



Municipal Service Review Report

Orange/Villa Park/Orange SOI

March 9, 2005





Table of Contents

SECTION 1:	1
EXECUTIVE SUMMARY	1
SECTION 2:	7
INTRODUCTION	7
SECTION 3:	1
STAKEHOLDER WORKING GROUP'S 20-YEAR VISION PLAN	1
SECTION 4:	15
STAKEHOLDER AGENCY PROFILES	15
SECTION 5:	40
MUNICIPAL SERVICES REVIEW & THE NINE DETERMINATIONS	40
SECTION 5.1:	43
GROWTH & POPULATION PROJECTIONS	43
SECTION 5.2:	48
INFRASTRUCTURE NEEDS & DEFICIENCIES	48
SECTION 5.3:	70
FINANCING OPPORTUNITIES & CONSTRAINTS	70



SECTION 5.4:	76
OPPORTUNITIES FOR RATE RESTRUCTURING	76
SECTION 5.5:	82
GOVERNMENT STRUCTURE OPTIONS	82
SECTION 5.6:	103
LOCAL ACCOUNTABILITY & GOVERNANCE	103
SECTION 5.7:	124
COST AVOIDANCE & SHARED FACILITIES OPPORTUNITES & MANAGEMENT EFFICIENCIES	124
SECTION 5.8:	128
DETERMINATIONS BY AGENCY	128

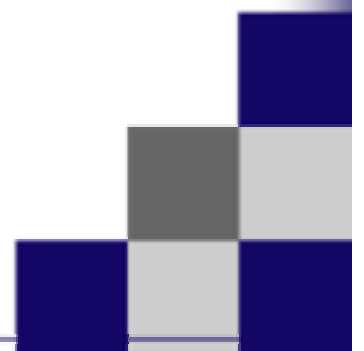
APPENDICES

APPENDIX 1:	GOVERNMENT CODE SECTIONS 56425 & 56430
APPENDIX 2:	STAKEHOLDER WORKING GROUP INFORMATION
APPENDIX 3:	TRENDING DATA PRESENTATION SUMMARIES
APPENDIX 4:	TECHNICAL BRAINSTORMING COMMITTEES
APPENDIX 5:	TECHNICAL BRAINSTORMING COMMITTEES' ISSUES PRESENTATIONS
APPENDIX 6:	STAKEHOLDER WORKING GROUP'S EVALUATION COMMENTS
APPENDIX 7:	EAST ORANGE UTILITIES STUDY
APPENDIX 8:	COUNTY SEPTIC SYSTEM LOCATION MAPS
APPENDIX 9:	STAKEHOLDER AGENCIES' FINANCIAL INFORMATION
APPENDIX 10:	LETTER FROM THE SANTIAGO COUNTY WATER DISTRICT



Section 1:

EXECUTIVE SUMMARY





EXECUTIVE SUMMARY

MSR Process, Vision Plan, & the Nine Determinations

Municipal service reviews, or "**MSRs**," are studies that examine future growth and how local governments will plan for the municipal service, governance, and infrastructure needs arising from growth over the next 15 to 20 years. They resulted from new state law enacted by the California legislature in 2000, requiring all LAFCOs throughout the state to conduct regional studies as part of their periodic review of city and special district spheres of influence.

Government Code Section 56430 requires LAFCOs to conduct MSRs regionally or subregionally, make determinations on local agencies' spheres of influence, and formulate nine determinations about the agencies' present and future opportunities, constraints, and needs. (The nine required determinations are listed in the legislation's full text, attached as Appendix 1.)

While state legislation mandates the completion of MSRs, the legislature did not establish a methodology by which LAFCOs must complete them. Orange County LAFCO launched its own MSR Program in January 2004 and initiated two prototype MSR studies, one of which focused the Cities of Orange and Villa Parks as well as the Orange sphere of influence (SOI) and the other in the vicinity of the Cities of Los Alamitos and Seal Beach, as well as the unincorporated communities of Rossmoor and Sunset Beach. This MSR report will focus solely on the study completed for the Orange/Villa Park/Orange SOI focus area.

To ensure the value of its MSR studies, Orange County LAFCO involved representatives from the agencies subject to review within the MSR area. The representatives from the stakeholder agencies, collectively known as the stakeholder working group (SWG), included individuals from the following local agencies within the Orange/Villa Park/Orange SOI focus area:



STAKEHOLDER AGENCIES IN THE ORANGE/VILLA PARK/ORANGE SOI MSR AREA	
Cities:	
Orange	Villa Park
Special Districts:	
Irvine Ranch Water District	Serrano Water District
Silverado-Modjeska Canyon Recreation & Parks District	Santiago County Water District
East Orange County Water District	Orange Park Acres (OPA) Mutual Water Company
Major Unincorporated Communities:	
Orange Park Acres (OPA)	North Tustin (NT)
Silverado-Modjeska Canyon Areas (Inter-Canyon League)	
Other:	
County of Orange	
See Appendix 2 for more detailed information on the composition of the stakeholder working group.	

The stakeholder working group (SWG) engaged in a ten-month series of meetings during which the members collaboratively developed a 20-year vision plan for MSR area's governance, services, and infrastructure. The SWG's 20-year vision plan is included as Section 3 of this report. LAFCO staff used the vision plan as a resource as it developed the nine determinations. The Commission will consider the vision plan as it takes action on the determinations and subsequent sphere of influence updates. Additionally, LAFCO hopes that the stakeholder agencies will utilize the vision plan as the agencies collectively address the impacts of future growth in the MSR area.

Overview of Conclusions

Growth & Population Projections

- **Projections** – The entire Orange MSR area will experience a 17.2% increase in population by the year 2020. The eastern portions of the Orange MSR area, primarily the location of planned development, will experience substantial growth while the remainder of the MSR area will experience a slower rate of growth. Planned residential uses include up to 2,050 multi-family units in the west end of the City of Orange within the next 10 years and over 4,000 single-family units in the east end of the City of Orange SOI by the year 2020. While LAFCO staff did not note any



significant issues regarding growth and population projections, growth will have a significant impact on local and regional service provision in many different arenas.

Infrastructure Needs & Deficiencies

Police & Fire Protection

- ***Growth Impacts*** – The area's growth must be met with a corresponding expansion of police and fire services to maintain public safety.

Water & Wastewater Services

- ***Growth Impacts*** – The increase of 24,000 new residents and 6,100 housing units will strain the existing water/wastewater infrastructure and necessitate new infrastructure to accommodate the growth. The agencies providing water/wastewater service to the MSR area will have to augment their infrastructures to meet service needs in the newly developed areas.
- ***Streamlining Service Provision*** – The existing structure of multiple service providers may not represent the most efficient method of delivering water service to the area.
- ***Defining Service Provision*** – Concurrent with the MSR process, The Keith Companies completed a utilities study analyzing the costs/benefits of having either the Irvine Ranch Water District or Santiago County Water District, or both agencies serve the East Orange developments. The East Orange Utility Study (attached to this report as Appendix 7) concluded that the most cost effective means to supply water and sewer to the proposed East Orange developments would be through IRWD as the sole service provider.
- ***Septic-to-Sewer Conversion*** – The MSR area has a significant number of households that rely on aging septic systems rather than public sewer service. This represents a major infrastructure deficiency and threat to public health. Much of the unincorporated area remains on septic systems, and LAFCO staff recommends the development and implementation of a regional plan for ensuring that septic systems are eventually phased out and/or monitored more proactively. Further, particular attention should be focused on access to grant funding sources or long-term financing as a means to reduce the cost burden of capital infrastructure development and assist residents who wish to connect to public sewer service.

Parks, Recreation, & Open Space

- ***Maintenance Responsibility*** – Responsibility for the maintenance of open space areas must be resolved prior to the Commission updating the City of Orange's



sphere of influence and prior to the Commission taking action on the upcoming annexation proposals for the East Orange development areas. The eventual placement of the City of Orange's boundary in conjunction with the annexation of the East Orange development area will be a factor in deciding the future service delivery and management responsibility for the open space lands. The City of Orange, the County of Orange, and/or the Silverado-Modjeska Recreation & Parks District are all potential oversight agencies for the territory from a governance and service delivery perspective.

Financial Constraints and Opportunities

- LAFCO staff found it difficult to determine future financial trends based on the data requested by LAFCO and the financial information provided by the stakeholder agencies. However, it is known that the agencies face numerous and significant financial constraints. The funding structure for local government, including cities, counties, and special districts, changed significantly in 2004. Local governments were negatively impacted by changes in how the State allocates local revenues in the face of the ongoing budget crisis. Additional financial constraints include increasing costs for employee health and retirement benefit programs.

Opportunities for Rate Restructuring

- **Water Rates** –The cost for retail water varies greatly within the MSR area. Current rates range from a low of approximately \$13.00 up to \$44.00 per month depending on service provider. Agencies with the highest use of imported water have the highest rates primarily due to the cost of imported water.
- **Police Protection** – The stakeholder working group did not consider the cost of providing police services a significant issue. However, LAFCO staff recommends that the City of Villa Park compare the cost of contracting with the City of Orange for police services against its current contract with the Orange County Sheriff's Department.

Government Structure Options

A detailed analysis of the advantages and disadvantages of the government structure options listed below is not possible given the regional scope of the MSR study. If Orange County LAFCO or the agencies involved in the MSR process choose to pursue a particular governmental structure option, additional studies will be required. Government structure options for improved, more efficient future service delivery include:



- Annexation of unincorporated areas to surrounding cities.
- Providing sewer service for areas on septic systems.
- Consolidation of water service delivery, decreasing the total number of providers to achieve equity in service delivery and cost to customers.
- Elimination of redundant wholesale water service delivery costs, which would likely result in immediate cost savings to consumers.
- The City of Villa Park may benefit from contracting with City of Orange for police, fire, water, sewer, street maintenance/street sweeping, landscape maintenance, and street lighting.
- The County would likely decrease service costs and increase service delivery efficiencies to unincorporated areas by contracting with the City of Orange to provide services in lieu of annexation.
- While annexation is likely the best long-range governance and service delivery strategy for major unincorporated areas such as Orange Park Acres and North Tustin, these communities' residents may benefit from increased service delivery by creating community service districts to fund police, fire, sewer, water, street and landscaping, and/or street lighting maintenance costs.

Local Accountability & Governance

- No significant issues were noted.

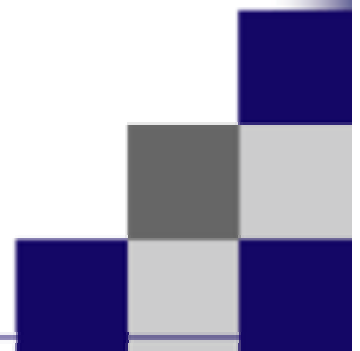
Cost Avoidance, Management Efficiencies, & Opportunities for Shared Facilities

- LAFCO staff noted many instances where agencies collaborated and shared staff, processes, or facilities to save costs or promote more efficient service provision. In particular, while the City of Orange completely surrounds Villa Park, the two agencies have minimal shared resources, services, or facilities. The Cities of Orange and Villa Park may benefit from exploring other options for implementing shared services and/or facilities. Police, water, and sewer service arrangements should be explored.



Section 2:

INTRODUCTION





INTRODUCTION

MSR Background & Origin

In 1997, the Legislature created the Commission on Local Governance for the 21st Century (CLG21) to comprehensively study and make recommendations to the Legislature on local government reform in California. The CLG21 held multiple public hearings and received public testimony from a variety of local government and private stakeholders on the function, practices, and policies of LAFCOs. The result was a comprehensive final report, "Growth within Bounds: Report of the Commission on Local Governance for the 21st Century," which included 65 total recommendations to the Legislature on various statutory changes to the LAFCO statutes and other related land use laws.

The Commission's recommendations laid the groundwork for new legislation in 2000, Assembly Bill 2838, which effectively rewrote LAFCO's enabling act as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH Act"). In summary, AB 2838 sought to make LAFCO more effective and better equipped to influence where and how growth occurs in California.

This report will focus on one of the resulting changes to the Government Code requiring LAFCOs to conduct comprehensive, regional studies of municipal services ("municipal service reviews") every five years in conjunction with the review of city and special district spheres of influence (SOI).

MSR Law & Statutory Requirements

Government Code Sections 56425 and 56430 set forth the procedural requirements for conducting sphere of influence updates and municipal service reviews. Section 56425 requires LAFCO to conduct periodic reviews of each agency's sphere of influence every five years. Section 56430 requires LAFCO to conduct municipal service reviews ("MSRs") in preparation of these periodic sphere reviews. (A copy of Government Code Sections 56425 and 56430 are attached to this report as Appendix 1.)



Purpose & Guiding Principles

The purpose and intent of service reviews is to gather data and information to document agencies' capacity to provide efficient and cost-effective municipal services to Orange County residents over the next 10 to 20 years.

The authors of the MSR program guidelines allowed individual LAFCOs some flexibility in the design and implementation of service reviews. Orange LAFCO chose a program focused on the end user by engaging multiple service providers and stakeholders in a focus area to facilitate the sharing of information. The overall goal was to identify new strategic approaches and joint opportunities for regional collaboration.

Orange LAFCO's three guiding principles ensured that service reviews would be:

1. Based on sound, defensible data and information
2. Future-focused
3. Open and inclusive process with stakeholder and public input

Desired Outcomes

LAFCO's desired outcomes for the MSRs and the stakeholder working group process were to raise awareness about future growth challenges and create dialogue among stakeholders about future shared opportunities for efficient, equitable, and reliable public service provision.

The MSR process model was designed to identify and target the issues the group felt were the most challenging growth related issues facing the focus area. A desired outcome for the stakeholders was a 20-year vision plan that was reflective of their input into the process.

Additionally, LAFCO is charged with reviewing and better understanding the structures and structural relationships of government agencies in order to complete the required nine determinations phase of the municipal service review process. As such, LAFCO will review and consider all the key issues and strategies included in the stakeholder's 20-year vision plan as the foundation and/or starting point for completing the nine required determinations.



Selection of MSR Prototypes

Orange LAFCO launched its Municipal Service Review Program in 2004 with the introduction of two “prototype” areas:

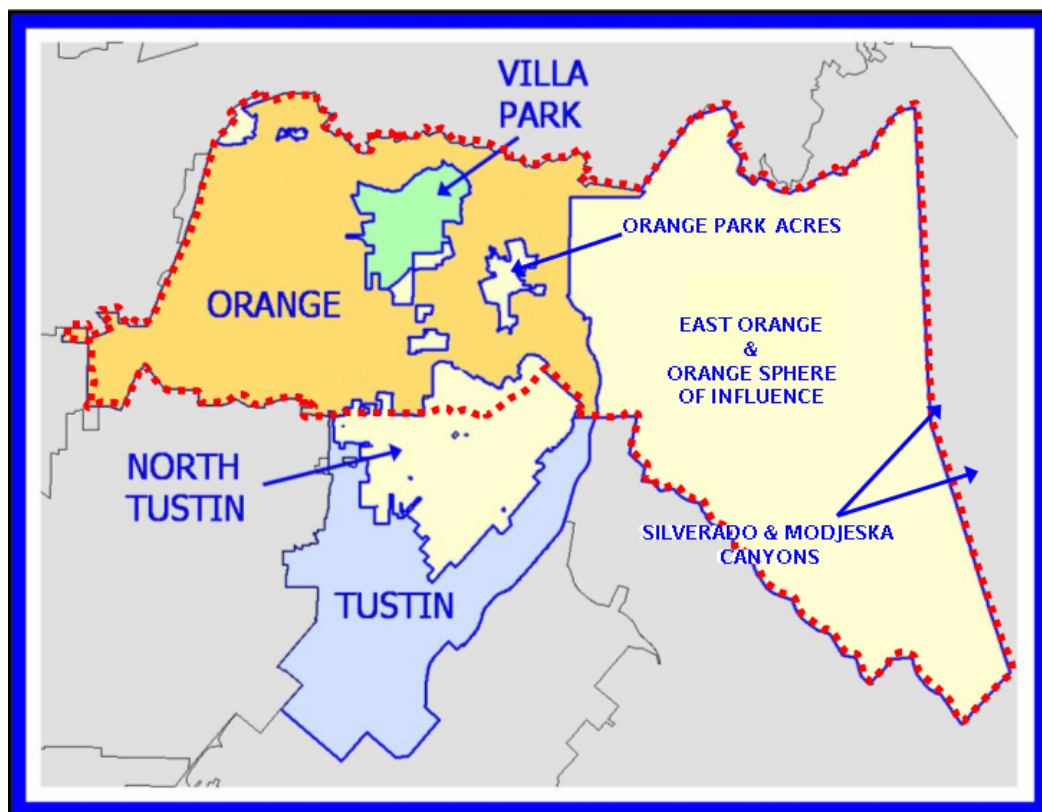
- Urban Coastal Focus Area: Los Alamitos, Seal Beach, Sunset Beach, Rossmoor
- Urban Fringe Focus Area: Orange, Villa Park, Orange Sphere of Influence

The MSR report focuses on the area shown on the map on the following page (Figure 1).

Prototype Area

The MSR area encompasses the Cities of Orange and Villa Park, the small and large unincorporated areas surrounded by the City of Orange (including Orange Park Acres), and a portion of the North Tustin unincorporated area. The remaining footprint of the prototype area extends out to include the East Orange area in the outermost boundaries of the City of Orange Sphere of Influence (SOI). The stakeholder working group also included representatives from the more rural Silverado and Modjeska Canyon areas outside the City of Orange’s SOI.

Figure 2.1 – Map of Focus Area





This MSR focus area land use consists of a combination of urban cities, rural residential areas, open space, and canyon area residential development. A 4,000-unit planned community development is proposed to be built in the East Orange/Orange Sphere of Influence area within the next few years. This development will bridge the existing gap between the existing urban and rural development of the focus area.

The focus area's demographic profile is detailed in Table 2.2.

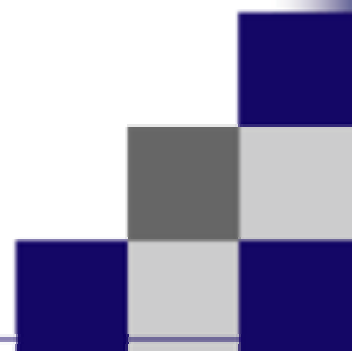
Table 2.2 – Focus Area Demographics

FOCUS AREA DEMOGRAPHICS <i>As of the Year 2000: Source OCP 2004</i>				
	<i>Population</i>	<i>Housing Units</i>	<i>Size of Avg. Household</i>	<i>Employment</i>
City of Orange	128,821	41,904	3.1	107,451
City of Villa Park	6,555	2,008	3.3	1,545
North Tustin (in Orange SOI)	4,361	1,442	2.9	0
Orange Park Acres	1,025	360	2.8	00
Silverado-Modjeska (Canyons)	1,773	800	2.2	236
East Orange	15	4	3.0	299
TOTALS:	142,550	46,518	2.9	109,531



Section 3:

STAKEHOLDER WORKING GROUP'S 20- YEAR VISION PLAN





CREATING A LONG-TERM VISION

The Stakeholder Working Group

As an open and inclusive process that is valuable to the stakeholders and the public, the first task in the municipal service review process was to establish a stakeholder working group to implement the process. LAFCO established the composition of the working group and was also an active participant in the group. (See Table 3.1 for a list of the stakeholder working group's composition.) The stakeholder working group (SWG) increased the opportunity for participation and input from the agencies and residents of the area. The group collaboratively addressed both the technical and policy-based issues in the focus area. (See Appendix 2 for background information on structure of SWG.)

Table 3.1 - Orange/Villa Park/Orange SOI MSR Stakeholder Working Group

ORANGE / VILLA PARK / ORANGE SPHERE OF INFLUENCE MSR STAKEHOLDER WORKING GROUP	
<i>Cities:</i>	<i>Representatives:</i>
City of Orange	<ul style="list-style-type: none">• John Sibley, Assistant City Manager• Irma Hernandez, Assistant to the City Manager• Frank Page, Community Representative
City of Villa Park	<ul style="list-style-type: none">• George Rodericks, City Manager• Drew Harris, Community Representative
<i>Special Districts:</i>	<i>Representatives:</i>
Irvine Ranch Water District	<ul style="list-style-type: none">• Paul Jones, General Manager
Santiago County Water District	<ul style="list-style-type: none">• Art Kidman, Counsel
Serrano Water District	<ul style="list-style-type: none">• David Noyes, General Manager
Silverado-Modjeska Canyon Recreation & Parks District	<ul style="list-style-type: none">• Mark Levy, Board Member
East Orange County Water District	<ul style="list-style-type: none">• Harvey Gobas, Director of Engineering
Orange Park Acres (OPA) Mutual Water Company	<ul style="list-style-type: none">• Tom Davidson, OPAM Board Member



ORANGE / VILLA PARK / ORANGE SPHERE OF INFLUENCE MSR STAKEHOLDER WORKING GROUP	
Major Unincorporated Communities:	Representatives:
North Tustin	<ul style="list-style-type: none">• John Secor, Community Representative
Orange Park Acres (OPA)	<ul style="list-style-type: none">• Tom Davidson, OPA Association Board President
Silverado-Modjeska Canyon Areas (Inter-Canyon League)	<ul style="list-style-type: none">• Dean Brown, Community Representative
Other:	Representatives:
County of Orange	<ul style="list-style-type: none">• Rob Richardson, County Executive Office
Local Agency Formation Commission (LAFCO)	<ul style="list-style-type: none">• Kim Koeppen, Project Manager
Facilitator	<ul style="list-style-type: none">• Sharon Browning

For the MSR stakeholder working group process to be successful, stakeholders and LAFCO had to be committed to the vision plan as an end product which may serve as a resource for their own future planning and to subsequent LAFCO action. To ensure that members were working with common objectives, the working group members adopted the following purpose at the outset of the process:

"The purpose of the MSR Stakeholder Working Group is to develop a 20-year vision plan which addresses future governance needs and community service delivery issues in the MSR focus area. The vision plan will be based on sound demographic, technical, and fiscal data, and designed to maintain or enhance the quality of life within the MSR focus area."

The SWG met for nine facilitator-led meetings, scheduled approximately every three to four weeks to address specific objectives. The result was a 20-year vision plan that would guide stakeholders and LAFCO in addressing future municipal services, governance and infrastructure needs for the focus area. (The SWG's 20-year vision plan process is illustrated in Figure 3.2.)

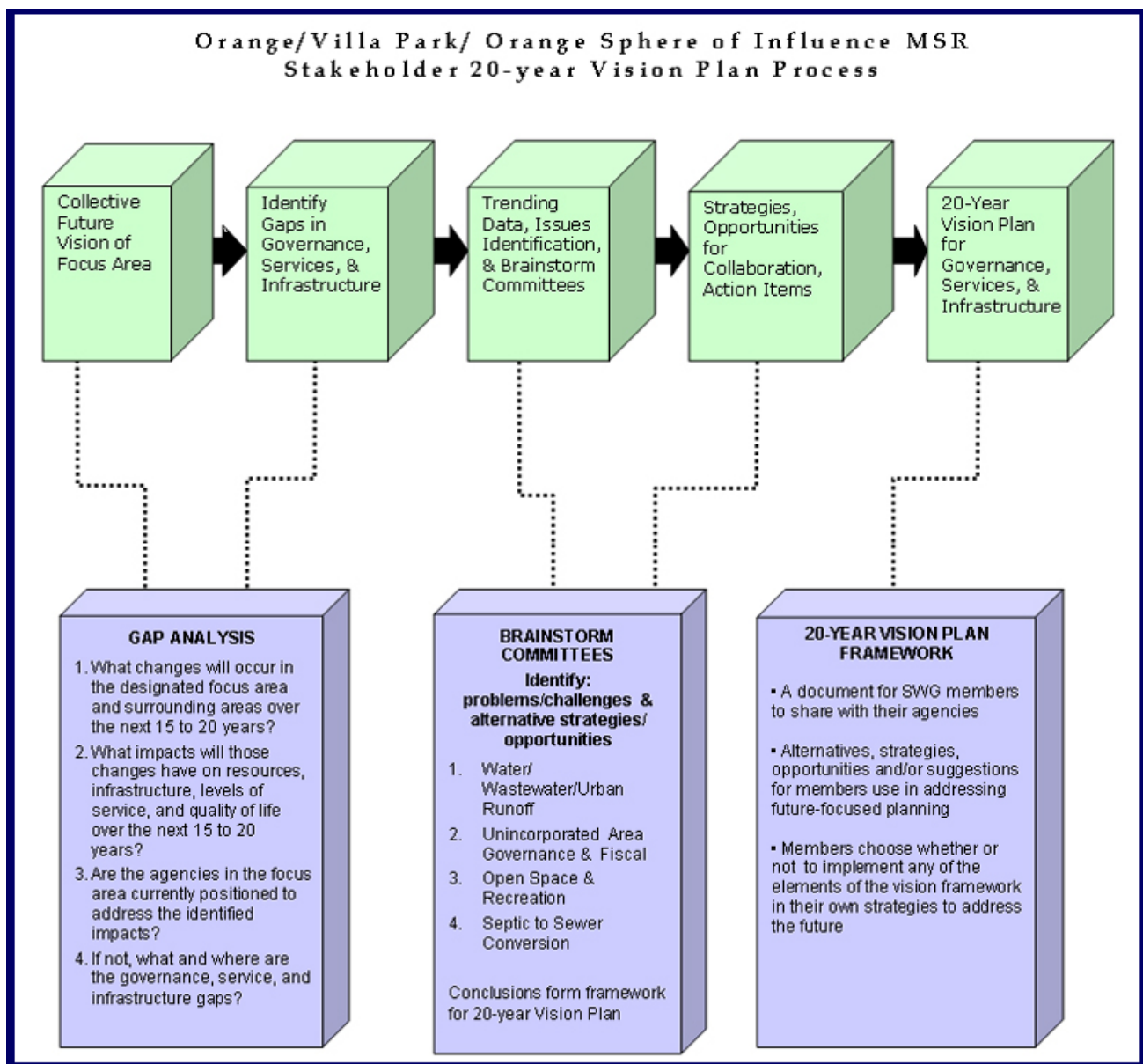
The major process objectives to achieve the vision plan were:

- Visualize how the stakeholders would like to see the area in 20 years.
- Use future-focused data to frame issues discussions.
- Determine where the gaps in infrastructure, municipal services and governance exist today, and identify what data is needed about those gaps.



- Brainstorm how to fill the gaps and how to implement new collaborations that help reach the 20-year vision plan.
- Create a 20-year vision plan that sets forth short- and long-range strategies, opportunities, and action items that reflect what is valuable to the stakeholders as they address future key municipal service, governance, and infrastructure issues and gaps.

Figure 3.2 – Orange/Villa Park/Orange SOI MSR Stakeholder 20-Year Vision Plan Process





The Vision

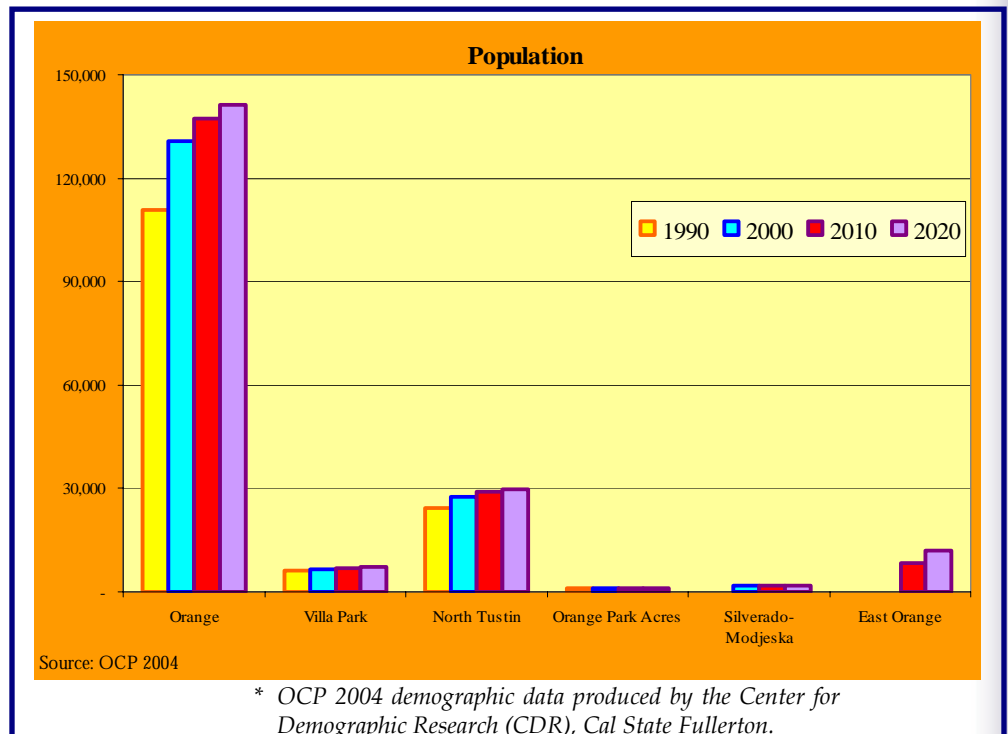
The SWG members used technical, demographic, infrastructure, and service delivery data and information to identify key issues and future challenges created by a projected population increase of 19,000 residents by the year 2020. The alternative approaches, strategies and opportunities that addressed those challenges became the vision for the working group.

Foundation of Data

The 20-year vision plan was based on credible data and information as accepted by the SWG. The specific content of the vision plan was derived through stakeholder input and direction. LAFCO staff and consultants provided the stakeholders with detailed data that represented the existing demographics, governance, infrastructure, and municipal services in the area now and projected the impacts of 20 years of growth on those same issues. The data illustrated that projected growth will inevitably strain existing aging or inadequate infrastructure and pose additional challenges to existing governance and municipal service delivery structures.

The population growth graph (Figure 3.3) shows the dramatic population increase in one portion of the MSR focus area, the East Orange area. Due to a proposed development project in that location, population projections for East Orange show an increase from 15 in the year 2000 to over 8,300 in 2010. The population is projected to reach 11,853 people by the year 2020.

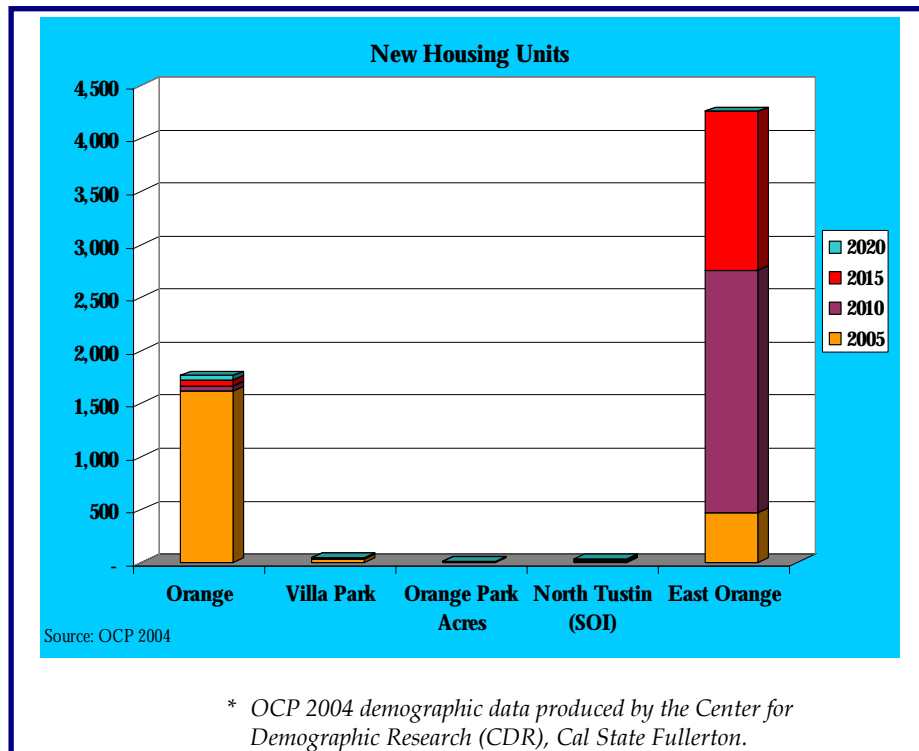
**Figure 3.3 – Projected
Population Growth**





Correspondingly, the largest increase in projected number of new homes is also in the East Orange area. The total number of housing units is projected to increase from four units in the year 2000 to over 4,200 by the year 2020. (See Figure 3.4.)

