



City of Laguna Niguel &
Laguna Niguel Community
Services District

MUNICIPAL SERVICE REVIEW &

SPHERE OF INFLUENCE REVIEW

Table of Contents

EXECUTIVE SUMMARY	1
INTRODUCTION	2
MSR AREA	3
MSR DETERMINATIONS	4
GROWTH & POPULATION PROJECTIONS	4
INFRASTRUCTURE NEEDS OR DEFICIENCIES	5
FINANCING CONSTRAINTS & OPPORTUNITIES	6
COST AVOIDANCE OPPORTUNITIES/ OPPORTUNITIES FOR SHARED FACILITIES	8
OPPORTUNITIES FOR RATE RESTRUCTURING	8
GOVERNMENT STRUCTURE OPTIONS	8
LOCAL ACCOUNTABILITY & GOVERNANCE	8
SERVICE REVIEW DETERMINATIONS	10
GROWTH & POPULATION PROJECTIONS	10
INFRASTRUCTURE NEEDS & DEFICIENCIES	10
FINANCING OPPORTUNITIES & CONSTRAINTS	10
OPPORTUNITIES FOR RATE RESTRUCTURING	10
GOVERNMENT STRUCTURE OPTIONS	10
LOCAL ACCOUNTABILITY & GOVERNANCE	10
OPPORTUNITIES FOR COST AVOIDANCE	11
OPPORTUNITIES FOR MANAGEMENT EFFICIENCIES	11
OPPORTUNITIES FOR SHARED FACILITIES	11
CITY OF LAGUNA NIGUEL SOI UPDATE	12
RECOMMENDATION	13
STATEMENT OF DETERMINATIONS	14



EXECUTIVE SUMMARY

The purpose of this report is to review comprehensively municipal services delivered to and by the City of Laguna Niguel. The city submitted an application to LAFCO to dissolve the Laguna Niguel Community Services District (CSD), a subsidiary district of the city. LAFCO amended the application to include a municipal services review (MSR) and sphere of influence (SOI) update to ensure consistency with the requirements of the Cortese-Knox-Hertzberg Act.

Municipal Service Summary

No significant issues were noted. The city is projected to have modest population growth over the next 30 years and no infrastructure needs and deficiencies were noted. While the city will experience substantial reductions during the next two fiscal years due to shifts in local revenue to the State, the city has adequate reserves to ensure that services remain at current levels. No rate restructuring opportunities were noted. The city uses private contracts wherever possible to avoid costs and increase management efficiencies and participates with other agencies on a regional level for some municipal level services and facilities. No governmental structure options were noted; the City of Laguna Niguel is almost entirely surrounded by other cities and special districts providing services to the city have service areas larger than the city's boundaries. The city uses a variety of means to increase local accountability and governance.

Sphere of Influence Summary

The city's sphere, which is currently coterminous with the city's corporate limits, was adopted in 1990 and revised in 2001 when the Del Prado area annexed to the city. No other potential annexations are expected since incorporated areas generally surround the city. No changes are proposed in the city's sphere of influence and it is recommended that LAFCO reaffirm the coterminous sphere of influence for the City of Laguna Niguel.



INTRODUCTION

Pursuant to a 2000 legislative requirement, LAFCO must conduct a comprehensive review of municipal service delivery and update, as necessary, the spheres of influence of agencies under LAFCO's jurisdiction not less than every five years. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that LAFCO review municipal services before updating the spheres of influence and to prepare a written statement of determination with respect to each of the following:

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

The MSR process does not require LAFCO to initiate changes of organization based on service review findings; it only requires that LAFCO make determinations regarding the provision of public services per Government Code Section 56430. 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 a reorganization.

