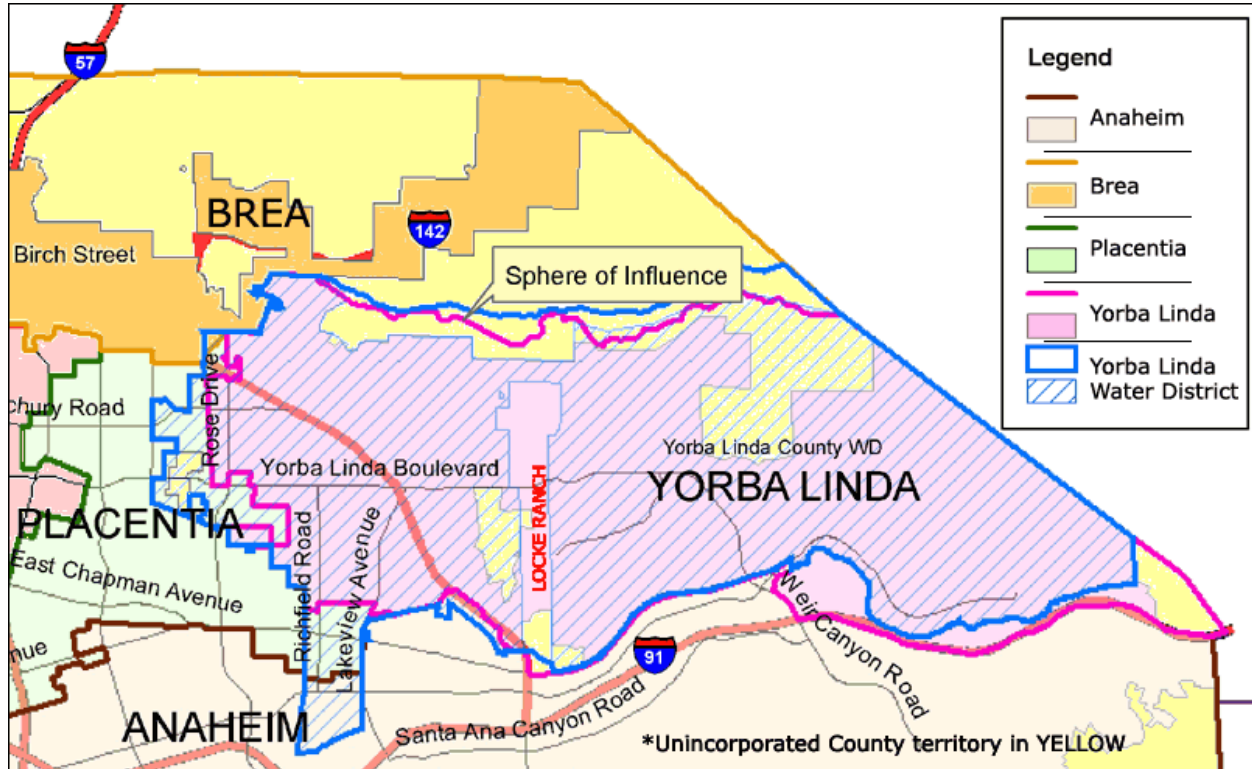
Further, the city and redevelopment agency jointly formed the Yorba Linda Public Financing Authority by execution of a joint powers agreement in July 1989. A five-member board comprised of the city council governs this entity, the mayor serving as the chairperson.

#### *Water & Sewer Service*

The Yorba Linda Water District (YLWD) provides water service to the entirety of the City of Yorba Linda, with the exception of the area known as “Locke Ranch,” which receives its water service from Golden State Water Company (GSWC), a private water purveyor. *Figure 4c, YLWD Service Territory*, demonstrates YLWD’s service territory in relation to the City of Yorba Linda and the Locke Ranch area.



Figure 4c, YLWD Service Territory



As a result of a 1977 agreement entered into by YLWD and the City of Yorba Linda, sewer service within the City of Yorba Linda is divided between the city and YLWD. The city's jurisdiction for planning, construction, and sewer facilities maintenance basically begins at the eastern boundary of Locke Ranch and continues to the city's eastern boundary. YLWD provides sewer services to the Locke Ranch area and some nearby territory via out-of-area agreements with the city and to the majority of western Yorba Linda.

Further, there is an area of overlapping jurisdiction within the city's sewer territory, as a portion of the city's sewer system drains into the district's sewer infrastructure in Locke Ranch. Because inadequate maintenance of the city sewers could adversely impact the district's system, the city maintains responsibility for the planning and construction of capital improvements in the overlap area, while the district is responsible for its maintenance. YLWD bills sewer maintenance charges directly to the affected customers.

The city's Department of Public Works has made inquiries into the possibility of transferring ownership and responsibility of the city's sewer infrastructure and service provision. Since YLWD owns and operates the city's entire water system and half the city's sewer system, the district is considered the most likely candidate and has



expressed interest in assuming the city’s sewer system. However, the city is examining all of its options in this regard, including transfer to a private purveyor. The city recently hired a consultant to conduct a feasibility study but has not indicated when it anticipates the study to be completed, saying only that it is not currently in a position to indicate if or when it will pursue the transfer of its sewer infrastructure and service provision obligations to YLWD or another entity.

*City Infrastructure & the Capital Improvement Program*

The City of Yorba Linda relies upon citywide lighting and landscape assessment districts to fund its extensive system of local and arterial street landscaping, trails, and greenbelts, as well pay for traffic signal maintenance and local and arterial street lighting. All residential and commercial property in the city is assessed a fee, which is included on the property tax bill. The city believes that this infrastructure is a major contributor to the community’s overall quality of life and property values.

Maintenance of the city’s infrastructure (e.g., roads, storm drains, sewers, traffic signals, street lighting, and landscaping) falls on the city’s Department of Public Works. In addition to managing the day-to-day maintenance of the city’s infrastructure, a snapshot of which is captioned below as *Table 4c, City of Yorba Linda Infrastructure Facts*, the department also designs and constructs new public facilities and is responsible for major capital improvements to the city’s existing facilities.

*Table 4c, City of Yorba Linda Infrastructure Facts*

<b>Infrastructure Facts</b>	
<b>Streets</b>	213 centerline miles
<b>Sewers</b>	65 miles
<b>Storm Drains</b>	26 miles
<b>Multi-use Trails:</b>	77 miles
<b>Horse Trails</b>	30 miles
<b>Pedestrian/Bicycle Trails</b>	47 miles
<b>Street Trees</b>	27,583
<b>Traffic Signals</b>	49
<b>Street Lights</b>	27,583
<b>Bridges</b>	10

The city adopted its latest seven-year Capital Improvement Program (CIP) in 2005, and it covers Fiscal Years 2005-2006 through 2011-2012. The CIP outlines all proposed capital projects for the seven-year period and identifies their funding sources. *Table 4d, City of Yorba Linda Capital Improvement Program*, provides a CIP summary by



category. “Tier 1” projects are those the city intends to initiate during the current two-year budget cycle (2005-2006 and 2006-2007), while “Tier 2” represents projects the city will tackle in the last five years of the CIP.

*Table 4d, City of Yorba Linda Capital Improvement Program*

Category	Two-Year Tier 1 Budget	Tier 2 Requirement
Municipal Buildings	\$ 410,000	\$ 4,880,000
Street Improvements	\$ 13,992,000	\$ 21,688,000
Landscape Maintenance	\$ 6,275,000	\$ 7,950,000
Traffic Control	\$ 1,750,000	\$ 2,895,000
Sewers & Storm Drains	\$ 3,775,000	\$ 7,465,000
Parks & Recreation	\$ 350,000	\$ 7,100,000
Miscellaneous Projects	\$ 5,050,000	\$ 2,100,000
<b>TOTAL:</b>	<b>\$ 31,602,000</b>	<b>\$ 54,078,000</b>
<p><b>High priority projects include:</b></p> <ul style="list-style-type: none"> <li>♦ Widening of Bastanchury Road from Eureka Avenue to Rose Drive (\$3.3M)</li> <li>♦ Construction of a pedestrian bridge over Imperial Highway from the Yorba Station Shopping Center to Town Center (\$3.1M)</li> <li>♦ Installation of storm drain facilities near Via del Caballo, which experienced flooding over the past year (\$1.5M)</li> <li>♦ Construction of landscaped median islands on Esperanza Road from west city limits to Yorba Linda Boulevard (\$1.9M)</li> <li>♦ Installation of landscaping on the south side of Esperanza Road to provide scenic buffer to the Anaheim sound wall and beautify the street (\$3.3M)</li> </ul>		

Staff did not identify any significant issues regarding infrastructure needs and deficiencies. The City of Yorba Linda has adequately planned for infrastructure maintenance and improvements that will result from future growth within its current and projected service territory.

## Financing Constraints & Opportunities

### Revenues

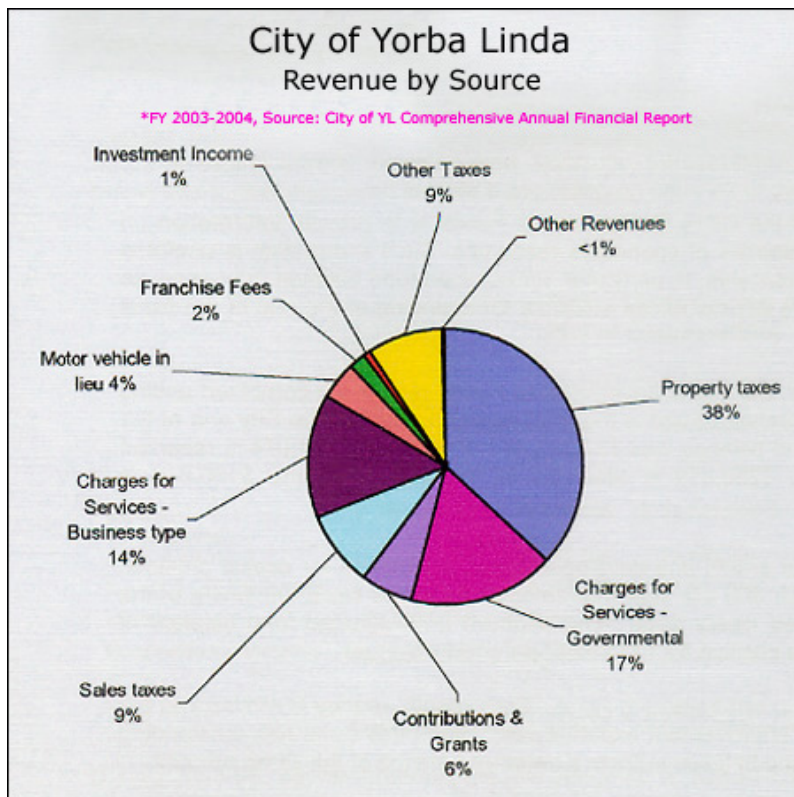
As demonstrated in *Figure 4e, City of Yorba Linda Revenue by Source*, the City of Yorba Linda depends on revenues from a variety of sources. The city’s primary revenue sources include property tax, sales tax, and development fee revenue. These monies are funneled into the city’s General Fund, the primary source of funding for most city



operations. Some of the money deposited into the General Fund – sales tax, for example – is discretionary and can be used for any purpose. Other revenues, like fees collected for park and recreation classes, come with spending limitations. Certain revenues sources, such as development fees, are subject to the relative strength and weakness of the economy, while others, such as property tax, are more constant.

Beyond tax revenues and fees collected for specific services, the City of Yorba Linda's General Fund also receives substantial monies from the State. These include Vehicle License Fees and law enforcement grants that are annually subject to the State legislature's political discretion.

*Figure 4e, City of Yorba Linda Revenue by Source*



Like other local government agencies throughout California, the City of Yorba Linda was impacted by the State's fiscal woes. In order to address the State's ongoing fiscal crisis, the State legislature instituted a number of changes in how local revenues are allocated with the adoption of its budget. The four primary local tax revenue funds involved are sales and use taxes, Vehicle License Fees (VLF), property taxes, and Educational Revenue Augmentation Funds (ERAF). The largest impact to the city will be a result of reductions in property tax revenues over the next two years. The city,



however, does not anticipate suffering any adverse effects as a result of the State's tax shifts. The preface to the city's adopted budget for FY 2005-2007 states, "In theory, the Triple Flip and lost VLF revenue should have no impact on the City of Yorba Linda, so long as the State maintains all of the appropriate backfill mechanisms."

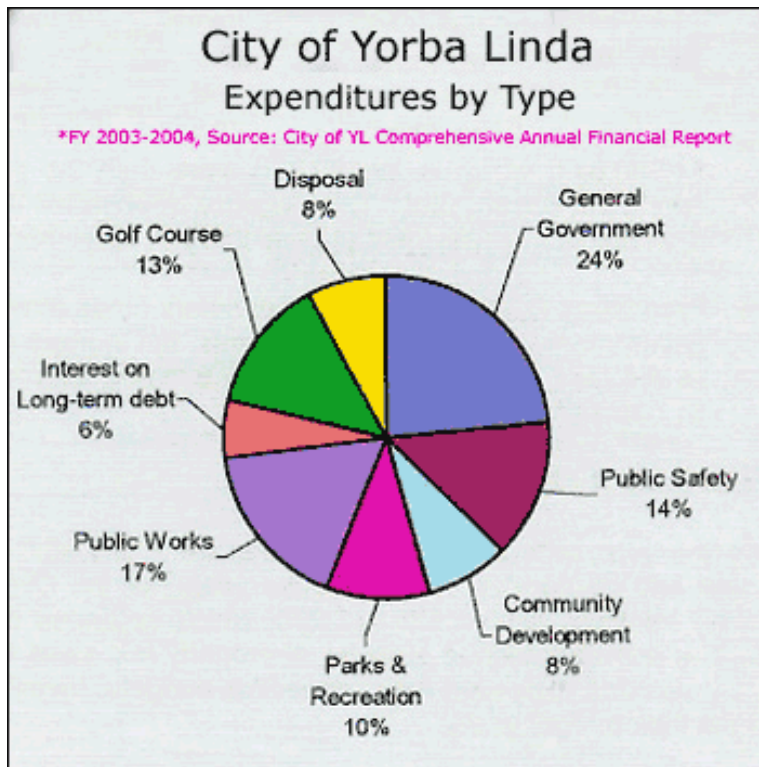


The city's sales tax income was also adversely affected by the recent of the Home Depot relocation to Anaheim. Though the city will reap the sale tax benefits of a new Kohl's department store at its Savi Ranch shopping center, the net sales tax loss associated with the Home Depot relocation is projected to be \$180,000. Even so, overall projected sales tax revenue for FY 2005-2006 reflects a 3 percent growth factor.

### Expenditures

The City of Yorba Linda's expenditures vary by year. However, *Figure 4f, City of Yorba Linda Expenditures by Source*, is representative of the city's expenditures over the course of a typical Fiscal Year.

*Figure 4f, City of Yorba Linda Expenditures by Source*





As demonstrated in *Table 4g, City of Yorba Linda Revenues vs. Expenses*, the City of Yorba Linda is currently in a stable financial position.

**Table 4g, City of Yorba Linda Expenses vs. Revenues (FY 2003-2004)**

<b>CITY OF YORBA LINDA</b>		
<b>Two-Year General Fund Budget</b>		
	<b>2005-06</b>	<b>2006-07</b>
Opening Fund Balance	\$ 27,495,517	\$ 26,134,847
Plus Annual Revenue	\$ 26,077,450	\$ 26,810,860
<b>TOTAL RESOURCES AVAILABLE:</b>	<b>\$ 53,572,967</b>	<b>\$ 52,945,707</b>
<b>Operating Expenditures</b>		
City Council	\$ 191,825	\$ 191,750
City Manager/Administration	\$ 1,742,345	\$ 1,447,400
Risk Management	\$ 827,900	\$ 827,900
City Clerk	\$ 401,500	\$ 456,500
City Attorney	\$ 300,000	\$ 300,000
Finance	\$ 693,350	\$ 689,925
General Government	\$ 295,900	\$ 291,150
Police	\$ 9,298,025	\$ 9,651,000
Community Development	\$ 2,873,750	\$ 2,796,925
Public Works	\$ 3,348,275	\$ 3,175,125
Parks & Recreation	\$ 5,155,850	\$ 5,125,925
<b>TOTAL OPERATING EXPENDITURES:</b>	<b>\$ 25,128,720</b>	<b>\$ 24,953,600</b>
<b>ANNUAL OPERATING SURPLUS:</b>	<b>\$ 948,730</b>	<b>\$ 1,857,260</b>
Miscellaneous Transfers to Other Funds	\$ 229,400	\$ 228,600
Transfers to Capital Projects Fund	\$ 380,000	\$ -
Transfers from General Fund Reserve	\$ 1,700,000	\$ 1,130,000
<b>CLOSING FUND BALANCE:</b>	<b>\$ 26,134,847</b>	<b>\$ 26,633,507</b>

The City of Yorba Linda uses a biennial budget process and adopted its most recent budget adopted for Fiscal Year (FY) 2006-2007. The City of Yorba Linda's total project General Fund revenue for 2005-06 is \$26,077,450, which represents a \$1,005,696 increase, or 4 percent, over the anticipated revenue for FY 2004-2005. For FY 2006-2007, city staff projects revenues of \$26,810,860.