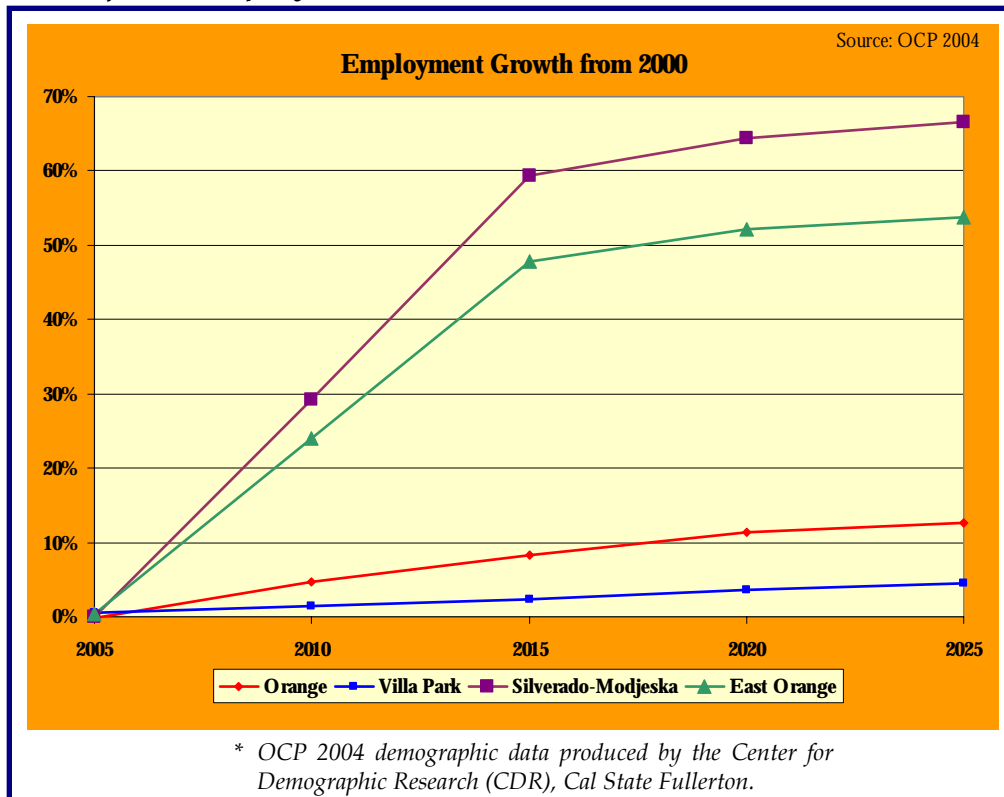
Figure 3.4 – Projected New Housing Units



Employment growth in the area is also projected to increase as much as 60%, adding over 300 jobs in the outlying area of the current Orange sphere of influence by the year 2020. The greatest increase in job growth is expected to occur in the canyon and East Orange areas, represented by the purple and green tracks on the graph shown in Figure 3.5.



Figure 3.5 – Projected Employment Growth



The challenges identified by the working group were:

- Infrastructure that is aging or currently not in place in some areas
- Unincorporated areas create challenges to the County of Orange in the face of shrinking revenues and a regional focus on public service delivery.
- The responsibility for maintaining open spaces, in particular the provision of public safety services in those areas.

Population, housing and employment trending projections led the group to ask an overall question: How can stakeholders better prepare infrastructure, governance, and service delivery structures for the impending growth? The group turned to more data and information to answer the question.

Gap Analysis

Demographic data and baseline information on services, infrastructure, and governance conditions helped the working group prioritize specific areas where gaps exist between



the collective vision of the area now and what it would take to achieve their future vision.

The following eight “macro issue” categories were areas that the group agreed to explore further in the visioning process (not in order of priority):

- Water/Wastewater
- Land Use/Open Space Resources
- Transportation/Traffic
- Changing Demographics
- Infrastructure
- General Municipal Services (e.g., police, fire, schools, library)
- Fiscal
- Governance

Over a three month period, LAFCO staff, with the assistance of consultant services, collected and synthesized relevant data on each of the eight macro issue categories to present to the working group. This “trending data” provided a foundation on which to build conclusions and/or assumptions about future challenges in the focus area in these eight issue categories. The data and information also served as a “springboard” for productive and constructive dialogue within the working group on key issues for the focus area. It also helped generate more specific future-focused questions to be further studied and explored by smaller SWG member brainstorming committees. (See Appendix 3, trending data presentation summaries.)

Key Issues

Due to the timeframe allowed for completion of the SWG work plan, it was impossible to fully address all eight macro issues. After reviewing all the trending data available to them, the working group further prioritized the list of important issues they felt warranted more in-depth future-focused discussion. The following key issues were identified for further brainstorming study:

- Open Space & Recreation
- Septic-Sewer Conversion Challenges (Orange Park Acres/North Tustin)
- MSR for Unincorporated Island Areas (fiscal and governance issues)
- Water/Wastewater/Urban Runoff



Filling the Gaps: Brainstorming Committees

Those four key issues were singled out as the most important issues to address in planning for growth in the area. Committees were formed and convened to work to focus the discussion on two specific objectives:

1. Further define the future governance, service, and infrastructure challenges associated with each of the above four issue areas; and
2. Brainstorm all the short- and long- range alternative strategies, approaches, and opportunities to address those challenges.

Brainstorm committees were also encouraged to identify and recruit other technical experts not necessarily on the working group to participate in the brainstorming work of the committee. The brainstorm committees agreed to present their findings to the full stakeholder working group for discussion and consensus recommendations.

The groups were charged with identifying new collaborations and strategies to better address future growth in ways not currently being implemented. For stakeholders, it was a unique opportunity to discuss those issues in a global manner with others outside of their specific agency concentration. All brainstorming committees invited participants from agencies outside the SWG membership. A complete list of all technical brainstorm committee participants is attached to this report as Appendix 4.

The future challenges and alternative strategies identified by the various brainstorming committees provided the framework for this document, the working group's 20-year vision plan. Specific to one key issue, each brainstorming committee report to the SWG defined the future challenges of the issue and addressed the key opportunities, alternatives and strategies to address those challenges. An abbreviated summary of each issue problem statement, the identified challenges and accompanying short- and long-range alternatives is included as Figures 3.6-3.9 on the following pages of this report. Full text copies of the brainstorming committees' issue presentations are included as Appendix 5 to this report.



Figure 3.6 – Unincorporated Areas Governance & Fiscal

UNINCORPORATED AREAS GOVERNANCE & FISCAL	
Problem Statement:	Options, Alternatives, Future Strategies:
<p>The County will continue to experience unprecedented growth. Growth increases the demand for and impact to public service delivery and governance.</p> <p>The current service delivery structure of the County as municipal service provider to unincorporated areas is costly and inefficient.</p> <p>As the population grows, the need for regional services increases, while the ability for the County to maintain the existing level of both regional and municipal-level services will likely be compromised.</p>	<ol style="list-style-type: none"> 1. Evaluate, quantify and pursue governance and service delivery options for the unincorporated areas within Orange, & the areas of North Tustin and Orange Park Acres. 2. Explore regionalized service delivery approach for municipal service provision. 3. Establish a formal task force process for outreach and education regarding annexation. 4. Revisit "Unincorporated County Islands Revitalization Strategic Plan" and address funding strategies and collaborations to implement the plan.

* See Appendix 5 for full text of issue presentation.

Figure 3.7 – Open Space & Recreation

OPEN SPACE & RECREATION	
Problem Statement:	Options, Alternatives, Future Strategies:
<p>The goal is to maintain existing and, wherever possible, set aside additional acreage for the open space preservation and recreational uses. However, two primary challenges remain:</p> <ol style="list-style-type: none"> 1. Environmental aspects of securing and maximizing use of open space areas including: <ul style="list-style-type: none"> ♦ Urban runoff ♦ Fire management (area closures) ♦ Public access management 	<ol style="list-style-type: none"> 1. Complete trail system connections. <ul style="list-style-type: none"> ♦ Explore opportunities to connect existing & potential riding, hiking & biking trails. ♦ Coordinate trials master plans for Orange Park Acres, Silverado-Modjeska Recreation & Parks District, City of Orange, and County of Orange. 2. Encourage county-wide open space planning efforts. <ul style="list-style-type: none"> ♦ Coordinate open space planning efforts between Silverado-Modjeska Recreation & Parks District, City of Orange, and County of Orange. 3. Create partnerships to maximize the potential to secure open space for preservation and recreation uses. <ul style="list-style-type: none"> ♦



OPEN SPACE & RECREATION	
<i>Problem Statement:</i>	<i>Options, Alternatives, Future Strategies:</i>
2. Financing (i.e., identifying sources for funding to purchase and set aside land for open space and/or recreation uses)	4. Explore potential governance and service delivery structures for focus area open space. <ul style="list-style-type: none"> ◆ Open Space District ◆ Community Services District ◆ Use existing district(s) ◆ Propose new district

* See Appendix 5 for full text of issue presentation.

Figure 3.8 – Septic to Sewer Conversion

SEPTIC TO SEWER CONVERSION	
<i>Problem Statement:</i>	<i>Options, Alternatives, Future Strategies:</i>
<p>Increased population and densities are putting pressure on septic systems as a viable method of wastewater disposal for the future.</p> <p>Conversion to public sewer is costly as infrastructure does not exist in many areas.</p> <p>Accessing public funding for infrastructure construction is time consuming and competitive.</p>	<ol style="list-style-type: none"> 1. Make public sewer infrastructure widely available. 2. Access funding sources for infrastructure construction costs. 3. Pursue financing opportunities for infrastructure conversion costs. 4. Engage in education & outreach focused on: <ul style="list-style-type: none"> ◆ Increasing resident awareness regarding septic system use. ◆ Focus on policy makers for regulatory, public health, environmental changes. 5. Strengthen create new proactive policies and practices (i.e., require regular septic system function testing; create and implement active monitoring and assessment programs).

* See Appendix 5 for full text of issue presentation.



Figure 3.9 – Water, Wastewater, Urban Runoff

WATER, WASTEWATER, URBAN RUNOFF	
Problem Statement:	Options, Alternatives, Future Strategies:
<p><u>Water:</u> Provide safe, reliable, cost-effective water service in an environmentally responsible manner.</p> <p><u>Wastewater:</u> Provide reliable, cost-effective wastewater collection, treatment and disposal/reuse in a safe, environmentally responsible manner.</p> <p><u>Urban Runoff (UR):</u> Mitigate impact of urban runoff to the environment and comply with regulatory requirements.</p> <p><u>Non-potable water (NP):</u> Develop cost effective non-potable delivery system.</p>	<p><u>Water:</u></p> <ol style="list-style-type: none"> 1. Develop water supply and planning and design standards for system operations. 2. Provide for infrastructure replacement schedules & funding sources. 3. Control costs in operations, source of supply, and energy. 4. Promote water agency collaboration: pursue economies of scale opportunities, consider alternative service delivery opportunities. <p><u>Wastewater:</u></p> <ol style="list-style-type: none"> 1. Focus design, maintenance, and operation of sewer system to eliminate sewage discharges. 2. Provide for infrastructure replacement schedules and funding sources. 3. Develop cost-effective transfer plan for realigning sewer responsibilities between regional and local agencies. 4. Monitor regulatory changes and promote joint facilities use among agencies. <p><u>Urban Runoff (UR):</u></p> <ol style="list-style-type: none"> 1. Develop, fund, implement, multi-agency framework to manage UR. 2. Develop local treatment sites to protect Irvine Lake and promote conservation. 3. Educate customers on irrigation, and apply new irrigation controller technology. <p><u>Non-Potable (NP):</u></p> <ol style="list-style-type: none"> 1. Utilize available capacity in Irvine Lake.
<p>Key Principles for consideration regarding water/sewer service to the proposed East Orange planned development:</p> <ul style="list-style-type: none"> ♦ The evaluation of appropriate service providers should be confined to the East Orange development area. ♦ The evaluation process to determine the best service provision(s) for the East Orange development area should be stakeholder driven. ♦ Key criteria were suggested to evaluate service providers that were being identified in the East Orange Utility Study 	

* See Appendix 5 for full text of issue presentation & Key Principles presentation.



Vision Plan Principles

Through committee and general working group meetings, several long-range strategies were developed to address those issues. Based on the brainstorming committees' recommendations, the working group reached consensus on the stakeholder working group's key future vision. The working group's key vision for maintaining quality of life for the focus area can be characterized by the following principles:

- Improve delivery of public services.
- Acquire and secure open space and recreation areas.
- Protect the environment.
- Increase financial base of agencies and communities.
- Build collaborations.

However, there were some compelling issues the group did not address in its overall vision for the area, including:

- Opportunities for streamlining or consolidating current service delivery agencies to achieve efficiencies and/or cost savings. The group discussion and brainstorming committees' recommendations stopped short of identifying alternative future service delivery structure options for the existing special districts.
- Future governance and service delivery options for the City of Villa Park.
- Future fiscal viability of the smaller special districts.
- Management and service delivery structure options for open space areas.

Next Steps

The SWG is to be commended for accomplishing the formidable task of generating the content of the SWG 20-year vision plan. Over a ten month process, the group engaged in stimulating discussions and intense work, ultimately defining key issues and potential opportunities for collaboration and improved approaches to better prepare the area for growth that will occur.



The 20-year vision plan represents this working group's perspective on the key issues for the future of the subject area. It is comprised of what the stakeholders concluded was important to focus on to maintain the existing quality of life for residents such as: water, wastewater, urban runoff, open space, conversion of septic systems to public sewer, and governance strategies for County unincorporated areas. However, the 20-year vision plan is only a starting point for continued future planning. Issues remain.

This process was an opportunity for a unique mix of stakeholder agencies to *collectively* look at how the area will be impacted *comprehensively* by impending growth. The SWG process model was designed to begin a collaborative process that ideally would be continued by stakeholders.

The next steps are up to LAFCO and the agencies involved. The action plan is clear:

- Build collaborations and partnerships to explore economies of scale opportunities for service delivery efficiencies and cost savings.
- Address/monitor regulatory changes to proactively protect the environment.
- Streamline governance and service delivery systems to increase fiscal stability and local accountability.

For LAFCO, the data that was generated through this working group process is an invaluable tool in the comprehensive understanding of the infrastructure, governance, and service delivery structures present in this specific focus area. LAFCO's next steps will be to analyze more specific data and information on each stakeholder agency to complete the municipal service review report.

The stakeholder working group participated in a process evaluation at the conclusion of its meeting series. See Appendix 6 for a summarized version of the group's comments and suggestions.



Section 4:

STAKEHOLDER AGENCY PROFILES





STAKEHOLDER AGENCY PROFILES

This section of the report provides a profile of the demographics, services, and infrastructure systems for the agencies and communities represented in the MSR focus area. LAFCO provided a questionnaire to each stakeholder agency at the outset of the MSR program process. The questionnaire included specific questions regarding how each agency/community currently plans for growth related impacts on municipal services, governance and infrastructure systems. The questionnaire also sought information on existing collaborations, agreements, and/or cooperative arrangements that assist the entities in efficient, cost effective service provision.

Orange, Villa Park, Orange Sphere of Influence MSR Agencies	City of Orange	City of Villa Park	East Orange Water District	Santiago County Water District	Serrano Water District	Orange Park Acres Mutual Water Company	Silverado-Modjeska Parks and Recreation	Irvine Ranch Water District	County of Orange
WATER SERVICES	X	X	X	X	X	X		X	
Wholesale			D						
Retail, potable	D		D	D	D	D		D	
Water Treatment				D	D			D	
Reclaimed Water								D	
Non-Potable Water					D			D	
Groundwater Management									
Water Replenishment									
WASTEWATER	D							D	
Collection								D	



Orange, Villa Park, Orange Sphere of Influence MSR Agencies									
	City of Orange	City of Villa Park	East Orange Water District	Santiago County Water District	Serrano Water District	Orange Park Acres Mutual Water Company	Silverado-Modjeska Parks and Recreation	Irvine Ranch Water District	County of Orange
Treatment								D	
POLICE	D	C							D
FIRE/EMS	D	C							
PARKS/RECREATION	D						D		D

*D=Provides services direct

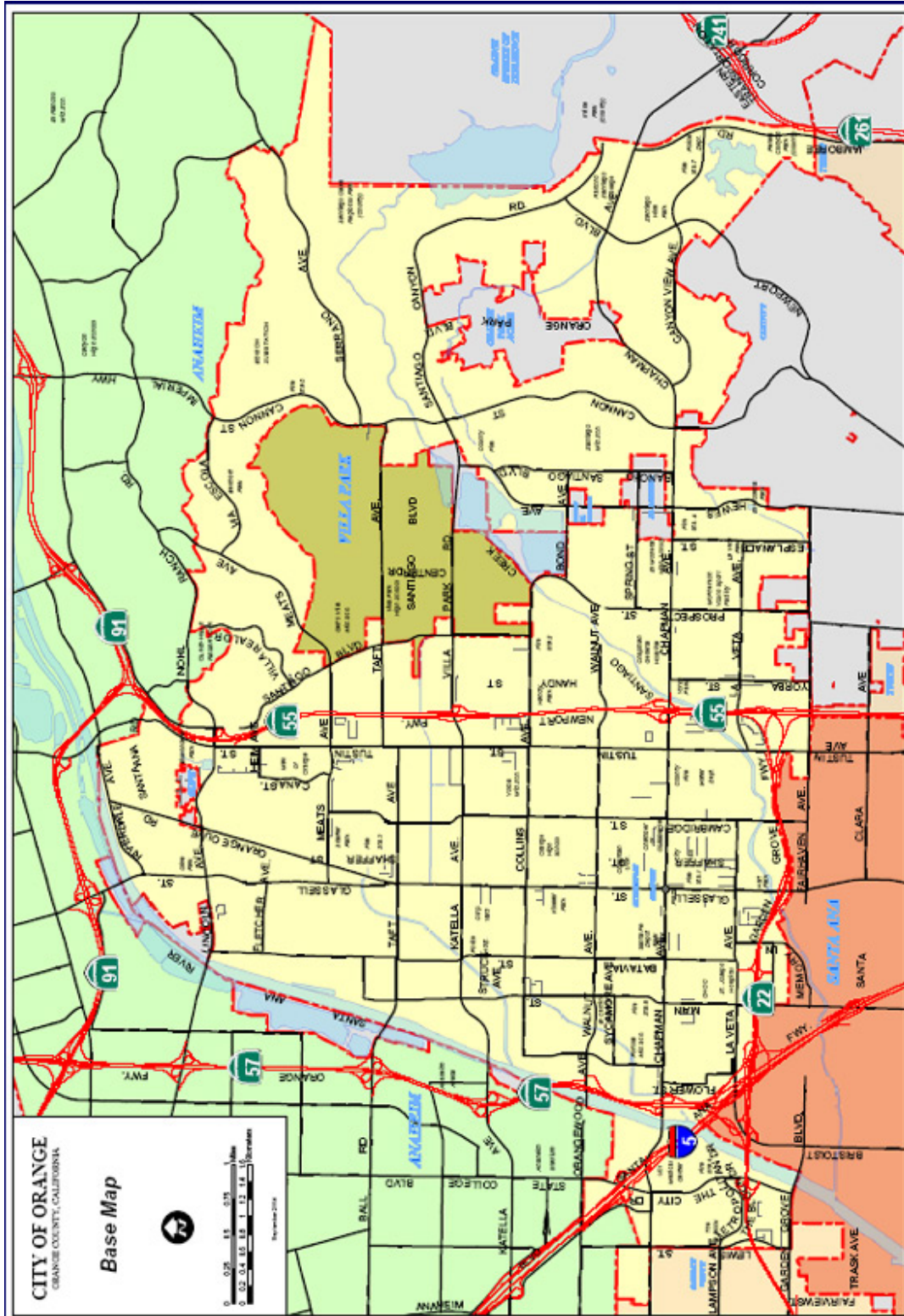
**C=Contracts for services



CITY OF ORANGE			
<u>Demographics:</u>			
♦ 2003 Population:		134,523	
♦ Projected 2020 Population:		140,674	
♦ Size:		27 sq. miles	
<u>Governance:</u>			
♦ Incorporated in 1888			
♦ Council/Manager form of government			
♦ 5-member Council & elected mayor			
<u>Budget:</u> (FY 2002-2003)			
Revenues:	Expenses:	Reserves:	
\$133,494,723	\$142,726,071	\$9,231,348	
<u>Infrastructure/Public Facilities:</u>			
♦ Employees:		681 (FTE)	
♦ Water Connections:		33,700	
♦ Water Service Population:		132,947	
♦ Miles of Water Lines:		239	
♦ Water Sources:		20% imported; 77% groundwater; 3% surface	
♦ Wastewater Connections:		43,526	
♦ Wastewater Service Population:		135,000 (in 2005)	
♦ Miles of Wastewater Lines:		336	
♦ Police Employees:		272.59 staff positions (159 sworn regular FTE, 8.5 sworn temp- seasonal; 77 non-sworn regular FTE, s regular part time(PT); 25.84 n-s temp-seasonal)	
2.25 n-			
♦ Population/Officer:		849	
♦ Fire Employees:		136.75 staff positions (124 sworn regular FTE, 12 reg FTE)	
n-s			
♦ Population/Firefighter:		1,088	
♦ Number of Parks:		17 park sites	
♦ Population/Acres of Parks:		202 acres	
Agency Service Area Map (Figure 4.1)			



Figure 4.1 - Map of the City of Orange

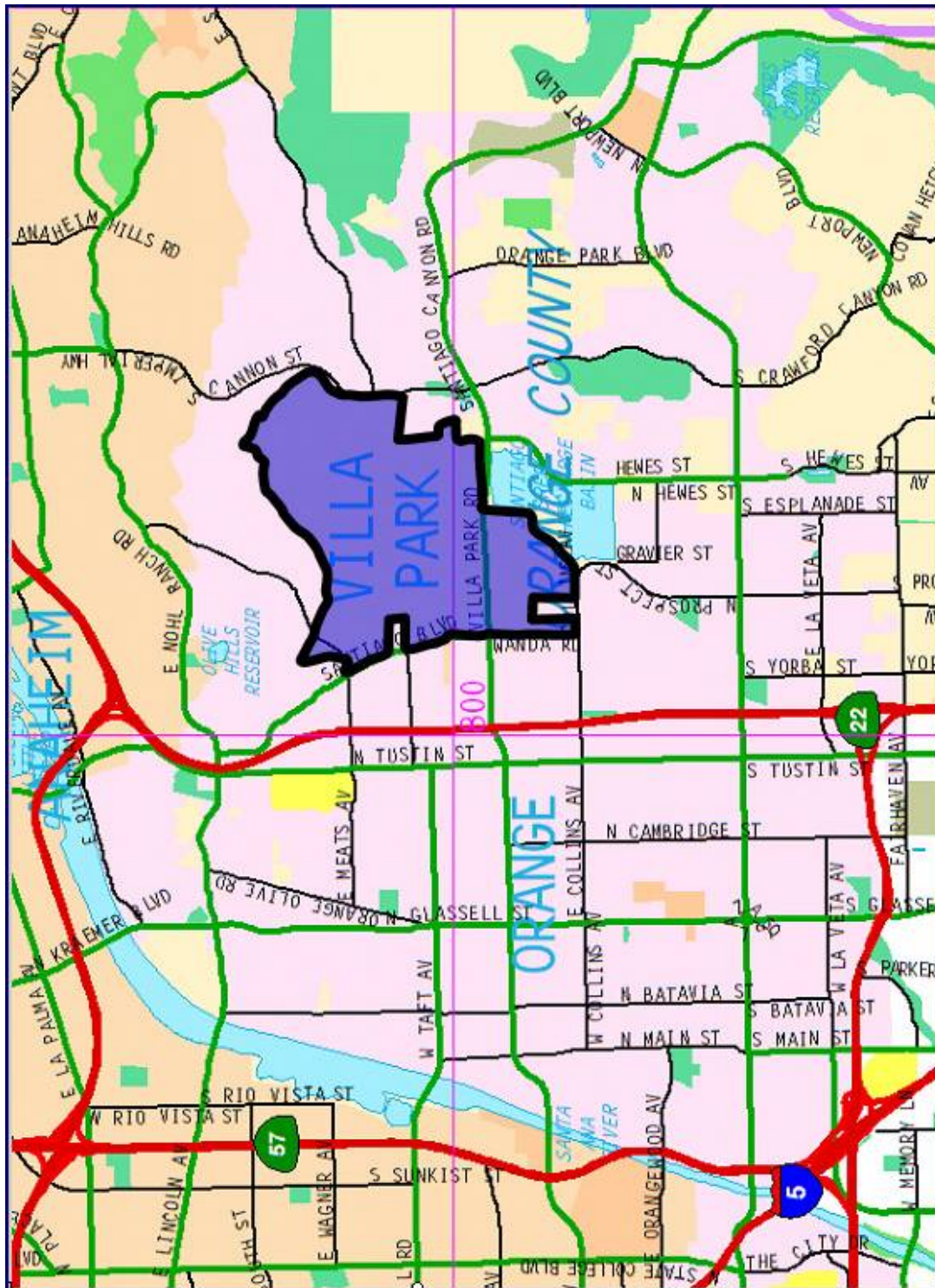




CITY OF VILLA PARK			
<u>Demographics:</u>			
♦ 2003 population:		6,659	
♦ Projected 2020 population:		7,147	
♦ Size:		2.1 sq. miles	
<u>Governance:</u>			
♦ Incorporated in 1962			
♦ Council/Manager form of government			
♦ 5-member Council			
<u>Budget:</u> (FY 2002-2003)			
Revenues:	Expenses:	Reserves:	
\$2,890,650	\$3,390,615	\$1,622,239	
<u>Infrastructure/Public Facilities:</u>			
♦ Employees:		8: 5 (FTE), 2 contract staff, 1 hourly staff	
♦ Services Provided by the City:		General government administrative services	
♦ Contracted Services include:			
• Police Protection:		Orange County Sheriff	
• Fire Protection:		Orange County Fire Authority	
• Animal Control:		County of Orange	
• Water, Gas, & Electric utilities:		Provided through outside agencies	
• Street sweeping, sewer cleaning sanitation services, signal maintenance, engineering, building inspection, code enforcement, refuse collection		Private contract	
Agency Service Area Map (Figure 4.2)			



Figure 4.2 - Map of the City of Villa Park





EAST ORANGE COUNTY WATER DISTRICT

Demographics:

- ◆ 2003 service population: 3,195 (retail) and 100,000 (wholesale)
(Retail area 90% built-out.)
- ◆ Projected 2020 population:
- ◆ Size: 15.6 sq. miles

Governance:

- ◆ Formed in incorporated in 1961
- ◆ 5-member Board of Directors
- ◆ Provides wholesale and retail water service

Budget:

(FY 2002-2003)

	Revenues:	Expenses:	Net:
Wholesale:	\$4,178,427	\$4,443,990	\$(265,563)
Retail:	\$898,007	\$999,139	\$(101,132)

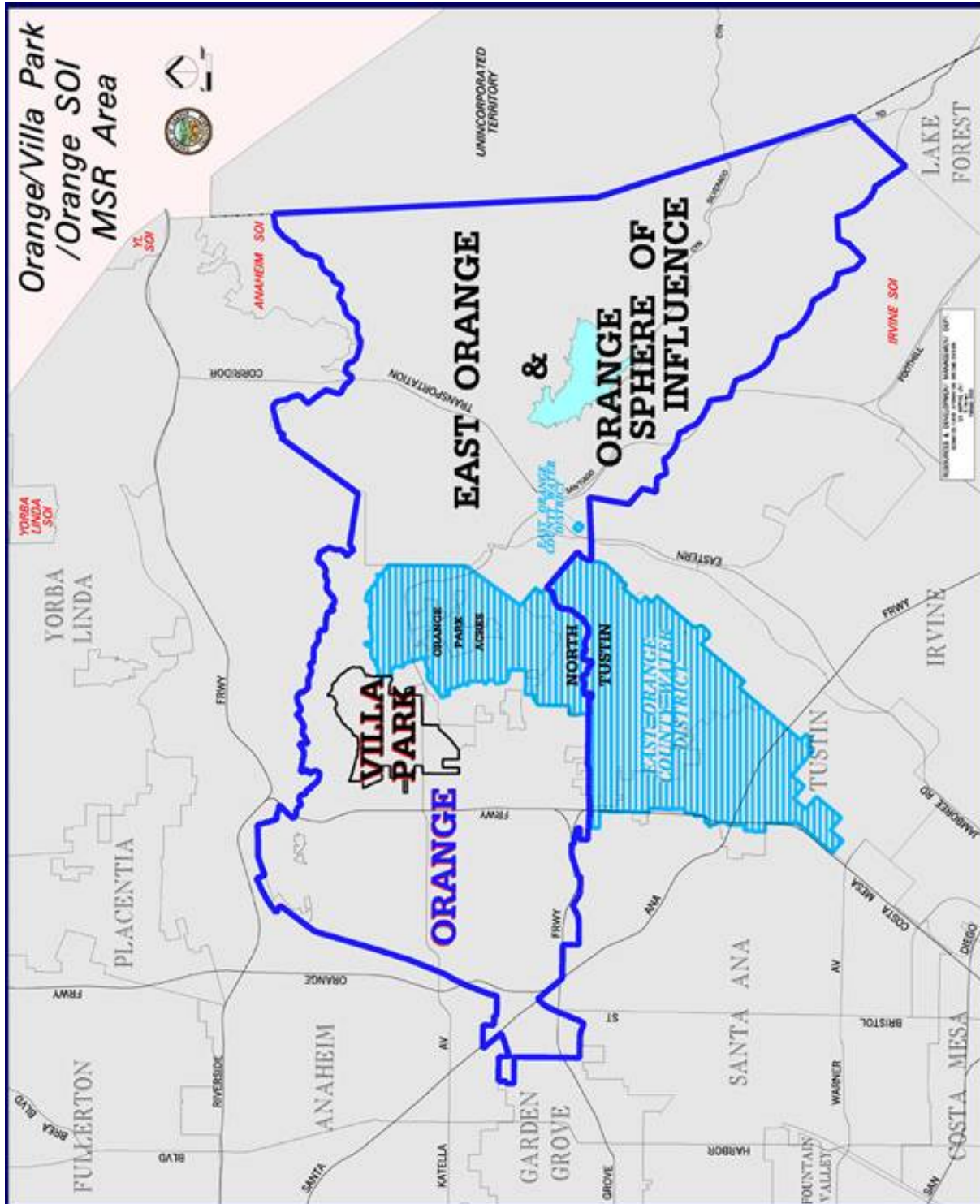
Infrastructure/Public Facilities:

- ◆ Employees: 5 (FTE)
- ◆ Wholesale Water :
- ◆ Connections: 17
- ◆ Water Service Population: 100,000
- ◆ Miles of Water Lines: 11
- ◆ Retail Water Connections: 1,189
- ◆ Water Service Population: 3,195
- ◆ Miles of Water Lines: 24
- ◆ Water Sources: 40% imported; 60% groundwater

Agency Service Area Map (Figure 4.3)



Figure 4.3 – Map of the East Orange County Water District's Service Territory





IRVINE RANCH WATER DISTRICT

Demographics:

- ◆ 2003 service population: 316,287
- ◆ Projected 2020 service population: 385,000
- ◆ Size: 133 sq. miles

Governance:

- ◆ Formed in 1961
- ◆ 5-member Board of Directors

Budget:

(FY 2002-2003)

Revenues:	Expenses:	Net:
\$113,408,000	\$113,408,000	\$0

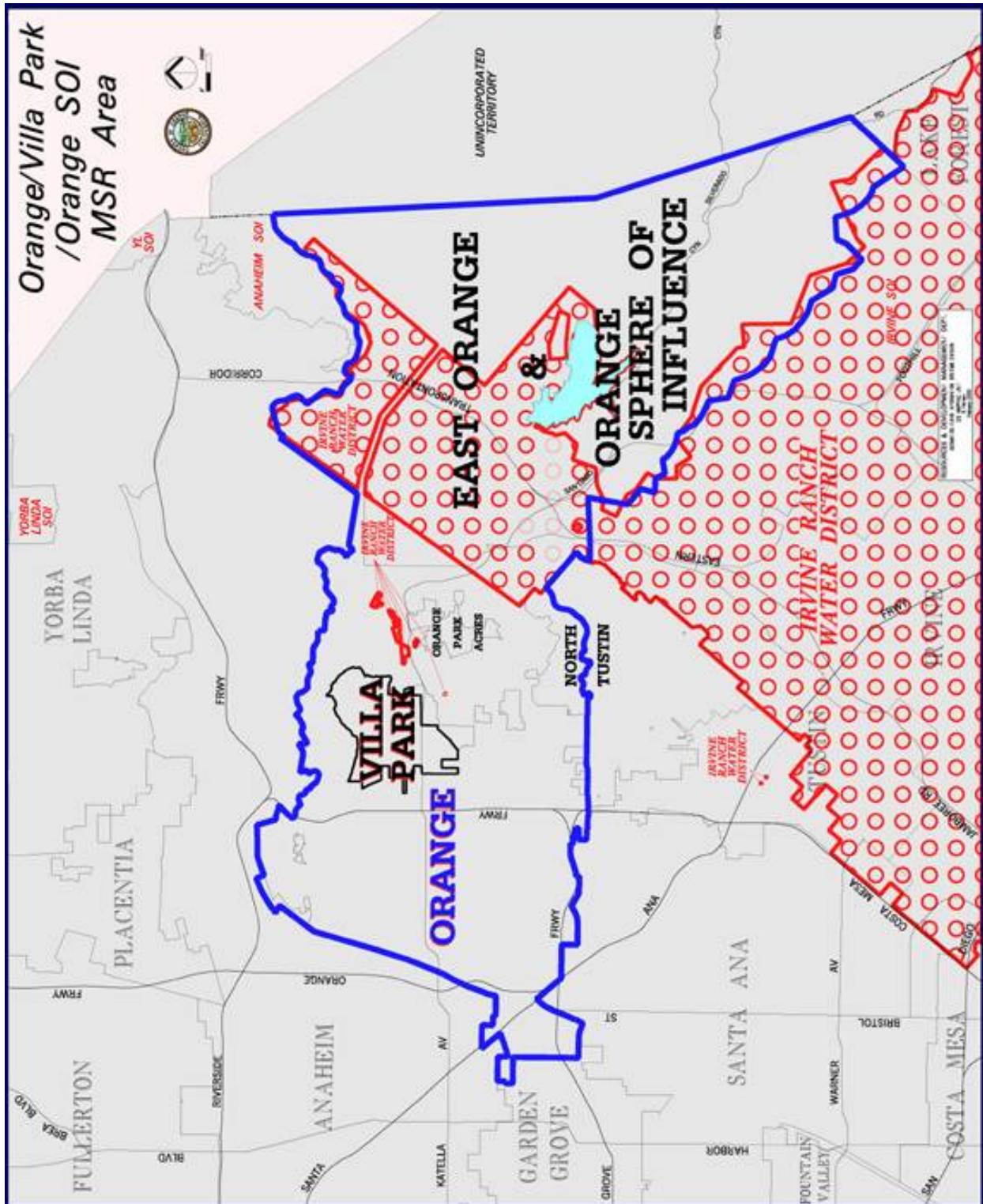
Infrastructure/Public Facilities:

- ◆ Employees: 293 (FTE)
- ◆ Water Connections: 83,708
- ◆ Water Service Population: 316,000 residential; 500,000 (daytime)
- ◆ Miles of Water Lines: 6,324
- ◆ Water Sources: 22% imported; 40% groundwater; 12% surface;
- ◆ Wastewater Treatment Level: 26% recycled Tertiary
- ◆ Average Dry weather Flows: 17 mgd
- ◆ Population Served: 301,199
- ◆ Wastewater Connections: 7,543

Agency Service Area Map (Figure 4.4)



Figure 4.4 - Map of the Irvine Ranch Water District's Service Territory





SANTIAGO COUNTY WATER DISTRICT

Demographics:

- ◆ 2003 service population: 2,500
- ◆ Projected 2020 population: 3,150
- ◆ Size: 21 sq. miles

Governance:

- ◆ Formed in 1963
- ◆ 5-member Board of Directors

Budget:

(FY 2002-2003)

Revenues:	Expenses:	Net:
\$1,462,381	\$1,330,625	\$131,756

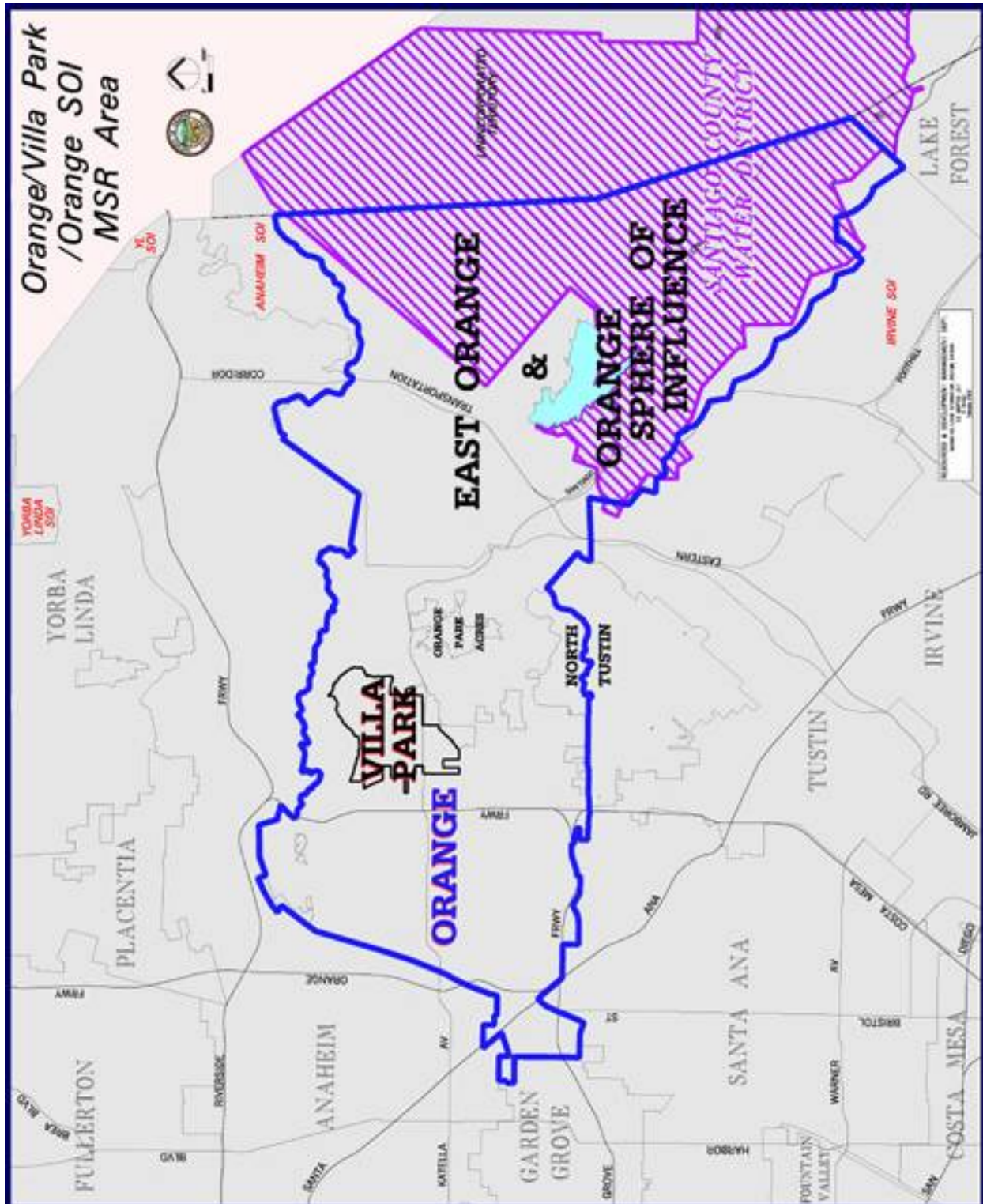
Infrastructure/Public Facilities:

- ◆ Employees: 6: 5 (FTE), 1 PT
- ◆ Water Connections: 740
- ◆ Water Service Population: 2,590
- ◆ Miles of Water Lines: 26
- ◆ Water Sources: 65% imported; 35% surface

Agency Service Area Map (Figure 4.5)



Figure 4.5 – Map of the Santiago County Water District's Service Territory





SERRANO WATER DISTRICT

Demographics:

- ◆ 2003 service population: 6,800
- ◆ Projected 2020 population: service area is 99% built-out
- ◆ Size: 2 sq. miles

Governance:

- ◆ Formed in 1928
- ◆ 5-member Board of Directors

Budget:

(FY 2002-2003)

Revenues:	Expenses:	Net:
\$3,013,137	\$2,357,402	\$655,734

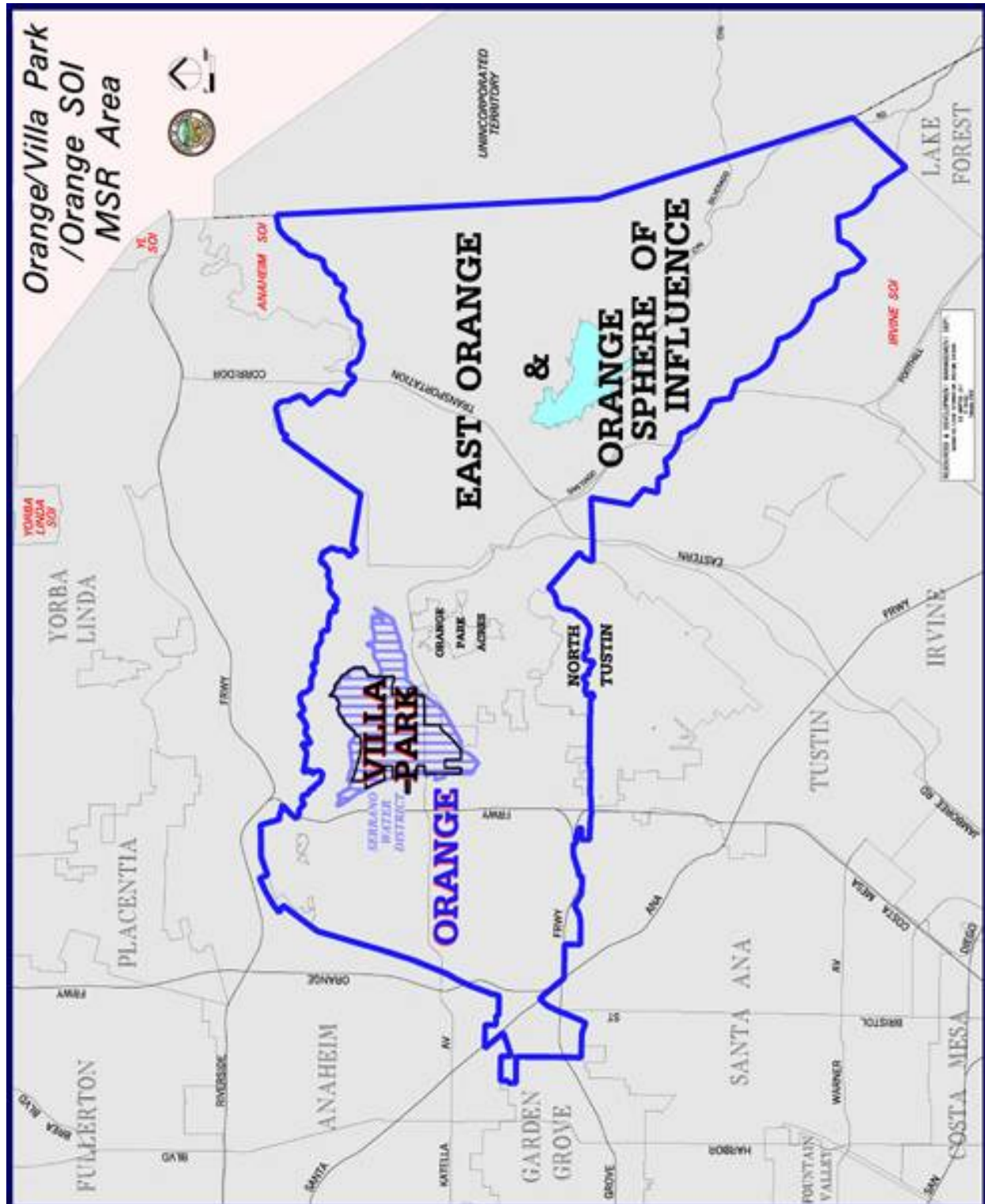
Infrastructure/Public Facilities:

- ◆ Employees: 12 (FTE)
- ◆ Water Connections: 720
- ◆ Water Service Population: 2,500
- ◆ Miles of Water Lines: 43
- ◆ Water Sources: 30% groundwater; 70% surface

Agency Service Area Map (Figure 4.6)



Figure 4.6 – Map of the Serrano Water District's Service Territory





ORANGE PARK ACRES MUTUAL WATER COMPANY

Demographics:

- ◆ 2003 population: 1,750
- ◆ Projected 2020 population:
- ◆ Size: 1.3 sq. miles

Governance:

- ◆ Formed in 1929
- ◆ 5-member Board of Directors elected by OPA residents
- ◆ Mutual is owned by residents at one (1) share per acre

Budget:

(FY 2002-2003)

Revenues:	Expenses:	Net:
\$885,000	\$885,000	\$0

Infrastructure/Public Facilities:

- ◆ Employees: 2 (PTE)
- ◆ Water Connections: 720
- ◆ Water Service Population: 2,500
- ◆ Miles of Water Lines: 15
- ◆ Water Sources: 59% imported; 41% groundwater

Agency Service Area Map – Please refer to the map for the unincorporated community of Orange Park Acres, Figure 4.10.



SILVERADO-MODJESKA RECREATION & PARKS DISTRICT

Demographics:

- ◆ 2003 population: 2,500
- ◆ Projected 2020 population: *not available*
- ◆ Size: 73.16 square miles

Governance:

- ◆ Formed in 1961
- ◆ Governed by five-member Board of Directors

Budget:

(FY 2003-2004) 2002-2003 not available

Revenues:	Expenses:	Net:
\$97,088	\$76,884	\$20,204

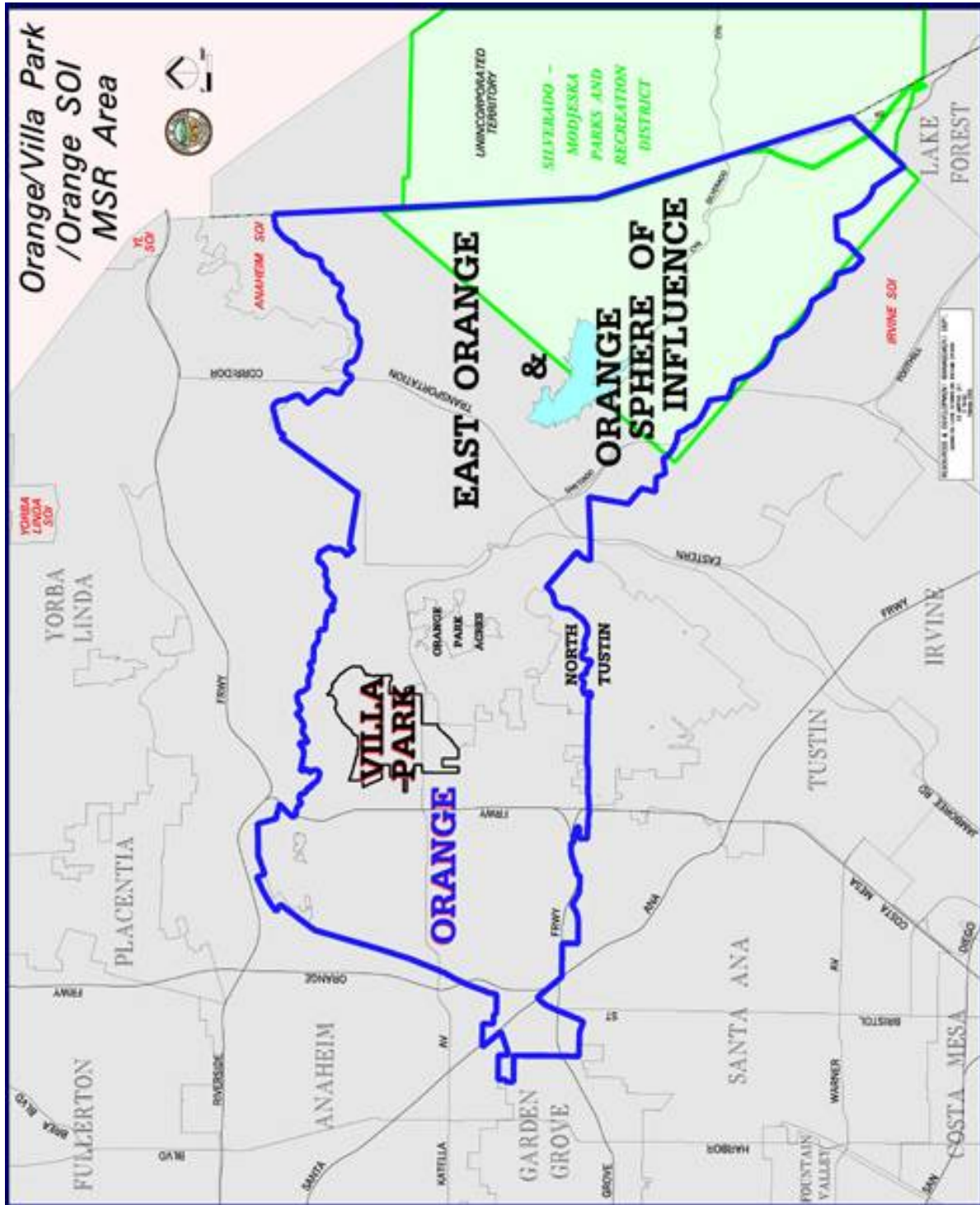
Infrastructure/Public Facilities:

- ◆ Employees: 5 (PT)
- ◆ Community Centers: 2: 1 in Modjeska Canyon, 1 in Silverado Canyon
- ◆ Parks: 2: 1 adjacent to Silverado Community Center,
1 adjacent to Modjeska CC
- ◆ Children's Center: 1 facility adjacent to Silverado Elementary school

Agency Service Area Map (Figure 4.7)



Figure 4.7 - Map of the Silverado-Modjeska Canyon Recreation & Parks District's Service Territory

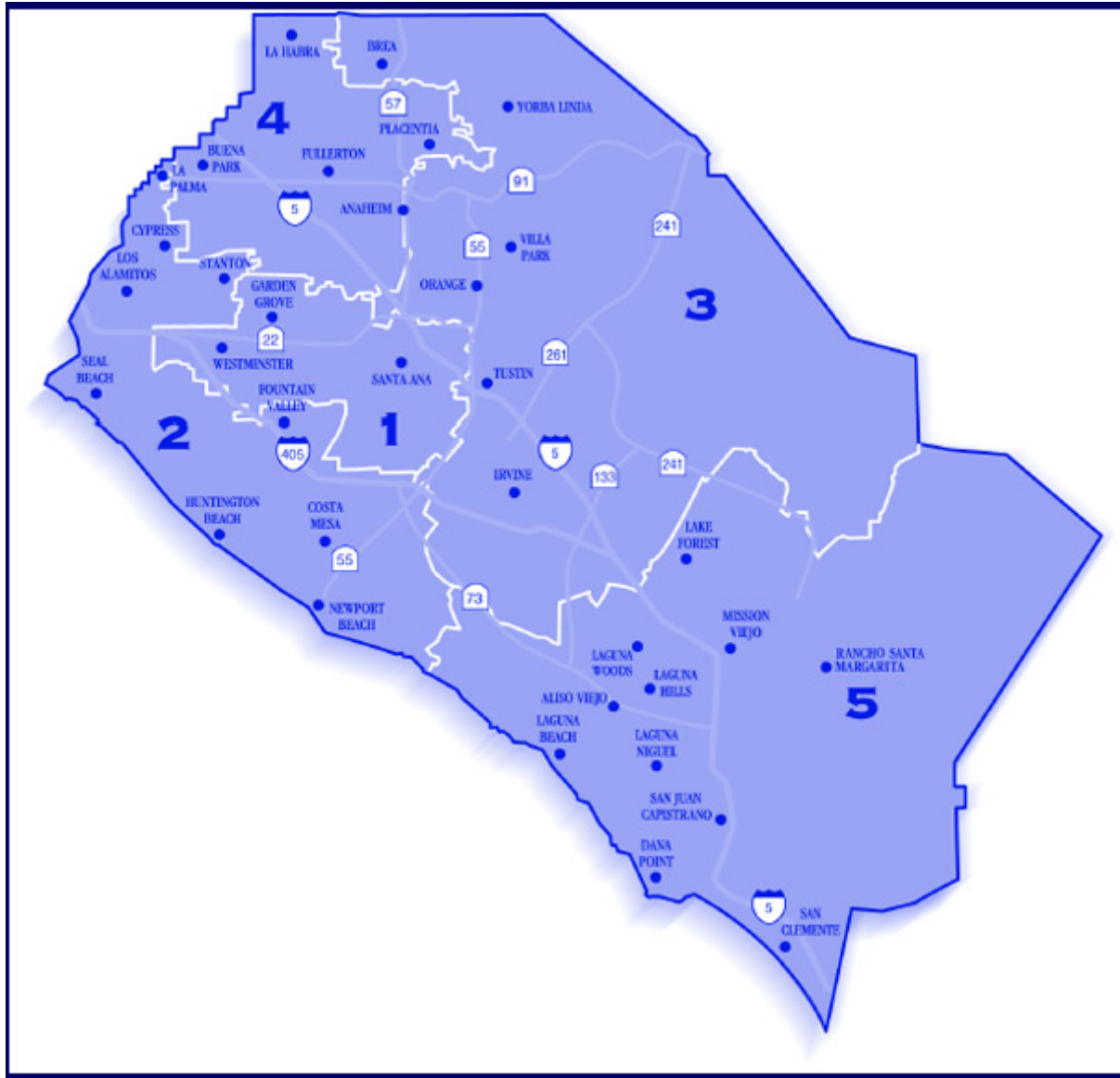




COUNTY OF ORANGE			
<u>Demographics:</u>			
♦	2003 Population:	2.98 million (150,000 population in unincorporated areas)	
♦	Projected 2020 Population:	3.5 million	
♦	Size:	798 sq. miles	
<u>Governance:</u>			
♦	Formed in 1889		
♦	5-member Board of Supervisors elected by Supervisorial Districts to 4-year terms		
<u>Budget:</u> (FY 2002-2003)			
	Revenues:	Expenses:	Net:
	\$4.91B	\$4.91B	\$0
<u>Infrastructure/Public Facilities:</u>			
♦	Employees:	17,741 (FTE)	
♦	Regional Service Provision:	Public health, environmental protection, regional planning, social services, aviation, public safety /jails/DA, regional parks	
♦	General Government Services:	Tax collection, County Assessor, County Treasurer, County Auditor/Controller,	
County		Clerk- Recorder, Registrar of Voters	
♦	Roadways:	304 miles	
♦	Flood Control:	270 miles of flood control channels	
♦	Parks & Recreation:	33,000 acres park, open space & recreation areas	
♦	Aviation:	8.5 MAP (million annual passengers) 500-acre Airport	
Agency Service Area Map (Figure 4.8)			



Figure 4.8 - Map of the County of Orange





NORTH TUSTIN UNINCORPORATED AREA

Demographics:

- ◆ 2003 Population: 27,823 (4,361 within City of Orange SOI)
- ◆ Projected 2020 Population: 29,567
- ◆ Size: 7.2 sq. miles
- ◆ Housing Units: 9,500

Governance:

- ◆ North Tustin community has no elected body.
- ◆ Governed by the County of Orange.
- ◆ North Tustin Advisory Committee serves as an advisory land use review body to the Orange County Board of Supervisors.

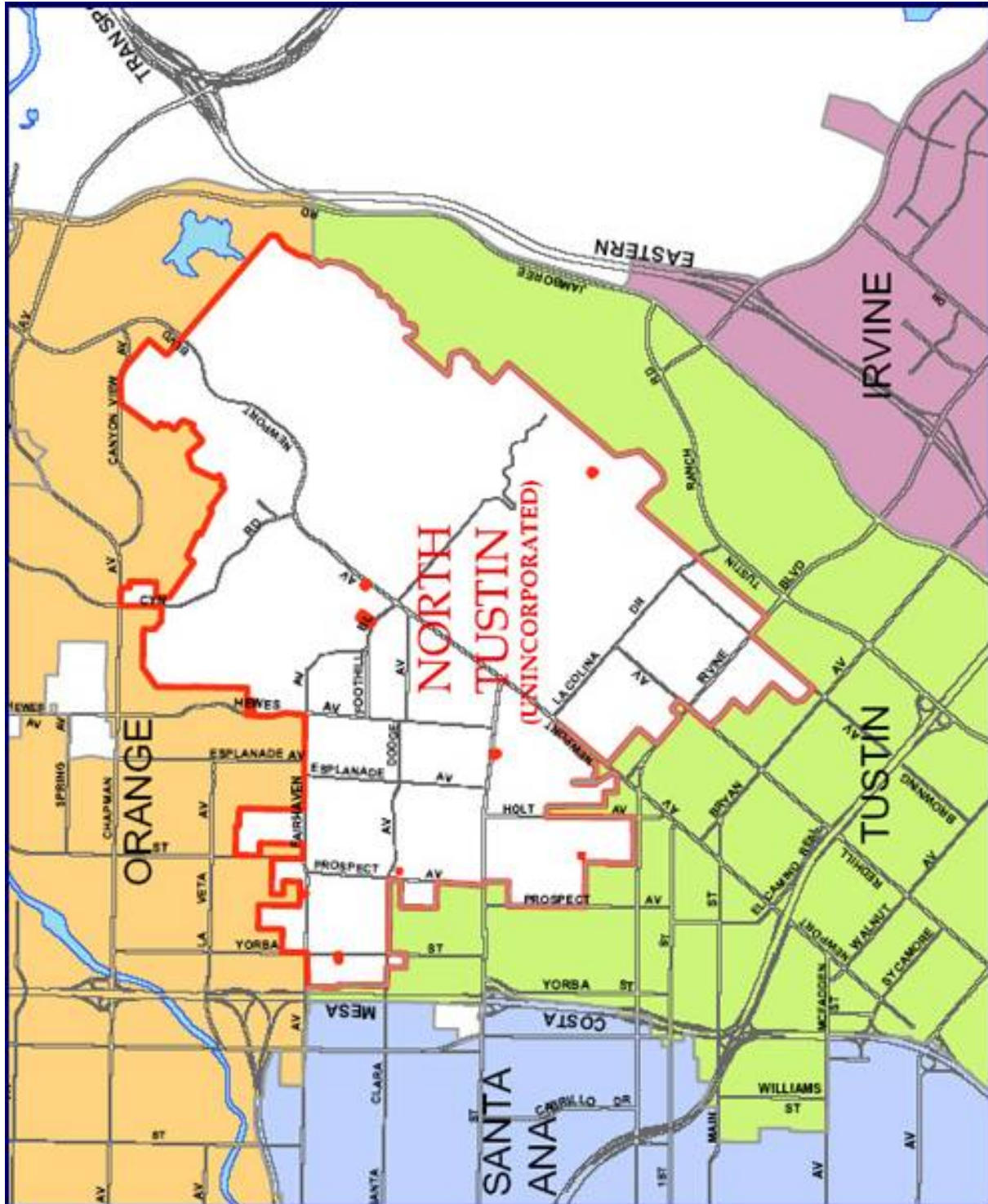
Infrastructure/Public Facilities:

- ◆ Hillside lots present financial and geographic challenges to sewer connection.
- ◆ Majority of homes are on septic systems.
- ◆ Orange County Sanitation District (OCSD) provides retail sewer service to homes currently on sewer.
- ◆ Municipal services provided by the County of Orange.

Agency Service Area Map (Figure 4.9)



Figure 4.9 - Map of the North Tustin Unincorporated Area





ORANGE PARK ACRES UNINCORPORATED AREA

Demographics:

- ◆ Current population: 1,052unincorporated area (total 2,500)
- ◆ Projected 2020 population: 1,089
- ◆ Size: 800 acres city and county
- ◆ Housing Units: 369

Governance:

- ◆ First homes established in OPA in 1928.
- ◆ OPA community elects a nine-member Association Board of Directors to three-year terms of service. Board officers are elected annually. Board meetings are held monthly.
- ◆ Association formed to collect funds for maintenance of trails, arena, and insurance for use of the trails and arena.
- ◆ Overall governance provided by the County of Orange.

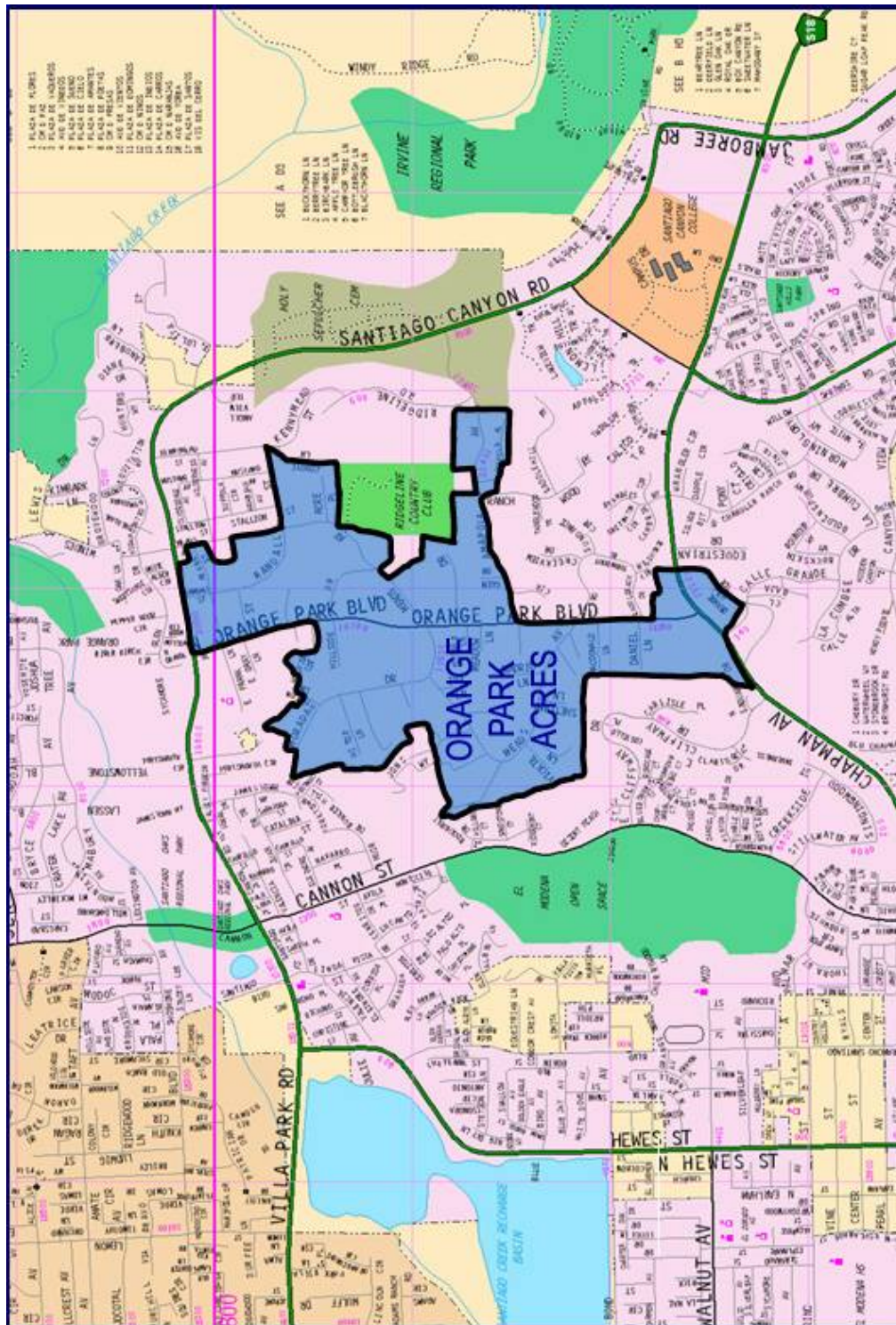
Infrastructure/Public Facilities:

- ◆ Majority of homes are currently on septic system; some homes have converted to sewer and have individually annexed to the City of Orange.
- ◆ Community served by Orange Park Acres Mutual Water Company.
- ◆ Maintain equestrian, hiking, and biking trails system throughout community. Trails are linked to existing city and County trails.
- ◆ Community mutual water company includes a well, reservoir, 5 pump stations, and 12 miles of pipelines.

Agency Service Area Map (Figure 4.10)



Figure 4.10 - Map of the Orange Park Acres Unincorporated Area





CANYON AREAS

Demographics:

- ◆ 2003 population: 1,805 (Silverado & Modjeska Canyon areas)
- ◆ Projected 2020 population: 1,907
- ◆ Size: 32,913 acres (51.41 sq. miles)

Governance:

- ◆ First residence established in 1860.
- ◆ Canyons are governed by the County of Orange.
- ◆ Community is represented by informal inter-canyon league.
 - Focus on fire safety council, canyon watch, maintains canyon-area website, and canyon historical committee.

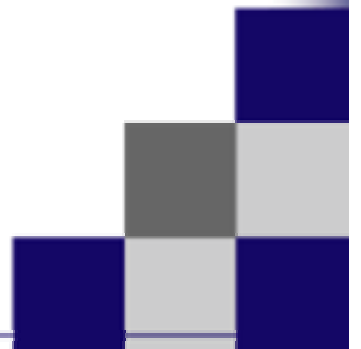
Infrastructure/Public Facilities:

- ◆ All homes are on septic.
- ◆ Geography and remoteness presents challenge to sewer connection.
- ◆ Canyon areas are served by volunteer fire fighters in addition to Orange County Fire Authority.
- ◆ Water is provided to the canyon areas by Santiago County Water District.
- ◆ Silverado-Modjeska Recreation & Parks District operates two community centers, a children's center, and two parks in the areas.
- ◆ Other services provided by the County of Orange.



Section 5:

MUNICIPAL SERVICES REVIEW & THE NINE DETERMINATIONS





INTRODUCTION

The Orange/Villa Park/Orange Sphere of Influence (SOI) municipal service review (MSR) area includes the current boundary and sphere of influence for two cities, two special districts, and portions of three other special districts, the County of Orange, the unincorporated community of Orange Park Acres, and portions of the unincorporated community of North Tustin. (See Table 5.2 for a complete listing of stakeholder agencies.) The Orange MSR area also includes another unincorporated region known as "East Orange," which is within the City of Orange's sphere of influence. Development plans for this area are currently being processed.

The following map, Figure 5.1, shows the limits of the Orange/Villa Park/Orange SOI MSR area.

