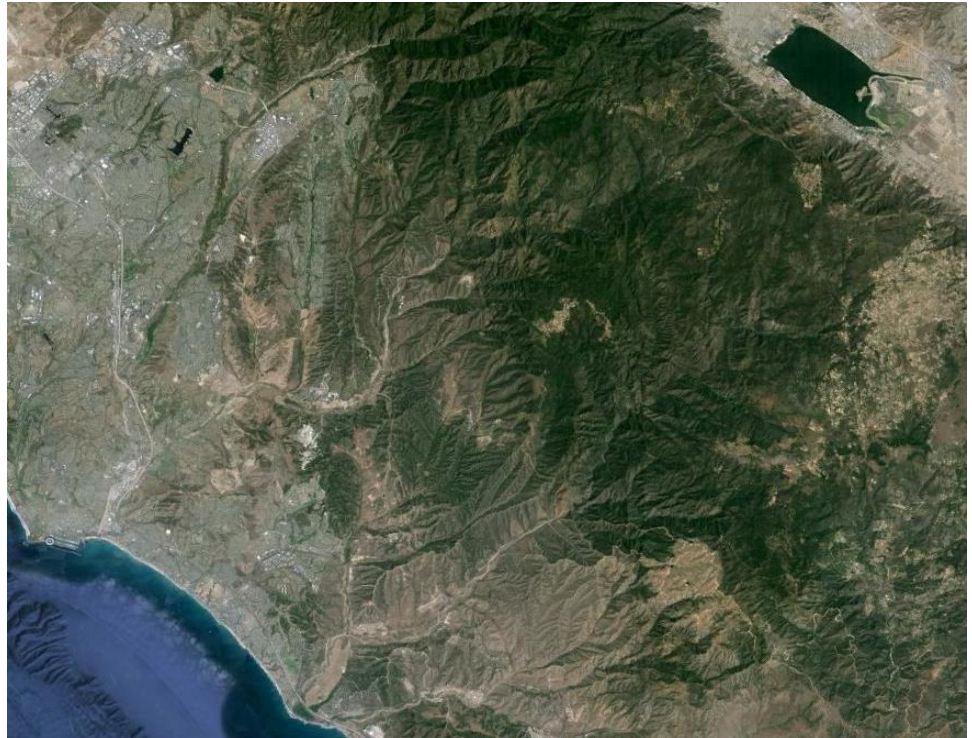




South Orange County Visioning Process



8/25/2015

Stakeholder Information Packet

This information packet provides stakeholders participating in the South Orange County Governance Visioning Process facts and data about potential governance options for existing and developing unincorporated communities in South Orange County.

SOUTH ORANGE COUNTY VISIONING PROCESS

Contents

| | |
|--|-----------|
| EXECUTIVE SUMMARY | 1 |
| INTRODUCTION..... | 3 |
| Overview..... | 3 |
| Stakeholder Working Group Process..... | 3 |
| Key Governance Questions | 3 |
| Next Steps | 4 |
| GOVERNANCE STUDY AREA INFORMATION | 5 |
| Maps..... | 5 |
| Population & Housing for South County Unincorporated Areas..... | 7 |
| STAKEHOLDER WORKING GROUP INFORMATION | 7 |
| Rancho Mission Viejo Governance Study Area | 8 |
| Roster | 8 |
| Purpose Statement..... | 8 |
| Desired Outcomes..... | 8 |
| Scope of Work..... | 9 |
| Rancho Santa Margarita Governance Study Area | 10 |
| Roster | 10 |
| Purpose Statement..... | 10 |
| Desired Outcomes..... | 11 |
| Scope of Work..... | 11 |
| POTENTIAL GOVERNANCE OPTIONS AND LAFCO VIABILITY CRITERIA | 12 |
| Overview of Potential Governance Options..... | 12 |
| Examples of Governance Options | 12 |
| LAFCO Viability Criteria..... | 14 |
| Governance Options Matrix | 16 |
| MUNICIPAL AND REGIONAL SERVICE PROVIDERS | 17 |
| County of Orange | 17 |
| Orange County Flood Control District | 17 |
| Orange County Fire Authority | 17 |
| Orange County Transportation Authority | 17 |
| Transportation Corridor Agencies..... | 18 |
| Santa Margarita Water District..... | 18 |
| Homeowner Associations | 18 |
| FINANCIAL PROJECTIONS | 20 |
| Overview..... | 20 |
| Primer of Local Government Finance..... | 20 |
| Property Tax Revenue | 20 |
| Sales Tax Revenue | 21 |
| Transient Occupancy Tax (TOT)..... | 21 |
| Vehicle License Fee Revenue | 22 |