For FY 2005-2006, the proposed General Fund operating expenditure budget is \$25,128,720, which reflects a 13 percent increase over the estimated expenditures for FY 2004-2005. In FY 2006-2007, the budget is projected to decrease by 1 percent to



\$24,953,600 due to higher than normal expenditures in the first year associated with various technology initiatives.

Looking at the total annual revenue and operating expenses, the city expects to end FY 2005-2006 with a \$948,730 surplus. In FY 2006-2007, the city projects an improved revenue over expenditure picture of approximately \$1,857,260.

The proposed expenditures, along with transfers for capital improvement projects and reserves, result in balanced budgets for FY 2005-2006 and FY 2006-2007. Using opening fund balances, adding projected revenues, and subtracting expenditures and transfers, the city is projected to maintain closing General Fund balances of \$26,134,847 for FY 2005-2006 and \$26,633,507 for FY 2006-2007.

Staff did not note any significant issues regarding financing constraints.

## **Evaluation of Management Efficiencies / Cost Avoidance / Opportunities for Shared Facilities**

While these are three separate determinations, management efficiencies, cost avoidance, and facilities sharing are interrelated. The City of Yorba Linda, like other public agencies, must maintain an efficient management system while providing services in a cost effective and logical manner. The city does this in a variety of ways.

### *Management Efficiencies*

#### *Establishment of Goals & Priorities*

The Yorba Linda City Council and city manager convene in a special session each year to identify and prioritize a list of annual goals focused on projects and programs. This strategic planning practice helps the city manager and her staff to focus their energies and resources throughout the year.

#### *Technological Enhancements*

One of the key goals established in conjunction with the city's current two-year budget (FY 2005-2007) is a series of technology initiatives that will make city services more accessible to the public and reduce the city's operating expenses.

#### *Document Archiving*

The city recently installed a document archiving system that allows city staff to scan, store, and retrieve documents electronically. To date, the city has used the system to archive its ordinances as well as its city council and redevelopment agency minutes and resolutions. City staff will add other vital and historical documents to the system in the



coming months in preparation for the anticipated July 2006 launch of a document retrieval component on the city's public website.

### *Online Registration*

The city's Parks & Recreation Department will soon introduce online registration for its classes and programs. The registration system will allow the public to register and pay for classes via the Internet from the comfort of their homes or businesses. The city is in the process of beta testing the system and anticipates open access to the system beginning August 1, 2006, for enrollment in the fall class schedule.

### *Automated Library Services & Online Catalog*

The city-operated Yorba Linda Public Library (YLPL) had previously partnered with the Anaheim and Placentia public libraries to share an automated library system.



Recent advances in technology, however, made it possible for YLPL to migrate to a stand-alone system at a lower cost.

YLPL recently implemented its new automated library system in-house, along with an electronic interface to the system on its website. The new system allows the library's patrons to search the entire library catalog more quickly and efficiently, but that is only the beginning. The new system added a fourth library check-out station, as well as an easy to

use "self check-out" station, both of which have reduced patron wait times. Further, as a result of implementing the new system, the library can now accept credit and debit cards for the payment of fees. The library will realize additional benefits in the coming months, too, including a kid-friendly user interface, which allows the youngest of its patrons to search the library catalog by clicking on pictures representing various subject matters rather than typing words.

YLPL's new automated library system has resulted in advances in service efficiency as well as cost savings. The cost savings realized will, among other things, allow the library to expand and enhance its current collection.

### *Planning & Development Online*

Members of the public can now obtain simple building permits, pay permit and inspection fees, request building inspections, and obtain final inspection results via the



Internet. The city is also developing a telephone-based automated building permit inspection system that will allow users to call in “24/7” to request an inspection or check a permit’s status. The telephone-based system is expected to be operational within the next year. Further, the city eventually plans install a system that will allow its building inspectors to access and update building permit and inspection information from the field.

### *“At Your Finger Tips”*

The city has developed an automated resident information service called “@ Your Finger Tips,” which is available through the city’s website or by phone at (714) 854-7411. The system contains over 150 messages about city services ranging from animal control to zoning. The system is available “24/7” and has reduced the number of live phone calls to the city from persons seeking routine information. City staff is thus freed up to perform other tasks and duties.

### *Shared Facilities*

The City of Yorba Linda has a joint use agreement (JUA) with the Placentia-Yorba Linda Unified School District, which enables the city to use the school district’s facilities after school hours. The JUA includes four amendments for specific school/park sites, securing joint development and maintenance of the facilities, in addition to joint use. The city and school district share maintenance costs for these facilities on a pro-rata basis determined by each agency’s hours of use.

In addition to the JUA, a lease agreement between the city and school district permits the operation of the Yorba Linda City Hall on school district property. The agreement enabled the city to save considerable land costs when the city hall was erected, and per the terms of the agreement, the city is responsible for the facility’s maintenance.



The city also has a tri-party agreement with the City of Anaheim and County of Orange for the use of Yorba Regional Park’s athletic fields. The cities jointly use the athletic fields for local programs and split the maintenance costs on a pro-rata basis, with each agency paying for its respective use.



### *Other Cost Avoidance Mechanisms*

The City of Yorba Linda contracts with various public and private entities as a means to promote efficiency and save money. For example, the city contracts with Best, Best & Krieger, LLP, for legal counsel, and Yorba Linda Disposal provides trash collection and recycling services to the city's residents through a contract with the city. Further, as explored earlier in this report, the City of Brea Police Department (PD) provides law enforcement and police protection services to the City of Yorba Linda. Yorba Linda is the only city in Orange County that contracts with another city of law enforcement services.

The city's parks and recreation department has executed several contracts for maintenance provision at the city's park sites. These contracts pair the city's small parks maintenance crew with private landscape maintenance firms, which results in improved park upkeep at a reduced cost to the city's residents. Additionally, the city has a number of service contracts for specialized maintenance in the city's parks and



public buildings. The city awards these contracts via a competitive bidding process, which enables the city to secure services for the lowest possible cost.

Further, the city's Department of Public Works provides many of its services through private contractors. These services include: asphalt and concrete repair; traffic signal operations and maintenance; roadway striping; sewer and storm draining cleaning and repair; street light maintenance; tree and landscape

maintenance; traffic engineering; and engineering support services, including plan and map checking, design, construction management, and inspection.

The city has utilized private contractors to provide city services at reduced costs since its incorporation. The city has not recently surveyed its actual cost savings, so concrete facts and figures are not available for this report.

### **Opportunities for Rate Restructuring**

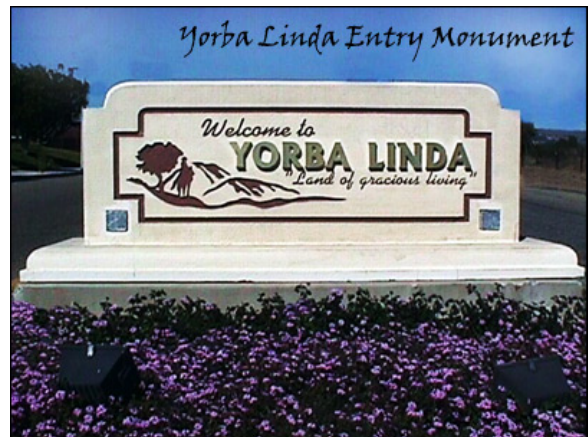
The Yorba Linda City Council adopts an updated fee schedule on a biennial basis in conjunction with the city's two-year budget cycle. The latest fee schedule, adopted by the city council in August 2005, reflects full cost recovery for services provided



whenever possible. Ratepayers are charged fees commensurate with the city's costs for providing specific services rather than the city subsidizing services through its General Fund.

A very successful example of the city's cost recovery approach is its rate structure for planning and development services. In recognition that developers are the primary beneficiary of such services, the city sought to migrate from a fixed-fee approach to one that facilitated full cost recovery – in this case, the city hoped to recoup the direct costs related to development applications submitted to the city for approval, plus applicable overhead expenses.

To establish the new fee system, the city hired a private planning consultant to comprehensively study and determine the city's actual planning and development services costs. At the conclusion of the study in 2002, the city council implemented a new fee structure. It requires fee deposits be established for the majority of fee-based development and inspection services. The city then charges an hourly rate for its planning and development services based on the actual costs associated with providing those services. Those hourly fees are then charged against the established deposit.



As an aside, the consultant study included a rate evaluation, which compared the city's rates with those of five neighboring jurisdictions. The study determined that Yorba Linda's planning and public works hourly rates were similar to those of the other five jurisdictions. Further, the study found Yorba Linda's building permit fees comparable those of the Cities of Fullerton, Placentia, and Orange, but significantly less than those charged by Anaheim.

Staff did note any significant issues related to the city's current rate structure or fee schedule.

## Government Structure Options

This determination requires LAFCO to examine possible government structure options. These include the annexation/detachment of territory to the city, as well as potential consolidation or reorganization with other service providers.



### *Consolidation or Reorganization with the Yorba Linda Water District*

The complicated provision of water and sewer service in Yorba Linda is explored in great detail in Section 6 of this report, *Review & Analysis of Service Provision – Yorba Linda Water District*, beginning on page 45.

The City of Yorba Linda primarily relies on two entities for the provision of retail water service within its corporate boundaries: the Yorba Linda Water District (YLWD) and Golden State Water Company (GSWC), a private water purveyor. GSWC's service territory is confined to a small area near the center of Yorba Linda commonly referred to as Locke Ranch. YLWD provides water to the remainder of the city. While YLWD's service territory does not include the entirety of the city, YLWD extends water service provision to some areas beyond the district's service territory, including the Savi Ranch commercial center, through out-of-area agreements with the city.

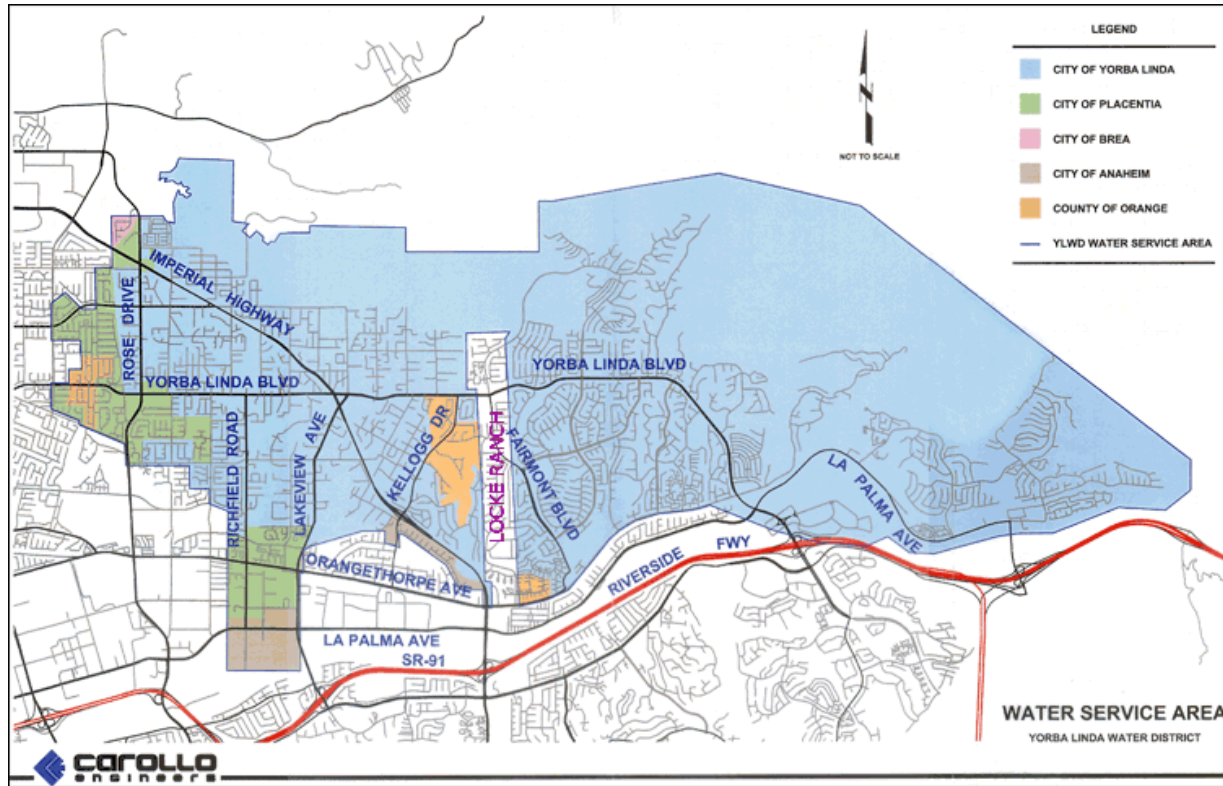
Additionally, the city shares responsibility for sewer service provision with YLWD. As a result of a 1977 agreement between the two agencies, the district provides sewer service to the majority of western Yorba Linda, while the city provides sewer service to the eastern half of the city. The agreement also resulted in one area of overlapping service territory, which is explored in greater detail later in this report.

One potential government structure option for the city is consolidation or reorganization with the Yorba Linda Water District, whereby the district would either merge with or become a subsidiary district of the city. This is an unattractive option for several reasons:

1. Neither the City of Yorba Linda nor the Yorba Linda Water District has expressed any interest in consolidation or reorganization.
2. YLWD, as an independent special district, operates effectively and efficiently in providing water and sewer service to its customers, while also safeguarding the public health. The district maintains high service levels and provides some of the best rates in Orange County.
3. As demonstrated in *Figure 4h, YLWD Service Territory*, YLWD provides water service beyond the city's corporate boundaries, including portions of Anaheim, Brea, and Placentia, as well as areas of unincorporated Orange County.



Figure 4h, YLWD Service Territory



There has been discussion over the years about the City of Yorba Linda relinquishing its sewer service provision and related infrastructure to YLWD. The city recently hired a consultant to conduct a feasibility study and will examine its options, which include transferring its sewer infrastructure and service provision responsibility to YLWD or perhaps a private purveyor. Should the city and district mutually agree to pursue this option in the future, the district's assumption of sewer service and infrastructure is not contingent on the agencies consolidating or reorganizing.