Figure 5.1 – Orange / Villa Park / Orange SOI MSR Area

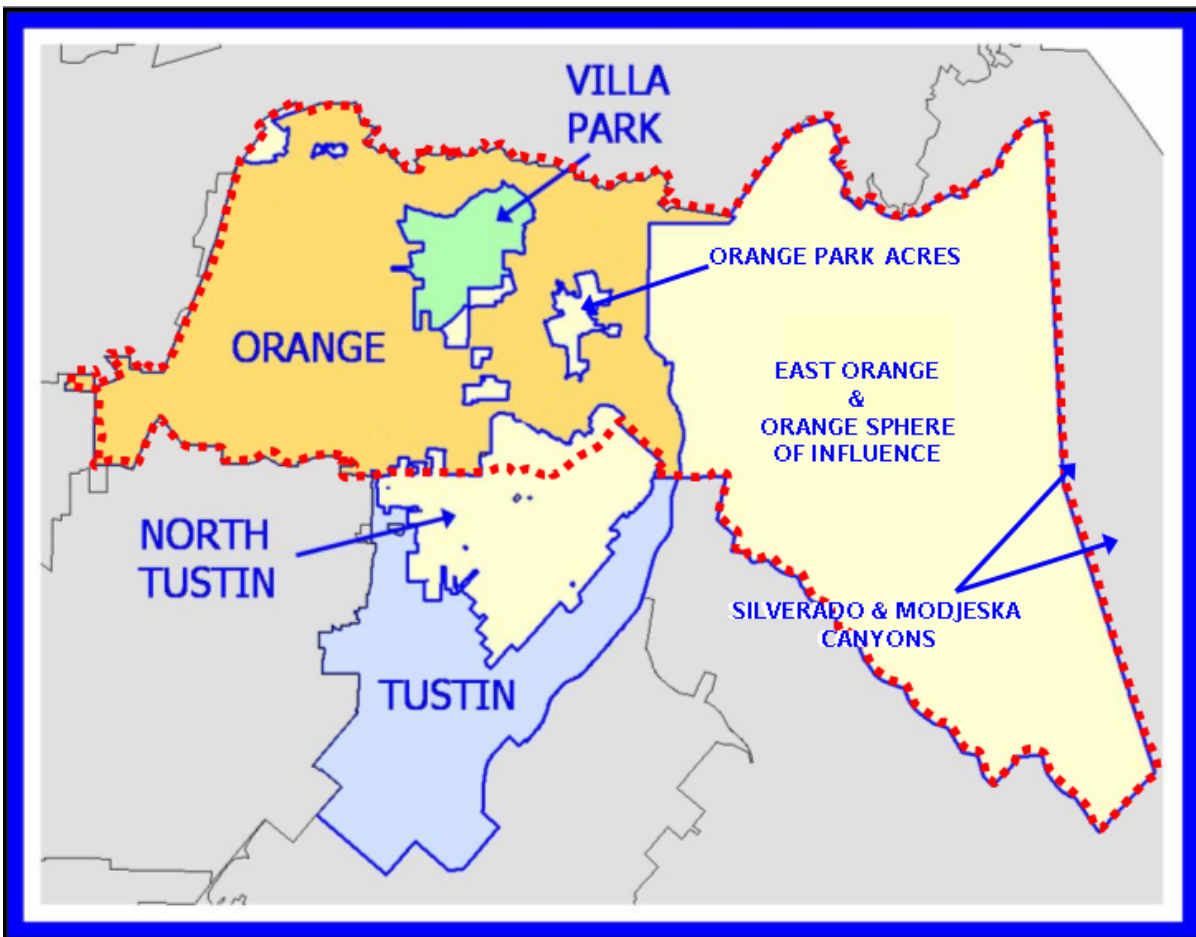




Table 5.2 – List of Stakeholder Agencies for the Orange / Villa Park / Orange SOI MSR

MSR SUBJECT AREA AGENCIES	
Cities:	
Orange	Villa Park
Special Districts:	
Irvine Ranch Water District	Serrano Water District
Silverado-Modjeska Canyon Recreation & Parks District	Santiago County Water District
East Orange County Water District	Orange Park Acres (OPA) Mutual Water Company
Major Unincorporated Communities:	
Orange Park Acres (OPA)	North Tustin (NT)
Silverado-Modjeska Canyon Areas (Inter-Canyon League)	
Other:	
County of Orange	

The Orange/Villa Park/Orange Sphere of Influence (SOI) municipal service review (MSR) area will be referred to as simply the “Orange MSR area” throughout this report.



Section 5.1:

GROWTH & POPULATION PROJECTIONS





GROWTH & POPULATION PROJECTIONS

In terms of population, Orange County is the second largest county in California and is second in density just behind the County/City of San Francisco. Orange County's current population surpasses three million and is expected to grow to 3.5 million by the year 2020.

The following table, Table 5.1.1, County Population and Density Comparisons, shows Orange County's size in comparison to other nearby counties.

Table 5.1.1, County Population and Density Comparisons

County	Population	Unincorporated % 2000	Unincorporated % 2004	Land Area	Simple Density
Alameda	1,466,900	9.3%	9.3%	472,060	3.11
Contra Costa	963,000	19.2%	15.7%	460,740	2.09
Los Angeles	9,716,000	10.5%	10.5%	2,598,980	3.74
Orange	2,893,100	7.7%	3.7%	505,220	5.73
Riverside	1,577,700	26.4%	26.8%	4,612,740	0.34
Sacramento	1,242,000	53.1%	45.7%	618,050	2.01
San Bernardino	1,742,300	17.3%	15.9%	12,833,600	0.14
Santa Clara	1,709,500	6.1%	5.7%	826,050	2.07
San Diego	2,856,300	16.1%	15.6%	2,687,940	1.06

The Orange MSR area will experience growth. The tables below, Table 5.1.2, Population Growth in the Orange MSR Area, and Table 5.1.3, Population Growth in Orange MSR Agencies, show the current and projected (2020) population and housing data for the MSR area and for the individual agencies addressed in this report.

Table 5.1.2, Population Growth in the Orange MSR Area

Orange MSR Area	2000	2020	Change
Population	142,550	167,031	+24,481
Number of Housing Units	46,518	52,625	+6,107



Table 5.1.3, Population Growth in Orange MSR Agencies

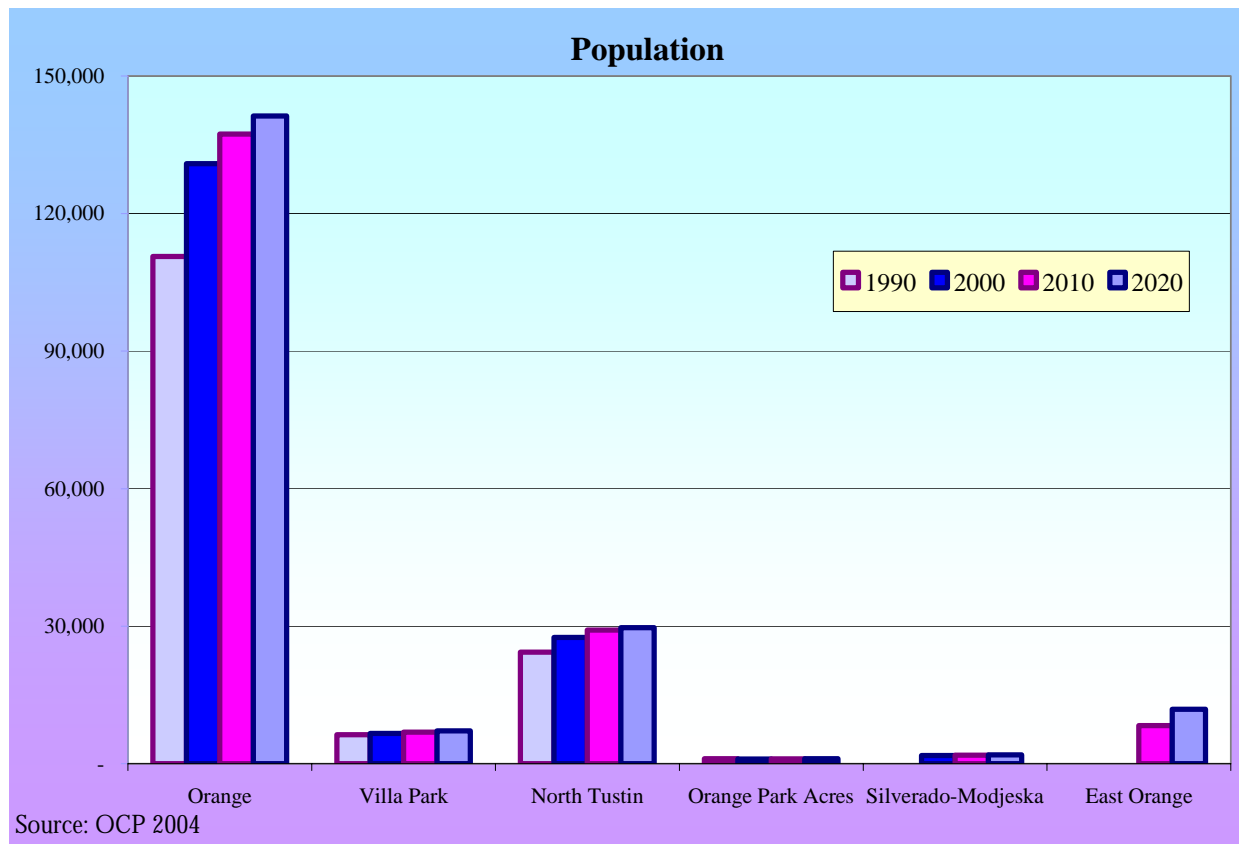
	2000	2020	Change
City of Orange	128,821	140,674	+11,853
City of Villa Park	6,555	7,147	+592
Orange Park Acres	1,025	1,089	+64
North Tustin (SOI *)	4,361	**	N/A
Silverado/Modjeska	1,773	1,907	+134
East Orange	15	11,853	+11,838

* refers to portion of the North Tustin unincorporated area currently within the Orange sphere of influence

** No population projection data was available for the North Tustin SOI area.

The population in the Orange MSR area is projected to increase by 24,481 residents between the years of 2000 to 2020. Figure 5.1.4, Population Projections, shows that the largest population growth is anticipated to occur in the City of Orange and the East Orange portion of the Orange MSR area.

Figure 5.1.4, Population Projections





The Irvine Company will develop the East Orange portion of the MSR area. East Orange will be a 6,800-acre phased residential development located in the eastern portion of the City of Orange's SOI. The East Orange developments, which include the specific developments of Santiago Hills II and the East Orange 1, 2, and 3 development areas, are projected for build-out by the year 2010. The East Orange area includes the proposed 496-acre Santiago Hills II community located west of the transportation corridor and 6,335 acres of territory stretching east of the corridor, around the east side of Irvine Lake, and into an area south of Santiago Canyon Road (East Orange Areas 1, 2, and 3).

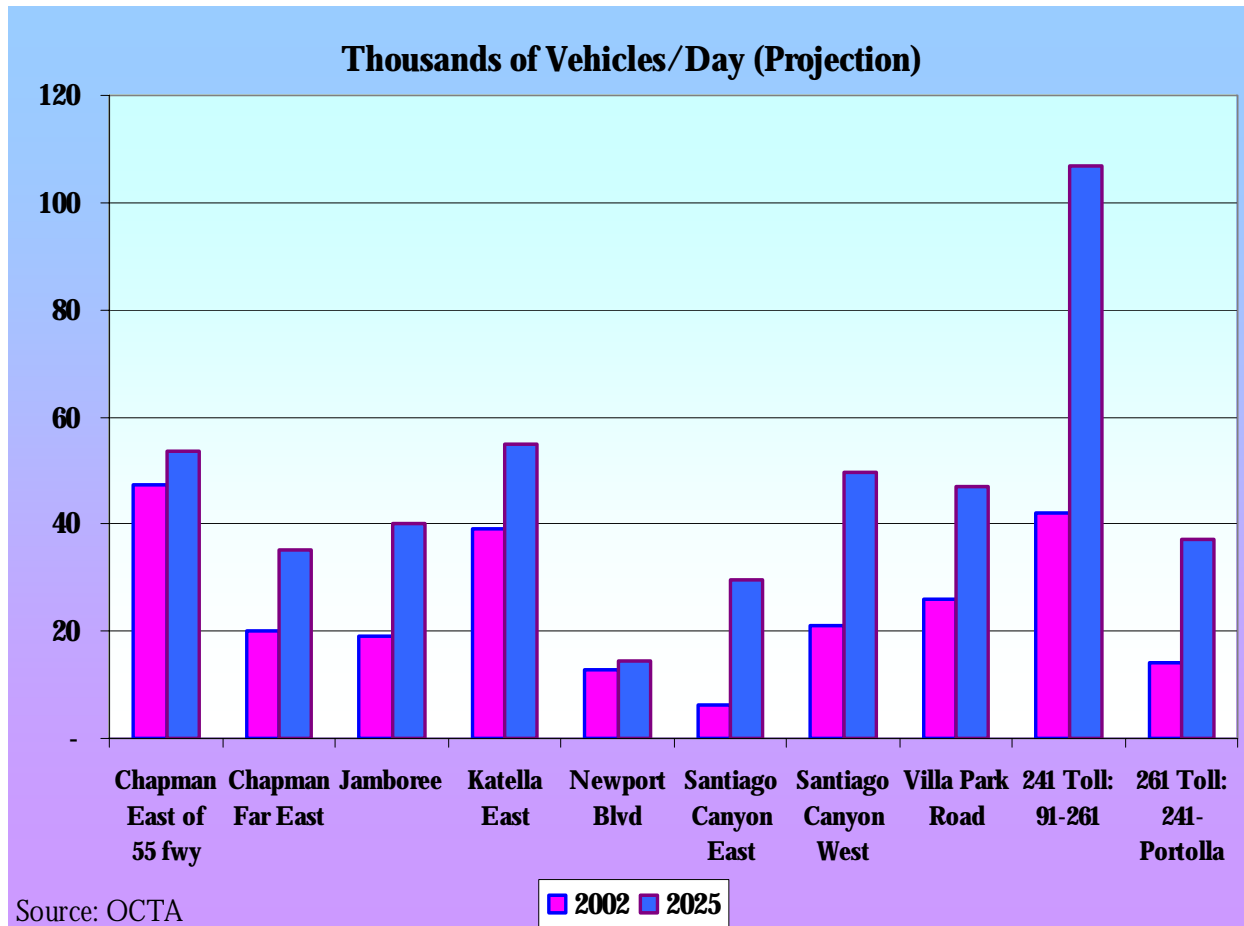
The Irvine Company as the landowner will file applications to annex the entire East Orange development area to the City of Orange in phases. Staff anticipates that the Commission will consider the annexation of the Santiago Hills II project to the city in mid-2005 and of East Orange Area 1 in late 2005. The Irvine Company will likely submit annexation applications for East Orange Areas 2 and 3 in 2008-09. At build-out, the entire Santiago Hills II/East Orange development is projected to include 4,096 housing units (11,853 residents) and provide an additional 12,605 new jobs.

The Orange Park Acres Mutual Water Company (MWC) primarily serves the unincorporated area of Orange Park Acres. Though the MWC's service area is nearly built out, property in the area is being remodeled and expanded. This usually requires upgrades to existing water lines and possible conversion from septic systems to public sewers. Growth in the area will impact the existing water infrastructure, as some lines date back to 1929. It is important to note, the Orange Park Acres MWC is a private water company and therefore not under the purview of LAFCO. However, the MWC participated in the Orange MSR process in order to assist LAFCO and the stakeholder agencies in developing a comprehensive analysis of service provision in the area.

One of the most visible impacts of growth to existing residents is traffic. Figure 5.1.5 illustrates the projected vehicle trips per day for area roadways and the transportation corridor. Transportation corridor use will increase dramatically between the years 2002 and 2020. The amount of traffic projected for major roads within the MSR area (e.g., Chapman Avenue, Jamboree Road, Villa Park Road, and Santiago Canyon Road) will also increase.



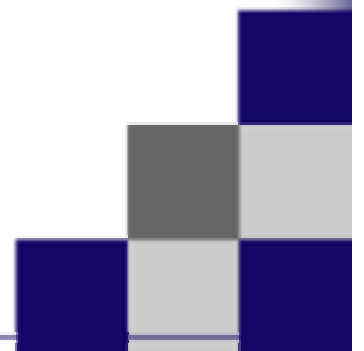
Figure 5.1.5, Projected Vehicle Trips/Day from East Orange Development





Section 5.2:

INFRASTRUCTURE NEEDS & DEFICIENCIES





INFRASTRUCTURE NEEDS & DEFICIENCIES¹

Summary

This section of the MSR report reviews the existing infrastructure in the area and issues that may result as growth occurs. Staff gathered the majority of the information used to complete this section from master plans, budget documents, and capital improvement plans supplied by the agencies. This section will address infrastructure needs and deficiencies by service and in the following order:

- **Water**
- **Wastewater**
- **Police**
- **Fire**
- **Parks, Recreation, & Open Space**

The MSR area will experience a 17.2% increase in population by the year 2020. This influx of 24,000 new residents and 6,100 housing units will strain existing infrastructure and necessitate new infrastructure to accommodate the growth. Planned residential uses include up to 2,050 multi-family units in the west end of the City of Orange within the next 10 years and over 4,000 single family units in the east end of the Orange SOI by the year 2020.

The five agencies providing water/wastewater service to the MSR area will have to augment their water and wastewater service infrastructures to meet service needs in the newly developed areas. The existing structure of multiple service providers may not represent the most efficient method of delivering water service to this area.

¹ Infrastructure section data sources included: Cities of Orange and Villa Park budget documents, 2004 East Orange Draft EIR, Santiago County WD master plan, TKC East Orange Utilities Study, 2003 Orange County Water Agencies Water Rates, Water System Operations and Financial Information (prepared by the Municipal Water District of Orange County (MWDOC). Information was also provided directly to LAFCO by subject agencies during the MSR process.



The Orange County Sanitation District currently provides local sewer services to portions of the MSR area. Much of the unincorporated areas remain on septic systems, and staff recommends the development and implementation of a regional plan for ensuring that septic systems are eventually phased out and/or monitored more proactively.

The area's growth must be met with a corresponding expansion of police and fire services to maintain public safety.

Critical regional issues affecting infrastructure and future service delivery for the MSR area include:

- The location of the City of Orange's eastern boundary;
- Streamlining overlapping service provision; and
- Determining maintenance responsibility for the open space areas within the Orange SOI.

Specifically, the following are the infrastructure needs and deficiencies for the various services as identified in the MSR.

Water

- The number of water purveyors in the area and the differences among them complicate the assessment of service delivery.
- Limited water supply across California is a serious infrastructure deficiency.
- According to the East Orange Utilities Study² prepared by The Keith Companies, the most efficient and cost effective service provider for the East Orange developments is the Irvine Ranch Water District. (See Appendix 7, East Orange Utilities Study.)

Sewer / Wastewater

- Many existing septic systems in the County have been operational for over 20 years. As these systems age, increasing numbers of failures are likely to

² LAFCO retained The Keith Companies (TKC) to objectively review the probable engineering and financial implications of the various service provision options and determine the most cost-effective service provider for the proposed developments in East Orange Areas 1, 2 and 3. The study is referred to as the East Orange Utilities Study, the text of which is included as Appendix 7 of this report.



occur, negatively impacting to the environment and risking the public health. This is a significant infrastructure deficiency.

- Innovative infrastructure financing options, educational programs for residents on septic system use and maintenance, and proactive monitoring programs should be created/implemented to prevent failures and subsequent groundwater contamination.
- Some areas within the Cities of Orange and Villa Park have experienced deterioration in existing sewer infrastructure.

Police

- The addition of the East Orange development area and its projected 11,853 residents to the City of Orange will impact traffic flow in the East Orange project area and necessitate additional police services, as will the 11,838 additional residents projected to move into the city's existing boundary. To maintain the existing per capita ratio of 1.16 officers per 1,000 residents, the city will need an additional 21 full-time patrol officers to serve a projected 2020 population of 152,527 residents. (This projection assumes that the City of Orange will annex the East Orange project area.)

Fire

- The addition of the East Orange development area and its projected 11,853 residents to the City of Orange will necessitate additional fire protection services infrastructure. The city proposes to construct a new three-person fire station in the proximity to East Orange Areas 2 and 3. Without the addition of that facility, fire service to the East Orange project areas could be significantly impacted.
- The 11,838 additional residents projected to move into the city's existing boundary may adversely impact the Orange Fire Department's ability to maintain the current level of services. To maintain the existing per capita ratio of 1 firefighter per 1,084 residents, the city will need 17 additional full-time firefighters to serve a projected 2020 population of 152,527. (This projection assumes that the City of Orange will annex the East Orange project area.)



Parks, Recreation, and Open Space

- The City of Orange's master plan establishes a parkland to population ratio goal of three acres of parkland to every 1,000 residents. The city falls short of this goal with its current city-wide parkland ratio of 1.54/1,000 but may exceed the standard if/when the city annexes the East Orange developments.
- The City of Villa Park does not operate any parks or recreation facilities within its boundaries and none planned for the future. The lack of neighborhood or community parks forces community members to leave the city to access park and recreation facilities.
- Responsibility for the maintenance of open space areas must be resolved before future service delivery and infrastructure needs can be fully assessed. If the 11,000-acre open space reserve is ultimately turned over to a public land trust, it is assumed the land use would not change and corresponding future service delivery and maintenance needs would show little variance from the current approach. However, if ownership were to change to the Silverado-Modjeska Recreation & Parks District, the City of Orange, or the County of Orange, service delivery, maintenance, and management infrastructure needs may increase.

Water

Summary

While the water providers in the MSR area currently have adequate capacity to serve existing development, the security and availability of future supply is an infrastructure deficiency. Imported water is currently supplied through a single pipeline to the area. While customers and new development typically absorb the cost of the new infrastructure and replacements, the cost of imported water continues to climb. As agencies rely more on groundwater to reduce costs, the groundwater basins in Orange County will become increasingly over-drafted. The reliability of future supplies is dependent on water conservation, additional supply, use of recycled water, and development of new supplies.

The age of MSR area's existing water infrastructure varies according to the age of the development. Water lines in some older, more established neighborhoods, such as Orange Park Acres, date back to as early as 1929. Future growth will not only require new supplies but also infrastructure improvements to meet projected service demands.



Some agencies included in this municipal service review have planned adequately to ensure that new infrastructure and infrastructure improvements are provided concurrently with need. However, other agencies did not provide enough information to make that determination.

Overview of Agencies

The six agencies providing water service to and around the MSR area are listed in the below-captioned table, as are the specific services each provides. (See Table 5.2.1, Water Purveyors in MSR Area.) Each agency is described in subsequent paragraphs. Please note, the Irvine Ranch Water District (IRWD) does not currently provide retail water service in the MSR area. However, IRWD proposes to annex the East Orange development areas east of the transportation corridor and will provide both water and wastewater services to new development. In addition, while the East Orange County Water District provides both wholesale and retail water service, only the district's wholesale service area is located within the MSR focus area. Its retail service area is located outside of the study area. Also, the Orange Park Acres Mutual Water Company does not fall under the purview of LAFCO but participated in the service review process and provided information to be included in this report.

Table 5.2.1 – Water Purveyors in MSR Area

AGENCIES	Water Services	Retail Domestic Potable Water	Wholesale Water	Water Treatment	Recycled-Reclaimed Water	Agricultural Water	Groundwater Management	Water Replenishment	Water Conservation
City of Orange	X	X							
East Orange County Water District (EOCWD)	X	X	X						
Irvine Ranch Water District (IRWD)	X	X		X	X				X
Orange Park Acres Mutual Water Company (OPAM)	X	X							
Santiago County Water District (SCWD)	X	X		X					
Serrano Water District (SWD)	X	X							

- The City of Orange provides water service to approximately 133,000 people. The city's water service area includes the territory within its current boundaries as well as some unincorporated areas within the city's sphere of influence. The city receives



60-80% of its water supply from groundwater through wells and imports the remainder of the supply from the Municipal Water District or Orange County (MWDOC) and East Orange County Water District. The city also purchases approximately 1,000 acre-feet (AF) of water from the Serrano Water District each year.

- The East Orange County Water District (EOCWD) purchases 7,969 acre-feet (AF) of water annually from the Metropolitan Water District of Southern California (MWD). EOCWD operates both wholesale and retail water distribution systems, selling approximately 7,743 AF each year. The district's wholesale operation serves approximately 100,000 customers living in portions of the Cities of Tustin and Orange as well as the unincorporated communities of Orange Park Acres and North Tustin. The district's retail service area is the Panorama Heights portion of the larger North Tustin unincorporated area, which includes approximately 3,195 residents. The retail infrastructure varies from 15-50 years old. This municipal service review did not include EOCWD's retail water service area.
- The Irvine Ranch Water District (IRWD) serves the City of Irvine and portions of Costa Mesa, Lake Forest, Newport Beach, Orange, and Tustin. The district provides potable water, sewage collection and treatment, and tertiary-treated reclaimed water. The district maintains 89,067 domestic and recycled water connections and delivered a total of 84,292 acre-feet of water to its customers in fiscal year 2003-04. IRWD does not currently provide retail water service to the MSR area.
- The Orange Park Acres Mutual Water Company (MWC) serves the unincorporated community of Orange Park Acres. The Orange Park MWC is a private corporation that sells shares to residents. Like other mutual water companies, the MWC does not fall under the purview of LAFCO.
- The Santiago County Water District's (SCWD) service area covers 29,450 acres ranging from foothills around Irvine Lake to mountainous canyons in the Cleveland National Forest. The district serves approximately 2,500 people, the majority of whom reside in the Silverado and Modjeska Canyons. The district's primary water source is local (Harding Canyon) with some imported water from MWDOC. SCWD currently has 720 domestic water connections delivering up to 500 acre-feet of water annually.
- The Serrano Water District provides water to the City of Villa Park and has a service population of approximately 6,900 residents. The district manages a 25,000 acre-feet reservoir at Irvine Lake.



Existing and Future Water Supply/Demand

Existing Development

Water service delivery in the area is complicated, involving multiple providers and multiple layers of purchase and supply. One of the more difficult aspects of determining the focus area's future water infrastructure needs is compiling current and projected supply/demand as well as infrastructure status from all of the agencies within the study area. These water providers must collectively supply enough water to serve an estimated 167,031 residents in 2020, an increase nearly 15% (24,481 residents).

Future supply for the MSR area is estimated to be approximately 205,101 acre-feet per year (AFY) by the year 2010. The corresponding demand is projected to be 116,321 AFY, resulting in excess capacity of approximately 85,028 AFY. The table below shows the per agency breakdown for the MSR area. The projected water capacity for the area is sufficient to meet projected demands.

Table 5.2.2 – Water Supply & Demand Projections 2005 & 2010

AGENCY	SUPPLY (AFY)			DEMAND (AFY)			STORAGE (AF)		
	2005	2010	2020	2005	2010	2020	2005	2010	2020
City of Orange	77,041	90,001	90,001	36,544	36,644	36,844	40,497	53,357	53,157
East OCWD (wholesale only)	NP*	NP*	NP*	5,266	2,936	2,936	NP*	NP*	NP*
Irvine Ranch WD	95,484	108,184	NP*	67,395	74,821	NP*	28,089	29,581	NP*
OPAM	951	960	NP*	951	960	NP*	NP*	NP*	NP*
Santiago County WD	2,550	2,550	NP*	440	490	NP*	2,120	2,090	NP*
Serrano WD	3,377	3,406	NP*	3,377	3,406	NP*	NP*	NP*	NP*
TOTALS:	179,403	205,101	90,001	108,707	116,321	39,780	70,706	85,028	53,157

Data sources: Water Demand Historical and Projected - Prepared by MWDOC September 2004; City of Orange Water Supply Assessment October 2003; City of Orange DEIR 1716 (SH II and East Orange Project), October 2004.

*NP = Not provided.

The City of Orange included four new wells in its 2003-2010 Capital Improvement Program (CIP), each well a proposed 3,000 gpm (gallons per minute) groundwater production facility. The city's CIP includes 29 water infrastructure projects at a comprehensive total cost of \$12,757,050. Based on these projects, the city estimates that its 2020 supply will be 90,001 AFY with excess supply of approximately 53,157 AF.

The East Orange County Water District projects that by 2020 wholesale water demand in more developed areas will decrease to 2,936 AF (from the FY 2004-05 level of 5,266 AF). The anticipated decrease is tied to the City of Tustin's plan to access groundwater



in the future. As stated previously, the groundwater basins in Orange County are currently over-drafted; this represents an infrastructure deficiency.

The Serrano Water District, the City of Villa Park's water provider, does not have a water service master plan and did not provide any information related to future water supply and demand. The district last updated its master plan in 1980. While the area is generally built-out and the need for new infrastructure may be minimal, the district and the City of Villa Park should work together to ensure that water infrastructure replacement is provided concurrently with need.

No other infrastructure needs or deficiencies regarding water supply/demand for existing developed areas were noted.

New Development

The East Orange development area, the major growth region within the MSR area, will require approximately 2,000 acre-feet (AF) of potable water on average each year. The Irvine Ranch Water District's (IRWD) master plan referenced approximately 95,484 AF of capacity available to serve its entire district inclusive of groundwater, local, and imported water. Providing water service to the East Orange area will represent 1% of the district's total capacity.

Currently, portions of the proposed East Orange developments are included in both IRWD and the Santiago County Water District (SCWD) service areas. The planned infrastructure for the East Orange developments will require significant capital and ongoing operations and maintenance costs.

As part of the MSR process, The Keith Companies completed a utilities study analyzing the costs/benefits of having either IRWD or Santiago County Water District, or both agencies serve the East Orange developments. The East Orange Utility Study concluded that the most cost effective means to supply water to the East Orange developments would be through IRWD as the sole water service provider. The study estimated that the future residents would incur \$13,324/dwelling unit for infrastructure development costs and another \$196/year for ongoing water system operations cost. (See Appendix 7, East Orange Utilities Study.)

Water Infrastructure

Staff assessed each agency's water infrastructure of by examining the agencies' master plans and collecting data regarding their current and projected water sources as well as existing demand and facilities.



In 2003, four of the retail water agencies—City of Orange, Serrano Water District, Orange Park Acres Mutual Water Company, and Santiago County Water District—produced and/or purchased approximately 45,000 acre feet (AF) of water to serve a population of 144,907. The following table, Table 5.2.3, Sources of Water, shows the current and projected sources of water used by the retail water agencies in the Orange MSR area.

Table 5.2.3 – Sources of Water

Agency	Imported		Groundwater, Recycled and/or Local	
	2004	2020	2004	2020
City of Orange	25%	22%	75%	78%
East Orange CWD	91%	25%	9%	75%
Irvine Ranch WD*	NS	25%	NS	75%
Orange Park Acres MWC	14%	25%	96%	75%
Santiago CWD	94%	59%	6%	41%
Serrano WD	0	0	100%	100%
REGION	45%	25%	57%	74%

* Irvine Ranch Water District does not currently provide retail water service within the MSR study area.

Currently only the Irvine Ranch Water District (IRWD) uses recycled water to meet its demand for water within its service area. Recycled water represents 29% of the district's demand and is primarily for agriculture and irrigation. Surface water represents 27% of the Serrano Water District's demand and 12% IRWD's demand. Groundwater and imported supplies comprise the remainder of the water sources. Several agencies in the Orange MSR area plan to increase use of groundwater as a supply in the future. The groundwater basins in Orange County are currently over-drafted, and this could represent an increasingly significant infrastructure deficiency.

The existing water infrastructure facilities of each agency are described in Table 5.2.4, Water System Data for Retail Service Providers.

Table 5.2.4 – Water System Data for Retail Service Providers (2003)

Agency	Population 2003	Miles of Main (8" +)	# of Active Wells	Capacity of Active Wells (gpm)	Storage Tanks & Reservoirs	Potable Water Storage (MG)	Booster Pump Stations	Capacity of Pumps (gpm)	Annual Water Produced & Purchased (AF)	Average Annual Single Family Residential Use (ccf/AF)
City of Orange	132,947	252	16	26,950	17	43	16	40,555	32,322	276.0/0.63



Agency	Population 2003	Miles of Main (8" +)	# of Active Wells	Capacity of Active Wells (gpm)	Storage Tanks & Reservoirs	Potable Water Storage (MG)	Booster Pump Stations	Capacity of Pumps (gpm)	Annual Water Produced & Purchased (AF)	Average Annual Single Family Residential Use (ccf/AF)
Orange Park Acres MWC	1,750	15	1	900	1	1	5	No info	9,011	710.4/1.63
Santiago County WD	2,500	26	0	0	7	3	7	6,000	431	228.0/0.52
Serrano WD	6,900	43	3	3,900	2	9	2	5,800	3,233	615.6/1.41
TOTALS:	144,097	336	20	31,750	27	56	30	52,355	44,997	457.5/1.05

* EOCWD provides ONLY wholesale service to the MSR area. IRWD does not currently provide water service to the MSR area. As such, neither of these agencies is included in the above-captioned table.

Data source: 2003 Orange County Water Agencies Water Rates, Water System Operations and Financial Information. Prepared by the Municipal Water District of Orange County (MWDOC).