SOUTH ORANGE COUNTY VISIONING PROCESS

| | |
|---|----|
| Demographic and Financial Assumptions..... | 24 |
| General Assumptions and Methodologies | 24 |
| Orange County General Fund Revenue Assumptions..... | 24 |
| Orange County General Fund Cost Assumptions | 27 |
| County General Fund Revenue and Cost Projections | 29 |
| FISCAL SUMMARY: COTO DE CAZA, WAGON WHEEL & STONECLIFFE | 29 |
| FISCAL SUMMARY: LADERA RANCH..... | 31 |
| FISCAL SUMMARY: LAS FLORES..... | 33 |
| FISCAL SUMMARY: RMV PLANNING AREA 1 | 35 |
| FISCAL SUMMARY: RMV PLANNING AREA 2..... | 37 |
| FISCAL SUMMARY: RMV PLANNING AREA 3..... | 39 |
| FISCAL SUMMARY: RMV PLANNING AREA 4..... | 41 |
| FISCAL SUMMARY: RMV PLANNING AREA 5..... | 43 |
| FISCAL SUMMARY: RMV PLANNING AREA 8..... | 45 |
| FISCAL SUMMARY: COMBINED RMV PLANNING AREAS | 47 |

Appendices

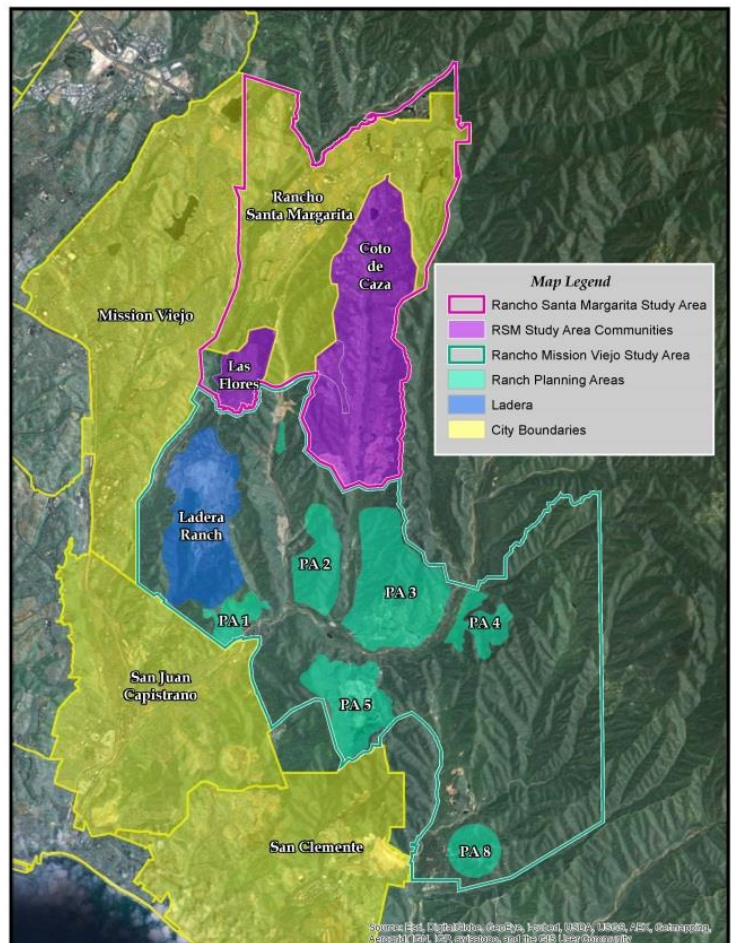
- A. GLOSSARY
- B. ANNEXATION FACT SHEET
- C. COUNTY SERVICE AREA FACT SHEET
- D. COMMUNITY SERVICES DISTRICT FACT SHEET
- E. INCORPORATION FACT SHEET

South Orange County Visioning Process

EXECUTIVE SUMMARY

The South Orange County Visioning Process is a multi-year effort of the Orange County Local Agency Formation Commission (OC LAFCO) to assist the existing and developing communities located in unincorporated South Orange County as well as current and potential service providers to identify and explore future governance options that are viable over the short, mid, and long-term. The Stakeholder Information Packet is intended to represent information and data presented at stakeholder meetings for two study areas designated by OC LAFCO: (1) the Rancho Santa Margarita (“RSM”) Study Area (includes the City of Rancho Santa Margarita and the communities of Coto de Caza, Las Flores, Stonecliffe, and Wagon Wheel) and (2) the Rancho Mission Viejo (“RMV”) Study Area (includes the community of Ladera Ranch and the Rancho Mission Viejo development planning areas). The Stakeholder Information Packet provides information and data about current service provision, potential governance and alternative options, and LAFCO criteria for evaluating the viability of the options. The purpose of this information is to:

- Provide current and projected financial data on the County of Orange’s baseline service-related revenues and costs for the unincorporated communities of Las Flores, Coto de Caza (including Wagon Wheel and Stonecliffe), Ladera Ranch, and Planning Areas 1, 2, 3, 4, 5, and 8 of the Ranch Plan;
- Provide a communication tool for stakeholder representatives to inform their constituents about the Study Areas, potential governance options for the Study Areas, and LAFCO’s review process for the options under its purview, including viability criteria contained in state law; and
- Be used as a resource for stakeholder representatives to engage their constituents about key governance questions designed to help understand the collective thoughts of stakeholder agencies and communities to envision next steps.