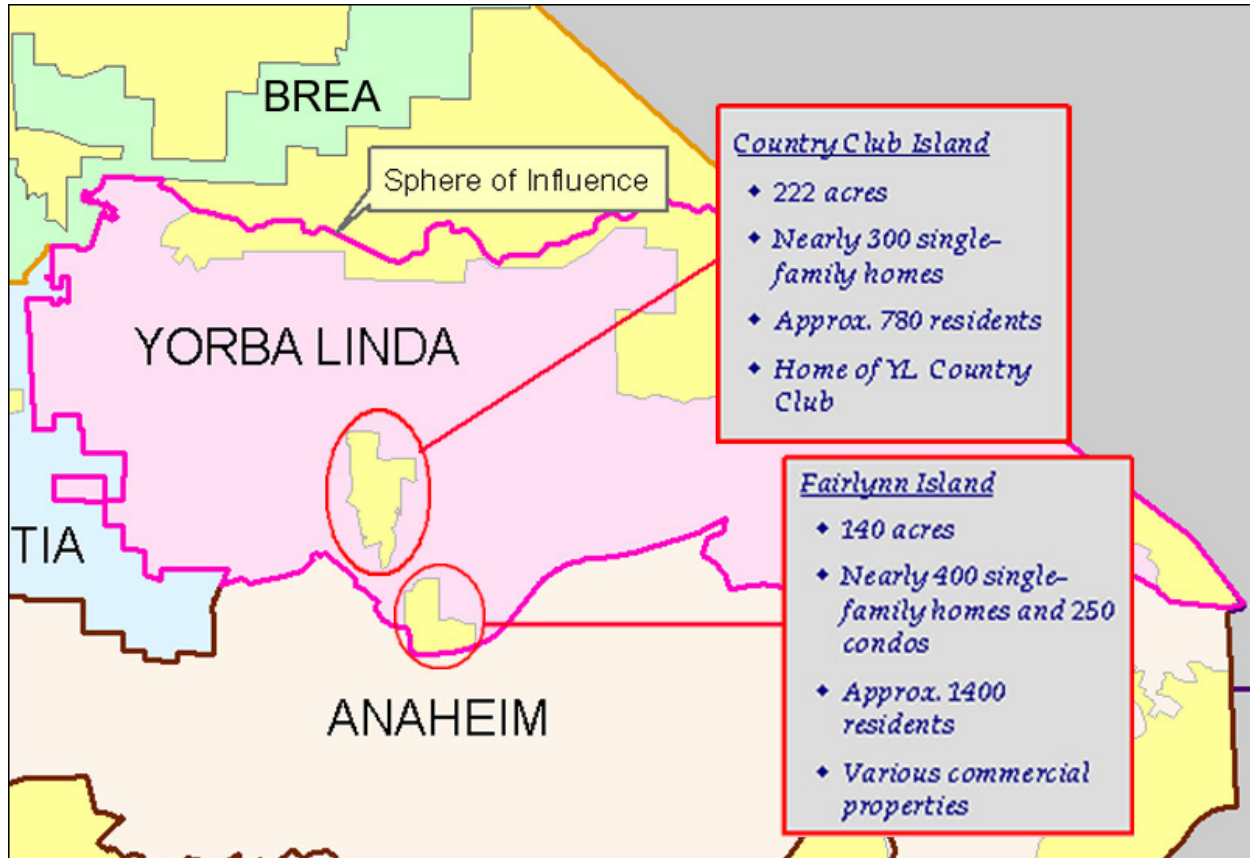
### Future Annexations

#### Unincorporated Islands

Despite its proactive participation in LAFCO's Unincorporated Islands Program, two unincorporated islands remain in the City of Yorba Linda's sphere of influence. They are depicted in *Figure 4i, City of Yorba Linda's Unincorporated Islands*. Commonly referred to as the "Country Club" and "Fairlynn" islands, these two noncontiguous areas encompass approximately 362 acres comprised of more than 900 single-family homes and condominiums, miscellaneous commercial uses, and an 18-hole, 111-acre golf course, the Yorba Linda Country Club. Both areas are substantially built-out and receive municipal-level services from the County of Orange.



Figure 4i, City of Yorba Linda's Unincorporated Islands



The Country Club and Fairlynn islands have been subject to three and four separate annexation attempts by the city respectively. The city's last attempt to annex the islands, coined the "Center City Annexation to the City of Yorba Linda" (CA 02-09), was approved by LAFCO in December 2002 but was subject to protest. The annexation was subsequently defeated by voter protest on March 2, 2004, with a vote of 304 in favor of annexation and 681 against.

The city was particularly frustrated by the failure of its last annexation attempt. Erroneous rumors circulated that the city was seeking to take control of the Yorba Linda Country Club in order to convert it to condominiums. Further, the Orange County Sheriff's Deputies Union blanketed the island with literature stating that residents would be better served by the County.

While the city concurs with LAFCO and the County's belief that these islands would be better served by the city, it has no intention of reinitiating annexation proceedings at the current time.



### *The Murdock Property*

The City of Yorba Linda anticipates initiating annexation proceedings for an approximately 600-acre area known as the “Murdock Property,” located in the north-central portion of the city’s sphere of influence. The city’s General Plan Land Use Element designates this area the “Murdock Area Plan” and establishes broad guidelines for the future development of the property, including the maximum permitted density. The city requires that the property be developed according to an approved Specific Plan.

Although the city anticipates many challenges to developing this site, it maintains that recent preliminary discussions with a large developer may trigger a development plan application and subsequent submittal of an annexation application to LAFCO within the next five years.

### *Reorganization with the City of Anaheim*

The City of Yorba Linda anticipates initiating a reorganization with the City of Anaheim for a less than one acre area along the Imperial Highway. A portion of the right of way on the Imperial Highway, south of Kellogg and north of Orangethorpe, is included in the City of Anaheim’s corporate territory. The City of Yorba Linda is interested in acquiring this territory so that it can extend the comprehensively landscaping theme that used throughout the city to aesthetically enhance roadsides and street medians.

The City of Anaheim’s city council adopted a resolution supporting the City of Yorba Linda’s request to reorganize this territory, which would entail a detachment from the City of Anaheim and concurrent annexation to the City of Yorba as well as sphere of influence amendments for both cities reflective of change of organization. However, the California Department of Transportation (Caltrans) has jurisdiction over a portion of the Imperial Highway in the vicinity of the Esperanza Road, where it proposes to construct a railroad overcrossing. Construction is tentatively scheduled to begin in January 2007 and anticipated to take two years to complete. Due to potential liability issues during construction, the City of Yorba Linda will not pursue this reorganization with LAFCO until Caltrans completes its project.

## **Local Accountability & Governance**

A five-member city council elected at-large in November of even numbered years governs the City of Yorba Linda. Each serves a fixed four-year term on the city council, and council members are limited to no more than three terms. A person who is appointed to a vacant office for an unexpired term of more than one-half the original



term shall be deemed to have served a full term. *Table 4j, Yorba Linda City Council*, details the city council’s current composition.

*Table 4j, Yorba Linda City Council*

<b>Council Member</b>	<b>Title</b>	<b>Term Details</b>	<b>Compensation</b>
<b>Michael Duvall</b>	Mayor	Originally elected 11/2000; reelected 11/2004; up for reelection in 11/2008	\$500/mo. for council meetings \$30/meeting for RDA meetings (max of 4 per month) \$700/mo. for health coverage \$100/mo. car allowance \$36/mo. phone allowance PERS retirement (current rate is 20.63%)
<b>Allen Castellano</b>	Mayor Pro Tem	Originally elected 11/2000; reelected 11/2004; up for reelection in 11/2008	
<b>Ken Ryan</b>	Council Member	Originally elected 4/2000 (special election); reelected 11/2002; up for reelection in 11/2006	
<b>Keri Lynn Wilson</b>	Council Member	Originally elected 11/2002; up for reelection in 11/2006	
<b>Jim Winder</b>	Council Member	Originally elected 11/2000; reelected 11/2004; up for reelection in 11/2008	

The Yorba Linda City Council convenes on the first and third Tuesday of each month at 6:30pm, in the council chambers at 4845 Casa Loma Avenue. All council meetings are open to the public meetings and televised live on the city's cable channel 3. Further, council meetings are recorded and rebroadcast each Thursday night at 6:30 p.m. on the same channel.

The City of Yorba Linda employs a city manager, who serves as primary staff support to the city council and the city’s administrative head. The city manager prepares the city’s annual budget and capital improvement plan and is responsible for their administration. Further, the city manager has full authority and responsibility for the city’s day-to-day operations, which include the management of city revenues and expenditures, execution of city policies and procedures, and overall supervision of the city’s more than 90 full- and part-time employees. The current city manager, Tamara Letourneau, has been in that capacity since November 2004.

The city also has four council-appointed commissions, consisting of five members each. These include the Library Commission, Planning Commission, Parks and Recreation Commission, and Traffic Commission. Each commission meets once or twice a month and makes recommendations to the city council on specific projects. *Table 4k, City of Yorba Linda Commissions*, provides additional detail about each of the city’s four commissions.



**Table 4k, City of Yorba Linda Commissions**

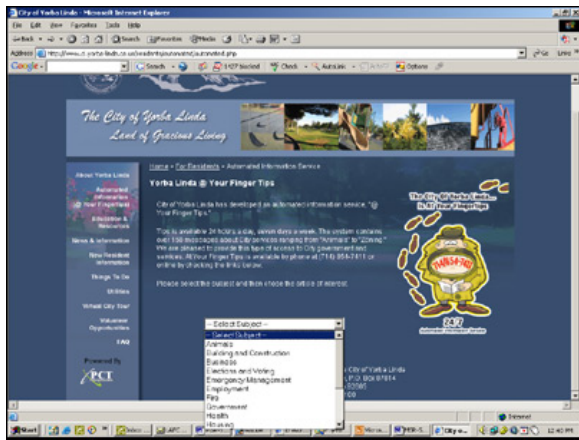
<b>Commission</b>	<b>Purpose</b>	<b>Membership</b>
<b>Library Commission</b>	<p>This five-resident, council-appointed commission provides guidance and advice on such issues as the adoption of standards for library services, the selection of materials, and the establishment of rules and policies.</p> <p><i>Convenes on the 1st Thursday of each month at 7 p.m. in the Yorba Room at the Yorba Linda Public Library.</i></p>	<ul style="list-style-type: none"> <li>◆ Randie Noell, Chair</li> <li>◆ Lori Katz, Vice Chair</li> <li>◆ Marilyn Adams</li> <li>◆ Gene Scarce</li> <li>◆ Vacant</li> </ul> <p><i>Appointed by the city council to fixed four-year terms.</i></p>
<b>Planning Commission</b>	<p>State law requires every city to have a Planning Commission. The commission advises the city council on matters concerning the growth and development. Further, it reviews and implements the city's General Plan and makes determinations on applications for things like subdivisions, use permits, and other zoning matters.</p> <p><i>Convenes on the 2nd &amp; 4th Wednesday of each month at 7 p.m. in the Yorba Linda City Hall Council Chambers.</i></p>	<ul style="list-style-type: none"> <li>◆ Carl W. Boznanski, Chair</li> <li>◆ James R. Pickel, Vice Chair</li> <li>◆ Ronald R. Di Luigi</li> <li>◆ Dennis A. Equitz</li> <li>◆ Michael J. Haack</li> </ul> <p><i>Appointed by the city council to fixed four-year terms.</i></p>
<b>Parks &amp; Recreation Commission</b>	<p>The members of this commission advise the city council on park and rec facilities and other matters related to community recreation programs. They also review the annual budget for the Department of Parks &amp; Recreation as well as any capital improvement projects related to park development and maintenance.</p> <p><i>Convenes on the 3rd Thursday of each month at 7 p.m. in the Yorba Linda City Hall Council Chambers.</i></p>	<ul style="list-style-type: none"> <li>◆ William G. Gorman, Chair</li> <li>◆ Mark Thompson, Vice Chair</li> <li>◆ Paul Doty</li> <li>◆ Richard C. Pepin</li> <li>◆ Don Rabbitt</li> </ul> <p><i>Appointed by the city council to fixed four-year terms.</i></p>
<b>Traffic Commission</b>	<p>Members of this commission study traffic safety and congestion management as well as many other important issues related to city traffic flow. They address citizens' complaints about speeding, parking problems, safety, etc., and may advise the city council on further policy action.</p> <p><i>Convenes on the 4th Thursday of each month at 7 p.m. in the Yorba Linda City Hall Council Chambers.</i></p>	<ul style="list-style-type: none"> <li>◆ James Wohlt, Chair</li> <li>◆ John Anderson, Vice Chair</li> <li>◆ Larry Larsen</li> <li>◆ Sandra Sutphen</li> <li>◆ Lee Snyder</li> </ul> <p><i>Appointed by the city council to two-year terms.</i></p>

As part of its commitment to seek additional citizen input on the planning for revitalizing the city's downtown core, the Yorba Linda City Council recently established the 25-member Town Center Blue Ribbon Committee (BRC). The BRC is



comprised of one member from each of the city's four commissions, representatives from nineteen local groups and organizations, and two "at large" resident members.

The BRC is a single-purpose committee charged with gathering public input and ideas on what should be included in the Yorba Linda Town Center. It will use that information to develop a set of conceptual recommendations and guiding principles for future development of the downtown core.



The City of Yorba Linda maintains its own public website at <http://www.ci.yorba-linda.ca.us/>. The website features easily accessible information about the city services, its hours of operation, and location. The site includes the city's automated information service, "@Your Finger Tips," a web and phone-based resource that assists the city's residents find the information they seek about a wide range of city services. The city's website also highlights information on the

Yorba Linda City Council, including a council member listing, the council's monthly meeting time and location, and the council's agendas and meeting minutes.



# THE NINE DETERMINATIONS – CITY OF YORBA LINDA

## Growth and Population Projections

The City of Yorba Linda encompasses 19.9 square miles of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. According to the State Department of Finance, the City of Yorba Linda's 2005 population was 65,621. The Center for Demographic Research (CDR) anticipates that the city's population will continue to grow and approximates the city's 2025 population will be in excess of 76,000 residents.

## Infrastructure Needs or Deficiencies

The City of Yorba Linda prides itself on providing high-level municipal services to its residents, both through its own internal departments and through the public and private agencies that serve the city through contract. The city reviews infrastructure needs through its budget and capital improvement projects to ensure that those city services will match projected growth. The city adopted its latest seven-year Capital Improvement Program (CIP) in 2005; it covers Fiscal Years 2005-2006 through 2011-2012. The CIP outlines all proposed capital projects for the seven-year period and identifies their funding sources. The Yorba Linda City Council prioritizes the projects using a tiered system, with "Tier 1" projects being those the city intends to initiate during the current two-year budget cycle (2005-2006 and 2006-2007) and "Tier 2" representing projects the city will tackle in the last five years of the CIP.

Staff did not identify any significant issues regarding infrastructure needs and deficiencies. The City of Yorba Linda has adequately planned for infrastructure maintenance and improvements that will result from future growth within its current and projected service territory.

## Financing Constraints & Opportunities

The City of Yorba Linda uses a biennial budget process and adopted its most recent budget adopted for Fiscal Year (FY) 2005-2007. Like all cities in Orange County and California, the impact of the local revenues shift to the State from the city will result in a



reduction in the city's overall revenues. Even so, the city expects to end FY 2005-2006 with a \$948,730 surplus. In FY 2006-2007, the city projects an improved revenue over expenditure picture of approximately \$1,857,260.

Staff did not note any significant issues regarding financing constraints.

### **Cost Avoidance Opportunities**

All of the City of Yorba Linda's expenditures appear to be based on efficient methods of operation. The city has been diligent in implementing cost avoidance mechanisms wherever possible. For example, the city contracts with various public and private entities as a means to promote efficiency and save money – with Best, Best & Krieger, LLP, for legal counsel, Yorba Linda Disposal for trash collection and recycling services, and the City of Brea Police Department (PD) for law enforcement and police protection services.

Additionally, the city is in the process of implementing a number of technological advancements that will streamline service provision and result in cost savings to the city. These include a publicly-accessible electronic archive of city documents and an automated library system and online database, as well as online access to park and recreation registration and planning and development services.

Staff did not identify any issues related to cost avoidance opportunities.

### **Opportunities for Rate Restructuring**

The Yorba Linda City Council adopts an updated fee schedule on a biennial basis in conjunction with the city's two-year budget cycle. The latest fee scheduled, adopted by the city council in August 2005, reflects full cost recovery for services whenever possible (e.g., planning and development fees). Ratepayers are charged fees commensurate with the city's costs for providing specific services rather than the city subsidizing services through its General Fund.

The city's fee schedule is very much in line with those of other neighboring municipalities. Staff did not identify any opportunities for rate restructuring.

### **Opportunities for Shared Facilities**

The City of Yorba Linda participates in facilities sharing through a joint use agreement (JUA) with the Placentia-Yorba Linda Unified School District, which enables the city to use the school district's facilities after school hours. In addition to the JUA, a lease



agreement between the city and school district permits the operation of the Yorba Linda City Hall on school district property, which enabled the city to save considerable land costs when the city hall was erected.

The city also has a tri-party agreement with the City of Anaheim and County of Orange for the use of Yorba Regional Park's athletic fields. The cities jointly use the athletic fields for local program and split the maintenance costs on a pro-rata basis, with each agency paying for its respective use.

Staff did not identify any additional opportunities for facilities sharing.

## Government Structure Options

The City of Yorba Linda could potentially consolidate or reorganize with the Yorba Linda Water District, whereby the district would either merge with or become a subsidiary district of the city. However, neither the City of Yorba Linda nor the Yorba Linda Water District has expressed any interest in consolidation or reorganization. Further, YLWD provides water service beyond the city's corporate boundaries, including areas of unincorporated Orange County and the Cities of Anaheim, Brea, and Placentia. Further, because YLWD operates effectively and efficiently in providing water and sewer service to its customers, while also safeguarding the public health, there are no apparent benefits to a consolidation or reorganization at this time.