Four of the six water purveyors do not have a recently updated water master plan. The master plans of the City of Orange, the East Orange County Water District (EOCWD), the Serrano Water District (SWD), and Orange Park Acres MWC (MWC) date back to the mid-1980s or prior. Typically master plans are updated every 5-10 years, although areas substantially built-out may use Capital Improvement Programs (CIPs) to plan for infrastructure needs. For example, the lack of current master plans for EOCWD, SWD, and MWC make it difficult to assess deficiencies in the current infrastructure and determine if the agencies are adequately planning for the future. While master plans typically address developing areas, districts that serve built-out areas still need plans to ensure proper maintenance for deteriorating and aging infrastructures. The Irvine Ranch Water District and the Santiago County Water District have prepared master areas or their equivalent within the past 5-10 years.

Wastewater

Summary

The extension of public sewer infrastructure to areas currently on septic systems is a significant infrastructure deficiency. Continued use of septic systems makes the area highly susceptible to groundwater contamination and urban runoff. See Appendix 8, County septic system location maps.

If the Orange County Sanitation District (OCSd) decides to discontinue local, retail sewer service, portions of the MSR area may need to find another sewer service



provider which could necessitate contracting with adjacent cities or special districts for services.

No other significant wastewater needs/deficiencies were noted.

Existing Wastewater Service

For areas in the study area served by public sewer, wastewater flows are collected through infrastructure of the City of Orange, City of Villa Park, or the Orange County Sanitation District (OCSD). Only OCSD provides regional collection and treatment services at this time; the two cities have only local collection systems. In addition to providing regional services, OCSD also provides some local wastewater collection service to the City of Villa Park and the North Tustin unincorporated area.

The City of Orange Public Works Department provides local sewer service to areas currently in the City of Orange. The city began the installation of its sewer infrastructure in 1910 and now maintains 350 miles of pipeline. The City of Orange's most recent sewer was completed in 2003 and addresses the city's current and future sewer needs. The city identified maintenance "hot spots" where overflows occur 20-30 times per year and concluded that less than 3% of the system's pipeline had adequate capacity to handle the existing flow. (70% of the sewer system is made up of 8-inch pipe.) Future flow data for the City of Orange in the year 2025 included 24.44 million gallons per day (mgd) (96.11%) from existing development and .99 mgd (3.89%) for future development. Based the sewer master plan, the city will complete nine sewer capital improvement projects over the next ten years at a cost of \$15,027,965 (2003 dollars).

The City of Villa Park's sewer infrastructure includes 25 miles of collector and trunk sewers. As of 2003, the City of Villa Park had completed video documentation of 3% (38,284 lineal feet) of the system's trunk lines and 5% (59,184 linear feet) of its collector lines.

The capacity analysis completed for the City of Villa Park's 2002 sewer master plan update identified 12,000 linear feet of sewer mains that required updating to meet flow capacity for the existing and future population. The city included three major wastewater infrastructure projects in its seven-year Capital Improvement Program for a total of \$1.8 million. The city determined that its sanitary sewer system would require \$11,214,000 (2004 dollars) in capital improvements to upgrade to "new" status, and the city is working to address these projects. Funding sources for the projects may include the city general fund, grant funds, and a potential sewer user fee.



Irvine Ranch Water District (IRWD) does not currently provide wastewater service to the MSR subject area; however, the district owns and operates a trunk sewer collection line in the area. The 15-inch/24-inch diameter trunk sewer located in Jamboree Road adjacent to the proposed Santiago Hills II development represents the upper portion of the Harvard Avenue Trunk Sewer (HATS). IRWD proposes to use the HATS sewer as the collection sewer for the Irvine Company's Santiago Hills II/East Orange Areas 1, 2, and 3 developments. Currently, the trunk sewer flows to the OCSD. IRWD may also divert future flow to the Michelson Wastewater Reclamation Plant.

Future Wastewater Service

The calculation of future sewer flow varied widely among the agencies. For example, the City of Orange used a per capita figure of 175 gallons per day (gpd) in its recently updated sewer master plan, while IRWD's master plan reduced data to an average factor of 87.5 gpd. LAFCO staff used a per capita figure of 100 gpd to calculate future flow for this report. The projected population increase will result in an estimated 2.43 million gallons of additional wastewater per day in the MSR area.

Table 5.2.5 - Current & Projected Future Sewer Flow

AGENCY	Population		Housing Units		Estimated Flow (mgd)	
	2000	2020	2000	2020	2000	2020
City of Orange	128,821	140,674	41,904	*43,667	12.88	14.06
City of Villa Park/ OCSD	6,555	7,147	2,008	2,057	.66	.71
IRWD (East Orange area)	15	11,853	4	4,256	-	1.2
TOTALS:	135,391	159,674	43,916	49,980	13.54	15.97
<ul style="list-style-type: none">• The City of Orange housing unit total does not include the projected housing units in the East Orange development.• Table does not include areas currently on septic systems, including OPA and the unincorporated islands.						

Capital improvements projects identified in the City of Orange and Villa Park's master plans updates will help the cities meet future infrastructure needs. Additional sewer infrastructure will accommodate some of the additional wastewater and will be automatically implemented concurrent with the new development. The agencies will fund the capital costs for infrastructure using various methods, including the establishment of a Mello Roos community facilities district (CFD). A CFD allows for property owners to pay for the infrastructure over time in the form of a special assessment.



As Table 5.2.5 indicates, the East Orange development area will generate half of the projected increase in sewer flow once it reaches build-out. The East Orange Utility Study concluded that the Irvine Ranch Water District (IRWD) would be the most efficient and cost-effective service provider to the new development. IRWD had previously prepared a subarea master plan proposing the collection of wastewater through its trunk sewer located near the Santiago Hills II development.

The Orange County Sanitation District (OCSD) has discussed the discontinuation of its retail sewer service. If OCSD concentrates solely on regional collection and treatment as it has planned, portions of Villa Park and all of unincorporated North Tustin would be without a sewer provider. Both the city and unincorporated area could potentially contract with adjacent cities or special districts for such services.

No other significant infrastructure needs and deficiencies were noted for public wastewater systems.

Septic Systems

The extension of public sewer infrastructure to areas currently on septic systems is a significant infrastructure deficiency identified in the MSR area. The ongoing use of septic tanks presents both public health and water quality concerns, as these systems are prone to failure for a variety of reasons (i.e., lack of maintenance, age, root intrusion from landscaping, etc.). Continued use of septic systems makes the area highly susceptible to groundwater contamination and urban runoff.

A 2003 septic system study completed for the County of Orange in 2003 found 2,776 active septic systems in the County. Approximately 40% of all the septic systems in Orange County are located within the MSR area – 368 (13.3%) in the City of Orange, 56 (2%) in the City of Villa Park, and 646 (23.3%) in the City of Orange's unincorporated territory. An overwhelming 84% (or 332) of the homes in Orange Park Acres are on septic. Of the 8,442 homes in the North Tustin unincorporated area, over 1,000 homes (12%) have access to public sewer yet remain on a septic system.

Many property owners are unaware that their home is on a septic system until failure occurs. This is due in part to the lack of funding for an ongoing and proactive public education and monitoring system. The County of Orange's current policies regarding septic systems are reactive, triggered only when a failure is reported to the County Health Care agency or when a property owner applies for a building permit to add on to an existing structure. Additionally, the County still issues new septic systems permits in some cases. (Per the Uniform Building Code, connection is required if the structure is within 200 feet of a public sewer.)



While the optimal solution is to convert all residences from septic systems to public sewer, the development of infrastructure in inhabited areas is a difficult challenge. For some of the MSR area's residents, the switch to public sewer is cost prohibitive. The cost of backbone sewer infrastructure in today's market varies depending on several site-specific factors but ranges from \$33,500 to \$58,500 per household. For other residents, connection to public sewer is an impossibility. Residential properties in the canyon areas, for example, are completely on septic system; there is currently no public sewer service available.

The table below, *Table 2.5 Current Cost Estimates for Septic-to-Sewer Conversion*, provides septic to sewer conversion cost estimates for the Orange Park Acres and North Tustin unincorporated areas. These areas were highlighted specifically due to two factors: the high concentration of septic systems and the lack of existing sewer infrastructure. The information is limited to areas where specific data had been compiled and is not representative of the full cost of septic-to-sewer conversion in the remaining portions of the MSR area.

Table 5.2.6 – Current Cost Estimates for Septic-to-Sewer Conversion

PRELIMINARY DRAFT ESTIMATES FOR UNSEWERED AREAS—updated July 2004							
AREA	Est. # of Homes on Septic Systems	ESTIMATED COSTS OF:					
		Local Sewer Mains	Easements (Total)	Sewer Mains & Easements (Total)	A	B	A+B
					Sewer Mains & Easements (per household)	Lateral Construction & Agency Fees (per household)	Sewer Main Construction, Lateral Construction, & Agency Fees (per household)
Orange Park Acres	332	\$5,200,000	\$100,000	\$5,300,000	\$16,000	\$15,000- 20,000	\$33,500
Lemon Heights (NT)	75	\$2,800,000	\$251,000	\$3,051,000	\$41,000	\$15,000- 20,000	\$58,500
Cowan Heights (NT)	156	\$3,200,000	\$386,000	\$3,586,000	\$23,000	\$15,000- 20,000	\$40,500

* Data source: OCSD/Boyle Engineering 2004 Study

The County may be the best agency to take a leadership role in addressing the issue of septic system use. The Orange County Sanitation District, affected cities, and LAFCO may be important collaborators on the regional issue.

In addition, OCSD is currently considering a blanket annexation of all territory not currently within its service area. This would be an important first step in addressing the



septic-to-sewer conversion issue. In addition, Orange County should consider revising policies and practices to create a more proactive public education and monitoring program for septic systems.

Police Protection

Summary

Public agencies are increasingly challenged to balance the need to provide adequate police protection while maintaining adequate funding for other general fund programs. However, the City of Villa Park should explore the possibility of contracting with the City of Orange for police protection services to determine if there are any cost savings. Staff noted no other issues related to police services.

Existing and Future Police Services

The City of Orange Police Department (Orange PD) and the Orange County Sheriff's Department provide police protection to the MSR area – the Orange PD to the City of Orange and the OC Sheriff's Department the remaining portion of the MSR area (i.e., the City of Villa Park, the unincorporated areas of Orange, including Orange Park Acres and North Tustin, and the canyon areas). The OC Sheriff's Department and the Orange PD maintain a mutual aid agreement that provides for the closest provider to respond to emergencies.

The City of Orange had a population of 134,500 in 2003. The Orange PD maintained a staff of 156 sworn officers at that time – a ratio of 1 officer to every 862 residents. The Orange PD responds to approximately 47,000 calls per year, or six calls per officer per week, with an average response time of 3-4 minutes for emergencies.

The City of Villa Park contracts with the OC Sheriff's Department for police services. The city had a population of 6,659 residents in 2003 and during fiscal year 2003-2004 spent approximately \$771,000 on its police protection contract for 2.4 fulltime equivalent (FTE) deputy and other services. The OC Sheriff Department did not provide LAFCO with staffing level, number of calls, or average response time information for this report, therefore no additional specific service information is available for Villa Park or the unincorporated areas.

Future Police Service

The demand for police services will increase as the population increases. The City of Orange's population is projected to increase to 140,674 by the year 2020. Maintaining



the current officer to resident ratio of 1/862 would require that the Orange PD add an additional 17 sworn officers for a total of 163. The annexation of the East Orange development area to the City of Orange would impact the city's population, increasing the 2020 population projection by another 11,853 residents. To maintain the current to resident ratio for an overall population of 152,527, the Orange PD would require a force of 177 sworn officers or another 14 officers.

No new police facilities are included in the City of Orange 2003-2010 Capital Improvement Program, and no new facilities are anticipated due to the East Orange project build-out. Annexation of the East Orange development areas may necessitate the reallocation of officers to specific "beat" areas given the distance required to answer calls to certain locations. Environmental documents approximate a response time of 3-7 minutes for future East Orange developments.

The cities' costs related to police protection services have increased steadily over the last four fiscal years. The City of Orange allocated 39.53% of its total general fund expenditures for police protection in fiscal year 2003-2004 and 38.98% in fiscal year 2004-2005. The Orange PD's budget increased \$4,978,431 over the past four fiscal years (2000-01 to 2003-04), while total department staffing levels remained static. The cost for police protection in the City of Villa Park increased \$102,000 over the last four fiscal years due in part to the addition of a motorcycle officer and the rising costs of the law enforcement retirement program. It is assumed that the OC Sheriff's Department's costs for providing police protection to the unincorporated areas also increased over the same period of time, although the OC Sheriff's Department did not respond to staff's requests for data.

As the cities and County endure increasingly tighter financial constraints in the foreseeable future, the cities will be challenged to balance the need to provide adequate police protection with maintaining adequate funding for other general fund programs. The City of Villa Park may explore the possibility of contracting with the City of Orange for police protection services to determine if there are any cost savings. Staff noted no other issues related to police services.

Fire

Summary

As with police protection, the cities will endure increasingly tighter financial constraints in the foreseeable future. The cities will be challenged to balance the need to provide adequate fire protection with maintaining adequate funding for other programs



financed with general fund dollars. Provided that the City of Orange constructs a new fire station to serve the East Orange development areas, no other significant issues related to fire protection were noted.

Existing Fire Services

The City of Orange Fire Department (Orange FD) and Orange County Fire Authority (OCFA) provide fire protection services to the MSR area. The Orange FD responds to calls within the city's boundary, and the OCFA provides fire protection to the City of Villa Park and to the unincorporated areas within the City of Orange, Orange Park Acres, North Tustin, and the canyon areas. The Orange FD and OCFA maintain an automatic aid agreement that provides for the closest provider to respond to emergencies.

The MSR area is served by eleven existing fire stations (eight Orange FD, three OCFA). The Orange FD responded to 10,090 calls in 2003, while OCFA reportedly responded to approximately 2,668 calls within their portion of the MSR area.

The Orange FD maintains 124 sworn regular staff with a staffing ratio of 1 firefighter to every 1,084 residents. The Orange FD has an average response time of 4:47 minutes. Its programs include fire administration, suppression, training and prevention, EMT, paramedic, and emergency operations.

The OCFA maintains ten full-time firefighters in three stations to provide fire service to Villa Park, the unincorporated areas within the City of Orange, and the canyon areas (one four-person station and two three-person stations). The OCFA has an average response time of 8:06 minutes for the canyon areas and 5:44 minutes for non-canyon areas.

Future Fire Service

The City of Orange's 2003-2010 Capital Improvement Program (CIP) includes funding for a fire facilities master plan and relocation and replacement of the fire department's headquarters. The proposed cost for the two projects was \$2,975,443 (\$50,000 for the master plan and the balance for the headquarters project). Assuming that the City of Orange's 2020 population will reach 152,527 residents, the Orange FD would need an additional 17 fulltime firefighters to maintain the existing firefighter to resident ratio of 1/1,084.

OCFA currently provides service to the Santiago Hills II development, which is located west of the transportation corridor. However, the Orange FD will provide fire protection services to the area if the City of Orange annexes the community. The



Orange FD will also provide fire service to the planned East Orange development areas (east of the transportation corridor) once the city annexes the territory. The City of Orange has proposed the construction of an additional three-person fire station to be located near East Orange Areas 2 and 3 south of Santiago Canyon Road, which will decrease the response time in the canyon areas due to automatic and mutual aid agreements between the Orange FD and OCFA.

The City of Orange funds its fire department through the city's general fund. Expenditures for the Orange FD represented 25.26% of the total general fund in fiscal year 2003-2004 and 26.22% in fiscal year 2004-2005. The Orange FD's budget increased \$3,028,089 over the past four fiscal years (2000-01:2003-04); however, total department staffing levels remained static.

Parks, Recreation, & Open Space

Summary

Existing Parks and Recreation

A wide range of public and private agencies maintain the MSR area's open space, recreation, and park lands. As represented in Table 5.2.7, Open Space, Park, & Recreation Data, local park, recreation, and open space lands in and surrounding the MSR focus area collectively total 132,585 acres.

Table 5.2.7, Open Space, Park, & Recreation

Oversight Agency	Land Use	Acreage
California Department of Fish & Game	State Ecological Reserve (public)	965
California State Parks	State Park	5,076
City of Orange	Local Parks & Recreation Facilities	202
County of Orange	Wilderness & Regional Parks	8,210
Federal – USDA Forest Service	National Forest	60,307
Nature Conservancy	Nature Reserve (private)	11,000
Silverado-Modjeska Recreation & Parks District	Recreation facilities, community parks, and passive use areas	46,825
TOTAL ACREAGE:		132,585

* Data sources: City of Orange Annual budget, 2003-04; County of Orange General Plan; 2003 Orange County Community Indicators; USFS



The City of Orange has local parks, including neighborhood parks and facilities, community parks, passive parks, and specialized facilities within the urban environment. In addition, there are the thousands of acres open space and regional parks adjacent to the city's corporate limits and within its sphere of influence boundary. Currently the City of Orange maintains 17 local park and recreation facilities totaling 202 acres within its boundaries. Community parks, neighborhood parks, special use recreation facilities, joint-use recreation facilities, and undeveloped city-owned parkland are included in the city's park and recreation facilities infrastructure.

The County of Orange maintains 8,210 acres of regional and wilderness parks within the MSR area, the majority of which is wilderness parkland (5,520 acres). Wilderness parks are passive-use and require less maintenance and management responsibility from the Harbors, Beaches, & Parks section of the County's Resources Development and Management Department (RDMD).

The Irvine Company owns 11,000-acres of open space that is maintained and protected under the stewardship of the Nature Conservancy. The Federal Department of Agriculture and the United States Forest Service manages the Cleveland National Forest land adjacent to the eastern boundary of the MSR area.

The Silverado-Modjeska Recreation & Parks District (SMRPD) encompasses a geographic area of 73.16 square miles and serves a population of 2,500. The SMRPD owns and operates two community centers, two community parks, and a children's center primarily serving the residents of the Silverado, Modjeska, and neighboring canyon areas. The district also maintains hiking and riding trails within its boundaries. Agency funding (\$97,088 for FY 2003-04) comes primarily from property tax. However, the agency has been very successful in receiving grant funds to partially support needed infrastructure upgrades. Planned capital improvement projects include the renovation of the district's two community centers, made possible through Proposition 40 grant funds secured by the district. The district will use additional grant funds for new signage, creek bed restoration, and trail creation. If population projections for the canyon areas are accurate, future expansion of services will be limited.

Future Parks, Recreation, and Open Space

The City of Orange has adopted a standard for a parkland to population ratio of three acres per every 1,000 residents. Based on a projected population of 140,674 residents, the parkland demand for the year 2020 would be 422 acres. To meet the future park demand at a ratio of 3/1,000, the city would need to acquire an additional 220 acres of parkland over the next 15 years to achieve its standard. The most current park master plan information available from the City of Orange (1999) indicated that the city's actual



parkland to population ratio is 1.54/1,000, or 1.54 acres of parkland to every 1,000 residents. To maintain this current parkland to population ratio for the city's projected population in 2020, the city would need to secure an additional 14.6 acres of parkland city-wide.

The East Orange developments would add five additional park and recreation facilities for total of 38.9 acres of parkland: two neighborhood parks in Santiago Hills II (8.6 acres); two neighborhood parks (9.3 acres); a one-acre paseo; and a lighted sports park in East Orange Area 1 (20 acres). These would be added to the city's park system if the territory is annexed to the city. Considering the city's projected build-out population of 11,853, the proposed parkland acreage would exceed the city's current standard for the park/population ratio.

If the City of Orange annexes the East Orange area, the territory would be detached from SMRPD's service area and sphere of influence, as the city would assume responsibility for the area's park and recreation services upon annexation. The SMRPD maintains that the possible detachment of the East Orange area from its service territory would severely impact the district's future financial viability as well as its ability to provide services to the remaining territory and its residents.

The stakeholder working group discussed access to open space lands during the vision plan process. The group conceded that the amount of open space in the area was not necessarily the issue, but rather the use and maintenance of open space and options for protecting the existing open space were more significant. The group identified establishing links between the various open space recreation and park areas to enhance, expand, and/or connect trail access for recreation purposes as a major challenge.

For permanent open space areas designated as non-recreation or agriculture uses (e.g., the Irvine Ranch nature reserve land), active service delivery responsibility for public entities is minimal. While the Irvine Company currently holds title to the 11,000 acres, it gifted the land under conservation easements to the Nature Conservancy in 2001. The Irvine Company has a management agreement with the Nature Conservancy to provide stewardship and public access programs for the reserve to protect the area's natural resources.

Public Safety Issues related to Parks, Recreation, & Open Space

Much of the permanent open space areas are designated as State Fire Responsibility Areas for fire protection purposes pursuant to California Civil Code Section 1103.2.



The State pays OCFA to fight wildfires in the open space area. The annexation of open space would automatically reclassify the land as Local Responsibility Areas, shifting the fire suppression responsibility and corresponding costs to the City of Orange. Additionally, any changes in land use would likely increase the level of overall management and service infrastructure, including public safety and maintenance.

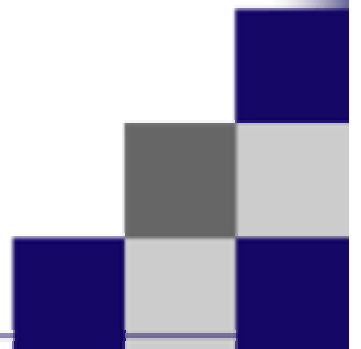
The Orange County Sheriff's Department currently provides law enforcement to the open space areas on an "as-needed" basis. As with fire protection, any change in land use or ownership of the open space area would alter the level of maintenance and service delivery responsibility, in-turn leading to a likely increase in service provision cost.

SMRPD has indicated an interest in providing open space services to the area, which might address the issue of the provision of fire and police services to open space areas; however, funding for the SMRPD is a significant constraint.



Section 5.3:

FINANCING OPPORTUNITIES & CONSTRAINTS





FINANCING OPPORTUNITIES & CONSTRAINTS

The information in this portion of the MSR report is based on data supplied by the agencies and organizations involved. LAFCO staff noted substantial problems with the data. The amount and quality of the information supplied by the agencies varied. The variation in data is the result of the agencies responses, the dissimilarity of budgeting systems among the agencies, and the lack of specificity in the LAFCO data requests. See Appendix 9, agency financial information (completed by the agencies). One improvement in future MSRs is that LAFCO will clearly define and clarify what financial information will be requested.

The agencies addressed by this municipal service review face numerous and significant financing constraints. The first is related to the funding structure for local government, including cities, counties, and special districts, which changed significantly in 2004. The state budget instituted a number of changes in how local revenues are allocated to help the State deal with the ongoing budget crisis.

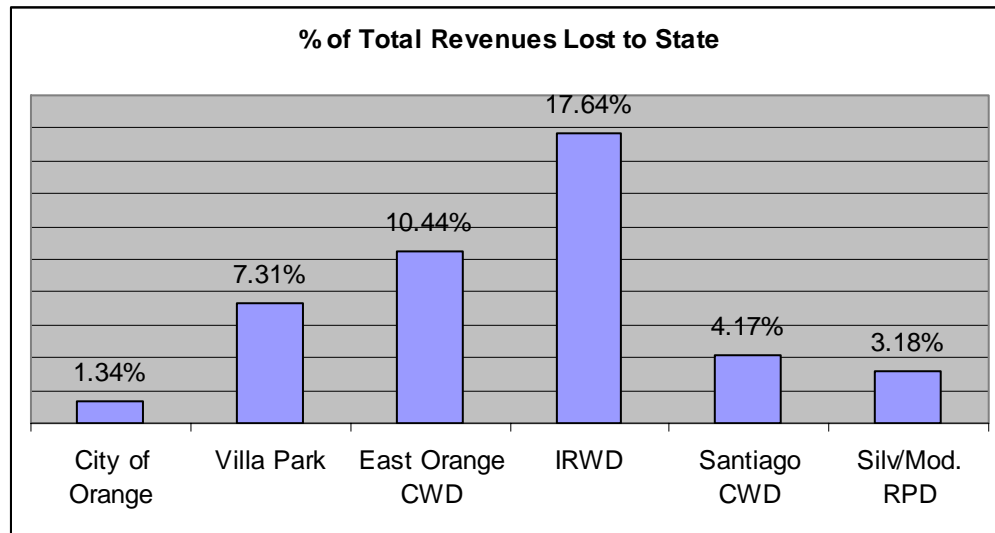
The four primary tax and revenue funds involved are sales and use taxes, Vehicle License Fees (VLF), property taxes, and Educational Revenue Augmentation Funds (ERAF). Cities, counties, special districts, and redevelopment agencies will contribute \$1.3 billion each year for two years (FYs 04-05 and 05-06) to help the State's finances.

The largest impact on agencies in the MSR area 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 involves property tax revenues from both special districts and cities. However, enterprise districts will pay a larger share than general fund agencies, since lawmakers assumed that they can more readily cover the loss of revenue by raising fees for services.

The following shows the amount each agency addressed by this municipal service review is expected to lose in property tax revenue each year for the next two years:



Figure 5.3.1 – Projected Property Tax Revenue Loss, FY 2004-2005 and 2005-2006



In addition to the changes in funding on a state level, increases in health benefit costs have affected all public agencies. For example, CALPERS, the third largest purchaser of health benefits in the country, has raised rates for health care costs 50% over the last two years. Public agencies have also been hit by a three-fold increase in retirement costs as a result of:

- The stock market slump after the dot-com collapse;
- The trickle-down impact on local agencies after the State Legislature boosted benefits for state employees in 2000; and
- The longer life-expectancy of retirees.

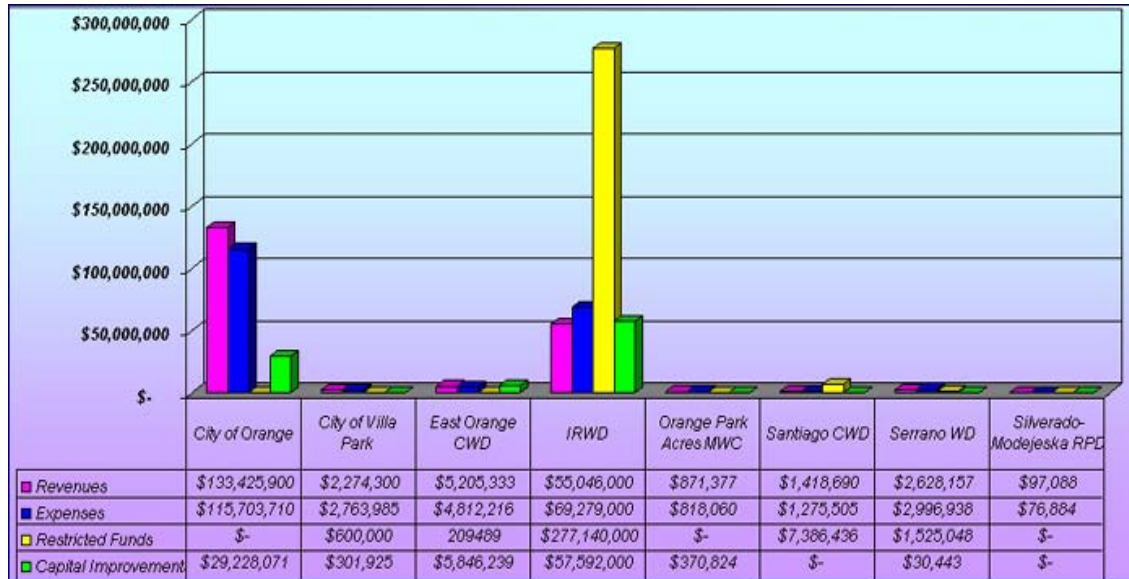
These are significant financing constraints for all public agencies.

Revenues & Expenses Comparison

The following figure, Figure 5.3.2, 2003-2004 Financial Information, compares the revenues, expenses, restricted funds, and capital improvement program costs of each public water agency reviewed. In cases where FY 2003 was not provided, FY 2002 was used. This does not create a material discrepancy for data evaluation, as it provides some measure of past financial condition.

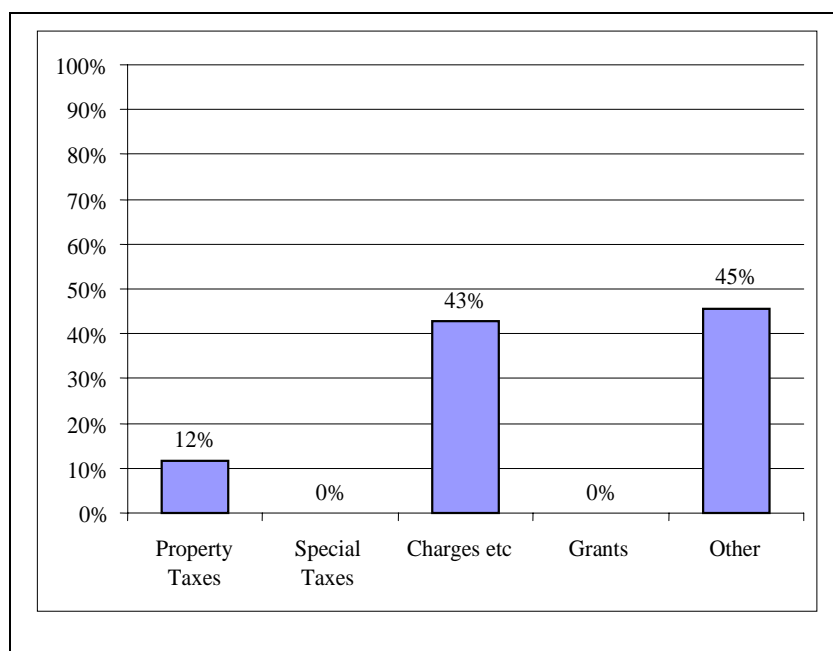


Figure 5.3.2 – 2003-2004 Financial Information



The aggregate sources of revenues for all the agencies in the MSR area are shown in the following table. As can be expected from enterprise agencies, the most prevalent source of funds are from fees and charges. The “Other” category includes total revenues from the Cities of Orange and Villa Park in addition to other non-operating revenues such as interest income.

Figure 5.3.3 – Aggregate Sources of Revenue FY 2002-03





City of Orange

The City of Orange provided limited financial information, and staff could come to no conclusions regarding financing opportunities and constraints specific to the city. However, the national Government Finance Officers Association awarded the city a Distinguished Budgeting Award for fiscal year 2003-2004 by. Less than 2% of cities nationwide receive the award. No significant financing issues were noted.

City of Villa Park

For the past three years the trend for the City of Villa Park has been one of steady revenues with expenses increasing by approximately 25%. The impact of the shift of local revenues to the State from Villa Park will result in a city revenue reduction of \$67,866 in fiscal years 2004/2005 and 2005/2006. At the conclusion of FY 2004/2005, it is expected that the city's unrestricted General Fund balance will be approximately \$915,000; the city council has a policy of maintaining a reserve of \$630,000. The city does not propose any increases in taxes, fees, or service charges and expects to maintain current service levels. No significant financing issues were noted.

East Orange County Water District

The East Orange County Water District provided financial information showing an increase of approximately 14% in revenues from FY 2002-2003 through FY 2004-2005 with a corresponding increase in expenses of 9%. In the FY 2004-2005, budget capital improvements were funded at 50% of the previous years. The district maintains restricted funds at approximately 125% of its total revenues. Based on the information submitted by the district, no significant financing issues were noted.

Irvine Ranch Water District

The Irvine Ranch Water District provided financial information showing an increase of approximately 16.6% in water revenues from FY 2002-2003 through FY 2004-2005 with a corresponding increase in expenses of 2.7%. Sewer revenues showed an increase of approximately 26% in revenues from FY 2002-2003 through FY 2004-2005 with a corresponding increase in expenses of 20.7%. Expenditures for capital improvements increased 31% from FY 2002-03 to FY 2004-2005. Based on the information submitted by the district, No significant financing issues were noted.

Santiago County Water District

Information submitted by the Santiago County Water District demonstrated increases of 15% in both revenues and expenses for the previous three fiscal years. Property tax



revenues only increased by 5% while service charges/fees/assessments increased by 21%. During the same period, the district increased restricted funds for capital improvements by 11% and maintained restricted funds at approximately 150% of total revenues.

However, the district submitted a letter to LAFCO noting that the district has two improvement areas within its boundaries. Improvement area #1, the site of the proposed East Orange development, is largely undeveloped. A majority of the district's customers reside in improvement area #2. The letter states, in part, that "...The district experiences net operating losses of approximately \$42,000 per year including provisions for capital replacements or improvements of approximately \$140,000. This loss is compensated for by the collection of taxes and assessments on all lands within the Santiago County Water District..."

The Santiago County Water District letter is included as Appendix 10.

Serrano Water District

The Serrano Water District demonstrated a 21% decrease in revenues over expenses during the previous three fiscal years. Spending on capital improvements decreased by 4% and restricted operating funds decreased by 50%. The district's total restricted funds as a percent of total revenues are expected to drop to 3% in FY 2004-2005. This represents a significant financing constraint.