Sphere of Influence Updates

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 to provide guidance for individual proposals involving jurisdictional changes. Spheres ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands. The Cortese-Knox-Hertzberg (CKH) Act requires LAFCO to develop and determine the sphere of influence of each local governmental agency



within the county, and to review and update the SOI every five years. In determining the SOI, LAFCO must address the following:

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

MSR AREA¹

The name “Laguna Niguel” is derived from the Spanish word “Laguna,” which means lagoon, and the word “Nigueli,” which was the name of a Juaneno Indian village once located near Aliso Creek. In 1821, California became Mexican territory and many rancheros were formed in Southern California, including Rancho Niguel. During this period, Rancho Niguel was primarily used as a sheep ranch. The first private landowner of the area was Juan Avila, a resident of San Juan Capistrano, who obtained land through a Mexican land grant in 1842. Juan Avila was also successful in re-establishing his title to the land after California became US territory in 1848 and remained the owner of “Rancho Niguel” until 1865. In 1895, the “Rancho Niguel” land became part of the Moulton Company, a company that would eventually control over 19,000 acres of local ranch land.

The Laguna Niguel community was established by the Laguna Niguel Corporation in 1959, making the 7,100 acre site one of the first master planned communities in California. Land sales started in 1961 in Monarch Bay and Laguna Terrace subdivisions. Avco Community Developer acquired the Laguna Niguel Plan in 1971 and continued development according to the Master Plan. During the early years of development in Laguna Niguel, the Laguna Niguel Homeowner Association, later to become the Laguna Niguel Community Council, served in an advisory capacity to the Orange County Board of Supervisors on land use issues.

In 1986, Laguna Niguel residents formed a Community Services District (CSD). Three years later, in 1989, the incorporation of the city was approved by 89% of the residents and Laguna Niguel became the 29th city in Orange County.

Laguna Niguel encompasses 14.72 square miles and is located halfway between Los Angeles and San Diego. It is surrounded by the cities of Aliso Viejo, Dana Point, Laguna Beach, Laguna Hills, Mission Viejo and San Juan Capistrano. It is a General Law city with municipal

¹ City of Laguna Niguel webpage



elections in November of even numbered years. Of the city's 9,456 acres there are 3,549 acres of residential uses, 276 acres of commercial uses, 223 acres of mixed use, 222 acres of public/institutional facilities and 3,650 acres designated to parks and open space. More than 33% of the city is designated as open space.

The city has 67,014 residents with a median age of 37.5 and 73% of Laguna Niguel's 24,316 housing units are owner occupied. The median home value was \$375,000 in 2004.

MSR DETERMINATIONS

This section addresses the 9 determinations as required by Government Code Section §56430.

Growth & Population Projections

In 2000 the City of Laguna Niguel projected an increase of 996 future residential units. The Center for Demographic Research, using the city's General Plan and regional trends, has projected an increase of 6,000 residential over the next 15 years as is shown in the following chart².

The city, in its General Plan, has adopted a Growth Management Element to "...promote orderly growth and development..." While the Growth Management Element focuses on transportation and circulation, the remainder of the General Plan establishes polices and goals which, when used together, guides growth and development and maintains the existing quality of life.

The city has adequately planned for future growth and associated infrastructure through its General Plan and annual capital improvement program (CIP). No significant issues were noted.

² Center for Demographic Research



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. The city or other agencies provide services within the City of Laguna Niguel.

The city's General Plan establishes levels of service for municipal level services to ensure orderly growth and development and that services and facilities would be provided concurrent with need. To implement the community service standards, the city adopts an annual budget, a five-year capital improvement program (CIP) and work program to ensure that service levels are maintained or improved and that the five year CIP is adequately funded. The annual budget and work program identifies specific objectives for each department during the ensuing year to ensure that infrastructure needs are adequately funded. For FY 2004-2005, new CIP proposals amount to \$9.4 million and can be financed from estimated revenues.

The only services, which would change as a result of the proposed dissolution of the Laguna Niguel CSD, are parks and recreation and street lighting/sweeping/landscaping. If the dissolution is approved, the city would assume responsibility for those services.