Two noncontiguous unincorporated County islands remain in the city's sphere of influence: the Country Club and Fairlynn islands. The city has attempted to annex these islands on numerous occasions, most recently in 2002. While LAFCO approved the city's annexation application, it was subject to protest proceedings and was subsequently defeated by voter protest in March 2004. While the city agrees that it could extend municipal-level services to these islands more efficiently and cost effectively than the County, the city has no intention to reinstate annexation proceedings at the current time.

The City of Yorba Linda anticipates initiating annexation proceedings for an approximately 600-acre area known as the "Murdock Property," located in the north-central portion of the city's sphere of influence, within the next five years.

## Evaluation of Management Efficiencies

The City of Yorba Linda's organizational structure is sound and efficient. A five-member city council elected at large governs the city. The city council employs a city



manager who has full authority and responsibility for the city's daily operations and overall management of the city's more than 90 full- and part-time employees.

The Yorba Linda City Council and city manager convene in a special session each year to identify and prioritize a list of annual goals focused on projects and programs. This strategic planning practice helps the city manager and her staff to focus their energies and resources throughout the year.

Staff did not identify any issues regarding the city's management efficiency.

### **Local Accountability & Governance**

The Yorba Linda City Council is elected by constituents and is therefore held accountable to the city residents. All city meetings are conducted in public in accordance with the Brown Act.

Further, the City of Yorba Linda maintains a public website, which provides the necessary general information about city services. The city's website also highlights information about the city council and its various commissions. This information includes council/commission member listings as well as monthly meeting times and locations.



# REVIEW & ANALYSIS OF SERVICE PROVISION – YORBA LINDA WATER DISTRICT

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

## Growth and Population Projections

### *Countywide Growth Trends*

As of January 1, 2005, the California State Department of Finance estimated Orange County's official population as 3,056,865 people. With just over 3 million residents, Orange County is the second most populous county in California and the fifth most populous in the nation. In terms of density, Orange County ranks second within California, just behind the County/City of San Francisco.

Orange County's population, according Cal State Fullerton's Center for Demographic Research, will reach nearly 3.5 million people by the year 2020, with a natural increase (i.e., births minus deaths) being the most significant factor contributing to population growth.

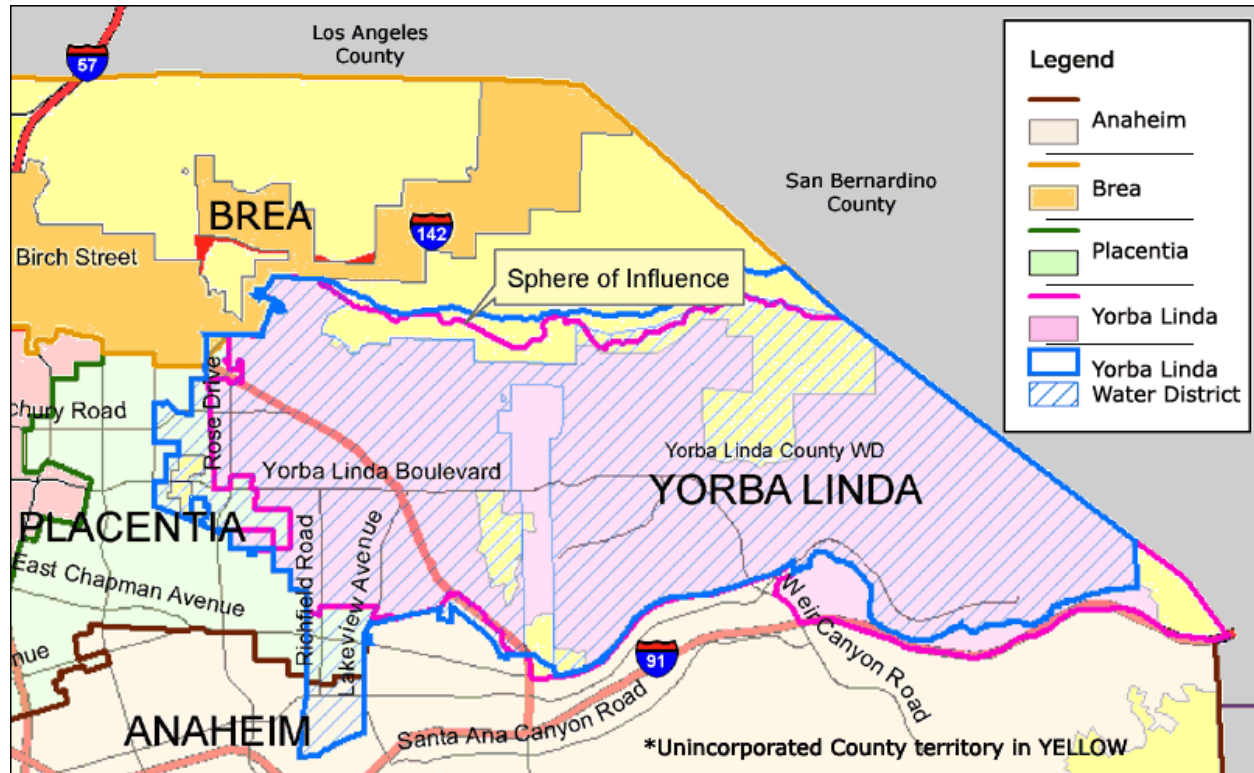
### *Growth within the Yorba Linda Water District's Service Territory*

The Yorba Linda Water District's (YLWD) service territory encompasses about 14,475 acres, or approximately 22.6 square miles, of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. The City of Placentia bounds the district's service territory to the west, the City of Brea bounds it to the northwest, and the City of Anaheim to the south. The district's northern service boundary abuts Chino Hills State Park, and the district's eastern boundary is the



Orange/San Bernardino County line. *Figure 6a, YLWD Service Territory*, demonstrates the district's service territory and sphere boundaries in relation to the cities it serves.

*Figure 6a, YLWD Service Territory*

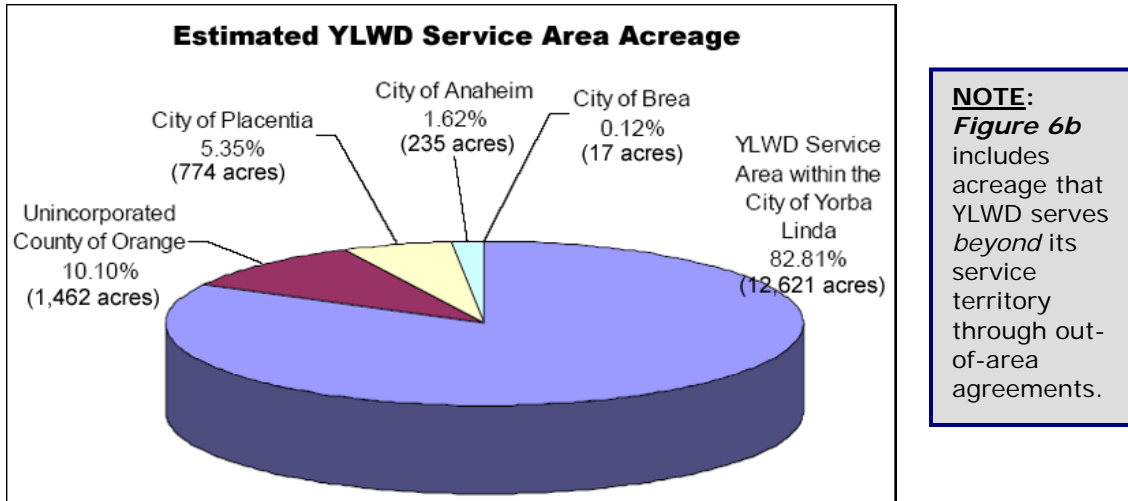


The Yorba Linda Water District provides water service, sewer service, or a combination of both to residents and businesses in the Cities of Yorba Linda, Anaheim, Brea, and Placentia. In addition, the district serves three unincorporated County islands—two in the City of Yorba Linda and one in the City of Placentia—and some unincorporated territory in the City of Yorba Linda's northern sphere. *Figure 6b, Estimated YLWD Service Area Acreage*, captioned on the following page, summarizes the district's total service area by jurisdiction.

The district's service area generally consists of a suburban "bedroom" community of "white collar" professionals. It is 90 percent developed. While there are several commercial and light-industrial centers concentrated in the southern and eastern portions of the district's service area, no heavy industrial activity or manufacturing occurs within the district's service territory.



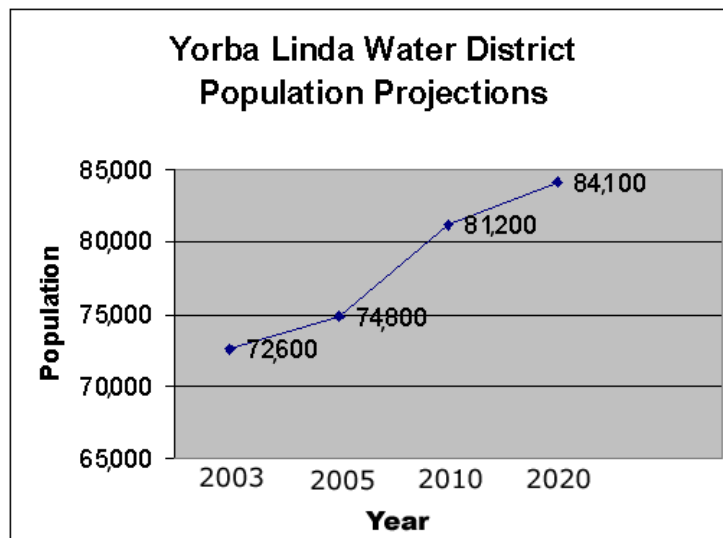
Figure 6b, Estimated YLWD Service Area Acreage



The Yorba Linda Water District serves an estimated 74,800 people through approximately 23,000 service connections. The majority of the district’s existing service connections (i.e., more than 90 percent) are residential, but it also provides commercial and industrial connections (about 4 percent), as well as water for landscape (about 3 percent) and agricultural (> 1 percent) purposes.

The district’s service population will increase over the next several years with future development. The development is expected to be primarily residential, with four large residential developments in various stages of construction, as well as many other projects currently planned for development or redevelopment within the district’s service territory. Figure 6c, YLWD Population Projections, demonstrates the district’s service population projections through 2020.

Figure 6c, YLWD Population Projections





LAFCO staff did not note any significant issues related to growth and population projections. The district has adequately planned for future growth and the associated infrastructure and water supply.

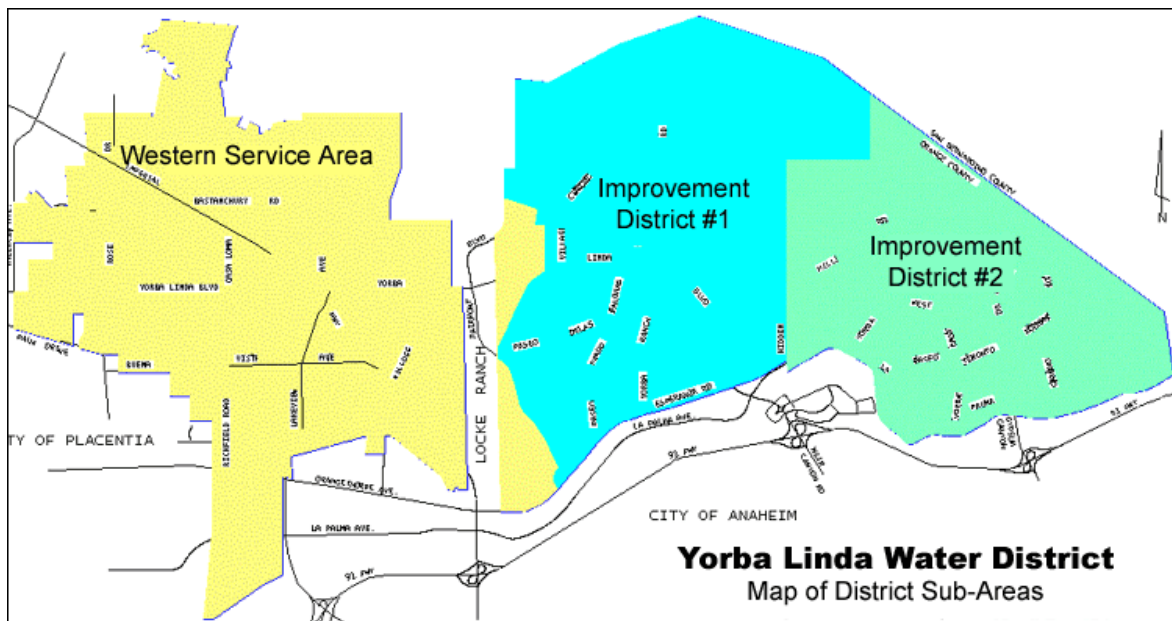
## Infrastructure Needs or Deficiencies

This determination addresses the adequacy of existing and planned infrastructure needed to accommodate future growth and the efficient delivery of public services. Yorba Linda Water District's future service delivery ability is dependent upon the integrity of its water and sewer infrastructure and reliability of its water supply. In order to understand the district's infrastructure and supply requirements, however, it is necessary to understand more about the district's service provision.

### *YLWD Service Provision*

Although the Yorba Linda Water District is one contiguous district, it has divided its service territory into three sub-areas due to the arrangements that financed the district's major "backbone" facilities.

*Figure 6d, YLWD Sub-Area Map*



*Figure 6d, YLWD Sub-Area Map*, above, demonstrates the district's three sub-areas:

1. *Western Service Area (WSA)*, essentially the district's original service territory, is approximately 5,800 acres in size. The WSA does not have public financing for



water and sewer facilities, so land developers must finance extensions to the “backbone” system.

2. *Improvement District #1 (ID-1)* is approximately 4,300 acres in size and was annexed to the district in May 1978. ID-1 has issued two series of general obligation bonds and one series of refunding bonds to finance “backbone” facilities since June 1978. Those bonds have since been repaid.
3. *Improvement District #2 (ID-2)* is approximately 3,500 acres in size and was annexed to the district in June 1978. ID-2 has issued three series of general obligation bonds and two series of refunding bonds to finance “backbone” facilities since June 1978. As with ID-1, those bonds have since been repaid.

The district’s ratepayers pay uniform rates regardless of the sub-area in which they reside or conduct business.

As is demonstrated previously in map captioned *Figure 6a* on page 46, there are several areas within the City of Yorba Linda that are *not* included in the Yorba Linda Water District’s service territory. These include Savi Ranch, the North Orange County Community College District (NOCCCD), property owned by Shapell Industries, and a more than 400-acre strip of land commonly referred to as Locke Ranch. While these are not part of YLWD’s service territory, the district does extend some services to these areas.

#### *Savi Ranch*

Savi Ranch is a commercial center located in proximity to Weir Canyon Road and Savi Ranch Parkway in Yorba Linda near the city’s boundary with Anaheim. While Savi Ranch is beyond YLWD’s service territory, the district provides water service to the area through an out-of-area agreement with the City of Yorba Linda. The City of Yorba Linda provides sewer service to the area.

#### *NOCCCD*

The Yorba Linda Water District provides water service to NOCCCD through an out-of-area agreement between the community college district, City of Yorba Linda, and YLWD. Through this agreement, YLWD charges the NOCCCD double its standard water rates.

YLWD intends to annex the community college district along with the 177-acre property owned by Shapell Industries and other territory owned by the Placentia-Yorba Linda Unified School District. YLWD is currently negotiating the pre-annexation agreement and anticipates filing an annexation application with LAFCO for the future



Shapell Industries development and NOCCCD by the end of 2006. While the City of Yorba Linda currently provides sewer service to the community college district, YLWD will assume sewer service provision following annexation. Further, NOCCCD will begin paying standard rates once annexed to YLWD.

#### *Locke Ranch*

The 457-acre Locke Ranch area consists primarily of residential dwellings and two commercial centers – one at Yorba Linda and Fairmont Boulevards and the other on Esperanza Road at Fairlynn Avenue. The Golden State Water Company (GSWC), a private water purveyor, provides water service to Locke Ranch. This is a result of some political wrangling that occurred between the developer and local municipalities in the 1960s when the area was first under development. GSWC owns the Locke Ranch area's water infrastructure, though YLWD has two emergency tie-ins into GSWC's private system.

Though Locke Ranch is excluded from YLWD's service territory, the district provides sewer service to the area's residents and businesses through an out-of-area agreement executed with the City of Yorba Linda in October 1977. In addition to providing sewer service, YLWD owns and maintains the related sewer infrastructure.