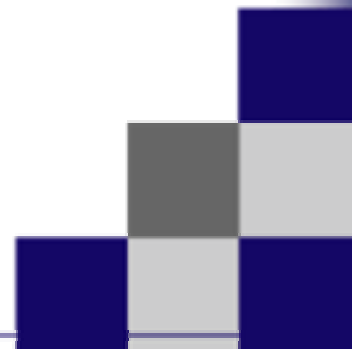
Silverado-Modjeska Recreation & Parks District

The Silverado-Modjeska Recreation & Parks District showed a substantial increase of revenues in excess of expenses for the previous three fiscal years primarily due to grant monies received or anticipated. The district's total restricted funds (expressed as a percent of total revenues) are expected to decline during FY 2004-2005 to 30%. No significant issues were noted for the district's current operations.



Section 5.4:

OPPORTUNITIES FOR RATE RESTRUCTURING





OPPORTUNITIES FOR RATE RESTRUCTURING

Introduction

Funding for municipal services generally fall into two categories – fee-based services (e.g., water service, sewer service, building permits, recreation classes, development impact fees, etc.) and those services funded through a combination of property taxes, general fund revenues, grants, proceeds from bonds, and other income sources (e.g., police and fire protection). This section of the MSR report examines the Orange MSR area's fee-based services and compares the rates charged by the area's numerous service providers.

A fee, or rate, is a charge imposed on an individual or group for a service provided. A fee may not exceed the estimated reasonable cost of providing the particular service or facility for which the fee is charged, plus overhead. In the Orange MSR area, fees are primarily collected for water and wastewater.

Water Rates

Overview

Water service is capital intensive, and service providers' rates are directly affected by capital improvement needs, financing costs, and the revenue available to an agency. Specific water rates are dependent upon a variety of factors unique to each agency. In determining its retail water rates, a service provider 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.

Water agencies typically receive their funding from water sales, service charges, fees, and investment earnings on funds set aside. For some agencies, tax revenues from the general 1% property tax levy are 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 a water agency lacks adequate funds for the required capital improvements, it may increase the fees charged to the ratepayer including charges for capital investments and repairs.

Water Agencies in the Orange MSR Focus Area

In Orange County, and particularly in the Orange MSR focus area, rates are additionally impacted by other factors unique to the region. Specifically, the focus area's six retail water providers purchase their water wholesale at different rates based on which of the three wholesale water agencies from which they purchase water – the Municipal Water District of Orange County (MWDOC), the Orange County Water District (OCWD), or the East Orange County Water District (EOCWD). For example, an agency that receives local groundwater from the lower Santa Ana River groundwater basin managed by OCWD pays the wholesale rate of approximately \$300 per acre-foot. Conversely, an agency relying on imported water from the Metropolitan Water District of Southern California (MWD) pays approximately \$460 per acre-foot. MWDOC estimates that a customer who receives water from the Santa Ana River groundwater basin pays \$0.25 less per hundred cubic feet than a customer in an agency that relies on imported water.

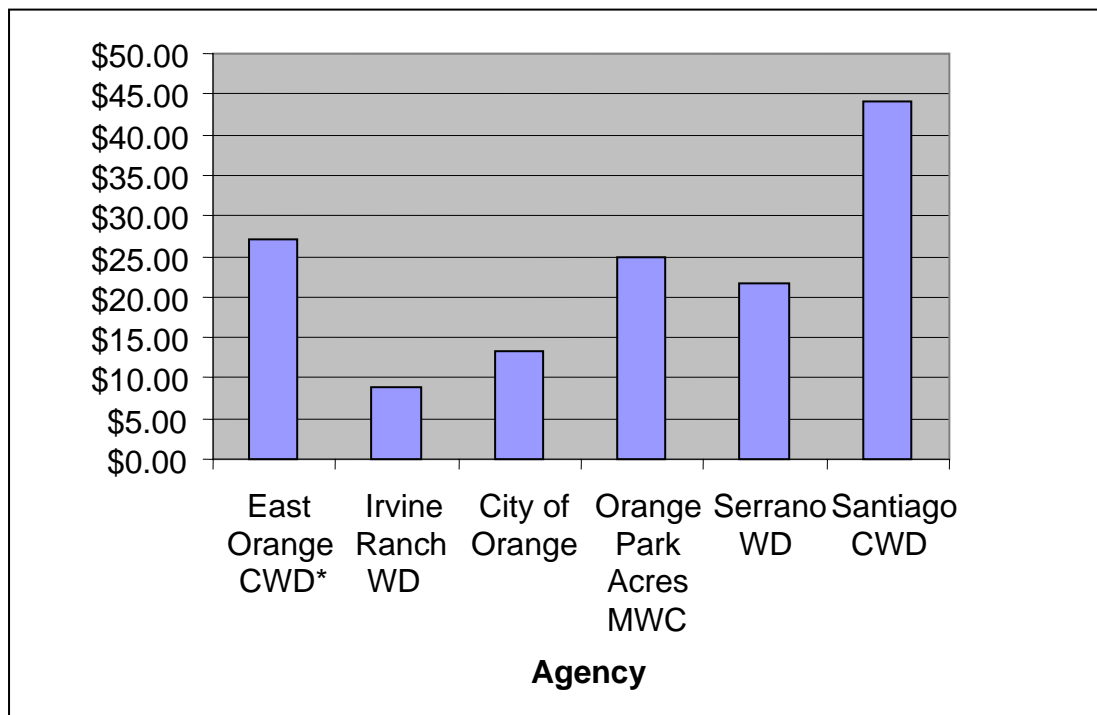
In the Orange MSR area, the City of Orange, the Serrano Water District, the East Orange County Water District, and Orange Park Acres Mutual Water Company lie totally within the Santa Ana River basin and receive their water from OCWD. While both the Santiago Water District and the Irvine Ranch Water District are lie partially within the boundaries of the OCWD, groundwater pumped from the basin technically cannot be used for service to areas outside the OCWD's service territory.

Other factors impacting the water agencies' rates within the focus area include the individual agency's proximity to MWD lines, pumping required to lift the water to higher elevations (especially significant given increases in electricity), provision of sufficient storage, age of system, recycling, and treatment.

Given the wide range of factors that affect the rates set by water agencies, Figure 5.4.1, Retail Water Rate Comparison in Orange MSR Area, should be used as a general comparison of water rates among agencies in the Orange MSR area. The rate comparison estimates a monthly usage of 10 hundred cubic feet (ccf) of water per month. Rates include commodity charges in addition to fixed charges.



Figure 5.4.1 – Retail Water Rate Comparison in Orange MSR Area



The agencies with the highest use of imported water – the East Orange County Water District, Orange Park Acres MWC, and the Santiago Water District – have the highest rates primarily due to the cost of imported water. However, the relatively high percentage of imported water used by the East Orange County Water District’s retail customers is not proportionally reflected in the rates, which indicates that the district’s other operations may be subsidizing retail water rates.

Wastewater

The Orange County Sanitation District (OCSD) operates and maintains a 475-mile long regional wastewater conveyance system as well as some local sewer lines and facilities. In the Orange MSR area, the OCSD provides local sewer service to the City of Villa Park and portions of the unincorporated area north of Tustin.

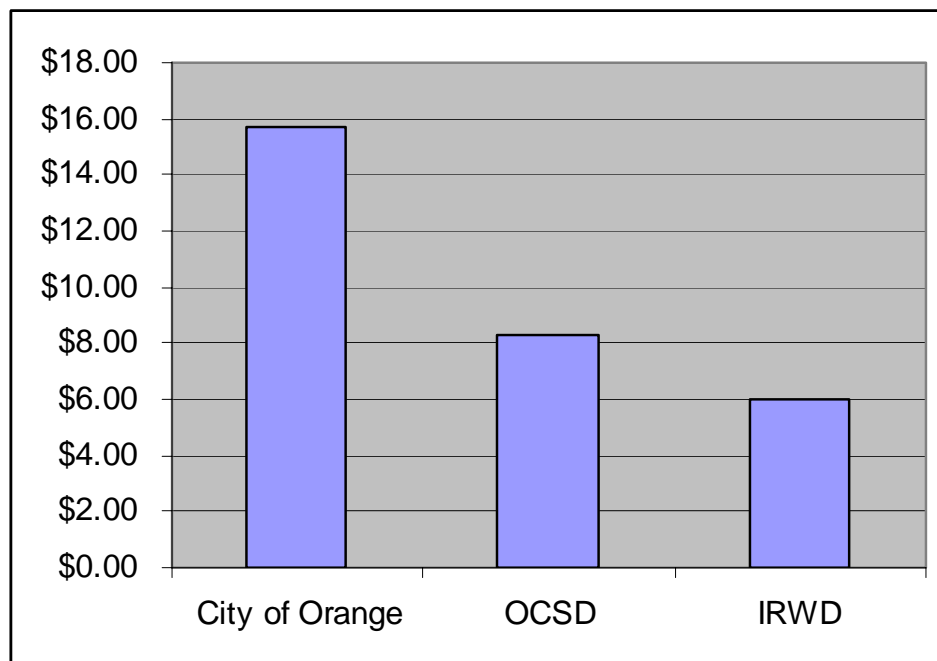


The City of Orange is the only other public agency that currently provides sewer service in the Orange MSR focus area. The Irvine Ranch Water District is the proposed future local sewer service provider for the Santiago Hills II/East Orange development areas. Figures 5.4.2 and 5.4.3 compare the monthly user fees and connection fees for the three wastewater agencies in the service review area.³

The improvements identified by the City of Orange's master plan will be funded by the sewer system users through an increase in per unit fees. An estimated \$14,443,377 will be allocated to existing customers and the remaining \$584,588 to new development. Existing residential and commercial customers will pay an estimated additional \$2.80/unit per month with an annual 5% increase. The city will charge future residential properties a one-time fee of \$121, whereas future commercial and industrial development customers will be charged \$0.28 per gallon of wastewater generated per acre.

No significant issues regarding wastewater monthly rates or connection fees were noted.

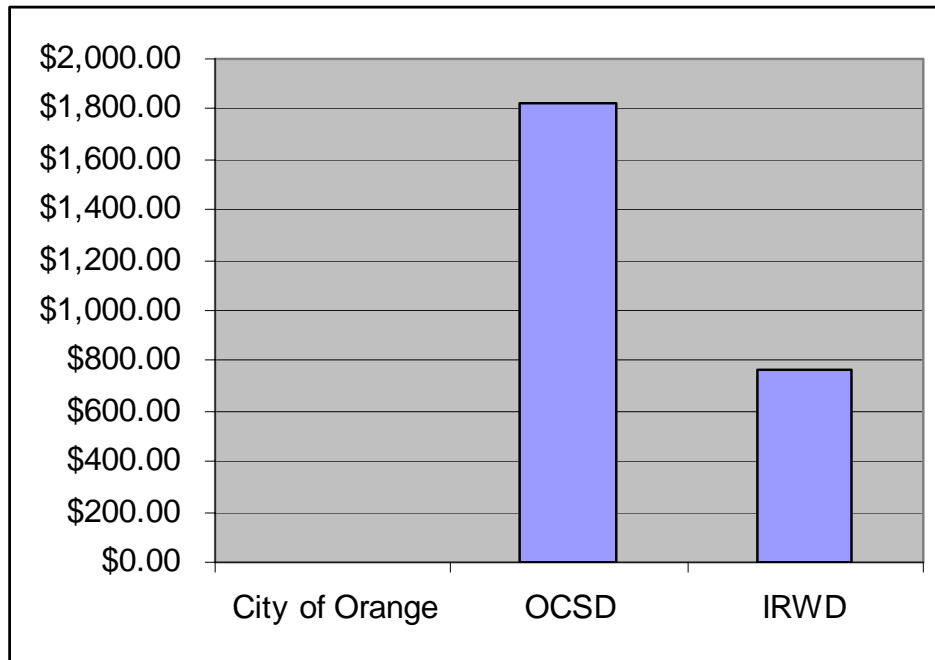
Figure 5.4.2 - Monthly Wastewater Rate Comparisons



³ All data regarding wastewater rates comes from "Orange County Sanitation District Collection Facilities O&M Survey, FY 01-02 Data", from the "Wastewater User Charge Survey Report, FY 03-04 (State Water Resources Control Board) and from the agencies addressed in the service review report.



Figure 5.4.3 – Wastewater Connection Fee Comparison



Other Services

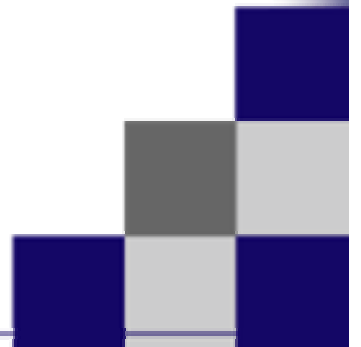
Unlike the Seal Beach/Rossmoor/Los Alamitos/Sunset Beach MSR stakeholder working group, the Orange MSR stakeholder working group did not consider the cost of providing police services, a significant issue, and therefore did not allocate any resources to data collection. However, LAFCO staff recommends that the City of Villa Park compare the cost of contracting with the City of Orange for police services against its current contract with the Orange County Sheriff's Department.

Additionally, the Orange MSR stakeholder working group did not allocate any resources to collecting data regarding the cost for recreation programs or classes. While two separate agencies offer recreation programs in the Orange MSR area (the City of Orange and the Silverado-Modjeska Recreation & Parks District), these agencies provide significantly different types of recreational programs, and the cost of the recreational program and class is most often fully covered by the participant-paid fees.



Section 5.5:

GOVERNMENT STRUCTURE OPTIONS





GOVERNMENT STRUCTURE OPTIONS

Introduction

This section of the MSR report examines a wide range of governmental structure options, some of which have been previously examined by Orange County LAFCO or the agencies represented on the working group. Many of these options require a change of governmental structure under the authority of LAFCO (e.g., reorganizations of agencies, changes in jurisdictional boundaries of the agencies, and amendments to existing spheres of influence). However, there are a variety of other means of improving the efficient delivery of services (e.g., functional reorganizations among agencies, joint powers agreements, etc.) that the agencies may endeavor upon without LAFCO action. This section of the MRS report examines both options within LAFCO's purview and those beyond.

The default government structure option, that of leaving the agencies "as-is," has not been included in the following examination.

Background

In its report to the State Legislature, the Commission on Local Governance for the 21st Century identified the importance of a clear governance structure to better manage the future growth needs in California:

"Excessive fragmentation of government services among numerous providers must be discouraged; and effective, efficient and easily understandable local government must be encouraged."

As one of the nine determinations, the Commission assesses all possible government structure options, including the advantages and disadvantages of consolidation or reorganization of service providers. Though applications for changes in government structure may result from the MSR process, Orange County LAFCO is not required to



take action on any of the options listed. However, the Commission will use the MSR report to determine subsequent sphere of influence updates.

Vision Plan

The Orange/Villa Park/Orange SOI stakeholder working group produced a vision plan during its 10-month MSR process. Though the group's vision plan does not include a listing or examination of alternative government structure options, the plan presented a review of financing and service delivery strategies for septic system conversion as well as alternative financing options for unincorporated and open space areas. The stakeholder working group's vision plan along with its related attachments is included as Section 3 of this report.

LAFCO Government Structure Options

LAFCO staff reviewed the service provision structure and processes for two cities, six special districts, and the County of Orange to complete this section of the report. The specific agencies and services provided in the MSR study area included:

Table 5.5.1 – Current MSR Area Service Provision

Agency	Current MSR Area Service Provision
City of Orange	General municipal services, water, sewer, police, fire, parks and recreation
City of Villa Park	General municipal services, water, sewer, police, fire, parks and recreation
County of Orange	Police, fire, parks and recreation
East Orange County Water District	Water service (wholesale only within MSR area)
Irvine Ranch Water District	Water and sewer service (not currently operational in study area)
Orange Park Acres Mutual Water Company	Water service
Santiago County Water District	Water service
Serrano Water District	Water service
Silverado-Modjeska Recreation & Parks District	Recreation and parks services

A review of the agencies' service area boundaries revealed a complicated map of multiple providers. Villa Park is a city entirely surrounded by another city, the City of Orange. However, there are no existing agreements for shared service provision between the cities. The County of Orange is responsible for providing municipal-level services to the unincorporated areas and routinely traverses city boundaries to provide



those services. The current system for providing services to unincorporated areas is neither cost effective nor efficient. Four agencies currently provide retail water service to the area. Each charges a different rate to customers.

The presence of multiple providers and lack of logical boundaries often results in overlapping and/or duplicative service provision and inequity in cost to the end user. Consumers deserve the most cost effective and efficient service delivery available.

The advantages/disadvantages of considering alternative government structure options include:

- ***Simplification of boundaries*** – Several agencies providing similar services in a limited area can result in overlapping service areas and confusion among the customers. While there is no overlap in retail water service areas in the Orange MSR area, staff identified an overlap in wholesale water service provision.
- ***Improved service delivery*** – An agency may find itself better able to serve its constituency after reorganization or through a joint provision of services. For example, a small agency might reorganize with a larger one to increase staff expertise or the agency's capacity to provide services. LAFCO staff has identified several opportunities for improved service delivery in the Orange MSR area.
- ***Reduction in costs or fees*** – The cost of providing service varies among agencies, and reorganization may be a means of lowering rates and/or reducing costs. If an agency is very small, reorganization with another agency might achieve economies of scale. For example, the City of Villa Park currently contracts with the Orange County Sheriff's Department for police services; it may want to explore contracting for services with the City of Orange's Police Department to determine if costs could be reduced.
- ***Increase in local accountability and "home rule"*** – If citizens believe that an agency is unresponsive to their needs, a reorganization might be proposed to allow closer interaction between a governing board and residents.
- ***Correction of problems*** – Occasionally governing board members may be perceived by the public as ineffectual or service provision as inefficient and reorganizations are proposed to "fix" the problem.
- ***Realignment*** – An agency may find itself better able to serve its constituency after an incorporation or sphere amendment adds or subtracts territory. Several



sphere amendments for agencies in the Orange MSR area have been proposed and will be considered by LAFCO at a later date.

Disadvantages or neutral effects from a change in governmental boundaries can include:

- ***No actual or limited costs savings*** – Once all of the factors are considered (i.e., cost of reorganization, merging staffs, retirement obligations or upgrades to systems, etc.), sometimes the resultant cost savings are modest enough that it is not cost-effective to pursue reorganization.
- ***Impacts to service provision*** – Reorganizations that include the detachment of territory from an agency may negatively impact the remaining service area and its customers. For example, the Silverado-Modjeska Recreation & Parks District maintains that detachment of portions of their service area could negatively impact their future provision of service.
- ***Little improvement in service efficiency*** – If agencies are run efficiently, a change in governmental structure may gain very little service improvement.
- ***Local autonomy*** – A small agency providing services may offer benefits of community cohesion and local “ownership” which may be lost in a reorganization with a larger agency.
- ***Political opposition*** – Pursuing reorganization without the support of residents or the governing board typically increases the time and effort involved.

Summarized government structure options for improved, more efficient future service delivery may include:

- Annexation of unincorporated areas to surrounding cities.
- Providing sewer service for areas on septic systems.
- Consolidation of water service delivery, decreasing the total number of providers to achieve equity in service delivery and cost to customers.
- Elimination of redundant wholesale water service delivery costs which would likely result in immediate cost savings to consumers.



- The City of Villa Park may benefit from contracting with City of Orange for police, fire, water, sewer, street maintenance/street sweeping, landscape maintenance, and street lighting.
- The County of Orange would likely decrease service costs and increase service delivery efficiencies to unincorporated areas by contracting with the City of Orange to provide services in lieu of annexation.
- Orange Park Acres residents may benefit from increased service delivery by creating a CSD to fund police, fire, sewer, water, street and landscaping, and/or street lighting maintenance costs.
- North Tustin residents may benefit from increased service delivery by creating a CSD to fund police, fire, sewer, water, street and landscaping, and/or street lighting maintenance costs.

A detailed analysis of the advantages and disadvantages of the government structure options described below is not possible given the regional scope of the MSR report and the data collected. If Orange County LAFCO or the agencies involved in the MSR process choose to pursue a particular governmental structure option, additional studies will be required.

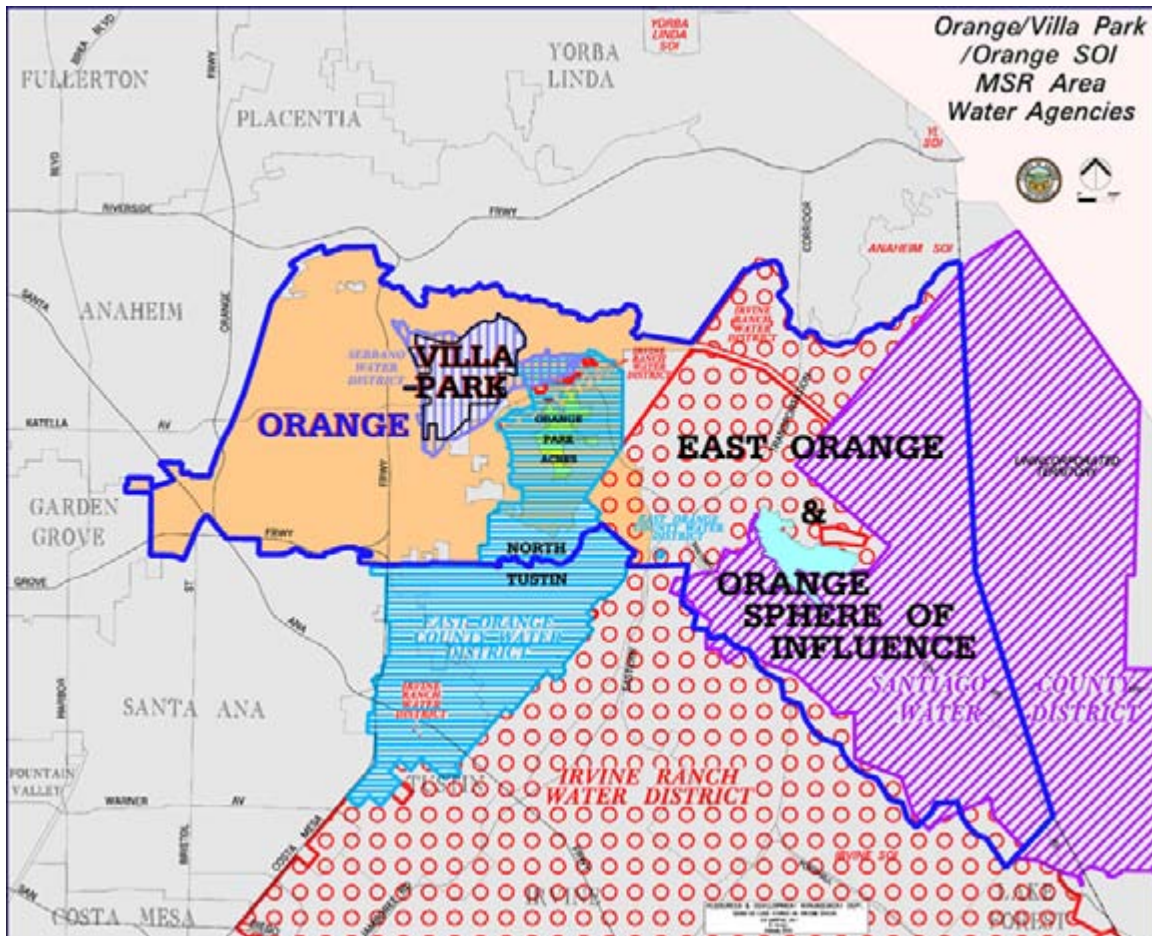
Water

The existing agencies that provide water service to the MSR study area are shown on the captioned map (Figure 5.5.2, Current MSR Service Providers) and are listed below:

- City of Orange (retail)
- Orange Park Acres Mutual Water Company (retail)
- Santiago County Water District (retail)
- Serrano Water District (retail)
- East Orange County Water District (wholesale)



Figure 5.5.2 – Current MSR Service Providers



While the Irvine Ranch Water District does not currently provide water service to the Orange MSR area, it has facilities within the MSR area.

Governmental Structure Options and Spheres of Influence— Water Service

General Water Service Delivery Comments

Four agencies currently provide retail water service to the MSR area. Rates and, in some cases, level of service varies between providers. Evidence suggests that residents across the MSR area do not presently receive the most equitable and efficient water service. Staff strongly suggests that the existing agencies initiate discussions targeted at future service provision strategies or alternatives that may result in the most efficient, equitable, and cost-effective service to residents within the MSR area. In 2005, LAFCO will address and update the spheres of influence for each of the agencies within the



MSR area. The focus in-part will be to consider the overall service and capacity needs of the area and determine the water agencies best suited to provide services.

Additionally, staff identified overlap in the structure and delivery of wholesale water within the MSR area. Eliminating any overlap or redundancy of wholesale providers would likely result in an immediate cost savings to consumers.

East Orange County Water District

Government Structure Options

The East Orange County Water District (CWD) provides both wholesale and retail water services but, for the purpose of this report, only the district's wholesale functions were considered, as its retail zone (population of 3,195) is located *outside* the boundary of the study area. LAFCO staff recommends exploring the merger of the agency's retail functions with another retail water purveyor to determine if any efficiencies and economies of scale could be achieved.

The East Orange CWD projects a future decrease in wholesale demand of 55.6%. The district estimates 2004-05 to be 5,266 acre-feet per year (AFY); the projected demand for the year 2020 is 2,936 AFY.

The East Orange CWD conducted an organizational study in 1999⁴ to assess the existing condition of water service within their boundary, review the relationships between water providers, and identify organizational possibilities for further study. The agencies included in the study were the Cities of Orange and Tustin, the Irvine Ranch Water District, the Orange Park Acres Mutual Water Company, the Santiago County Water District, the Serrano Water District, the Southern California Water Company (a private water company), and the Carpenter Irrigation District (subsequently dissolved as an independent district by LAFCO in 1998 and its service area was included in IRWD district).

The 1999 study reviewed a number of reorganization options for the wholesale district. Each option involved dissolution of the district. The seven alternative options identified for further exploration in that study included:

- Formation of a Joint Powers Agency (JPA) to replace East Orange CWD
- Development of a Joint Powers contract among the East Orange CWD sub-agencies and subsequent dissolution of the district;

⁴ East Orange County Water District Organization Study Phase 1, prepared by MNA Consulting October 1999



- Dissolution of the East Orange CWD and division of its assets and service responsibility between the Cities of Orange and Tustin;
- Dissolution of the East Orange CWD and division of its assets and service responsibility between the Cities of Orange and Tustin and the Southern California Water Company;
- Reorganization of East Orange CWD and Municipal Water District of Orange County (MWDOC) with MWDOC assuming the assets and responsibility of the East Orange CWD;
- Dissolution of the East Orange CWD with MWDOC serving as an interim agency until final disposition of assets is completed; and
- Privatization of wholesale services.

No alternative was singled out for further study at that time. A phase two study of alternatives was recommended but has not been commissioned to date.

In addition to the reorganization options identified in the East Orange CWD study, LAFCO identified the following options:

- Reorganization with Orange Park Acres Mutual Water Company – Although the Orange Park Acres MWC is a mutual water company and not subject to LAFCO review, it participated in the MSR process and had a representative on the stakeholder working group.
- Reorganization with the Irvine Ranch Water District – IRWD is adjacent to the East Orange CWD and has some facilities located within its service area.

Sphere of Influence

Orange County LAFCO adopted a sphere coterminous with the agency's boundaries in 1983. Staff did not identify any changes in the East Orange CWD's sphere during the service review process. The Commission will complete a comprehensive sphere of influence update for the East Orange CWD subsequent to this MSR report.



City of Orange

Government Structure Options

Staff did not identify any government structure options for the City of Orange's water service that require LAFCO action. However, there may be other means of reducing costs and gaining efficiencies.

The Cities of Orange and Villa Park as well as the Serrano Water District, which supplies water to the City of Villa Park, should explore opportunities for cooperating in the provision of water service. The City of Orange's projected water capacity for 2010 could accommodate the Serrano WD/City of Villa Park's anticipated demand (3,406 AFY in 2010). Forming a joint powers authority (JPA) or sharing facilities, staff, and/or equipment could lessen water provision costs.

The City of Orange and the Serrano Water District have different rate structures, leading to confusion among residents who live side-by-side but pay different rates. The current monthly rate paid by a Villa Park resident served by the Serrano Water District averages \$22.00 compared to an average \$13.00 monthly rate for a resident served by the City of Orange. Forming a JPA or engaging in another, less formal cooperative effort could also help the agencies reach more economies of scale and provide access to more favorable financing mechanisms.

Any change in the City of Villa Park's water service purveyors would be more appropriately the subject of discussions with the Serrano Water District, which provides retail water service to the city. LAFCO does have the statutory authority to reorganize the Serrano Water District with another agency, such as the City of Villa Park. However, reorganizations are more efficient and less costly if the affected agencies are the agents for the proposed change in governmental structure. LAFCO should encourage the Serrano Water District to initiate discussions with the Cities of Orange and Villa Park about possible government structure modifications and other means of simplifying the water service provision in the area.

The City of Villa Park has expressed concern about the loss of local control. However, since State law offers no mechanisms for city dissolution, the City of Villa Park could only gain by initiating discussions with surrounding service providers.

Sphere of Influence

The Commission last reviewed and approved the City of Orange's sphere of influence (SOI) in 1988. Staff did not identify any specific changes in the City of Orange's SOI during the MSR process. However, some of the working group's discussions focused on



the open space areas located within the city's current sphere, the disposition of those areas, and the ultimate placement of the city's SOI.

LAFCO has a pending proposal from the Irvine Company (TIC) for the annexation of the Santiago Hills II development to the City of Orange and further expects TIC will submit annexation applications for East Orange Areas 1 and 2 within the next 12-18 months. No specific annexation timeline is available for East Orange Area 3. Although all four developments are within the city's current sphere of influence, State law would require LAFCO to update the city's sphere prior to approving any annexation proposal.

Irvine Ranch Water District

Government Structure Options

The Irvine Ranch Water District (IRWD) is not currently providing retail water to any part of the MSR area. However, IRWD will provide both water and sewer service to the Santiago Hills II development, which is within the district's boundaries.

There has been debate about which agency is best suited to provide water and sewer service to the remainder of the East Orange development. The majority of East Orange Area 1 is IRWD's service boundaries, though a portion lies within the Santiago County Water District's (CWD) service area. All of the East Orange Areas 2 and 3 are within the boundaries of the Santiago CWD, which provides retail water only. As part of the MSR process, The Keith Companies prepared the East Orange Utilities Study, analyzing water and sewer service provision to the proposed East Orange Areas 1, 2, and 3. The study concluded that IRWD would provide the most efficient, cost effective water and sewer service to the entire East Orange development.

A reorganization amending both districts' spheres of influence and concurrently annexing/detaching territory would be required before IRWD can provide water and sewer service to the future developments in this area. The Santiago CWD maintained during the MSR process that the detachment of territory from its service area would compromise Santiago CWD's future viability and impair its ability to provide service to its remaining residents. To address this issue, both districts began a dialogue about the possible reorganization during the MSR process. The status of those negotiations is unknown at this time; however, the issue will be decided as the Commission considers the annexation of the East Orange development areas to the City of Orange.

Sphere of Influence

If the Santiago CWD and IRWD reach consensus on a reorganization between the two agencies, IRWD's sphere will be updated to include the additional territory to which the



district will provide water and sewer service. IRWD's sphere must include such territory prior to annexation of that territory to the district.

Santiago County Water District

Government Structure Options

If the Santiago County Water District (CWD) were to provide water and sewer services to the East Orange development area, the only governmental structure change required would be LAFCO's activation of district's latent powers to provide sewer service. However, the East Orange Utilities Study identified IRWD as a more cost effective service provider to the East Orange development areas. The utility study concluded that IRWD would incur marginal costs to extend services to the area, much less than the Santiago CWD's costs to expand its current services.

The East Orange development areas encompass a majority of the potential for new growth, and therefore new revenue, within the Santiago CWD's sphere. Future growth in the remainder of the Santiago CWD's service area is limited by the development guidelines specified under the Silverado-Modjeska Specific Plan, adopted in 1977 and last amended in 1985. The Santiago CWD has expressed concerns about its ability to provide service to existing and future customer base if the East Orange development areas are detached from its service area.

To address the need for the most efficient and cost effective provision of service to the proposed East Orange developments as well as the Santiago CWD's current and future service provision, the most logical government structure option is a reorganization of the two agencies.

Sphere of Influence

The Santiago CWD could extend services to the developments in East Orange Areas 2 and 3, both entirely within district's current boundaries, without any modification to the district's sphere of influence. Determining a single service provider for East Orange Area 1 will require a reorganization between the Santiago CWD and IRWD, resulting in changes to both districts' spheres of influence, as neither district encompasses the entire development area.

Serrano Water District

Government Structure Options

The Serrano Water District provides water to the City of Villa Park and to a small area within the City of Orange's corporate boundaries. As examined previously, the



governmental structure options for the district include a possible reorganization with the City of Orange and/or the City of Villa Park.

Sphere of Influence

Staff did not note any specific changes in the Serrano Water District's sphere of influence, which is coterminous with the district's boundaries. The Commission will prepare a comprehensive sphere of influence update for the Serrano Water District subsequent to this MSR report.

Orange Park Acres Mutual Water Company

Three types of water systems generally supply drinking water to California residents:

- Water systems owned by public agencies (e.g., local water districts)
- Private, not-for profit mutual water companies (i.e., entities whose shareholders are the landowners served by the water system)
- Private, for-profit corporations ⁵

Mutual water companies are private, nonprofit entities governed by stockholder-elected boards of directors. The stockholders are landowners who have joined together to develop and use a water supply. Mutual water companies are private corporations rather than public districts and have the advantage, among other things, of simplicity in both formation and dissolution.