SERVICE	CURRENT PROVIDER	COMMUNITY SERVICE STANDARD	PROPOSED CHANGE
Animal Control	City of Mission Viejo (by contract)	NA	NONE
City Attorney	Private firm (by contract)	NA	NONE



Community Development ³	City of Laguna Niguel	NA	NONE
Fire & Paramedic ⁴	Orange County Fire Authority	5 and 10 minute response time for 80% of City for fire/paramedic respectively	NONE
Library	Orange County Library System	0.2 square feet of library space per capita	NONE
Park and Recreation	Laguna Niguel CSD	3 acres of parkland per 1,000 residents	City of Laguna Niguel
Street Lighting, Sweeping and Landscaping	Laguna Niguel CSD	NA	City of Laguna Niguel
Police	Orange County Sheriff's Department	4-6 minute response time for 85% for Priority 1 calls	NONE
Solid Waste	Private Contractor	Implementation of all source reduction, recycling and conservation methods as required by the State	NONE
Water & Wastewater	Moulton Niguel Water District; South Coast Water District	Ensure that adequate services and facilities are available concurrent with need	NONE

No significant issues regarding infrastructure needs and deficiencies were noted.

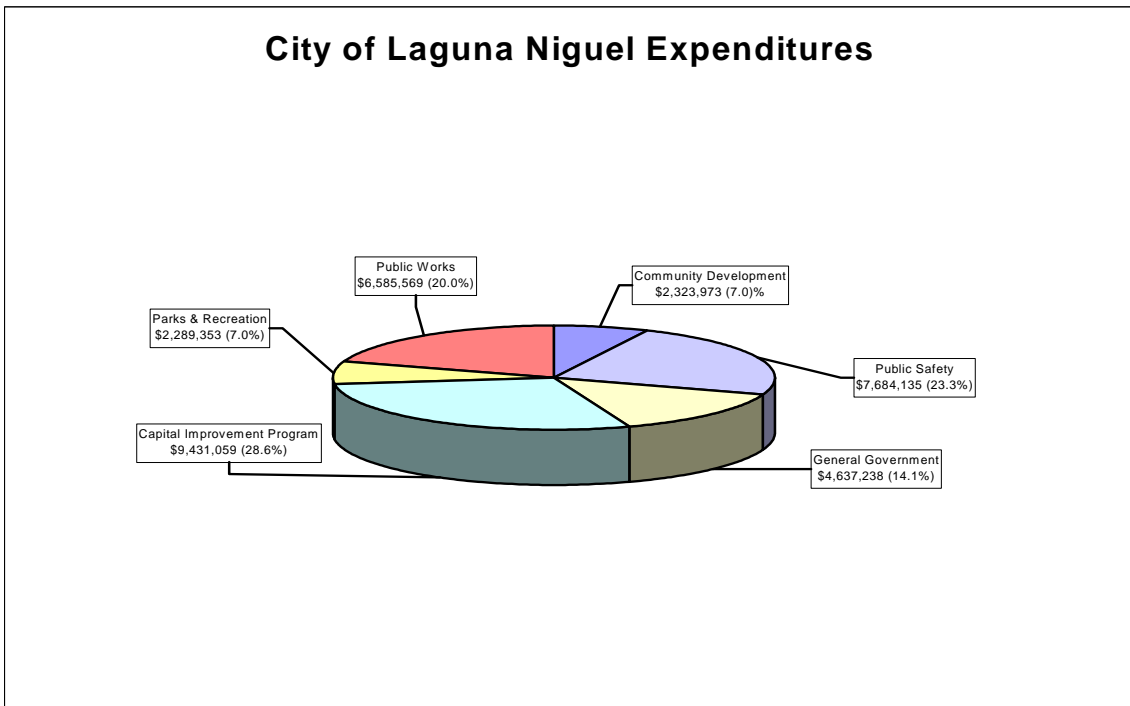
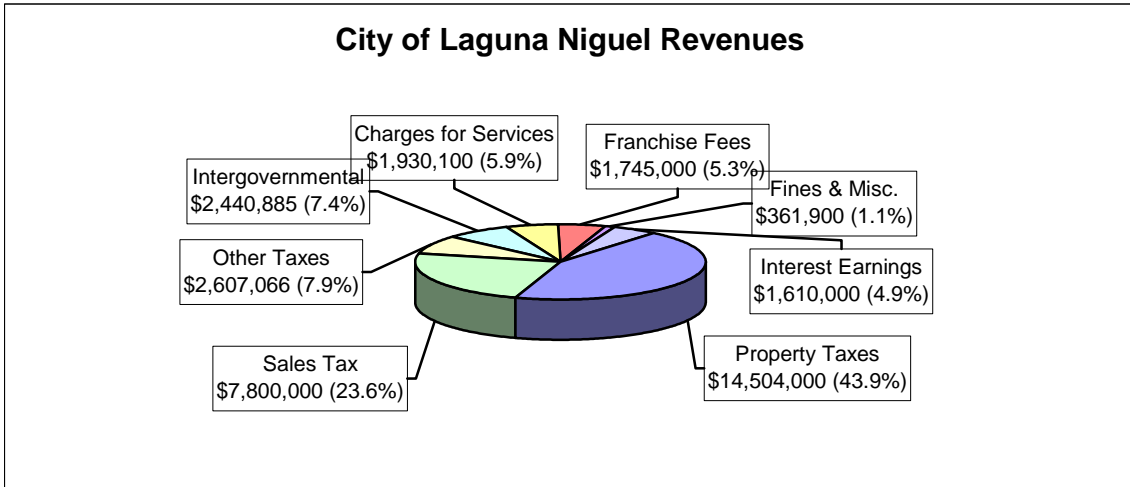
Financing Constraints & Opportunities