#### *Other Sewer Service Provision Nuances*

The Yorba Linda Water District provides sewer service to customers both inside and beyond its service territory (e.g., Locke Ranch). It does not, however, provide sewer service to the entirety of its service territory. This is the result of a 1977 agreement entered into by YLWD and the City of Yorba Linda. The agreement divided the jurisdiction for planning, construction, and sewer facilities maintenance for the then-developing eastern Yorba Linda area. Per the terms of this agreement, YLWD provides sewer services to the majority of the Western Service Area, and the City of Yorba Linda's sewer jurisdiction begins at the eastern boundary of Locke Ranch and continues to the city's eastern boundary.

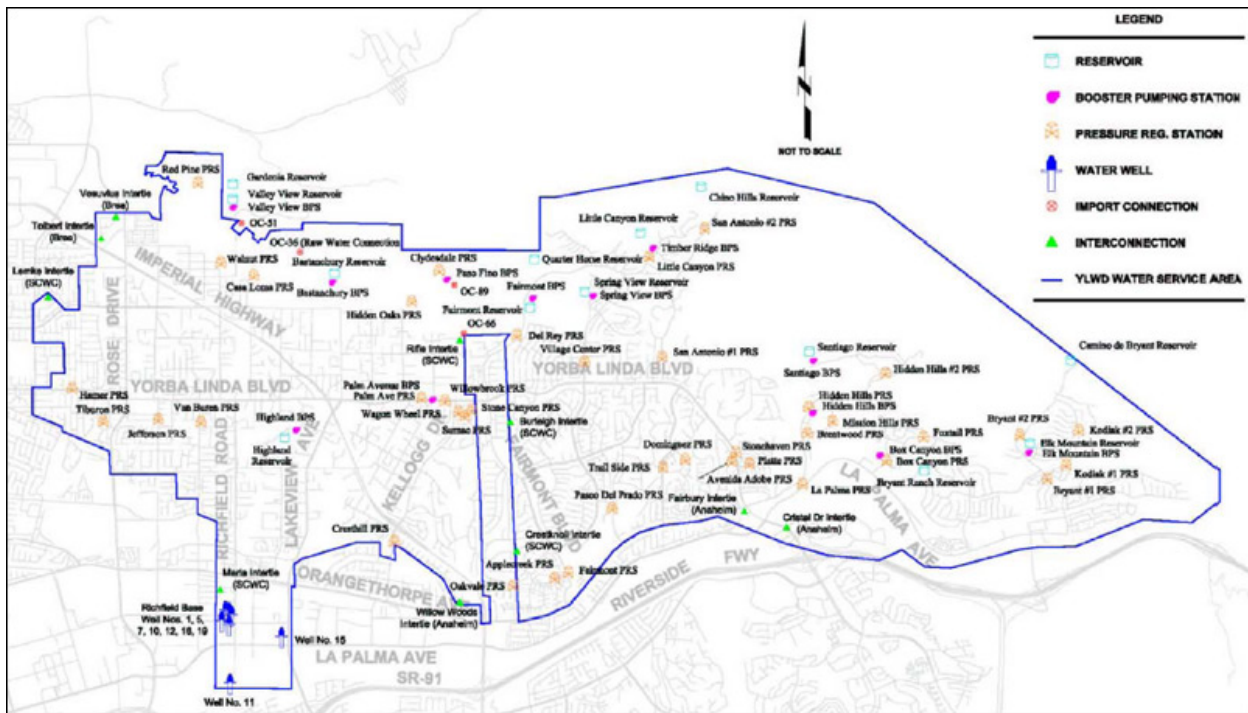
The jurisdictional issues related to sewer service provision between the city and district was further complicated by infrastructure-related concerns. A portion of the city's sewer system in Improvement District #1 drains into the district's sewer infrastructure in Locke Ranch. Because inadequate maintenance of the city sewers could adversely affect the district's system, the 1977 agreement between the city and district created a small area of overlapping jurisdiction. While the city maintains responsibility for the planning and construction of capital improvements in the overlap area, the district is responsible for its maintenance and bills sewer maintenance charges directly to the affected customers.



## Water Infrastructure

As demonstrated in *Figure 6e, YLWD System Facilities*, water and sewer system provision requires a substantial amount of infrastructure. The Yorba Linda Water District’s water infrastructure includes 8 groundwater production wells and another under construction, 4 imported water connections (3 treated, 1 untreated), 12 booster pumping stations, 13 water storage reservoirs, 36 pressure reducing stations, and 10 emergency interconnections with neighboring agencies. The district’s service area also includes approximately 640 miles of pipeline, ranging in size from 4 to 39 inches in diameter.

*Figure 6e, YLWD System Facilities*



## Sewer Infrastructure

The Yorba Linda Water District approved a Master Plan for sanitary sewer collection and disposal shortly after its formation in 1959 and began constructing the necessary infrastructure a few years later. This infrastructure includes:

- ◆ *House connections* – hardware that connects individual residences or businesses to the district’s local lateral pipelines.



- ◆ *Local lateral pipelines* – lines that carry sewage from house connections to the trunk and/or sub-trunk mains.
- ◆ *Trunk and sub-trunk pipelines* – the arterial mains that move sewerage from local lateral pipes to the Orange County Sanitation District’s regional system.

YLWD’s sewer infrastructure in the WSA includes a sewer lift station and collection system. The district extends sewer service to nearly 11,000 customers in the WSA with more than 125 miles of various diameter trunk, sub-trunk, and local sewer pipes. As noted previously, the WSA does not have public financing for water and sewer facilities, so land developers must finance extensions to the “backbone” system, while the district finances the replacement of older infrastructure.

Further, the district owns and maintains over 44 miles of sewer system *beyond* its service territory. This includes the Locke Ranch area (18 miles), as well as the “overlap area” between the district and City of Yorba Linda (26 miles), as previously described. The district serves more than 4,500 customers collectively in these areas, which are fully developed.

#### *YLWD Capital Improvement Program*

The Yorba Linda Water District’s Capital Improvement Program (CIP) is contained within the district’s Domestic Water System Master Plan. The district’s most recent Domestic Water System Master Plan, completed in 2005, details the district’s plans through the year 2020. The plan identifies the improvements needed to meet current and future water demands, as well as operational changes necessary to meet current and upcoming water quality regulations and maximize the efficiency of system operations.

The district’s CIP summarizes recommended improvements, the related costs of each project, and an estimated timeframe for implementation. Further, the recommended improvements are prioritized into three categories:

- ◆ *High priority* – These are health and safety related improvements that will be implemented immediately.
- ◆ *Medium priority* – These are most typically operational improvements or developer-driven projects scheduled for implementation by 2010.



- ◆ *Low priority* – These are improvements that, while essential, are not as imperative for immediate operations. These are scheduled for implementation between 2010 and 2020.

Figure 6f, *Yorba Linda Water District Summary of CIP Project Cost Estimates*, below, was taken from the district’s 2005 Domestic Water System Master Plan and identifies the district’s capital improvement priorities by type and estimated cost. The district is using a range of funding sources for these improvements, including “pay-as-you-go” funding, state loan programs, and various bonds.

Figure 6f, *Yorba Linda Water District Summary of CIP Project Cost Estimates*

<b>Yorba Linda Water District</b>			
Summary of CIP Project Cost Estimates			
2005 Domestic Water System Master Plan			
Improvement Type	Year 2005 High Priority <sup>(1)</sup>	Year 2005-2010 Medium Priority <sup>(1)</sup>	Year 2010-2020 Low Priority <sup>(1)</sup>
Fire Flow Improvements	\$786,000		
System Pressure Improvements		\$3,159,000	
Operational Improvements		\$24,133,000	
Developer Driven Improvements			\$8,236,000
Storage Improvements <sup>(2)</sup>		\$30,305,000	
Water Quality Improvements <sup>(3)</sup>		\$2,000,000	
Security Related Improvements <sup>(4)</sup>	\$1,100,000	\$1,250,000	\$950,000
<b>Totals</b>	<b>\$1,886,000</b>	<b>\$60,847,000</b>	<b>\$9,186,000</b>
<b>GRAND TOTAL</b>			<b>\$71,919,000</b>
<b>Notes:</b>			
(1) Estimated Project Costs are based on February 2005 dollars and include estimated engineering, legal, and administrative costs and a contingency, but exclude costs for land acquisition and offsite facilities.			
(2) The proposed Pacific Holding Reservoir is included with the Developer Driven Improvements and not with the Storage Improvements.			
(3) Source: Water Reservoir Nitrification Prevention and Control report.			
(4) Source: Security Vulnerability Assessment report. Costs escalated 5 percent to estimate February 2005 dollars. O&M costs are not included. Some costs were excluded to avoid duplication of costs.			

### *Water Supply*

The Yorba Linda Water District gets its water from two major sources: groundwater pumped from the lower Santa Ana Basin, which is contained within the Orange County groundwater basin, and water imported from the Municipal Water District of Orange County (MWDOC), a local wholesaler.



The Santa Ana Basin is an underground aquifer, which is continually replenished by the Santa Ana River, local rainfall, and surplus water purchased from imported sources. The basin is carefully managed by the Orange County Water District, which also regulates the maximum percentage of groundwater production to total water supply that member agencies are allowed to pump without incurring financial penalties. The water pumped from the Santa Ana Basin via YLWD's groundwater wells does not require treatment beyond disinfection.

Water imported from MWDOC is obtained from a regional water supplier, the Metropolitan Water District of Southern California (MWD), the United States' largest wholesale water provider. This water originates from the Colorado River and State Water Project. YLWD imports water from MWDOC via four water connections, three of which supply treated water and one which supplies raw water for Yorba Linda's Black Gold Golf Course. As the district's service population grows, the district's supply needs will correspondingly increase.



As a means to increase water supply, YLWD investigated the possibility of constructing and operating a wastewater treatment plant near the Yorba Linda lakebed. The district concluded that *regional* wastewater

reclamation is more economical and efficient and has since concentrated its efforts on various water conservation programs, which include community outreach and education, media relations, voluntary water use reduction, water audits, plumbing retrofit and low-water capacity toilet and washing machine programs, and coordination with local cities to conserve water through drought-tolerant landscaping and other means.

Staff did not identify any significant issues regarding infrastructure needs and deficiencies. The Yorba Linda Water District has adequately planned for infrastructure maintenance and improvements and the increased water supply demands that will result from future growth within its current and projected service territory.

## Financing Constraints & Opportunities

The Yorba Linda Water District uses a biennial budget process, with the most recent budget adopted for Fiscal Years 2005-2006 and 2006-2007. Due to the nature of



planning, expenditures may vary during these years in response to events, weather, and/or customer service demands not anticipated when the budget was adopted. Nonetheless, the budget reflects the YLWD Board's mission, vision, policy direction, and budget goals.

Variable operating costs continue to make up the largest single category of the district's expenditures. These costs are sensitive to operating factors beyond the district's control, such as weather, growth, and individual consumption habits. Variable operating expenditures include the purchase of imported water and groundwater, as well as the energy to lift the water to the higher pressure zones. In Fiscal Years 2005-2006 and 2006-2007, total variable operating expenses were budgeted at \$6,056,700 and \$6,581,400 respectively.

YLWD's major revenue source is the water and sewer fees collected from district customers. Total water sales are projected to be \$16,456,400 in Fiscal Year 2005-2006 and \$16,940,134 in Fiscal Year 2006-2007. Sewer charges are estimated to bring in \$753,000 for both 2005-2006 and 2006-2007.

The 2005-2007 budget includes an aggressive plan to complete several large capital improvement and replacement projects. These projects included the Highland Reservoir replacement, the Bastanchury Reservoir and booster station replacement, construction of a new administration building, and installation of transmission pipelines to: 1) increase the amount of groundwater into the eastern portion of the district and 2) supplement existing areas of the district that are experiencing low water pressures. The budget also includes a replacement plan for thousands of water meters that have outlived their recommended service lives.

During the 2005-2007 budget cycle, revenues from current water rates plus non-operating revenues will not balance operating expenses. However, YLWD has sufficient reserves and annexation revenues to bridge the shortfall during this period of significant infrastructure and facility upgrades. Further, these capital improvements will greatly benefit the district's customers in the long-term.

### **Evaluation of Management Efficiencies / Cost Avoidance / Opportunities for Shared Facilities**

As a public agency, the Yorba Linda Water District must maintain an efficient management system while providing services in a cost effective and logical manner. While these are three separate determinations, management efficiencies, cost avoidance, and facilities sharing are interrelated in that they address administrative, operational, or

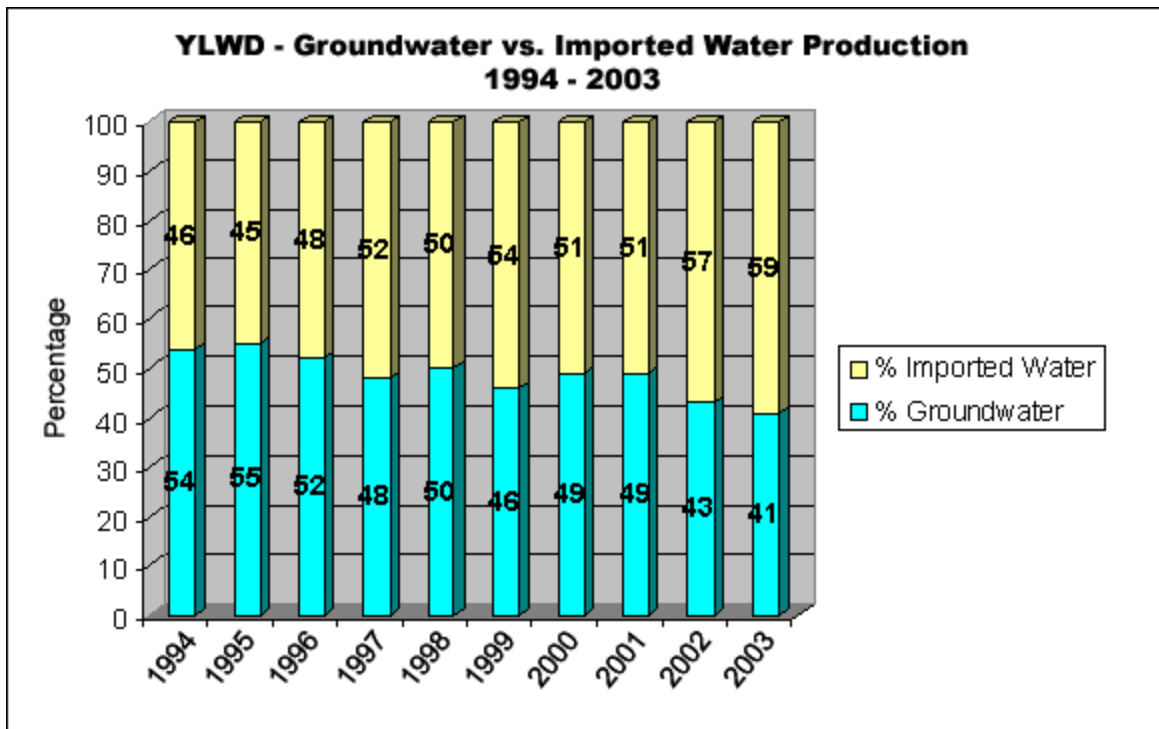


management practices that improve the provision of services or result in cost savings or efficiencies.

The Yorba Linda Water District is the sole agency that supplies retail water service to the customer's within its service boundaries. The district also provides sewer services within its service territory. The district's service territory includes the majority of the City of Yorba Linda, as well as unincorporated County territory and small portions of the Cities of Anaheim, Brea, and Placentia.

The district has historically imported approximately half of its water supply. Because of basin production percentage controls enacted by the Orange County Water District in 2003 in order to protect Orange County's groundwater basin in light of drought conditions, however, YLWD has become more reliant on imported water in recent years. (See *Figure 6g, Yorba Linda Water District - Groundwater vs. Imported Water Production*, below.)

*Figure 6g, Yorba Linda Water District - Groundwater vs. Imported Water Production*



Groundwater is significantly more economical to provide than imported water – \$223/acre-foot vs. \$481/acre-foot, a difference of \$258/acre-foot. YLWD has set a goal of increasing its groundwater production to 75 percent of its total supply as a means



reduce the district's costs. For every 10 percent increase (of total production) in groundwater use, the district estimates it will save over a half a million dollars per year. Realizing its 75 percent groundwater production goal would equate to a savings of approximately \$1.4 million annually. The district has already completed several major capital improvement projects toward that end, including well pumping facility upgrades, the development of a new transmission main, and construction of two facilities, which enabled the district to increase groundwater pumping capacity.