The Orange Park Acres Mutual Water Company (MWC) does not fall under LAFCO's purview but participated in the MSR process. It serves an unincorporated island community of Orange Park Acres, which is completely surrounded by the City of Orange. Land use in the area is primarily large-lot residential development. A majority of the homes in the island use septic systems, and there are anecdotal reports of frequent septic system failures. Land values have increased significantly in recent years, as has the remodeling of original homes to include larger residences and more extensive landscaping, which results in increased demand for water services.

In the past, some residents in Orange Park Acres have resisted the idea of annexation to the City of Orange fearing a loss of community character among other issues. Annexation of the unincorporated island will remain an issue. However, greater demand on the water system may force Orange Park Acres MWC to pursue options,

⁵ California Legislative Analysts Office, "Proposition 50 Resources Bond: Funding Eligibility of Private Water Companies", 2004.



such as reorganization with another water purveyor, to ensure that water supply and delivery meets the expectations of current and future residents.

The participation of Orange Park Acres representatives in the MSR stakeholder working group was important to the process and to the community as it begins to weigh its future options.

Sewer

The City of Orange and the Orange County Sanitation District provide wastewater services to the MSR area. Governmental structure options and potential sphere of influence changes have been described in the section for water service. Staff did not identify any additional government structure options or spheres changes for wastewater services.

However, a number of homes, primarily in Orange Park Acres and North Tustin, use septic systems. The lack of existing sewer infrastructure in large sections of the study area is a concern. The continued use of hundreds of septic systems can result in potentially serious financial and environmental impacts to residents and local jurisdictions. Fines from water quality violations are increasing and are sometimes assessed on individual property owners. The impacts to the regional water supply are also a concern.

The efficiency of a septic system varies greatly depending on maintenance, geography/location, and increasing density due to growth impacts. The responsibility for septic system repair or failure rests solely with the property owner. Repairs or failures can be financially burdensome for individuals and leave few options other than individual connection to sewer, which is typically expensive. However, annexation of large areas to a public sewer agency to receive sewer service can often be less expensive as economies of scale are achieved.

Discussions focused on converting septic systems to public sewer may be best initiated on a regional level. The large numbers of existing systems in this urbanized County are a factor in urban runoff and other water quality issues that ultimately impact the region as a whole. There is presently no single agency that proactively addresses existing septic system use, maintenance, and replacement strategies countywide. A program that incorporates accessing central funding sources to help defray costs for property owners combined with a proactive monitoring/regulatory program may be important first steps to address the septic system use and conversion issue. A conversion program that combines the efforts of all affected agencies including Orange County Sanitation



District (OCSD), the County of Orange, and cities with concentrations of septic systems may have the strongest opportunity for success.

Financing Opportunities

Making public infrastructure available to all properties is a pivotal catalyst for change. Particular attention should be focused on access to grant funding sources or long-term financing as a means to reduce the cost burden of capital infrastructure development. A number of options should be researched and tapped, including potential grants, loans, and bond financing assessments.

Cost of conversion can be classified under two distinct categories: 1) Capital costs for construction of the main and lateral pipelines; 2) Fees associated with individual property access and connection to the sewer line. Costs can vary greatly depending on physical characteristics of the property and actual distance to existing sewer infrastructure.

Below are potential opportunities to strategically approach the conversion financing issue collectively and individually.

Grant Funds

Grant resources potentially available under propositions 13, 40, and 50 could be accessed to fund sewer infrastructure construction. State Water Resources Control Board (SWRCB) may be the best avenue to pursue these grant funds through the Watershed Protection Program, the Nonpoint Source Pollution Prevention Program, and the Small Community Wastewater Program. Some grant funds are tied to assisting economically disadvantaged areas and would not necessarily apply to all unincorporated island areas.

- **Prop 13** – An example of a funded project would be construction of sewers and a pump station to replace failing septic systems.
- **Prop 40** – The passage of Proposition 40 in 2002 provided \$2.6 billion in bond funds for neighborhood parks, outdoor recreation, protection of wildlife habitat, open space, rangeland, clean beaches, water quality and watershed protection and restoration, air pollution projects and preservation of cultural and historical resources. Eighteen State departments administer Prop 40 funds.
- **Prop 50** – This measure allows the State to sell general obligation bonds for water-related projects. The State administers programs to:
 - Acquire and protect coastal wetlands and watersheds;



- Conserve and protect water resources; and
- Develop and improve the reliability of water supplies.

Grant or loan funds are also available for expenditure by State and local agencies or non-profit organizations for similar purposes.

- **CDBG Grants** – The Community Development Block Grant (CDBG) Program provides funding for the acquisition, rehabilitation, or construction of housing units; new or upgraded water, sewer, or storm drainage systems; and business expansion and retention projects to result in the creation and retention of jobs. Beneficiaries of grant funds must meet strict income criteria (less than 80 percent of the area median) in order to be considered program-eligible. The County Housing and Community Services Department administers the local CDBG program.

For income eligible areas (e.g., the unincorporated areas of El Modena and Olive Heights), CDBG funds could be used to fund both public infrastructure (sewer main line) and individual property access (lateral hook-up) costs.

- **Redevelopment Area Grants/Loans** – Two of the unincorporated areas within the MSR area, El Modena and Olive Heights, are redevelopment areas and may be eligible for redevelopment grant or loan funds for sewer main and lateral construction and connection. Beneficiaries must meet the income eligibility guidelines (currently 80% of median area income as set by the Board of Supervisors). Redevelopment funds could also be used in conjunction with CDBG funds in these areas.

Other Financing Mechanisms

Assessment Districts

Assessment districts can be formed to fund facilities and services of special benefit to the properties within the district. A lien is placed on the properties benefiting from the service. Formation requires simple majority vote of owners within a proposed district responding to a ballot.

- **Community Services District (CSD)** – An independent special district governed by a separate board of directors elected by the district's voters.
- **County Services Area (CSA)** – A dependent special district created by the County.



Mello Roos/Community Facilities District (CFD)

A tax-based financing district created for issuing bonds to finance infrastructure and, in some cases, ongoing services. Creation of a CFD requires a two-thirds vote of the electorate within the proposed district. California law allows cities, counties, school districts, and many special districts to establish Mello-Roos districts and benefit assessment districts to finance public works and public services. Mello-Roos districts and benefit assessment districts are financing mechanisms, and do not deliver services.

GO Bonds

General obligation bonds (GO bonds) are secured by ad valorem property taxes. GO bonds require voter approval and may be issued for public works projects such as sewer system improvements.

COPs

Certificate of participation (COP) is a financing mechanism counties and cities can use without a vote of the electorate. COPs function as a lease purchase program. The public agency makes regular appropriations for lease payments. Title passes to the public agency (lessee) at the end of the lease term. COPs financing has no long-term debt restrictions.

Multi-Party Cost Sharing

- Blanket annexation to the sanitation district can achieve economies of scale for property owners desiring to access sewer. The fee for annexation into the district is based on acreage. Multiple property owners annexing together could share the costs.
- Similar economies of scale are also available through LAFCO annexation. If LAFCO involvement becomes necessary, either through annexation to a city or through an out-of-area service agreement, multiple-party annexation requests would result in lower individual property owner costs.
- Community development block grant (CDBG) or redevelopment funds may also accommodate multiple-party collaborations to achieve similar economies of scale could have cost-saving benefits.

Police

Police protection in the MSR study varies depending on the location and corresponding jurisdiction. The City of Orange has its own police department. The City of Villa Park contracts with the Orange County Sheriff's Department. The Orange County Sheriff's Department serves the unincorporated areas, as well.



Due to the regional focus of police services to County areas in general, the level of service to unincorporated areas is generally incident driven. Conversely, residents living in the City of Orange receive a range of police services, including active patrol and a specific number of officers dedicated to an area at any given time.

The Orange MSR stakeholder working group did not chose to address police services for the area. The Orange County Sheriff's Department provided minimal service information about the policing services it extends to the City of Villa Park and no information on the level of service it provides to the unincorporated areas inside or outside the City of Orange.

An assessment of police services among the Cities of Seal Beach and Los Alamitos and the Sheriff's Department was completed for the MSR focused in that area of the County. The analysis was used to compare the cost and level of services among the three agencies and could be usefully applied by the agencies in the Orange MSR area as a comparison. Staff identified the following government structure options:

- Formation of a Joint Powers Agreement (JPA) among the Cities of Orange and Villa Park and the County of Orange (unincorporated areas)
- City of Villa Park contracting with the Orange Police Department
- Orange County contracting with City of Orange for police services in the unincorporated areas

Parks, Recreation, & Open Space

Four agencies provide park and recreation services to the Orange MSR area:

- The Silverado-Modjeska Recreation & Parks District (SMRPD) provides recreation services to a portion of the MSR area as well as to areas to the east and south. SMRPD operates two community centers, two community parks, and a children's center.
- The City of Orange provides recreational and parks services throughout its corporate boundaries.
- Orange County provides regional park services.
- The City of Villa Park has no parks within its boundary.



The major issue associated with open space is one of future management responsibility for the 11,000 acres of open space deeded by the Irvine Company as well as the continued accessibility of existing open space. The 11,000 acres surrounds the proposed development site in the eastern section of the City of Orange's sphere of influence and was placed under conservation easements in 2001.

The eventual placement of the City of Orange's boundary in conjunction with the annexation of the East Orange development area will be a factor in deciding the future service delivery and management responsibility for the open space lands. The City of Orange, the County of Orange, and/or SMRPD are all potential oversight agencies for the territory from a governance and service delivery perspective. If the City of Orange annexes the East Orange developments, LAFCO would also include the open space in the annexation to circumvent the creation of new unincorporated islands and/or illogical boundaries. This action would require LAFCO to concurrently amend both the City of Orange and SMRPD's spheres.

Managing open space presents a fiscal challenge when one considers the costs associated with providing maintenance services, public safety, and associated liabilities. The Irvine Company, which currently holds title to the land, could transition all responsibility to a private entity such as a land trust. However, a sizable portion of the open space is located within SMRPD's boundary. Detaching these areas from the SMRPD may adversely impact the district's future service delivery and fiscal viability.

The future oversight agency for the open space must be resolved to ensure the most efficient and effective service delivery system. The governmental structure options identified by LAFCO include:

- Annexation of all areas, including open space lands, to the City of Orange.
- Designate SMRPD to oversee the open space areas. This would require a secure and stable funding source for the district, which currently has a budget of approximately \$30,000.
- Designate the County of Orange to provide oversight and service to open space areas.

Unincorporated Areas Fiscal & Governance Issues

Orange County demographics show the County's population currently topping 3 million residents. That number is expected to grow to over 3.5 million by 2025. Major growth and expansion puts pressure on the normally invisible and seamless structure of local governance and service delivery. The trend of slower but steady revenue



growth is predicted to continue into the foreseeable future. However, revenue growth has not kept pace with expenditures. The County has responsibility for the service delivery and governance of unincorporated areas. As the demand for services grows faster than the level of resources available to provide services, the County's ability to maintain existing levels of service will be compromised. LAFCO and Orange County have supported the annexation of islands, and staff suggests that LAFCO's Unincorporated Islands Program remain a priority for both agencies as well as the cities. The County may benefit from revisiting and/or updating its Unincorporated Islands Revitalization Strategy as a sound plan to build upon.

Government Structure Options

The County has made significant strides in its annexation efforts. Nonetheless, several large, long-established island areas remain unincorporated – two of which are within this MSR area, Orange Park Acres and North Tustin. The revenue generated from these areas falls dramatically short of the costs required to serve them. Historically, residents of either OPA or North Tustin have not supported annexation. However, as the areas' demographics and service needs shift in the future, the opportunity to begin a more concentrated dialogue on annexation may present itself. Staff suggests that the County form a community outreach taskforce to focus discussions regarding annexation and other alternative strategies for improving public service delivery and governance to these and other unincorporated areas. Such a taskforce may be most successful if the committee includes local residents as well as LAFCO, the County, and affected cities.

Beyond annexation of the islands to surrounding cities, the working group discussed alternative service delivery structures for Orange Park Acres (OPA) and North Tustin during the MSR process. These alternatives included the possibility of those areas remaining unincorporated indefinitely. The working group considered the formation of a Community Service Area (CSA) or Community Service District (CSD) to help fund sewer infrastructure and improve service delivery for other services, including police, fire, landscaping, and street maintenance. While it was discussed as an option, leaving these areas unincorporated indefinitely is not considered the most beneficial to residents, as service provision costs much more and is less efficient.

The most efficient and cost effective alternative for the long-term provision of services remains the annexation of these unincorporated areas to surrounding cities. An important first step to the eventual annexation may be for the County to contract all municipal-level services to cities surrounding those unincorporated areas. The effort would likely result in improved service delivery efficiencies and decreased cost for the County and consumers. Services may include police, street maintenance, local drainage maintenance, and street sweeping.



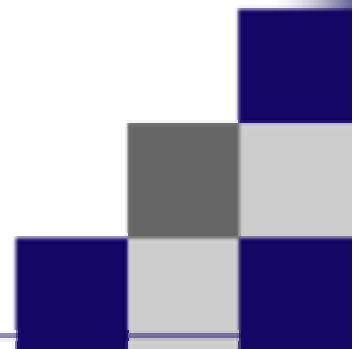
Other Joint Service Provision Suggestions

Currently, the City of Villa Park contracts with various entities to provide the majority of its municipal services to residents. The city may want to review other opportunities for service provision, including contracting with City of Orange for police, fire, water, sewer, street maintenance/street sweeping, landscape maintenance, and street lighting.



Section 5.6:

LOCAL ACCOUNTABILITY & GOVERNANCE





LOCAL ACCOUNTABILITY & GOVERNANCE

Staff reviewed two cities, the County of Orange, and six special districts for general governance structure, accessibility by the public, and local representation. LAFCO addressed some of the following factors to measure local accountability and governance including:

- Compliance with state disclosure laws and the Brown Act;
- Level of public participation, outreach to the public, accessibility of meetings;
- Election processes; and
- Public access to budgets and/or audited financial statements.

General Governance

The MSR area represents a diverse mix of urban and rural development with corresponding governance structures. Of the nine agencies addressed in this MSR report, four (the City of Orange, Orange Park Acres Mutual Water Company, County of Orange, and Serrano Water District) were formed from 80 to more than 100 years ago. The remaining five agencies (the City of Villa Park, Irvine Ranch Water District, East Orange County Water District, Silverado-Modjeska Recreation & Parks District, and Santiago County Water District) were formed within the last 40 years. Each agency was created to address specific needs at the time of formation, and the role and governance structure for each of the agencies has evolved over time consistent with the changing needs of the area. Whether a city, county government, or special district, each agency was formed under specific governmental statute and carries out powers and functions as provided under its enabling act.

Local Accountability

Generally, all of the agencies follow standard processes for accountability to the public. Each agency has a formal governing body that is elected, and all the agencies conduct



regularly scheduled public meetings. The majority of agencies maintain websites that include:

- Name and contact information for governing board representatives;
- Access to budget information; and
- Posted meeting schedules, agendas, and minutes.

No significant issues were noted for local accountability and governance.

Figure 5.6.1 – Agency Governance Structure Summaries

Orange, Villa Park, Orange Sphere of Influence MSR Agencies Local Accountability & Governance	Governing Structure	# Elected Members	Terms of Office	Regular Election Cycle	Regular Meeting Schedule	Postings : Agendas, Meetings & Minutes	Website
City of Orange	C/M	5	4 yrs	X	X	F & W	X
City of Villa Park	C/M	5	4 yrs	X	X	F & W	X
County of Orange	BOS	5	4 yrs	X	X	F & W	X
East Orange County Water District	B	5	4 yrs	X	X	F	X
Santiago County Water District	B	5	4 yrs	X	X	F & W	X
Serrano Water District	B	5	4 yrs	X	X	F	
Irvine Ranch Water District	B	5	4 yrs	X	X	F & W	X
Orange Park Acres Mutual Water Company	B	5	1 yr	X	X	F	
Silverado-Modjeska Recreation & Parks District	B	5	4 yrs	X	X	F & W	X
KEY: C/M = Council/Manager form of Government; B = Board of Directors; BOS = Board of Supervisors (County only); F = at Facility; W = on website							



CITY OF ORANGE

General Agency Information:

Agency Address: 300 East Chapman Avenue, Orange, CA 92866
Website: www.cityoforange.org
Incorporation: 1888

Governance Processes:

Governance Structure: Council/Manager
Five-member Council
Council & Mayor elected at large
Term: 4 years
Election cycle: In even numbered years, member elections are staggered
Meeting schedule: Semi-monthly - 2nd & 4th Tuesdays
Postings: Facility and website

Local Representation:

<i>Council Members:</i>	<i>Date Term Expires:</i>	<i>Stipend</i>
Mark Murphy	11/06	\$600/Mo. + medical & retirement
Carolyn Cavecche	11/06	\$600/Mo. + medical & retirement
Steven Ambriz	11/06	\$600/Mo. + medical & retirement
Jon Dumitru	11/08	\$600/Mo. + medical & retirement
Teresa Smith	11/08	\$600/Mo. + medical & retirement

City Manager: David Rudat

Governance/Local Accountability Determination

The city follows basic processes for governance and operations. The city council conducts regularly scheduled meetings that are open to the public. The city posts meeting notices at the city offices and on the city's website along with past and current agendas and meeting minutes. Registered voters within the city elect council members during regularly scheduled elections by. The mayor is an elected position.



The city provides accessible information for the public through its website. The website identifies local elected officials, provides a variety of information on city services, and links to other public service agencies and providers. The city provides budget and financial documentation, demographics data, and other general information through its website. The city makes environmental documentation for development and expansion projects, including the East Orange development and west end expansion projects, available for the public to review on the city's website and at city's offices and libraries.



CITY OF VILLA PARK

General Agency Information:

Agency Address: 17855 Santiago Blvd, Villa Park, CA 92861
Website: www.villapark.org
Incorporation: 1962

Governance Processes:

Governance structure: Council/Manager
Five-member Council elected at large;
Mayor and Mayor Pro Tem selected by Council members annually
Term: 4 years
Election cycle: In even numbered years, member elections are staggered
Meeting schedule: Monthly on 4th Tuesday
Postings: Facility and website

Local Representation:

<i>Council Members:</i>	<i>Date Term Expires:</i>	<i>Stipend:</i>
Patricia Bortie	11/06	No stipend. Optional City medical benefits
Richard Freschi	11/08	No stipend. Optional City medical benefits
Bob Bell	11/06	No stipend. Optional City medical benefits
Robert Fauteux	11/06	No stipend. Optional City medical benefits
Rich Ulmer	11/08	No stipend. Optional City medical benefits

City Manager: George Rodericks

Governance/Local Accountability Determination

The city follows basic processes for governance and operations. The city council conducts meetings monthly that are open to the public. The city posts agendas, meeting minutes on the city's website. The city's elected body is a five-member council elected by registered voters within the city. The council selects the mayor and mayor pro tem positions.



The city's website provides accessible information for the public through its website, including city budget and financial documentation, demographics data, and other general information. The website also features specific information on each council member, including phone and email information, goals, key issues for the term, and a short biography.



COUNTY OF ORANGE

General Agency Information:

Agency Address: 10 Civic Center Plaza, Santa Ana, CA 92701
Website: www.oc.ca.gov
Formation: 1889

Governance Processes:

Governance Structure: Five-member Board of Supervisors
Directly elected by Supervisorial District
Term: 4 years
Election cycle: In even numbered years, member elections are staggered
Meeting schedule: Weekly on Tuesday
Postings: Facility and website

Local Representation:

<i>Board Members:</i>	<i>Date Term Expires:</i>	<i>Stipend:</i>
Lou Correa	11/08	Pd. at hourly rate of \$55.32. County medical/ dental & retirement benefit plan
James Silva	11/06	Pd. at hourly rate of \$55.32. County medical/ dental & retirement benefit plan
Bill Campbell	11/08	Pd. at hourly rate of \$55.32. County medical/ dental & retirement benefit plan
Chris Norby	11/06	Pd. at hourly rate of \$55.32. County medical/ dental & retirement benefit plan
Thomas Wilson	11/06	Pd. at hourly rate of \$55.32. County medical/ dental & retirement benefit plan

County Executive Officer: Thomas Mauk

Governance/Local Accountability Determination

The chief governing body for the County is a five-member Board of Supervisors. The Board members are elected by district, and the Board selects the officer positions of chair and vice chair each January. With the passage of Measure V in March 2002, the County of Orange became a charter County. As a charter County, mid-term vacancies



are filled by electoral process rather than through gubernatorial appointment under a general law process. The County operates as a general law County in all other respects.

The Board conducts weekly meetings that are open to the public. Additionally, Board meetings are broadcast live on the Internet. Past and current meeting agendas and minutes are posted on the Board of Supervisors portion of the County website.

The County maintains a comprehensive website with links to all County departments and other public agencies. Extensive contact information, budget and financial documentation, demographic and economic data and other general information is available through the website. Additionally, each Board office maintains a separate website with district-specific information as well as links to other information and sites.

**EAST ORANGE COUNTY WATER DISTRICT****General Agency Information:**

Agency Address: 185 South McPherson Road, Orange, CA 92869
Website: www.eocwd.com
Formation: 1961

Governance Processes:

Governance Structure: Board of Directors
Elected at large
Term: 4 years
Election cycle: In even numbered years, member elections are staggered
Meeting schedule: Monthly on 3rd Thursday
Postings: Facility
Enabling Act: Division 12, California Water Code

Local Representation:

<i>Board Members:</i>	<i>Date Term Expires:</i>	<i>Stipend:</i>
Gary Veeh	12/06	\$150/Board meeting; \$100/Committee meeting.
Richard Bell	12/06	\$150/Board meeting; \$100/Committee meeting.
Douglas Chapman	12/08	\$150/Board meeting; \$100/Committee meeting. Pd retirement
Richard Barrett	12/06	\$150/Board meeting; \$100/Committee meeting. Pd retirement
William Vanderwerff	12/08	\$150/Board meeting; \$100/Committee meeting. Pd retirement

General Manager: Bill Redcay

Governance/Local Accountability Determination

The agency follows basic processes for governance and operations allowed under its enabling act. The board conducts regularly scheduled meetings on a monthly basis that are open to the public. Board members are elected at large within the district. District elections are held every two years with two board positions being elected one election cycle and three members during the subsequent cycle. Board members select board officer positions annually.



The agency maintains a website that provides limited information, including names of current board members and staff, the district's phone number, and basic service information. Specific information including meeting agendas/minutes, budget documents or general district operations must be obtained through direct contact with the office by phone or in person. The public may benefit from an expansion of information made accessible through the district's website.

**SANTIAGO COUNTY WATER DISTRICT****General Agency Information:**

Agency Address: 7431 Santiago Canyon Road, Silverado, CA 92676

Website: www.scwaterd.org

Formation: 1964

Governance Processes:

Governance Structure: Board of Directors

Elected at large

Term: 4 years

Election cycle: In even numbered years, member elections are staggered

Meeting schedule: Monthly on 3rd Tuesday

Postings: Facility and website

Enabling Act: Division 12, California Water Code

Local Representation:*Board Members:**Date Term Expires:**Stipend:*

Bruce Newell, President (Modjeska)	11/08	\$75/meeting. No medical or retirement
Jim Carter, Vice-President (Modjeska)	11/08	\$75/meeting. No medical or retirement
Maryann Brown (Williams)	11/06	\$75/meeting. Lifetime medical/ dental
Bob Hunt (Modjeska)	11/08	\$75/meeting. No medical or retirement
Steve Kerrigan (Silverado)	11/06	\$75/meeting. No medical or retirement

General Manager: John Reddick

*

* Four retired Board members are currently receiving lifetime medical/dental benefits through the district.

Governance/Local Accountability Determination

Santiago County Water District (SCWD) was formed in 1964 through the consolidation of five mutual water companies. The district currently provides water service to the communities of Silverado, Modjeska, and Williams Canyon. The district received Housing and Community Development grant funding for water system and community improvement projects. Members of the district's board of directors are



elected at large within the district to four-year terms in a staggered, two-year election cycle. Board members select board officer positions annually. Two members of the district's board have held office for over 30 years. The board conducts regularly scheduled meetings that are open to the public on a monthly basis.

The agency maintains a website with a broad array of information, including board meeting agendas/minutes, budget documents, general district operations, water rates, and district maps.



SERRANO WATER DISTRICT

General Agency Information:

Agency Address: 18021 E. Lincoln St., Villa Park, CA 92861
Website: N/A
Formation: 1927

Governance Processes:

Governance Structure: Board of Directors
Elected by division
Term: 4 years
Election cycle: In even numbered years, member elections are staggered
Meeting schedule: Monthly on 2nd Tuesday
Postings: Facility
Enabling Act: Division 11, California Water Code

Local Representation:

Board Members: *Date Term Expires:* *Stipend:*

Kenneth Henderson	12/06	NP
Lloyd Appelman	12/06	NP
Robert Rickerl	12/08	NP
Larry Pharris	12/08	NP
Jerry Haight	12/08	NP

General Manager: David Noyes

Governance/Local Accountability Determination

The agency was formed in 1927 as an irrigation district under the Irrigation District Law of 1911. Serrano Water District provides retail water service to the City of Villa Park, serving a population of 6,800 through 2,000 domestic meters within 2.1 a square mile service area. Additionally, the district provides a limited amount of irrigation water and operates recreational facilities at Irvine Lake.

The agency follows basic processes for governance and operations allowed under its enabling act. The board's regularly scheduled monthly meetings are open to the public.



Board members are elected at large within the district. Board members select officer positions annually.

The agency does not currently maintain a website. Information on district operations, budget and financial statements, staff and Board members, and meeting agendas and minutes must be obtained through direct contact with the agency. The public may benefit from the creation and upkeep of a district website with regular postings of meeting agendas and minutes as well as other district operations information.

**IRVINE RANCH WATER DISTRICT****General Agency Information:**

Agency Address: 15600 Sand Canyon Rd. Irvine, CA 92618

Website: www.irwd.com

Formation: 1961

Governance Processes:

Governance Structure: Board of Directors

Elected at large

Term: 4 years

Election cycle: In even numbered years; member elections are staggered

Meeting schedule: Semi-monthly – 2nd & 4th Mondays

Postings: Facility and website

Enabling Act: Division 13, California Water Code

Local Representation:*Board Members:**Date Term Expires:**Stipends:*

Brian Brady	11/06	\$195/meeting. Optional participation deferred compensation.
Peer Swan	11/06	\$195/meeting. Optional participation deferred compensation.
Darryl Miller	11/08	\$195/meeting. Optional participation deferred compensation.
John Withers	11/08	\$195/meeting. Optional participation deferred compensation.
Mary Aileen Matheis	11/08	\$195/meeting. Optional participation deferred compensation.

General Manager: Paul Jones***Governance/Local Accountability Determination***

The Irvine Ranch Water District (IRWD) follows basic processes for governance and operations allowed under its enabling act. IRWD provides potable, non-potable, reclaimed water, wastewater treatment, and disposal and urban runoff treatment. The district's governing body is a five-member board of directors elected to four-year terms.



Board members are elected at large within the district with board officer positions selected by board members annually. The board's regularly scheduled semi-monthly meetings are open to the public.

The agency maintains a detailed website with an extensive range of information available to the public. The public has easy access to basic information such as board meeting agendas and minutes, budget documents, general district operations, and services information (i.e., water rates, district maps, customer account services, conservation and educational information on water and wastewater and urban runoff). The district plans and prepares for future service needs, expansion, and/or upgrades to infrastructure by monitoring general plans for the areas within its service boundary. The district service area is divided into 14 water and 14 sewer improvement districts.



ORANGE PARK ACRES MUTUAL WATER COMPANY

General Agency Information:

Agency Address: 678 North Gravier St., Orange, CA 92869
Website: N/A
Formation: 1929

Governance Processes:

Governance Structure: Board of Directors
Elected at large by stockholders
Term: 1 year
Election cycle: Annually
Meeting schedule: Monthly on 2nd Wednesday
Postings: Facility

Local Representation:

Board Members: *Date Term Expires:* *Stipend:*

Bob Grodach	1/05	NP
Rob Brussear	1/05	NP
Doug Bennick	1/05	NP
Tom Davidson	1/05	NP
Open seat	1/05	NP

General Manager: Susan Berman

Governance/Local Accountability Determination

The Orange Park Acres Mutual Water Company was formed in 1929 to provide water to the property owners of unincorporated Orange Park Acres (OPA). The current service population is 1,750 within an 890-acre service area.

A five-member board of directors, which is elected by shareholders of the company, governs the water company. Each OPA resident is a shareholder, holding one share in the company per acre of property. The board's regularly scheduled monthly meetings



are open to the public. Board members are elected annually by resident/shareholder mailed ballot. Board members select board officer positions annually.

General and specific information about the company is only accessible by direct contact with staff or board members. Agency staff includes the general Manager and a water engineer, both part-time positions. The company does not currently maintain a website. The public may benefit from creation and upkeep of a district website with regular postings of meeting agendas and minutes as well as other district operations information.



SILVERADO-MODJESKA RECREATION & PARKS DISTRICT

General Agency Information:

Agency Address: 27641 Silverado Canyon Rd., Silverado, CA
Website: www.smrpd.org
Formation: 1961

Governance Processes:

Governance Structure: Board of Directors
Elected at large
Term: 4 years
Election cycle: In even numbered years, member elections are staggered
Meeting schedule: Semi-monthly – 2nd & 4th Thursdays
Postings: Facility and website
Enabling Act: Section 5780 et seq., California Public Resources Code

Local Representation:

<i>Board Members:</i>	<i>Date Term Expires:</i>	<i>Stipend:</i>
Robert Hunt	11/06	\$50/meeting –waived. No other benefits
Deborah Johnson	11/08	\$50/meeting –waived. No other benefits
Mike Boeck	11/06	\$50/meeting. No other benefits
Mark Levy	11/06	\$50/meeting. No other benefits
Brett Peterson	11/08	\$50/meeting –waived. No other benefits

General Manager: None at this time

Governance/Local Accountability Determination

The Silverado-Modjeska Recreation & Parks District includes a service population of 2,500 within a 73-square-mile service area. Local representation consists of a five-member board of directors elected by district electorate to four-year terms of service. The board conducts regularly scheduled meetings twice per month. Meetings are open to the public and agendas and minutes are readily available.

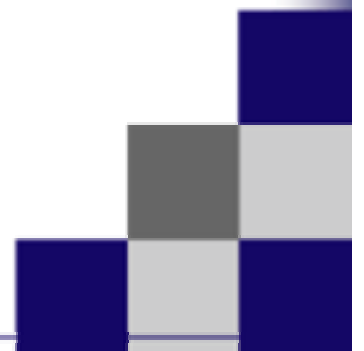


Due to the remoteness of the residential development in the canyon areas, SMRPD provides an information resource and link to the canyon residents both at the community centers it operates and through the agency-maintained website. In general, district information, elected representation, operations, and service information is very accessible to the public. Website postings include current Board member information, two years of Board meeting agendas and minutes, agency budget information, and strategic planning documents. The district's enabling legislation and a copy of the Brown Act governing open meetings is also posted on the website. The agency also provides an online community bulletin board service for canyon area residents.



Section 5.7:

COST AVOIDANCE & SHARED FACILITIES OPPORTUNITIES & MANAGEMENT EFFICIENCIES





COST AVOIDANCE & SHARED FACILITIES OPPORTUNITES & MANAGEMENT EFFICIENCIES

This determination addresses administrative, operational, and management practices that result in cost savings or efficiencies or that improve the provision of services. In addition, instances where agencies collaborated and shared staff, processes, or facilities to save costs or promote more efficient service provision has also been included. LAFCO assessed general processes and procedures for maintaining the agency and delivering services to the public. LAFCO also looked for quality improvement programs, a short/long-range strategic plan and other processes agencies use in making improvements to services, operations and programs.

Table 5.7.1 – Shared Facilities, Cost Avoidance Opportunities and Management Efficiencies

Shared Facilities, Cost Avoidance Opportunities and Management Efficiencies	Prepares Annual Audit	Last Audit Unqualified	Number of Employees	Prepares Master Plans for Services Provided	Currently Participating in Shared Facilities
City of Orange	Outside Auditor	12/04	683	Outside Firm (Generally)	Y
City of Villa Park	Outside Auditor	11/04	5 FT 1 PT	Outside Firm (Generally)	N
County of Orange	Outside Auditor	12/04	17,751	Internal - Departmental	Y
East Orange County Water District	Outside Auditor	2/05	5 FT	Outside Firm (Generally)	Y
Irvine Ranch Water District	Outside Auditor	8/04	281	Outside Firm (Generally)	Y
Orange Park Acres Mutual Water Company	NA	NA	2 PT	NA	Y



Shared Facilities, Cost Avoidance Opportunities and Management Efficiencies	Prepares Annual Audit	Last Audit Unqualified	Number of Employees	Prepares Master Plans for Services Provided	Currently Participating in Shared Facilities
Santiago County Water District	Outside Auditor	2/05	5 FT 1 PT	Outside Firm (Generally)	Y
Serrano Water District	Outside Auditor	2/05	12 FT	Outside Firm (Generally)	Y
Silverado-Modjeska Recreation & Parks District	Outside Auditor	2/05	None	Internal - Board Prepares	N

- The **City of Villa Park** contracts with other public agencies or private entities for nearly 100% of its public service provision. The city maintains only five fulltime staff members. Public safety, fire protection, sewer maintenance, refuse collection, signal maintenance and street sweeping, animal control, building inspection, engineering and code enforcement services are all provided through external contract. The city uses this model to achieve cost savings by avoiding overhead, infrastructure, and management costs associated with providing the services in-house. However, while the City of Orange completely surrounds Villa Park, the two agencies have minimal shared resources, services, or facilities.