The proposed 2004-2005 Fiscal Year (FY) budget is \$33 with estimated revenue from all funds totaling \$33.0 million, which is a \$1.85 million, increase from FY 2003-2004 and is due to growth in estimated sales and property taxes. The operating budget is \$23.5 million and increased 5.2% from the previous due to increases in the Sheriff's Department law enforcement contract, PERS retirement and health insurance costs.

The following chart shows the sources and uses of revenues by the City of Laguna Niguel.

³ Includes planning, building and safety and code enforcement

⁴ A majority of the City is served water and wastewater by the Moulton Niguel Water District except for a small area near the southwestern boundary of the City which is served by the South Coast Water District. There are three fire stations in the City of Laguna Niguel



The City of Laguna Niguel faces significant financing constraints due to the changes in the funding structure for cities. The State budget instituted a number of changes in how local revenues are allocated to help the State deal with the ongoing budget crisis. The four primary local tax and revenue funds involved are sales and use taxes, Vehicle License Fees (VLF), property taxes, and Educational Revenue Augmentation Funds (ERAF).



The largest impact on the city will come from reductions in property tax revenue over the next two years. With the state budget agreement reached in Sacramento this past summer, \$1.3 billion in local revenues will be shifted to the State for two years. The shift would have involved property tax revenues from both the City of Laguna Niguel and the Laguna Niguel Community Services District (CSD), which is a subsidiary district of the city. Under the proposed shift, both the city and the CSD would have lost revenue. However, the California State Legislature approved a condition that the property tax shift for the CSD could be avoided if the city dissolved the CSD. Therefore the city has applied for dissolution of the CSD to save local revenues for its residents.

Cost Avoidance Opportunities/ Opportunities For Shared Facilities

The City of Laguna Niguel contracts for various services with regional service providers, private contractors and adjacent jurisdictions wherever possible.

Opportunities for Rate Restructuring

The city council reviews its budget annually and establishes fees and charges for services to ensure that revenues are adequate to meet expected expenses. Fees charged by some service providers are beyond the purview of the City of Laguna Niguel; however the city works closely with service providers to ensure the most efficient and cost effective service.