As indicated previously, YLWD's water distribution system includes ten emergency interconnections with three adjacent water distribution systems – the City of Anaheim, City of Brea, and Golden State Water Company (GSWC), a private water provider. These pipeline interconnections are in addition to the four that the district maintains with the Metropolitan Water District of Southern California. Collectively, these enable the district to import or export water when needed.

YLWD has long-established, collaborative relationships with the other municipalities in its vicinity. It offers training classes for its staff at the district's Richfield Plant and extends those educational opportunities to other agencies. It also makes its facilities available to other agencies for special events and training sessions when needed. Further, the district has on occasion assisted the Cities of Placentia and Yorba Linda by supplying crews and equipment to respond to sewer emergencies outside the district's service territory.

## Opportunities for Rate Restructuring

Water and sewer service provision is capital intensive. Capital needs, financing costs, and available revenue directly affect service providers' rates. In determining its retail water rates, service providers must factor in both its external and internal costs. External costs include things such as water treatment, purchase, and storage. Internal costs include the water delivery system and customer service (e.g., billing, meter reading, etc.), as well as general and administrative expenses, including insurance, facilities, and staff costs.

The Yorba Linda Water District receives its funding from water sales, service charges, fees, and investment earnings on funds set aside. Tax revenue from the general 1% property tax levy is another funding source. Certain funding sources – connection charges, voter authorized taxes and assessments, development impact fees, standby charges, redevelopment funds, and grants among them – are restricted for capital improvements. However, if the district lacks adequate funds for the required capital improvements and repairs, it may increase fees charged to its ratepayers.



YLWD's Board of Directors establishes rates and fees that ensure the district has adequate funds to cover operational costs, maintenance, and capital improvement projects. The district's rates and other fees directly reflect the actual cost of providing water and sewer service to its customers.

YLWD monitors its financials on a monthly basis. When the district gets to a juncture where it seems revenues are not covering the direct cost of providing service, including needed capital improvements, maintenance, etc., the district's staff conducts a rate analysis, and the Board decides whether an adjustment in the district's rates is warranted. The district's Board will consider the next YLWD rate study towards the end of 2006.

Like other public agencies, YLWD has been adversely impacted by the state's fiscal woes. The Budget Act of 2004 and subsequent voter-approval of Proposition 1A resulted in a number of temporary and permanent changes in the funding structure for local government agencies, including cities, counties, and special districts. As a result of the 2004 changes, cities, counties, special districts, and redevelopment agencies were forced to contribute \$1.3 billion each year for two years (Fiscal Years 2004-2005 and 2005-2006) to help the State's finances. This \$2.6 billion in local revenue will not be repaid to any of the agencies.

YLWD was doubly impacted by the 2004 funding structure changes. Firstly, the district lost approximately \$800,000 annually. Secondly, the Orange County Water District suffered a loss of \$7-7.5 million as a result of the State funding shift and passed that loss to its member agencies, YLWD among them. These revenue losses resulted in a 17 cent increase per billing unit (100 cubic feet of water) to YLWD's customers.

The district's current rate structure went into effect on July 1, 2005. Customers are charged \$1.57 per 100 cubic feet of water, or 748 gallons, regardless of the sub-area in which they receive service.

LAFCO staff did not note any significant issues related to rate restructuring. YLWD's rates directly reflect the district's actual cost of providing water and sewer service to its customers.

## Government Structure Options

This determination requires LAFCO to examine possible government structure options. These include potential consolidation or reorganization with other service providers and the annexation/detachment of territory to the district.



### *Consolidation or Reorganization with the City of Yorba Linda*

The Yorba Linda Water District is the only provider of retail water service within its service territory. It also provides water service to some areas beyond its service territory through out-of-area agreements with the City of Yorba Linda. These areas include Savi Ranch and property owned by the North Orange County Community College District.

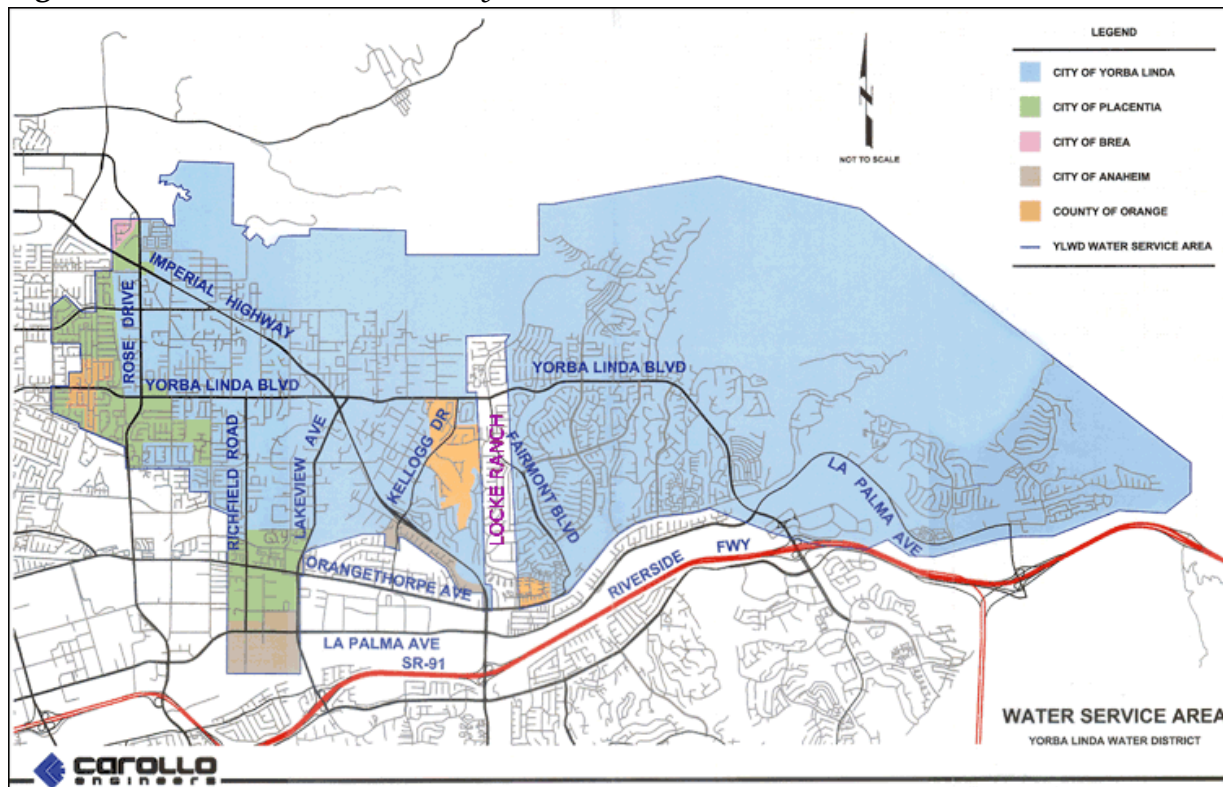
The district also provides sewer service to the majority of its Western Service Area and to the residences and businesses in Locke Ranch, an area outside of the district's service territory. The City of Yorba Linda provides sewer service to the remainder of YLWD's service territory, though the district is responsible for sewer system maintenance in the "overlap area," previously described on page 50.

One potential government structure option for the district would be consolidation or reorganization with the City of Yorba Linda, whereby the district would either merge with or become a subsidiary district of the city. This is an unattractive option for several reasons:

1. Neither the City of Yorba Linda nor the Yorba Linda Water District has expressed any interest in consolidation or reorganization.
2. YLWD, as an independent special district, operates effectively and efficiently in providing water and sewer service to its customers, while also safeguarding the public health. The district maintains high service levels and provides some of the best rates in Orange County.
3. As demonstrated in *Figure 6h, YLWD Service Territory*, YLWD provides water service beyond the city's corporate boundaries, including portions of the Cities of Anaheim, Brea, and Placentia, as well as areas of unincorporated Orange County.



Figure 6h, YLWD Service Territory



There has been discussion over the years about YLWD taking over the City of Yorba Linda's sewer service provision and related infrastructure. The city recently hired a consultant to conduct a feasibility study that will analyze the potential benefits of the city relinquishing its sewer service to the district or, possibly, a private entity. From the district's perspective, providing sewer service to the entirety of Yorba Linda is a logical alternative given the district's expertise and resources. Should the city and district mutually agree to pursue this option in the future, the district's assumption of sewer service and infrastructure is not contingent on the agencies consolidating or reorganizing.

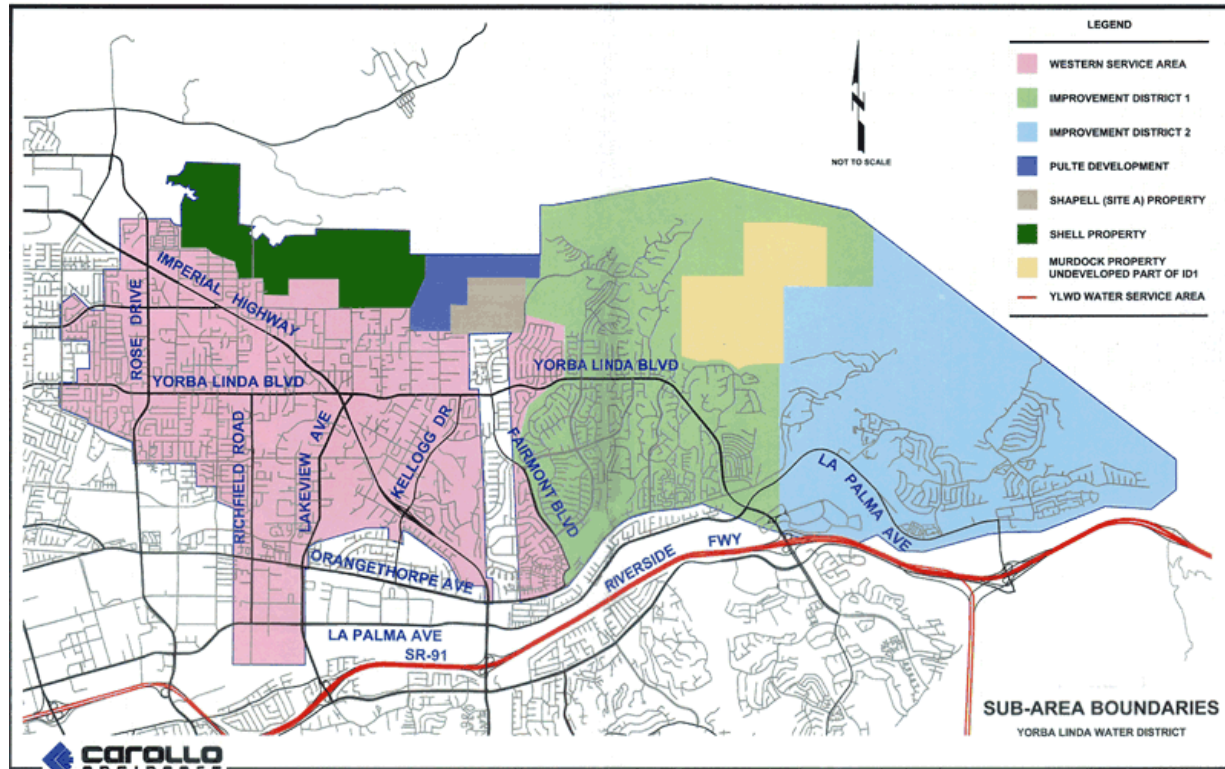
### *Future Annexations*

While Yorba Linda Water District's service territory is approximately 90 percent developed, the district's service population will increase by approximately 12.5 percent in the next twenty years, rising from 75,445 in 2005 to about 84,860 by 2025. Future development is one cause for this increase. There are four large residential developments in various stages of construction and many other projects currently planned for development or redevelopment within the district's service territory.



Figure 6i, *Projected YLWD Development*, displays the major areas of development, which include the Kerrigan Ranch Planned Community by Pulte Homes, Vista Verde Planned Community by Shell/Toll Brothers, the Murdock property, and sites owned by Shapell Industries.

Figure 6i, *Projected YLWD Development*



YLWD has already annexed the Pulte Home Development and Shell property along the Western Service Area's northern boundary.

#### *Shapell Industries, NOCCCD, & Placentia-Linda Unified School District*

YLWD anticipates filing an annexation application for the 177-acre site of the future Shapell Industries development by the end of 2006. YLWD is currently negotiating the pre-annexation agreement. The property owners and City of Yorba Linda support this annexation.

As previously indicated, the Shapell Industries property is adjacent to territory owned by the North Orange County Community College District (NOCCCD) and the Placentia-Yorba Linda Unified School District (PYLUSD), none of which is included in the district's current service territory, though YLWD provides water service to NOCCCD property through an out-of area agreement.



YLWD intends to annex the community college district along with the 177-acre property owned by Shapell Industries and other territory owned by PYLUSD, upon which the school district intends to erect a new high school. While the City of Yorba Linda currently provides sewer service to the community college district, YLWD will assume sewer service provision to the entire area following annexation. Further, NOCCCD, which now pays double rates, will begin paying standard rates once annexed to YLWD.

#### *Locke Ranch*

As previously described, YLWD provides sewer service to the 457-acre Locke Ranch area, located *outside* its territory, through an out-of-area agreement with the City of Yorba Linda. The Golden State Water Company (GSWC), a private water purveyor, provides water service to Locke Ranch and owns the area's water infrastructure, though YLWD has two emergency tie-ins into GSWC's private system.

As a private water company, GSWC is governed by the Public Utilities Commission in Sacramento rather than its ratepayers. The residents and business owners in Locke Ranch pay higher water rates than YLWD's customers (\$1.72 per 100 cubic feet of water plus services charges of \$14+ per month vs. \$1.57 per 100 cubic feet of water) and sometimes experience different service levels. Further, it is difficult for GSWC's customers to enact change, as they do not have local representation on GSWC's Board.

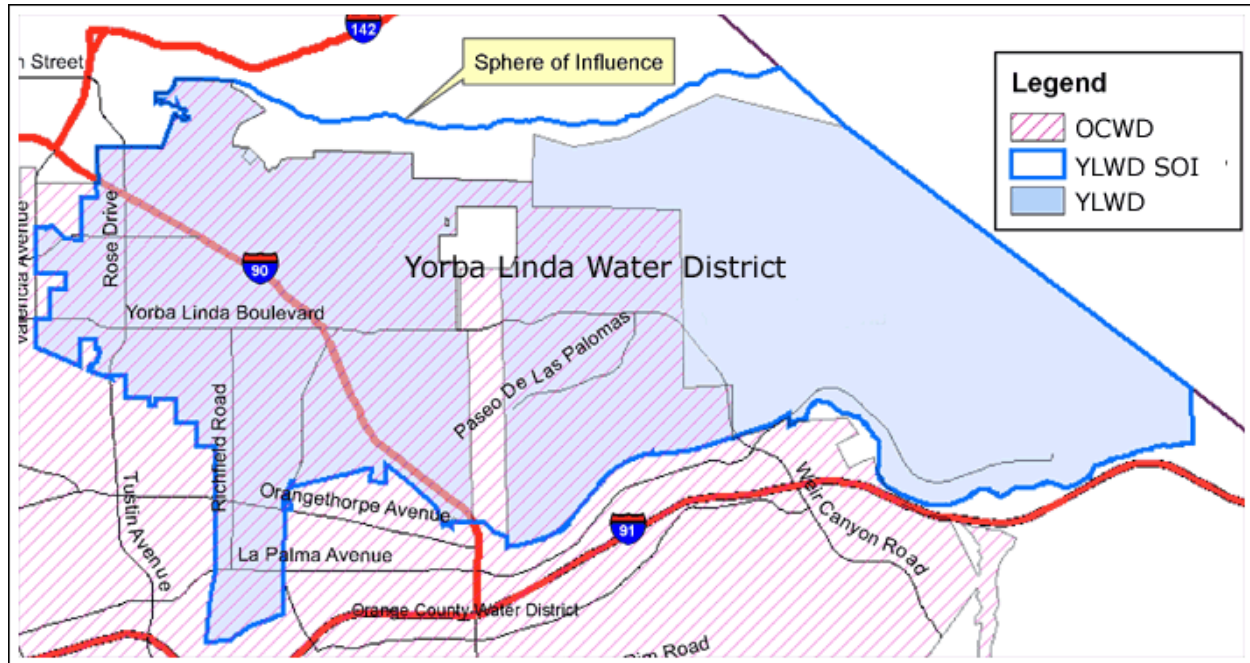
GSWC has offered to "sell" the Locke Ranch area to YLWD, enabling the district to purchase the company's water infrastructure and assume the area's water service provision. However, the district lacks the funds to purchase GSWC's water system and cannot justify raising its customer's rates to raise capital for such a scenario. GSWC has also offered to "swap" territory with the district, proposing that YLWD could relinquish its service territory in the City of Placentia in exchange for Locke Ranch. The district does not see any benefit in this scenario and feels an obligation to protect its customers in Placentia, who would be forced to pay higher rates if GSWC assumed water service provision.