The Cities of Orange and Villa Park may benefit from exploring other options for implementing shared services and/or facilities. Shared municipal service provision may result in cost savings to the City of Villa Park and its residents with potentially minimal extension of effort by the City of Orange. Police, water, and sewer service arrangements should be explored. The City of Villa Park does have a facilities use agreement with the Orange Unified School District for shared use of athletic fields.

- The **City of Orange** entered into a water supply and service and sewer service agreement with IRWD in 1984. Under the agreement, IRWD provides those services to portions of the north and eastern areas of the city. The agreement provides for both agencies to:
- Effectively plan for and use their available sources of supply and existing facilities.

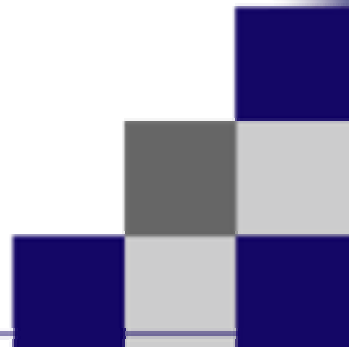


- Cooperate in the financing of new facilities.
 - Provide cost effective water facilities and service to developers and eventual residents of the properties.
- Existing water agencies in the area have established cooperative agreements to construct, maintain, and operate water facilities. An example is an MOU between the Municipal Water District of Orange County (MWDOC), **Santiago County Water District** (SCWD) and the Irvine Company (TIC) regarding the Diemer Intertie project. The Irvine Ranch Water District (IRWD) has signed a related agreement which provides a structure for cooperation in facilitating water service provision.
- Many of the agencies providing water service participate in the Water Emergency Response Organization of Orange County (WEROC), a mutual aid assistance pact where agencies assist one another in the event of an emergency. However, water service provision within the MSR area is complicated. Multiple providers exist in the same area with a majority providing service to only a portion of the MSR area. Monthly water rates vary greatly among existing. Consolidating operations, management, administration, and facilities among water agencies could result in greater cost savings in the future.
- The **Irvine Ranch Water District** (IRWD) implemented a comprehensive management system in 1995 based on the principals of Total Quality Management (TQM), focusing on customer service and project management.
- The **City of Orange** participates in an annual goals, objectives, and accomplishments status process during the annual budget planning process. City staff provides the council with updates and measured accomplishments regarding service goals and its annual work plan.
- The **Silverado-Modjeska Recreation & Parks District's** board members participated in a strategic planning workshop in April 2004. The process included identification a 5-, 10-, and 25-year vision plans for the district. The board identified next step goals for personnel, financial, and facilities improvements during the workshop.



Section 5.8:

DETERMINATIONS BY AGENCY





DETERMINATIONS

City of Orange

1. Growth and Population Projections

Growth of nearly 12,000 residents within the city's existing boundary is expected by 2020 as a result of the higher-density, multi-family residential development planned for the west end of the city. Annexation of new territory in the eastern portion of the city's sphere is also projected to increase the city's population by an additional 12,000 by the year 2020. The East Orange development area landowner (the Irvine Company) will submit applications requesting the phased annexations of approximately 6,335 acres of territory and nearly 12,000 residents to the City of Orange.

2. Infrastructure Needs and Deficiencies

The future growth projected for the city will increase the demand for additional water, sewer, police, fire, and park and recreation services infrastructure.

The city will need to update its water system master plan, which is currently out of date. The city has completed water supply assessments as needed and proposes to fund a water system master plan with its 2005-06 budget.

The city updated its sewer system master plan in 2003. The master plan identified nine capital improvement projects to be completed over the next ten years at a cost of \$15,027,965 (2003 dollars). The city will implement the improvement projects as funding is available.

To maintain the existing per capita ratio of 1.16 officers per 1,000 residents, the city will need an additional 21 full-time patrol officers to serve a projected 2020 population of 152,527 residents.

To maintain the existing per capita ratio of 1 firefighter per 1,084 residents, the city will need 17 additional full-time firefighters to serve the projected 2020 population. Additionally, a new fire station will also be necessary to serve East Orange Areas 2 and 3. Without the addition of a new station, fire service to the area could be significantly impacted.



The City of Orange's master plan establishes a parkland to population ratio goal of three acres of parkland to every 1,000 residents. The city falls short of this goal with its current city-wide parkland ratio of 1.54/1,000 but may exceed the standard if/when the city annexes the East Orange developments.

Responsibility for the maintenance of open space areas in the city's sphere and related to the proposed East Orange developments must be resolved before annexation occurs.

3. Financing Opportunities and Constraints

The City of Orange provided limited financial information conclusions regarding financing opportunities and constraints specific to the city are limited. However, the city was awarded a Distinguished Budgeting Award for Fiscal Year 2003-2004 by the national Government Finance Officers Association. Less than 2% of cities nationwide receive the award. No significant financing issues were noted based on existing data.

4. Opportunities for Rate Restructuring

The city's monthly water rate is the lowest of the four water agencies currently providing retail water to the MSR area. The challenge for the city is to continue to keep rates low as population and demand increases.

The City of Orange is one of two agencies currently providing retail sewer service to the subject area.

No significant issues regarding rate restructuring were noted.

5. Government Structure Options

The Cities of Orange and Villa Park as well as the Serrano Water District, which supplies water to the City of Villa Park, should explore opportunities for cooperating in the provision of water service. The City of Orange's projected water capacity for 2010 could accommodate the Serrano WD/City of Villa Park's projected demand (3,406 AFY in 2010).

If/when the Orange County Sanitation District ceases to provide local sewer service, the Cities of Orange and Villa Park may also benefit from exploring future sewer service collaboration options. Forming a joint powers authority between the two cities or sharing facilities, staff, and/or equipment could lessen the cost of providing water, sewer, police, and/or fire services. The city may also want to consider forming a Joint Powers Agreement (JPA) with the City of Villa Park and the County for the provision of



police services to the cities and the unincorporated areas within the City of Orange's sphere.

The city should continue to engage in discussions with the County regarding annexation of all the remaining unincorporated areas within its sphere of influence.

The city will need to address the open space lands within its current sphere of influence. The city may benefit from participating in discussions with the County of Orange, the Irvine Company and the Silverado-Modjeska Recreation & Parks District regarding the future maintenance and service provision for the open space lands.

6. Local Accountability and Governance

The city follows standard processes for accountability to the public. The council, as the formal governing body, is elected and conducts regularly scheduled public meetings. The city maintains a website that includes demographics data as well general administrative and other department-specific information.

7. Opportunities for Cost Avoidance

The City of Orange maintains a water supply and service agreement with the Irvine Ranch Water District to maintain supply, facilities use, financing of new facilities, and cost effective service delivery. No further issues were noted.

8. Opportunities for Management Efficiencies

The city participates in an annual goals, objectives, and accomplishments status process during the annual budget planning process. City staff provides the council with updates and measured accomplishments regarding service goals and its annual work plan. No further issues were noted

9. Opportunities for Shared Facilities

The City of Orange should explore opportunities to share water, sewer, police, and/or fire facilities with the City of Villa Park. No further issues were noted.



DETERMINATIONS

City of Villa Park

1. Growth and Population Projections

The city is nearly 100% built-out. No substantial changes in growth and population are anticipated

2. Infrastructure Needs and Deficiencies

The capacity analysis completed for the City of Villa Park's 2002 sewer master plan update identified 12,000 linear feet of sewer mains that required updating to meet flow capacity for the existing and future population. The city included three major wastewater infrastructure projects in its seven-year Capital Improvement Program for a total of \$1.8 million. The city should continue working to address capital improvement projects to upgrade the city's sanitary sewer system.

There are no parks or recreation facilities or programs currently operational within the City of Villa Park and none planned for the future. The lack of neighborhood or community parks forces residents to leave the city to access park and recreation facilities.

3. Financing Opportunities and Constraints

For the past three years the trend for the City of Villa Park has been one of steady revenues with expenses increasing by approximately 25%. The impact of the local revenues shift to the State from Villa Park will result in reductions in city revenues. No significant financing issues were noted.

4. Opportunities for Rate Restructuring

No issues regarding rate restructuring currently apply; however, the city may want to explore the future water service provision and an associated rate structure for its residents.

5. Government Structure Options

The Cities of Villa Park and Orange as well as the Serrano Water District, which supplies water to the City of Villa Park, should explore opportunities for cooperating in



the provision of water service. The City of Orange's projected water capacity for 2010 could accommodate the Serrano WD/City of Villa Park's projected demand (3,406 AFY in 2010).

The city will need to address the provision of local sewer service if/when the Orange County Sanitation District transitions to regional service provision only.

The City of Villa Park may benefit from contracting with the City of Orange for police, fire, water, sewer, street maintenance/street sweeping, landscape maintenance, and street lighting services. The city may also want to consider forming a Joint Powers Agreement (JPA) with the City of Orange and the County for the provision of police services to the cities and the unincorporated areas within the City of Orange's sphere.

6. Local Accountability and Governance

The City of Villa Park follows standard processes for accountability to the public. The city council as the formal governing body is elected and conducts regularly scheduled public meetings. Members currently receive no stipend for serving on the Villa Park city council. Council members do not automatically receive medical or dental benefits but do have the option to subscribe to the city's health care benefits program at their own expense. The city maintains a website that includes contact information and links to services and local events.

7. Opportunities for Cost Avoidance

Villa Park city council members receive no compensation for their participation on the council.

The City of Villa Park currently contracts with other public agencies and private agencies for nearly 100% of its public service provision. The city has a streamlined staff of only five full-time and one part-time employee. The city model of using contracted services achieves cost savings by avoiding overhead, infrastructure, and associated management costs.

The city might benefit from exploring joint service agreements with the City of Orange for water, sewer, fire, and/or police services.

8. Opportunities for Management Efficiencies

No significant issues were noted.



9. Opportunities for Shared Facilities

Villa Park should explore opportunities to share water, sewer, parks and recreation, police, and/or fire facilities with the City of Orange. No significant issues were noted.



DETERMINATIONS

County of Orange

1. Growth and Population Projections

The County is expected to experience some additional growth through 2020. Any increases in population in the unincorporated portions of the MSR area will require the County to expand municipal-level services, such as police protection, to unincorporated areas as well as to continue providing general regional services, such as parks, road maintenance, etc. The annexation of unincorporated pockets of land to surrounding cities would assist the County in meeting the regional service provision needs.

2. Infrastructure Needs and Deficiencies

The County has service delivery responsibility for providing municipal-level services to unincorporated areas. The lack of sewer service to unincorporated areas represents a significant deficiency. Many existing septic systems in the County have been operational for over 20 years. As these systems age, increasing numbers of failures are likely to occur, negatively impacting to the environment and risking the public health.

Responsibility for the maintenance of open space areas must be resolved before future changes in governmental structure can be fully assessed. The County may benefit from continuing to develop passive-use parkland to control long-term maintenance costs and service responsibilities.

The County should explore the opportunity to transition policing, street maintenance landscaping and street lighting services for unincorporated areas to surrounding cities as a service efficiency and cost saving measure.

3. Financing Opportunities and Constraints

The County has established goals to ensure current and future financial integrity and is considering retaining an outside financial advisory firm to evaluate current and future budgets. No other significant issues were noted.

4. Opportunities for Rate Restructuring

Based on the information provided, there are no issues regarding rate restructuring.



5. Government Structure Options

The lack of existing sewer infrastructure represents a risk to environmental and public health. The County as a regional public service agency is in the position to take a leadership role on the issue of septic tank use and conversion to public sewer. The County may want to consider facilitating or coordinating an oversight effort to secure funding for a regional conversion program. New infrastructure development will require collaboration with sanitation service districts and LAFCO.

The county may also want to consider forming a Joint Powers Agreement (JPA) with the City of Orange and the City of Villa Park for the provision of police services to the cities and the unincorporated areas within the City of Orange's sphere.

The County of Orange will likely decrease service costs and increase service delivery efficiencies to unincorporated areas by contracting with the City of Orange to provide services in lieu of annexation.

The County may benefit from revisiting and/or updating its Unincorporated Islands Revitalization Strategy to build on its recent successful efforts toward reorganizing unincorporated islands.

Residents of the Orange Park Acres unincorporated area may benefit from increased service delivery by creating a CSD to fund police, fire, sewer, water, street and landscaping, and/or street lighting maintenance costs.

Residents of the North Tustin unincorporated area may benefit from increased service delivery by creating a CSD to fund police, fire, sewer, water, street and landscaping, and/or street lighting maintenance costs.

6. Local Accountability and Governance

The County follows standard processes for accountability to the public. The five-member Board of Supervisors is a formally elected governing body and conducts regularly scheduled public meetings. Board members conduct their responsibilities generally on a full-time work week schedule. The County maintains an extensive website that includes multiple layers of departmental information, contacts, and links to services and county demographics.

7. Opportunities for Cost Avoidance

The County would benefit from exploring the opportunity to contract with the City of Orange to provide local municipal services to the unincorporated areas within the city's



sphere of influence. The optimal solution would be annexation of the territories to the city; however, contracting the services might also result in immediate cost savings to the County and improved service delivery to consumers.

8. Opportunities for Management Efficiencies

Where possible, the County uses external sources to provide public services to unincorporated areas. The County should continue to look for opportunities to shift local municipal service responsibilities to local public or private entities.

9. Opportunities for Shared Facilities

The County should continue sharing facilities whenever possible. No significant issues were noted.



DETERMINATIONS

East Orange County Water District

1. Growth and Population Projections

The East Orange County Water District (CWD) is largely built-out, and no substantial increases in growth or population are expected.

2. Infrastructure Needs and Deficiencies

The East Orange CWD has not updated its water system master plan since 1985. The lack of a recently updated master plan for water services makes it difficult for LAFCO to fully assess deficiencies in the current infrastructure and determine if the agency is adequately planning for the future.

The East Orange CWD projects that by 2020 wholesale water demand in more developed areas will decrease to 2,936 AF (from the FY 2004-05 level of 5,266 AF). The anticipated decrease is tied to the City of Tustin's plan to access groundwater in the future. The groundwater basins in Orange County are currently over-drafted; this represents an infrastructure deficiency.

3. Financing Opportunities and Constraints

The East Orange CWD provided financial information showing an increase of approximately 14% in revenues from FY 2002-2003 through FY 2004-2005 with a corresponding 9% increase in expenses. The district maintains restricted funds at approximately 125% of its total revenues. Based on the information submitted by the district, no significant financing issues were noted.

4. Opportunities for Rate Restructuring

A significant decrease in wholesale water demand in the future will likely impact the agency's rate for wholesale and possibly retail water. Currently, the East Orange CWD has the second highest retail water rate of the agencies within the subject area primarily due to the cost of imported water. Given the projected decrease in demand for water by the year 2020, the agency will have difficulty maintaining a stable rate for water service.



5. Government Structure Options

The agency projects its wholesale water demand to decrease by 55.6% by the year 2020. Given that projection, it is likely the agency will have difficulty maintaining its current operational structure in the future. The East Orange CWD conducted an organizational study in 1999 that reviewed a number of reorganization options for the wholesale district. The seven alternative options identified for further exploration in that study included:

- Formation of a Joint Powers Agency (JPA) to replace East Orange CWD;
- Development of a Joint Powers contract among the East Orange CWD's sub-agencies and subsequent dissolution of the district;
- Dissolution of the East Orange CWD and division of its assets and service responsibility between the Cities of Orange and Tustin;
- Dissolution of the East Orange CWD and division of its assets and service responsibility between the Cities of Orange and Tustin and the Southern California Water Company;
- Reorganization of East Orange CWD and Municipal Water District of Orange County (MWDOC) with MWDOC assuming the assets and responsibility of the East Orange CWD;
- Dissolution of the East Orange CWD with MWDOC serving as an interim agency until final disposition of assets is completed; and
- Privatization of wholesale services.

No alternative was singled out for further study at that time. A phase two study of alternatives was recommended but has not been commissioned to date.

In addition to the reorganization options identified in the East Orange CWD study, LAFCO identified the following options:

- Reorganization with Orange Park Acres Mutual Water Company – Although the Orange Park Acres MWC is a mutual water company and not subject to LAFCO review, it participated in the MSR process and had a representative on the stakeholder working group.



- Reorganization with the Irvine Ranch Water District—IRWD is adjacent to the East Orange CWD and has some facilities located within its service area.

6. Local Accountability and Governance

The district follows standard processes for accountability to the public. The five-member board of directors is a formally elected governing body and conducts regularly scheduled public meetings. The agency maintains a website that provides limited information, including names of current board members and staff, the district phone number, and basic service information. Specific information, including meeting agendas/minutes, budget documents, and general district operations, must be obtained through direct contact with the office by phone or in person. The public may benefit from an expansion of information made accessible through the district's website.

7. Opportunities for Cost Avoidance

The East Orange CWD maintains only five full-time staff in its administrative office. However, district board members receive a relatively high stipend for board meeting attendance to the other agencies within the subject area. Board members receive stipends of \$150 per board meeting and \$100 per committee meeting.

The district may benefit by exploring options with other water agencies to collaborate on shared administrative processes in an effort to keep costs under control as future demand decreases.

8. Opportunities for Management Efficiencies

The East Orange CWD contracts for engineering services as needed and maintains a staff of five full-time employees to keep administrative costs down. As noted under cost avoidance, the district may want to share administrative processes in an effort to keep costs under control as future demand decreases.

The East Orange CWD participates with many other water service providers in the Water Emergency Response Organization of Orange County (WEROC), a mutual aid assistance pact where agencies assist one another in the event of an emergency.

9. Opportunities for Shared Facilities

Existing water agencies in the area have established cooperative agreements to construct, maintain, and operate water facilities. No significant issues were noted.



DETERMINATIONS

Santiago County Water District

1. Growth and Population Projections

Growth in the Santiago County Water District's (CWD) eastern service area is governed by the Silverado-Modjeska Specific Plan (SilMod), which allows a maximum of 1,944 dwelling units, although environmental constraints may reduce that number to 950 new units by 2025. Projected growth in the remaining portions of the District would primarily be the result of the East Orange development proposals.

2. Infrastructure Needs and Deficiencies

As part of the MSR process, a utilities study analyzing the costs/benefits of having Irvine Ranch Water District (IRWD), Santiago CWD, or both agencies serve the East Orange developments was completed. The East Orange Utility Study concluded that the most cost effective means to supply water to the East Orange developments would be through IRWD as the sole water service provider.

Santiago CWD does not currently have the capacity to provide sewer service to the proposed new developments of East Orange Areas 1, 2, and 3. The planned infrastructure for the East Orange developments will require significant capital and ongoing operations and maintenance costs. The study determined that the costs to provide both water and/or sewer service to the new development would be lower if served by IRWD.

3. Financing Opportunities and Constraints

Based on the information submitted by the Santiago CWD, the previous three fiscal years showed 15% increases in both revenues and expenditures. Property tax revenues only increased by 5%, while service charges/fees/assessments increased by 21%. The district increased restricted funds for capital improvements by 11% during the same period and maintains restricted funds at approximately 150% of total revenues.

However, the district submitted a letter to LAFCO noting that the district has two improvement areas within its boundaries. Improvement area #1 is largely undeveloped and is the site of the proposed East Orange development. A majority of the district's customers reside in improvement area #2. The letter states, in part, that the district "...experiences net operating losses of approximately \$42,000 per year including



provisions for capital replacements or improvements of approximately \$140,000. This loss is compensated for by the collection of taxes and assessments on all lands within the Santiago County Water District..."

4. Opportunities for Rate Restructuring

Due primarily to the cost of imported water, Santiago CWD has the highest retail water rate of the agencies currently providing water within the MSR area. At approximately \$45.00 per month, Santiago County Water District's rate is nearly \$20.00 more than the next highest water rate.

5. Government Structure Options

LAFCO identified three primary future government structure options through the MSR process:

- a. To address the need for the most efficient and cost effective provision of service to the proposed East Orange developments as well as the current and future service provision for the Santiago CWD, the most logical government structure option is a reorganization with the Irvine Ranch Water District (IRWD).
- b. The Santiago CWD would remain operational; however, the East Orange development areas would likely be detached from the district's service area, leaving the current active service area as its future service area.
- c. The Santiago CWD may want to explore the opportunity to reorganize with another water district or public agency other than IRWD.

6. Local Accountability and Governance

The Santiago CWD was formed in 1964 through the consolidation of five mutual water companies. The district currently provides water service to the communities of Silverado, Modjeska, and Williams Canyon. Members of the district's board of directors are elected at large within the district to four-year terms in staggered, two-year election cycles. Board members select board officer positions annually. Two members of the district's board have held office for over 30 years. The board's regularly scheduled monthly meetings are open to the public. The district maintains a website with a broad array of information, including board meeting agendas/minutes, budget documents, general district operations, water rates, and district maps.



7. Opportunities for Cost Avoidance

The Santiago CWD agency maintains only five full-time and one part-time staff in its administrative office. District board members receive \$75 per meeting, one of the lowest stipends for board meeting attendance in relation to the other agencies within the subject area.

8. Opportunities for Management Efficiencies

Beyond the stated cost avoidance measures, no additional management efficiencies were identified. No significant issues were noted.

9. Opportunities for Shared Facilities

Existing water agencies in the area have established cooperative agreements to construct, maintain, and operate water facilities. An example is an MOU between the Municipal Water District of Orange County (MWDOC), Santiago County Water District (SCWD), and the Irvine Company (TIC) regarding the Diemer Intertie project. The Irvine Ranch Water District (IRWD) has signed a related agreement which provides a structure for cooperation in facilitating water service provision.



DETERMINATIONS

Serrano Water District

1. Growth and Population Projections

The Serrano Water District is largely built-out, and no substantial changes in growth or development are expected. The district's service area is primarily the City of Villa Park.

2. Infrastructure Needs and Deficiencies

The Serrano Water District, water provider for the City of Villa Park, does not have a water service master plan and did not provide any information related to future water supply and demand. The district last updated its master plan in 1980. While the area is generally built-out and the need for new infrastructure may be minimal, the district and the City of Villa Park should work together to ensure that water infrastructure replacement is provided concurrent with need.

3. Financing Opportunities and Constraints

The Serrano Water District shows a 21% decrease in revenues over expenses during the previous three fiscal years. Spending on capital improvements decreased by 4% and restricted operating funds decreased by 50%. The district's total restricted funds as a percent of total revenues are expected to drop to 3% in FY 2004-2005. This represents a significant financing constraint.

4. Opportunities for Rate Restructuring

The Serrano Water District's retail water rate for Villa Park residents is approximately \$22.00 per month and falls in the middle range in comparison to other agencies within the subject area. No significant issues were noted.

5. Government Structure Options

The Serrano Water District provides water to the City of Villa Park and to a small area within the City of Orange's corporate boundaries. As examined previously, the governmental structure options for the district include a possible reorganization with the City of Orange and/or the City of Villa Park.



6. Local Accountability and Governance

The Serrano Water District was formed in 1927 as an irrigation district under the Irrigation District Law of 1911. The district follows basic processes for governance and operations allowed under its enabling act. Its board of directors conducts regularly scheduled monthly meetings that are open to the public. Board members are elected at large within the district. Board members select board officer positions annually.

The district does not currently maintain a website. Information on district operations, budget and financial statements, staff and board members, and meeting agendas and minutes must be obtained through direct contact with the agency. The public may benefit from creation and upkeep of a district website with regular postings of meeting agendas and minutes as well as other district operations information.

7. Opportunities for Cost Avoidance

The Serrano Water District outsources for engineering services as needed to control costs. Beyond the suggestions stated under government structure options, no additional cost avoidance was identified. No significant issues were noted.

8. Opportunities for Management Efficiencies

Beyond the suggestions stated under government structure options and cost avoidance measures, no additional management efficiencies were identified. No significant issues were noted.

9. Opportunities for Shared Facilities

Serrano Water District provides the City of Orange with emergency service connections. Additionally, the district provides water storage in Irvine Lake for the Municipal Water District of Orange County (MWDOC) and Metropolitan Water District of Southern California (MWD) and provides water storage for groundwater recharge for Orange County Water District (OCWD). No significant issues were noted.



DETERMINATIONS

Irvine Ranch Water District

1. Growth and Population Projections

Growth and population increases could be substantial if the Irvine Ranch Water District (IRWD) annexes additional territory in the Orange MSR area.

2. Infrastructure Needs and Deficiencies

According to the East Orange Utilities Study prepared by The Keith Companies, the Irvine Ranch Water District is the most efficient and cost-effective service provider for the East Orange developments. The planned infrastructure for the East Orange developments will require significant capital and ongoing operations and maintenance costs.

3. Financing Opportunities and Constraints

The district provided financial information showing an increase of approximately 16.6% in water revenues from FY 2002-2003 through FY 2004-2005 with a corresponding increase in expenses of 2.7%. Sewer revenues showed an increase of approximately 26% in revenues from FY 2002-2003 through FY 2004-2005 with a corresponding increase in expenses of 20.7%. Expenditures for capital improvements increased 31% from FY 2002-03 to FY 2004-2005. Based on the information submitted by the district, no significant financing issues were noted.

4. Opportunities for Rate Restructuring

If IRWD and Santiago County Water District (CWD) were to reorganize, creating a consolidated service area, existing Santiago CWD consumers would see an immediate decrease in monthly water rates. IRWD uses a higher percentage of groundwater, recycled, and/or local water sources, which contribute to a lower water rate.

The addition of IRWD as a sewer service provider to the Santiago Hills II and East Orange development areas will result in expanded sewer service availability to the area. IRWD's current monthly wastewater service fees are lower than both the City of Orange and Orange County Sanitation District. No significant issues were noted.



5. Government Structure Options

The Irvine Ranch Water District (IRWD) is not currently providing retail water to any part of the MSR area. An annexation application pending with LAFCO identifies IRWD as the provider for both water and sewer service to the Santiago Hills II development, which is within the district's boundaries. However, as part of the MSR process, The Keith Companies prepared the East Orange Utilities Study analyzing water and sewer service provision to the proposed East Orange developments. The majority of the East Orange Area 1 is also within IRWD's service boundaries, though a portion lies within the Santiago CWD's service area. All of the East Orange Areas 2 and 3 within the boundaries of the Santiago CWD, which provides retail water only. The East Orange Utilities Study concluded that IRWD would provide the most efficient, cost-effective water and sewer service to the planned East Orange developments.

A reorganization amending both districts' spheres of influence and concurrently annexing/detaching territory would be required in order for IRWD to provide water and sewer service to the future developments in this area. The Santiago CWD maintained during the MSR process that the detachment of territory from its service area would compromise Santiago CWD's future viability and impair its ability to provide service to the remaining residents. To address this issue, both districts began a dialogue about the possible reorganization during the MSR process. The status of those negotiations is unknown at this time; however, the issue will be decided as the Commission's considers the annexation of the East Orange development areas to the City of Orange.

6. Local Accountability and Governance

IRWD follows basic processes for governance and operations allowed under its enabling act. IRWD provides potable, non-potable, reclaimed water, wastewater treatment and disposal, and urban runoff treatment. The district's governing body is a five-member board of directors elected to four-year terms. Board members are elected at large within the district with board officer positions selected by board members annually. The board's regularly scheduled semi-monthly meetings are open to the public.

The agency maintains a detailed website with an extensive range of information available to the public. The public has easy access to basic information such as board meeting agendas and minutes, budget documents, general district operations, and services information (i.e., water rates, district maps, customer account services, conservation and educational information on water, wastewater, and urban runoff). No significant issues were noted.



7. Opportunities for Cost Avoidance

IRWD administers, manages, and operates its water, sewer, and urban runoff service obligations through current staff. Outsourcing opportunities are utilized when cost savings can be achieved without diminished service. Some notable examples of cost-effective outsourcing include legal services, audit and unique financial services, property management of the district's real estate investments, certain extensive repairs and/or construction projects, insurance brokerage services, and other consulting services required on an intermittent basis. In all cases where outsourcing or utilization of non-district staff is considered, a cost analysis is completed to determine the most effective solution.

8. Opportunities for Management Efficiencies

IRWD implemented a comprehensive management system based on the principals of Total Quality Management (TQM) in 1995, focusing on customer service and project management.

9. Opportunities for Shared Facilities

Existing water agencies in the area have established cooperative agreements to construct, maintain, and operate water facilities. An example is an MOU between the Municipal Water District of Orange County (MWDOC), Santiago County Water District (SCWD), and the Irvine Company (TIC) regarding the Diemer Intertie project. IRWD has signed a related agreement which provides a structure for cooperation in facilitating water service provision.



DETERMINATIONS

Silverado-Modjeska Recreation & Parks District

1. Growth and Population Projections

The Silverado-Modjeska Recreation & Parks District's (SMRPD) service area population is not expected to increase significantly in the next 20 years except in areas where development is planned (e.g., the East Orange developments). In those areas, growth will be substantial.

2. Infrastructure Needs and Deficiencies

The Silverado-Modjeska Recreation & Parks District owns and operates two community centers, two community parks, and a children's center primarily serving the residents of the Silverado, Modjeska, and neighboring canyon areas. The district also maintains hiking and riding trails within its boundary. Agency funding (\$97,088 for FY 2003-04) comes primarily from property tax. However, the agency has been very successful in receiving grant funds to partially support needed infrastructure upgrades. Planned capital improvement projects include renovation of the district's two community centers, made possible through Proposition 40 grant funds secured by the district. The district will use additional grant funds for new signage, creek bed restoration, and trail creation. If population projections for the canyon areas are accurate, future expansion of services will be limited.

Responsibility for the maintenance of open space areas must be resolved before a reorganization of territory occurs.

3. Financing Opportunities and Constraints

The Silverado-Modjeska Recreation & Parks District has indicated an interest in providing open space services to the area which might address the issue of the provision of fire and police services to open space areas; however, funding for the SMRPD is a significant constraint.

SMRPD showed a substantial increase of revenues in excess of expenses for the previous three fiscal years primarily due to grant monies received or anticipated. The district's total restricted funds (expressed as a percent of total revenues) are expected to decline during FY 2004-2005 to 30%. No significant issues were noted for the district's current operations.



4. Opportunities for Rate Restructuring

A review of SMRPD practices revealed no issues regarding rate restructuring currently apply.

5. Government Structure Options

The City of Orange, the County of Orange, and/or SMRPD are all potential oversight agencies for the Irvine Company's open space land reserve territory from a governance and service delivery perspective. If the City of Orange annexes the East Orange developments, LAFCO would also include the open space in the annexation to circumvent the creation of new unincorporated islands and/or illogical boundaries.

If the City of Orange annexes the East Orange development areas, the annexation territory would be detached from SMRPD's service area and sphere, as the city would assume responsibility for the area's park and recreation services upon annexation. SMRPD maintains that the possible detachment of the East Orange development areas from its service territory would severely impact the district's future financial viability as well as its ability to provide services to the remaining territory and its residents. Another option would be to designate SMRPD to oversee the open space areas. This would require a secure and stable funding source for the district, which currently has a budget of approximately \$30,000.

6. Local Accountability and Governance

The Silverado-Modjeska Recreation & Parks District includes a service population of 2,500 within a 73 square mile service area. Local representation consists of a five-member board of directors elected by district electorate to four-year terms of service. The board conducts regularly scheduled meetings twice per month. Meetings are open to the public and agendas and minutes are readily available. Due to the remoteness of the residential development in the canyon areas, SMRPD provides an information resource and link to the canyon residents both at district-operated community centers and through the agency-maintained website. In general, district information, elected representation, operations, and service information is very accessible to the public. Website postings include: current board member information, two years of board meeting agendas and minutes, agency budget information, and strategic planning documents. The district's enabling legislation and a copy of the Brown Act governing open meetings is also posted on the website. The agency also provides an online community bulletin-board service for canyon area residents.



7. Opportunities for Cost Avoidance

The Silverado-Modjeska Recreation & Parks District operates on a very tight budget and maintains no full-time paid staff. SMRPD board members receive a stipend of \$50.00 per board meeting, the lowest compensation for board meeting attendance in relation to the other agencies within the subject area. Three of the five current board members waive the stipend as a cost-saving measure. No other active processes for cost avoidance were identified.

8. Opportunities for Management Efficiencies

The Silverado-Modjeska Recreation & Parks District Board members participated in a strategic planning workshop in April 2004. The process included identification of a 5-, 10-, and 25-year vision for the district. The board also identified next steps goals for personnel, financial, and facilities improvements during the workshop.

9. Opportunities for Shared Facilities

The Silverado-Modjeska Recreation & Parks District collaborates with the County of Orange and other public and private organizations to enhance accessibility to recreational trails in and around the district. No significant issues were noted.