Government Structure Options

Several agencies provide service to the city including the Orange County Fire Authority, the Orange County Sheriff's Department, South Coast Water District and the Moulton Niguel Water District. No issues were noted with the provisions of those services and no reorganizations involving other agencies were identified during the service review. While the city has proposed dissolution of the Laguna Niguel Community Services District (CSD), no other governmental structure options were noted.

The city's current sphere of influence is coterminous with the existing city boundaries. The city is generally bounded on all sides by other incorporated cities and no changes in its boundaries are necessary. No changes in the city's adopted sphere are recommended at this time.

Local Accountability & Governance

No significant issues regarding local accountability and governance were noted. The City of Laguna Niguel city Council consists of five (5) members, elected from the city at-large, who serve four year staggered terms. The city council selects Mayor and a Mayor Pro Tem annually to serve a one-year term. The city council also sits as the governing board of the



ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
Municipal Service Review and Sphere of Influence
Laguna Niguel Community Service District Dissolution (DS 05-02)
April 13, 2005

Laguna Niguel CSD. The city council meets on the first and third Tuesday of each month at 7:00 p.m. The city maintains a website to increase local accountability. The following are the current city council members and their terms of office.

MEMBER	TITLE	TERM	STIPEND⁵
Joe Brown	Mayor	2004-2008	\$600 maximum per month for both City Council CSD meetings
Cathryn DeYoung	Mayor Pro Tem	2002-2006	\$600 maximum per month for both City Council CSD meetings
Gary G. Capata	Council Member	2004-2008	\$600 maximum per month for both City Council CSD meetings
Paul Glaab	Council Member	2004-2008	\$600 maximum per month for both City Council CSD meetings
Mike Whipple	Council Member	2002-2006	\$600 maximum per month for both City Council CSD meetings

⁵ City Council members are eligible for HMO and PPO health plans and have the option to participate in the City's PERS retirement plan.



SERVICE REVIEW DETERMINATIONS

1) Growth & Population Projections

The city is projected to experience an increase of approximately 6,000 people over the next 25 years.

2) Infrastructure Needs & Deficiencies

The future growth projected for the city, while modest, will increase the demand for additional municipal level services. The City of Laguna Niguel reviews infrastructure needs annually through its budget and capital improvement program to ensure that those services which the city provides will be provided concurrently with expected need. The city works closely with the agencies providing other services to ensure that the goals of the city's General Plan regarding service levels are adequately met (e.g., Moulton Niguel Water District, South Coast Water District, Orange County Sheriff's Department and the Orange County Fire Authority).

3) Financing Opportunities & Constraints

The impact of the local revenues shift to the State from the City of Laguna Niguel will result in reductions in city revenues. That impact will be mitigated for the Laguna Niguel CSD if the city and LAFCO approve the dissolution. No other significant financing issues were noted.

4) Opportunities for Rate Restructuring

No issues regarding rate restructuring currently apply.

5) Government Structure Options

No significant issues were noted. The City of Laguna Niguel is almost entirely surrounded by other cities. The special districts serving the city all have territory which extends into multiple jurisdictions and no reorganizations would be feasible at this time. The city has a sphere of influence coterminous with its existing city boundaries.

6) Local Accountability & Governance

The City of Laguna Niguel follows standard processes for accountability to the public. The city council, as the formal governing body, is elected and conducts regularly scheduled public



meetings. The city maintains a website that includes contact information and links to services and local events.

7) Opportunities for Cost Avoidance

The City of Laguna Niguel currently contracts with other public agencies and private agencies for those services when cost/benefit studies have demonstrated a savings to the city by avoiding overhead, infrastructure, and associated management costs.

8) Opportunities for Management Efficiencies

No significant issues were noted.

9) Opportunities for Shared Facilities

No significant issues were noted.