#### *Orange County Water District Territory*

As an Orange County Water District (OCWD) member agency, the Yorba Linda Water District would one day like to see the entirety of its territory annexed to OCWD. (See *Figure 6j, YLWD-OCWD Territory Overlap*, which displays OCWD's service territory in relation to YLWD.) This is not a high priority project.



Figure 6j, YLWD-OCWD Territory Overlap



### Savi Ranch

Savi Ranch is a commercial center located in proximity to Weir Canyon Road and Savi Ranch Parkway in Yorba Linda near the city's boundary with Anaheim. While Savi Ranch is beyond YLWD's service territory, the district provides water service to the area through an out-of-area agreement with the City of Yorba Linda. While not a high priority given the district's other goals and objectives, YLWD would one day like to annex Savi Ranch to its service territory.

## Local Accountability & Governance

The Yorba Linda Water District maintains two office locations. The district's main office is located at 4622 Plumosa Drive in Yorba Linda and is open to the public from 7:30 a.m. to 5:30 p.m., Monday through Friday. The district's field office headquarters is located at 913 S. Richfield Road in Placentia and is open from 7 a.m. to 4:30 p.m., Monday through Friday.

A five-member Board of Directors elected at-large governs the Yorba Linda Water District. Each serves a fixed four-year term on the YLWD Board of Directors, and Board members may serve more than one term without limit if reelected. *Table 6k, YLWD Board of Directors*, details the current composition of the district's Board.



*Table 6k, YLWD Board of Directors*

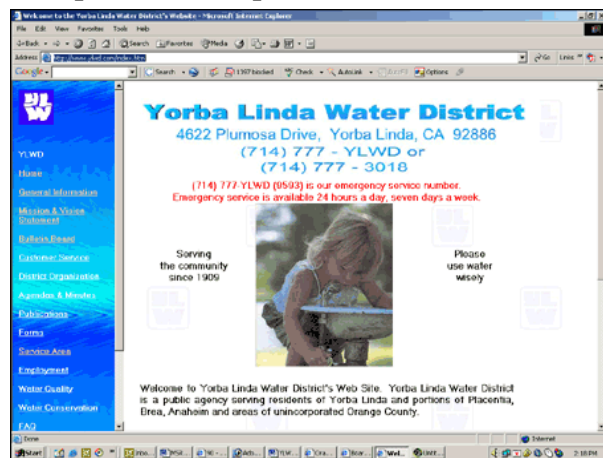
Board Director	Term Details	Compensation
<b>Paul Armstrong, President</b>	First elected in 1982; current term ends November 2006	\$150/meeting with a maximum of 10 meetings/month.  Mileage reimbursement based on the current IRS rate.  Directors also receive insurance coverage (medical, dental, vision) and may extend those benefits to their spouses/dependents if they pay out-of-pocket.
<b>Ric Collett, Vice President</b>	First elected in 2004; current term ends November 2008.	
<b>Michael Beverage</b>	First elected in 1992; current term ends November 2008.	
<b>William Mills</b>	Served on the Board of Directors 1985-1987. Elected to current term in 2002; current term ends November 2006.	
<b>John Summerfield</b>	First elected 2002; current term ends November 2006.	

The district's Board of Directors convenes on the second and fourth Thursdays of each month at 8:30 a.m. in the board room located at the district's main office. Special meetings are scheduled as needed, and all Board meetings are open to the public.

The Board has several subcommittees that meet at regularly scheduled intervals. These subcommittees include: the Executive-Administrative-Organizational Committee; Finance-Accounting Committee; Personnel-Risk Management Committee; Planning-Engineering-Operations Committee; Public Information Committee; Municipal Water District of Orange County Ad Hoc Committee; and Orange County Water District Ad Hoc Committee. Board members typically serve on two subcommittees each.

The Board employs a general manager who has full authority and responsibility for the district's day-to-day operations, which include the administration and control of revenues and expenditures, execution of district policies and procedures, and overall management of the district's 62 full- and part-time employees. The district's current general manager, Michael Payne, began his career at the district as an engineer in 1973. He was appointed to the position of general manager in December 2003.

The Yorba Linda Water District maintains its own public website at [www.ylwd.com](http://www.ylwd.com). The website features easily accessible information about the district's headquarters and field office locations, hours of operation, programs and services, publications and press releases, and employment opportunities. The district's website





also highlights information on the Board of Directors, including a Board member listing, the Board's monthly meeting time and location, and the Board's agendas and meeting minutes.



# THE NINE DETERMINATIONS – YORBA LINDA WATER DISTRICT

## Infrastructure Needs or Deficiencies

The Yorba Linda Water District's infrastructure is sound and adequate for the district to serve its service territory. The district's Board of Directors uses a biennial budget process and earmarks funds for the necessary capital improvement projects. The FY 2005-2007 budget includes an aggressive plan to complete several large capital improvement and replacement projects. These projects included the Highland Reservoir replacement, the Bastanchury Reservoir and booster station replacement, construction of a new administration building, and installation of transmission pipelines.

YLWD has adequately planned for infrastructure maintenance and improvements and the increased water supply demands that will result from future growth within its current and projected service territory. Staff did not identify any significant issues regarding infrastructure needs and deficiencies.

## Growth and Population Projections

The Yorba Linda Water District's service territory very closely aligns with the City of Yorba Linda's corporate boundaries but also includes territory in the Cities of Anaheim, Brea, and Placentia as well as unincorporated County territory. The district's service territory is 90 percent developed, but its service population is projected to increase approximately 12.5 percent in the next twenty years, rising from 75,445 in 2005 to about 84,860 by 2025.

LAFCO staff did not note any significant issues related to growth and population projections. The district has adequately planned for future growth and the associated infrastructure and water supply.



## Financing Constraints & Opportunities

During the 2005-2007 budget cycle, revenues from current water rates plus non-operating revenues will not balance operating expenses. Much of this can be attributed to an aggressive plan to complete several large capital improvement and replacement projects. Even so, the district has sufficient reserves and annexation revenues to bridge the shortfall during this period of significant infrastructure and facility upgrades. Further, these capital improvements will greatly benefit the district's customers in the long-term.

Also of significance, the State required YLWD (and all other California cities and special districts) to return a portion of its property tax revenue to the State's coffers in Fiscal Years 2004-2005 and 2005-2006. This was done as a means to ease State revenue shortfalls. The district lost approximately \$800,000 during each of those Fiscal Years, and the money will not be repaid. As a further result of the tax shift, the district saw an increase in the rates it pays to the Orange County Water District, which had to pass its own revenue loss on to its member agencies, YLWD among them.

## Cost Avoidance Opportunities

All of the Yorba Linda Water District's expenditures appear to be based on efficient methods of operation. The district cuts costs as it can and has set a goal of increasing its groundwater production to 75 percent of its total supply as a means reduce the district's costs. For every 10 percent increase (of total production) in groundwater use, the district estimates it will save over a half a million dollars per year. Realizing its 75 percent groundwater production goal would equate to a savings of approximately or \$1.4 million annually.

LAFCO staff did not identify any additional cost avoidance mechanisms for the district to explore.

## Opportunities for Rate Restructuring

The Yorba Linda Water District's Board of Directors establishes rates and fees that will ensure the district has adequate funds to cover operational costs, maintenance, and capital improvement projects. YLWD's current rate structure went into effect on July 1, 2005. The district's Board will consider a rate study towards the end of 2006 and determine if the district's rates and other fees require adjustment.



LAFCO staff did not note any significant issues related to rate restructuring. YLWD's rates directly reflect the district's actual cost of providing water and sewer service to its customers.

## Opportunities for Shared Facilities

The Yorba Linda Water District is the only provider of retail water service within its service territory. The district also provides sewer service within its service territory. While YLWD does not share facilities with any other local government agency, it does provide water and sewer service to some areas beyond its service territory through out-of-area agreements with the City of Yorba Linda. These areas include Savi Ranch and property owned by the North Orange County Community College District (water service), as well as the community commonly referred to as Locke Ranch (sewer service).

YLWD's water distribution system includes ten emergency interconnections with three adjacent water distribution systems – the City of Anaheim, City of Brea, and Golden State Water Company (GSWC), a private water provider. These pipeline interconnections are in addition to the four that the district maintains with the Metropolitan Water District of Southern California. Collectively, these enable the district to import or export water when needed.

Staff did not identify any opportunities for YLWD to share facilities.

## Government Structure Options

The Yorba Linda Water District could potentially consolidate or reorganize with the City of Yorba Linda, whereby the district would either merge with or become a subsidiary district of the city. However, neither the City of Yorba Linda nor the Yorba Linda Water District has expressed any interest in consolidation or reorganization. Further, YLWD provides water service beyond the city's corporate boundaries, including portions of the Cities of Anaheim, Brea, and Placentia, as well as areas of unincorporated Orange County.

As an independent special district, YLWD operates effectively and efficiently in providing water and sewer service to its customers, while also safeguarding the public health. The district maintains high service levels and has set some of the most competitive rates in Orange County. There are no apparent benefits to a consolidation or reorganization at this time.



YLWD anticipates filing an annexation application with LAFCO for the future Shapell Industries (a 177-acre site) development along with adjacent territory owned by the North Orange County Community College District and the Placentia-Yorba Linda Unified School District by the end of 2006. YLWD is currently negotiating the pre-annexation agreement. The property owners and City of Yorba Linda are in support of this annexation.

Additionally, YLWD provides water service to Savi Ranch, a commercial center located in proximity to Weir Canyon Road and Savi Ranch Parkway in Yorba Linda near the city's boundary with Anaheim. While Savi Ranch is beyond YLWD's service territory, the district provides water service to the area through an out-of-area agreement with the City of Yorba Linda. While not a high priority given the district's other goals and objectives, YLWD would one day like to annex Savi Ranch to its service territory.

## Evaluation of Management Efficiencies

The Yorba Linda Water District's organizational structure is sound and efficient. A five-member Board of Directors elected at large governs the district. The Board employs a general manager who has full authority and responsibility for the district's daily operations and overall management of the district's 62 full-time employees.

Staff did not identify any issues regarding the district's management efficiencies.

## Local Accountability & Governance

The Yorba Linda Water District's Board of Directors is elected by the district's constituents and is therefore held accountable to its ratepayers. All district meetings are conducted in public in accordance with the Brown Act. Further, the district maintains a public website ([www.ylwd.com](http://www.ylwd.com)), which provides the necessary general information. The district's website also highlights information on the Board of Directors, including a Board member listing and the Board's monthly meeting time and location, as well as the Board's agendas and minutes.

Staff did not identify any issues regarding the district's local accountability and governance.



# SPHERE OF INFLUENCE UPDATE – CITY OF YORBA LINDA

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

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

The statement of determinations, which is outlined in the next section of this report, is based on the analysis of the City of Yorba Linda municipal service provision, which precedes this section of the report.

## Analysis

The City of Yorba Linda encompasses 19.9 square miles of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. The city is bordered by unincorporated County territory to the north and east, the City of Brea to the northwest, Placentia to the west, and Anaheim to the south. According to the State Department of Finance, the City of Yorba Linda's 2005 population was 65,621. The Center for Demographic Research (CDR) anticipates that the city's population will continue to grow and approximates the city's 2025 population will be in excess of 76,000 residents.

LAFCO established the City of Yorba Linda's sphere of influence at three separate public hearings in 1973: the city's northern sphere boundary on March 28, 1973; the city's western and southern sphere boundaries on June 27, 1973; and the city's eastern sphere boundary on July 11, 1973. The Commission reexamined the city's sphere at the



city's request on November 3, 1975, but denied the requested sphere amendment. The sphere (comprised of approximately 14,926 acres, about 12,715 of which are included in the city's corporate territory) has not been comprehensively reviewed since.

The city anticipates the annexation of one 600-acre area known as the "Murdock Property" within the next five years. That area is already within the city's sphere of influence and noted within the city's General Plan.

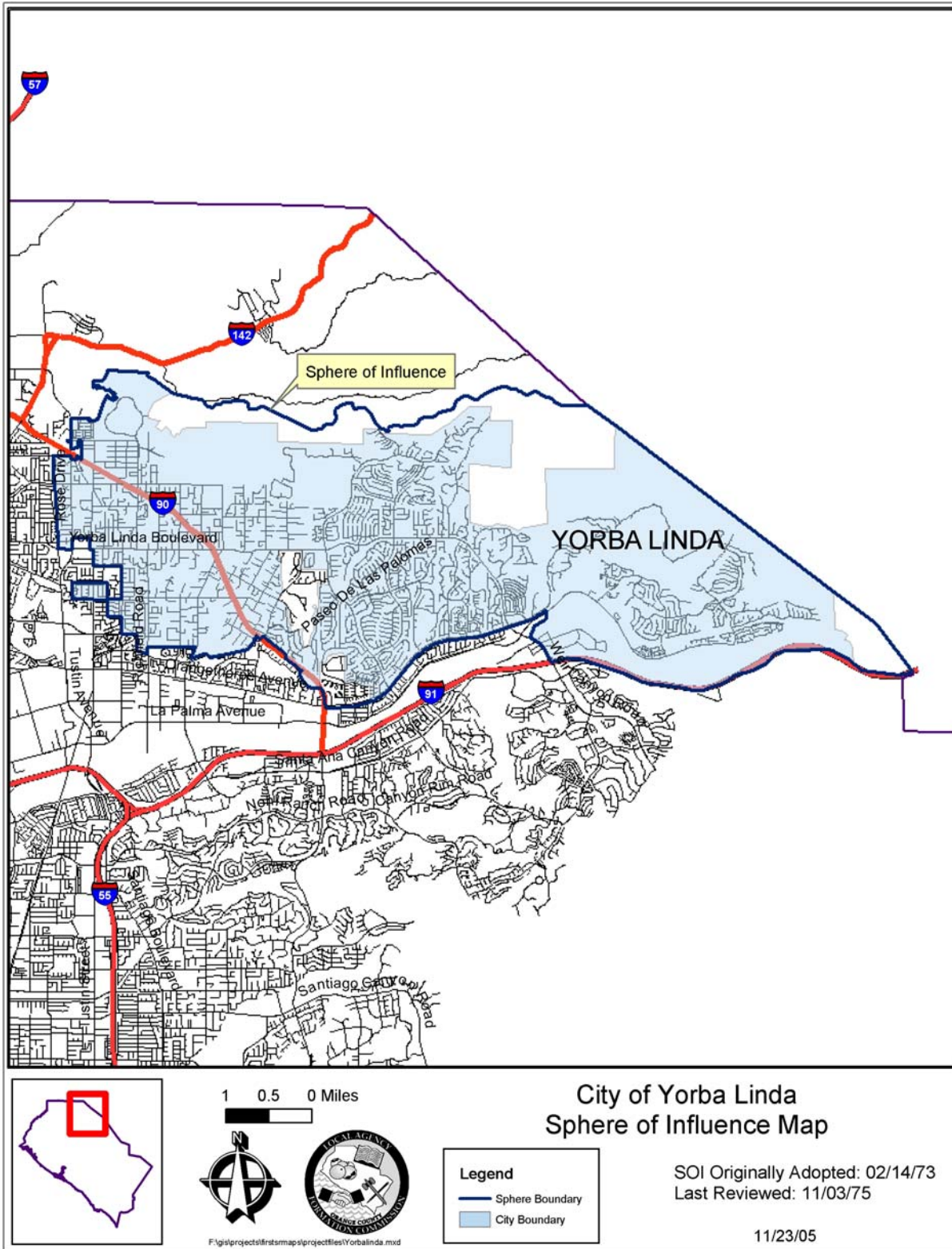
The city's sphere of influence also includes two noncontiguous unincorporated county islands, the Country Club and Fairlynn islands. Though both islands have been subject to numerous annexation attempts by the city, the latest of which was defeated by voter protest in March 2004, the city does not have any plans to reinstate annexation of these islands at the current time.

## Recommendations

Staff recommends that the Commission reaffirm the City of Yorba Linda's current sphere of influence boundary as depicted in *Figure 8a, City of Yorba Linda's Proposed Sphere of Influence*.



