



May 8, 2013

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CHAIR  
**SUSAN WILSON**  
Representative of  
General Public

**TO:** Local Agency Formation Commission

VICE CHAIR  
**JOE CARCHIO**  
Councilmember  
City of Huntington Beach

**FROM:** Interim Executive Officer

**PAT BATES**  
Supervisor  
5<sup>th</sup> District

**SUBJECT:** South Orange County Governance Update

**PETER HERZOG**  
Councilmember  
City of Lake Forest

**BACKGROUND**

For the past several years, Orange County LAFCO has identified future governance opportunities for the inhabited and developing areas located in South Orange County as a priority project. During this time, multiple studies and actions, including municipal service reviews, sphere updates, and fiscal studies, have been completed to assess governance and reorganization options for the proposed "Ranch Plan," adjacent unincorporated communities and potentially affected local agencies.

**JOHN MOORLACH**  
Supervisor  
2<sup>nd</sup> District

**CHARLEY WILSON**  
Santa Margarita  
Water District

In concert with LAFCO's effort to explore governance options involving these areas, the County has expressed for many years its desire to limit its provision of municipal level services so that it may focus more completely on its regional responsibilities. This increases the importance of implementing long-term governance options that support the efficient and cost-effective delivery of municipal services to the anticipated 14,000 new homes and matured unincorporated communities located in the southern portion of the County.

**JOHN WITHERS**  
Director  
Irvine Ranch Water District

ALTERNATE  
**JAMES FISLER**  
Director  
Mesa Consolidated  
Water District

This report is intended to provide the Commission with an update on recent discussions with affected stakeholders and a renewed strategy for South Orange County governance.

ALTERNATE  
**DEREK J. MCGREGOR**  
Representative of  
General Public

**SOUTH COUNTY STAKEHOLDERS**

In 2005, LAFCO convened a stakeholder working group consisting of multiple agencies and community representatives, including the County, the Cities of San Clemente, San Juan Capistrano, Mission Viejo and Rancho Santa Margarita, the Santa Margarita Water and Trabuco Canyon Water Districts, and the developed unincorporated communities of Coto de Caza, Ladera Ranch, Los Flores, Stonecliffe, and Wagonwheel. During that time, the working group generally agreed with the concept of a long-range, transitional process for South County and recommended that LAFCO reconvene governance discussions during each five-year

ALTERNATE  
**BOB RING**  
Councilmember  
City of Laguna Woods

ALTERNATE  
**TODD SPITZER**  
Supervisor  
3<sup>rd</sup> District

**CAROLYN EMERY**  
Interim Executive Officer

municipal service review (MSR) and sphere of influence (SOI) update cycle to allow agencies and communities to re-assess governance opportunities in light of changes in the economic and political environments.

Previously developed governance strategies and blueprints for South County may no longer fit with today's fiscal, economic and social realities. Recent actions by the State make "cityhood" largely infeasible and discourage local jurisdictions from taking on inhabited areas by reducing the revenue stream to pay for additional services. Despite these obstacles, the constant that remains is that growth will occur in South County, increasing the demand for municipal services and raising other governance issues such as fiscal accountability, local control, and the desire of self-determination. Today, a governance strategy for South County will likely require a multi-layered, staged approach that provides opportunities for all stakeholders throughout the process to develop, explore, and eventually implement governance options over time.

### **RENEWED STRATEGY**

Over the past few months, LAFCO staff has revived the discussions and participated in meetings with representatives of the Rancho Mission Viejo Company and staff from City of Rancho Santa Margarita to discuss a new approach to governance. Within the next few weeks, staff will engage other bordering agencies (San Clemente, San Juan Capistrano, Mission Viejo, and Santa Margarita Water District) and leaders from the unincorporated communities to discuss current sentiments on options involving and impacting their respective areas. While past stakeholder discussions included a single working group, staff is recommending a parallel yet separate process involving two governance areas: (1) Rancho Santa Margarita Governance Area (includes City of Rancho Santa Margarita, Coto de Caza, Los Flores, Stonecliffe, and Wagon Wheel) and (2) Rancho Mission Viejo "New Communities" Governance Area (includes the Rancho Mission Viejo development and Ladera Ranch). Separating the governance areas will allow better management of related issues and discussions within each of the proposed areas. However, separating the areas is not intended to preclude discussions of options that may include all or a portion of both governance areas.

### **WHAT'S NEXT?**

Exploring governance options for South Orange County involves many issues such as fiscal impacts, community identity, economies of scale, and communities of interests. In addition to involving multiple agencies and landowners, other organizations that must also be considered include multiple homeowners associations and local Civic Councils which are very prevalent in the identified governance areas.

The initial step of the governance strategy will include an extensive outreach effort to engage all South Orange County stakeholders. LAFCO staff has already begun this stage and convened meetings with many of the key stakeholders to discuss the goals and expectations of the renewed strategy. Other meetings with additional stakeholders will be completed over the next few months. Following these initial ascertainment meetings, subsequent steps will involve fiscal modeling and the identification of alternative governance scenarios for further evaluation by the stakeholders and LAFCO. The final step in the process will be to develop short and long-term governance options that are fiscally viable and can meet the service needs for both the developing and built-out South Orange County areas.

### **RECOMMENDATIONS**

Staff recommends that the Commission:

1. Receive and file the South Orange County Governance Update.
2. Direct staff to provide an update on South Orange County Governance at the September 11 Regular Meeting.

Respectfully Submitted,

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CAROLYN EMERY