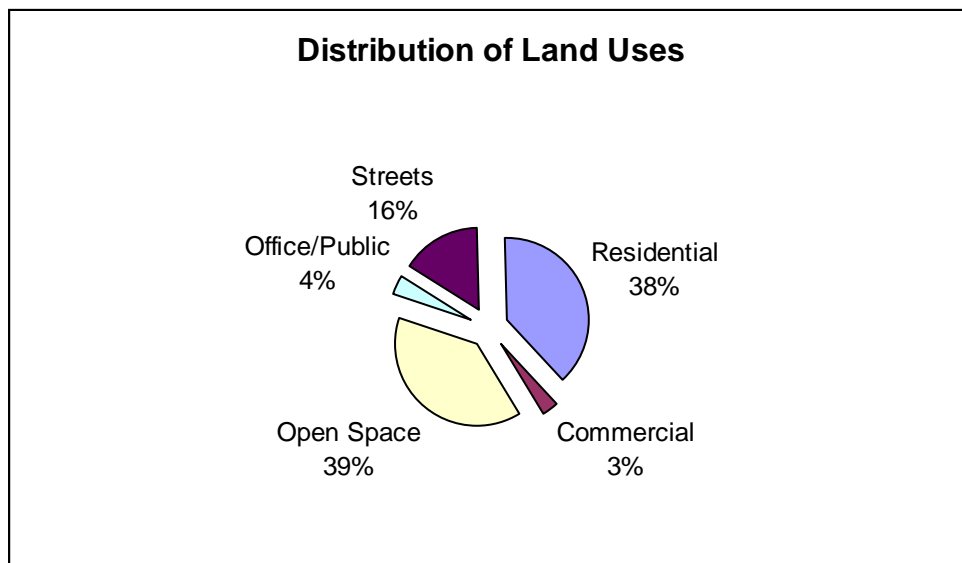


CITY OF LAGUNA NIGUEL SOI UPDATE

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

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

The City of Laguna Niguel encompasses approximately 14 square miles with an estimated population of approximately 65,000. It is located north of Dana Point, west of San Juan Capistrano, east of Laguna Beach, and south of Laguna Hills. Approximately 95% developed, the city contains residential, commercial and open space uses. The following chart depicts the range of land uses within the city.





No significant infrastructure needs or deficiencies were noted. Law enforcement, library, fire/paramedic, water/wastewater services are currently provided by other agencies. All other services are provided by the City of Laguna Niguel with the exception of parks/recreation which has been provided by the Laguna Niguel Community Services District (CSD). The city has submitted an application to LAFCO for dissolution of the CSD. If approved, the city would assume responsibility for the provision of park and recreations services. Future population growth is projected to be modest—the city is almost entirely built-out.

The city's sphere, which is currently coterminous with the city's corporate limits, was adopted in 1990 and revised in 2001 when the Del Prado area annexed to the city. No other potential annexations are expected since incorporated areas generally surround the city. No changes in the city's sphere of influence were identified.

Recommendation

That the Orange County LAFCO Commission re-affirm the sphere of influence for the City of Laguna Niguel. The sphere, which is coterminous with the current municipal boundaries, was adopted in 1990.



STATEMENT OF DETERMINATIONS

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

The predominant land use within the City of Laguna Niguel is detached single-family residences although some area of attached single family and multi-family residences. There are areas of commercial uses and although the city does not have a regional shopping center there are several located in adjacent jurisdictions. The city is almost entirely built-out and future land use are expected to remain relatively constant although there will be some opportunities for in-fill development. The following chart shows the distribution of land uses within the City of Laguna Niguel.

The present and probable need for public facilities and services

The present need for services is addressed through the city's General Plan, budget and five-year capital improvement program as well as through the master plans and associated planning processes/documents of the agencies providing services to area residents. The probable need for services is expected to remain relatively static since the City of Laguna Niguel is almost entirely built-out.

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

The city and other service providers have adequate capacity and facilities to serve current and future land uses.

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 Orange County LAFCO has not identified any social or economic communities of interest for the City of Laguna Niguel and none were identified during the municipal service review and sphere processes.