Figure 8a, City of Yorba Linda's Proposed Sphere of Influence





## STATEMENT OF DETERMINATIONS – CITY OF YORBA LINDA

The statement of determinations that follows is based on the analysis of the City of Yorba Linda's municipal service provision, which precedes this section of the report.

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

The City of Yorba Linda encompasses 19.9 square miles of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. The city bordered by unincorporated County territory to the north and east, the City of Brea to the northwest, Placentia to the west, and Anaheim to the south.

The predominant land uses within the City of Yorba Linda are single- and multi-family residential, commercial, industrial, public, and semi-public. The city is almost entirely built-out, and future land uses are expected to remain relatively constant.

The City of Yorba Linda established the Yorba Linda Redevelopment Agency and a single redevelopment project area – approximately 2,640 acres in the eastern portion of the City of Yorba Linda – in May 1983. In July 1990, the city amended the project area, extending it to include another 344 acres in the city's commercial Town Center. The agency's scope is the rehabilitation and redevelopment of blighted areas within the city's territorial limits.

### **The present and probable need for public facilities and services in the area**

The City of Yorba Linda has adequately addressed present and future need for services through its General Plan, biennial budget, and seven-year Capital Improvement Program. These documents, and the planning processes that spurn them, will help ensure that city services match projected growth.



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

The City of Yorba Linda and its contracted service providers have adequate capacity and facilities to provide municipal services to the city's current and future residents.

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

Orange County LAFCO did not identify any social or economic communities of interest for the City of Yorba Linda during the municipal service review and sphere of influence review processes.



# SPHERE OF INFLUENCE UPDATE – YORBA LINDA WATER DISTRICT

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

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

The statement of determinations, which is outlined in the next section of this report, is based on the analysis of the Yorba Linda Water District's municipal service provision, which precedes this section of the report.

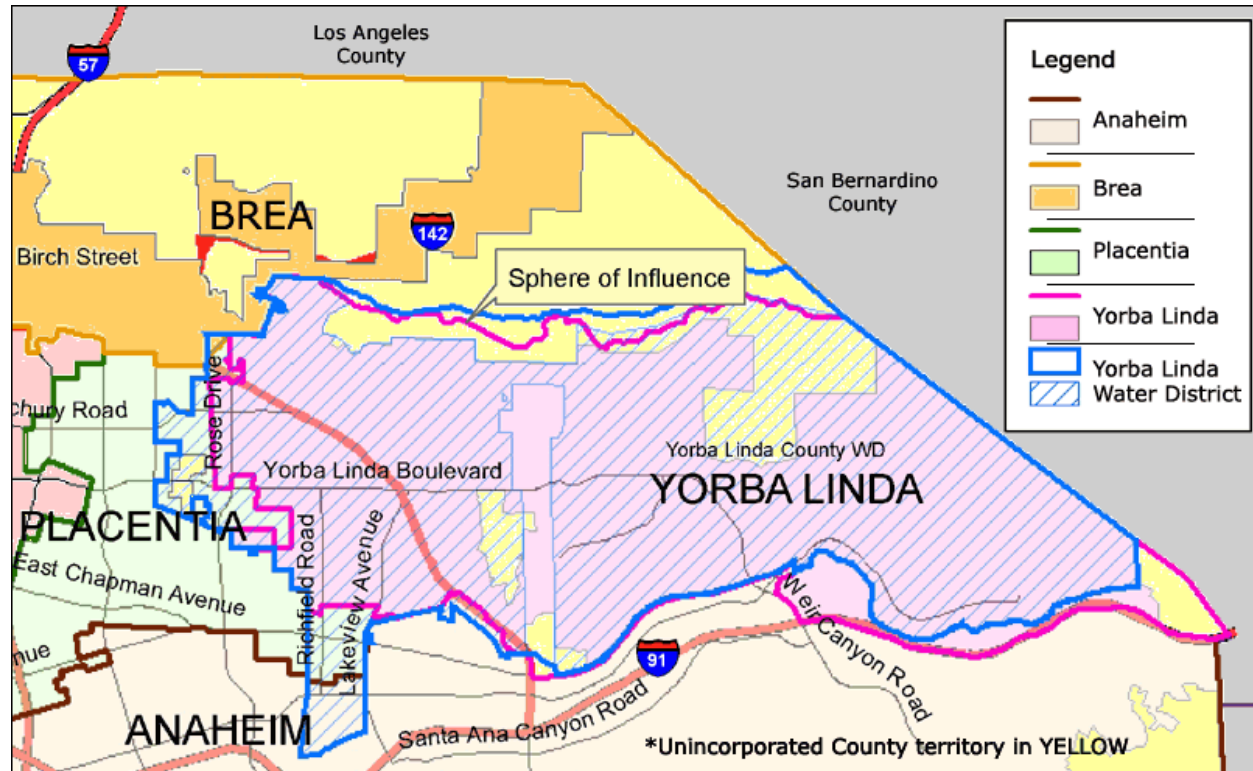
## Analysis

The Yorba Linda Water District's sphere of influence was established by LAFCO on July 23, 1975. Since that time, the Commission has comprehensively reviewed and reaffirmed the district sphere twice – on July 7, 1977 and October 1, 1986. The district's sphere of influence spans approximately 15,807 acres, about 14,280 of which are included in its official service territory.

As depicted in *Figure 10a, YLWD Service Territory*, the Yorba Linda Water District provides water service, sewer service, or a combination of both to an estimated 74,800 people through approximately 23,000 service connections in the Cities of Yorba Linda, Anaheim, Brea, and Placentia, as well as three unincorporated County islands – two in the City of Yorba Linda and one in the City of Placentia – and some unincorporated territory in the City of Yorba Linda's northern sphere.



Figure 10a, YLWD Service Territory



The Yorba Linda Water District provides water and sewer service to many areas beyond its service territory. These areas are all within the City of Yorba Linda's corporate or sphere of influence boundaries and are served via out-of-area agreement. They include Locke Ranch, the North Orange County Community College District, and Savi Ranch. Staff analyzed service provision to these areas in Section 6 of this report, *Review & Analysis of Service Provision – Yorba Linda Water District*.

Savi Ranch, a commercial center located in Yorba Linda near the city's boundary with Anaheim, is not only beyond YLWD's service territory, it is beyond the district's sphere of influence. Even so, the district provides water service to the area through an out-of-area agreement with the City of Yorba Linda. It makes sense that YLWD would one day like to annex Savi Ranch and other areas that it serves via out-of-area agreements to its service territory. To do so, however, is contingent on those areas being within the district's sphere of influence.

Further, the City of Yorba Linda recently hired a consultant to conduct a feasibility study to determine if efficiencies can be achieved if YLWD assumes the city's sewer



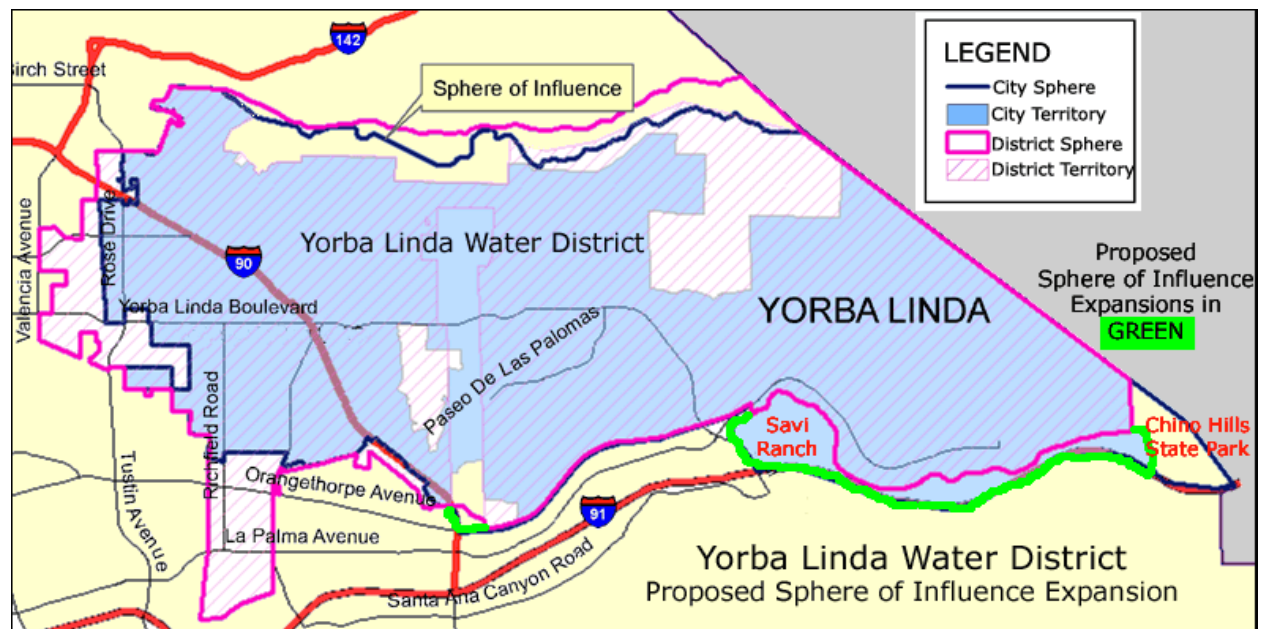
service provision and related infrastructure. The district's assumption of sewer service and infrastructure is not contingent on the agencies consolidating or reorganizing should the city and district mutually agree to pursue this option in the future. However, the district would most likely want to pursue annexation of the city's entire service territory rather than serve areas outside its own service territory via out-of-area agreements with the city. Again, annexation of these areas to the district's service territory is contingent on the areas being included in the district's sphere of influence.

For these reasons, staff believes modifications to the district's sphere boundaries are in order.

## Recommendations

Staff recommends that the Commission modify the Yorba Linda Water District's existing sphere of influence to include all territory within the City of Yorba Linda's corporate and sphere of influence boundaries, with the exception of an area in the southeastern corner of the city's sphere, which includes territory belonging to the Chino Hills State Park. This would mean expanding YLWD's southern and southeastern sphere boundaries as depicted in *Figure 10b, YLWD Sphere Modification*, adding approximately 665 additional acres to the district's current sphere territory.

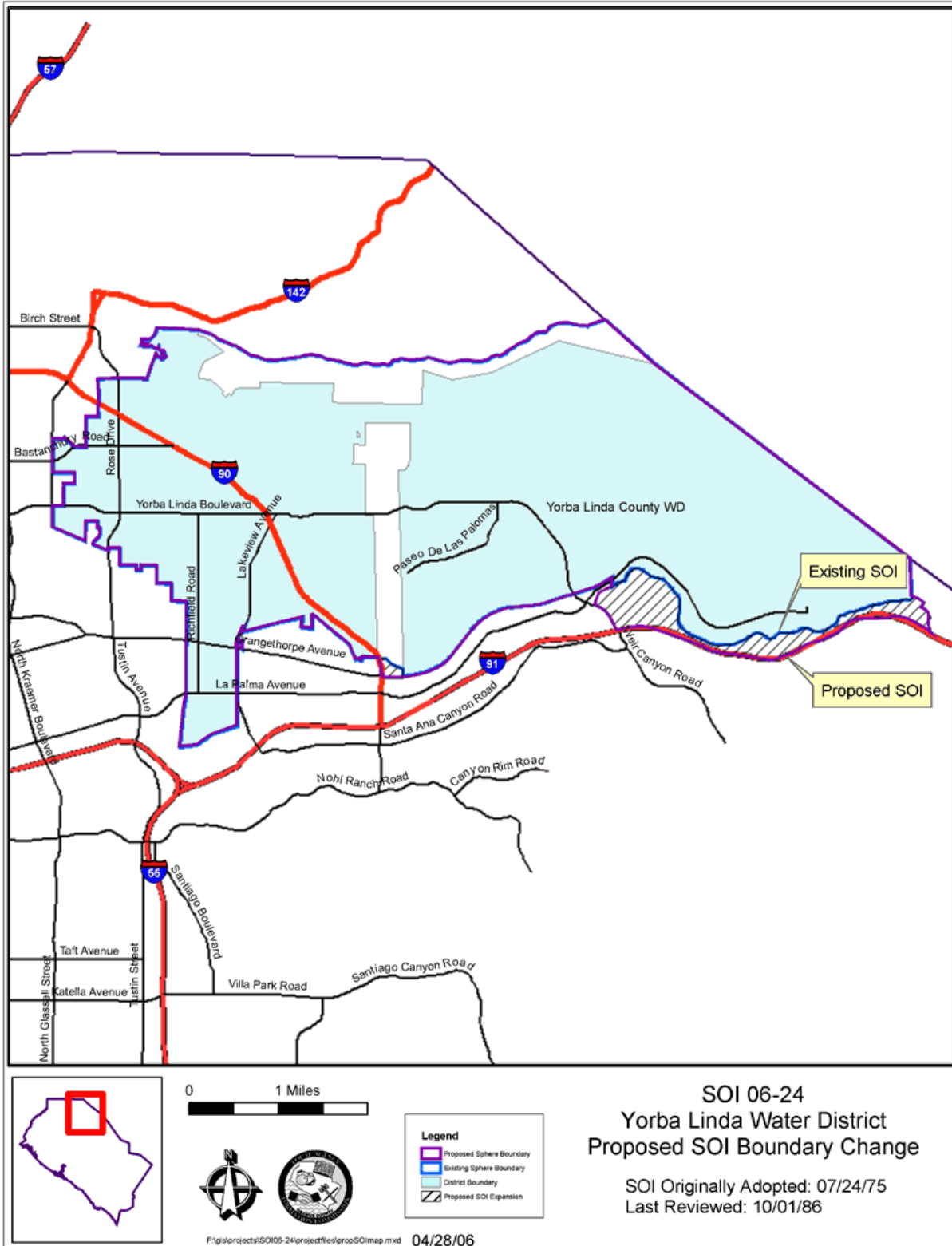
*Figure 10b, YLWD Sphere Modification*



The Yorba Linda Water District's proposed sphere of influence boundaries are depicted in *Figure 10c, YLWD Proposed Sphere of Influence*.



Figure 10c, YLWD Proposed Sphere of Influence





# STATEMENT OF DETERMINATIONS – YORBA LINDA WATER DISTRICT

The statement of determinations that follows is based on the analysis of the Yorba Linda Water District's municipal service provision, which precedes this section of the report.

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

The Yorba Linda Water District's service territory today spans approximately 14,280 acres, or 22.3 square miles, and has an estimated service population of 74,800 people. Its sphere of influence is slightly larger than its service territory, encompassing approximately 15,807 acres.

The district's actual service territory is mostly confined to the City of Yorba Linda and the city's two large unincorporated islands. However, the district also serves portions of the Cities of Anaheim, Brea, and Placentia (including one unincorporated island in Placentia), as well as some unincorporated County territory in the City of Yorba Linda's northern sphere. The district also serves some areas *beyond* its service territory through out-of-area agreements. The predominant land uses within the district's service territory is single- and multi-family residential, commercial, light industrial, public, and semi-public. The district's service territory is 90 percent developed, and future land uses are expected to remain relatively constant.

## **The present and probable need for public facilities and services in the area**

The Yorba Linda Water District's Board of Directors and management staff address the present need for facilities and services through the district's planning processes, which include the adoption of a biennial budget and development of a Capital Improvement Program, which is part of the district's Domestic Water System Master Plan. The probable need for water and sewer service in the area will increase correspondingly with population growth in the service area. Though the service area is 90 percent developed, there are several major development and redevelopment projects on the



horizon, which will contribute to the nearly 13 percent projected increase in population within the district's service territory over the next twenty years.

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

The Yorba Linda Water District has adequate capacity and facilities to provide water and sewer services to its current customer base. However, it recognizes the need for some significant capital improvement projects in the next several years and has planned accordingly. The district's 2005-2007 budget includes an aggressive plan to complete several large capital improvement and replacement projects, including the Highland Reservoir replacement, the Bastanchury Reservoir and booster station replacement, construction of a new administration building, and installation of transmission pipelines. The budget also includes a replacement plan for thousands of water meters that have outlived their recommended service lives.

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

The social and economic communities of interest relevant to this agency are the ratepayers within the Yorba Linda Water District's jurisdictional boundaries and those ratepayers the district serves beyond its service territory via executed out-of-area agreements. It is in YLWD and its customers' best interests that the district one day annexes the areas it serves outside its service territory. As such, staff recommends that the Commission modify YLWD's existing sphere of influence to include all territory within the City of Yorba Linda's corporate and sphere of influence boundaries, with the exception of an area in the southeastern corner of the city's sphere, which includes territory belonging to the Chino Hills State Park.