The information presented in the packet is for scenario planning and is not adequate to determine the ultimate viability of any of the governance options contemplated.

SOUTH ORANGE COUNTY VISIONING PROCESS

The Stakeholder Information Packet is organized into seven sections:

- I. Introduction – Provides an overview of the facilitated stakeholder discussions held between July 2014 and August 2015 and how the information in the packet will be used by the stakeholder communities and agencies to envision potential short, mid, and long-term governance options.
- II. Governance Study Area Information – Presents study area maps and demographic information for each of the developed and developing unincorporated communities in the Rancho Mission Viejo (“RMV”) and Rancho Santa Margarita (“RSM”) Study Areas.
- III. Stakeholder Working Group Information – Provides rosters of the RMV and RSM stakeholder working group participants and the respective purpose statements, desired outcomes, and scopes of work for the two groups.
- IV. Potential Governance Options and LAFCO Viability Criteria – Provides a matrix of the potential governance options and presents preliminary assessments of their viability over the short, mid, and long-term based on LAFCO viability criteria.
- V. Municipal Services – Provides a description of municipal and regional services as presently provided by the County and other service providers such as the Orange County Fire Authority, Orange County Flood Control District, Orange County Transportation Authority, and the Transportation Corridor Agencies.
- VI. Financial Projections & Fiscal Summaries – Includes a primer of local government finance and the assumptions used in the development of LAFCO’s fiscal projections used to create fiscal summaries of each of the developed and developing communities in the two study areas. The fiscal summary data provides: (1) a baseline accounting of anticipated and actual County revenues and costs for municipal services for the existing unincorporated communities and (2) projections of annual County revenues and costs for municipal services for all existing and future developing unincorporated areas. The financial projections and fiscal summaries provide a foundation for evaluating the fiscal viability of the governance options. The data essentially provides building blocks for future fiscal analysis.
- VII. Appendices – Includes a glossary of acronyms and terms (Appendix A) and informational handouts for each of the primary governance options under LAFCO jurisdiction: annexation (Appendix B), county service area (Appendix C), community services district (Appendix D), and incorporation (Appendix E).

INTRODUCTION

Overview

Local governance for unincorporated communities in South Orange County has been discussed for decades. To facilitate the management of the current South Orange County Visioning Process, the LAFCO Commission identified two study areas: (1) the Rancho Mission Viejo “New Communities” Study Area (includes the community of Ladera Ranch and the Rancho Mission Viejo development planning areas) and (2) Rancho Santa Margarita Study Area (includes the City of Rancho Santa Margarita and the communities of Coto de Caza, Las Flores, Stonecliffe and Wagon Wheel). In 2013, LAFCO staff began working group meetings involving staff from the County, adjacent cities of Rancho Santa Margarita, San Clemente and San Juan Capistrano, representatives from Rancho Mission Viejo, community leaders from the unincorporated communities regarding the visioning process for South County. The meetings included discussion of service related issues and thoughts on future governance. Those preliminary scoping meetings set the stage for the South Orange County Visioning Process that was subsequently adopted by the Commission in September 2013 and outlined the process for the current stakeholder working group discussions.

Stakeholder Working Group Process

Since July 2014, two separate Stakeholder Working Groups (“SWG”) for the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas have participated in several meetings to:

- (1) Establish the SWGs’ participation guidelines and scopes of work;
- (2) Make and receive presentations from SWG members about the Study Areas, including community background, existing governance structures, and priorities for future governance;
- (3) Receive a presentation from LAFCO staff of the potential governance options for the Study Areas and LAFCO’s criteria for evaluating the “viability” of each option;
- (4) Receive a presentation from LAFCO staff of financial projections of the County’s baseline revenues and costs to provide local and regional services to the Study Areas; and
- (5) Receive and discuss the draft Stakeholder Information Packet to ensure that the information included was sufficient to engage respective agencies and communities about the potential viable governance options and next steps in the process.

The information exchanged and discussed during the stakeholder meetings provides the basis for the stakeholder representatives to engage their respective communities and organizations with key governance questions to better understand service needs, issues, and opportunities that may be addressed by the various governance options. Compiled within this comprehensive document, the information packet is intended as a resource in assisting the communities and organizations within and adjacent to the RSM and RMV Study Areas with addressing service related issues. Some key governance questions for exploration by the stakeholders may include the following:

Key Governance Questions

- What specific services, if any, do you want addressed?
- What additional information and/or data do you want from LAFCO?

SOUTH ORANGE COUNTY VISIONING PROCESS

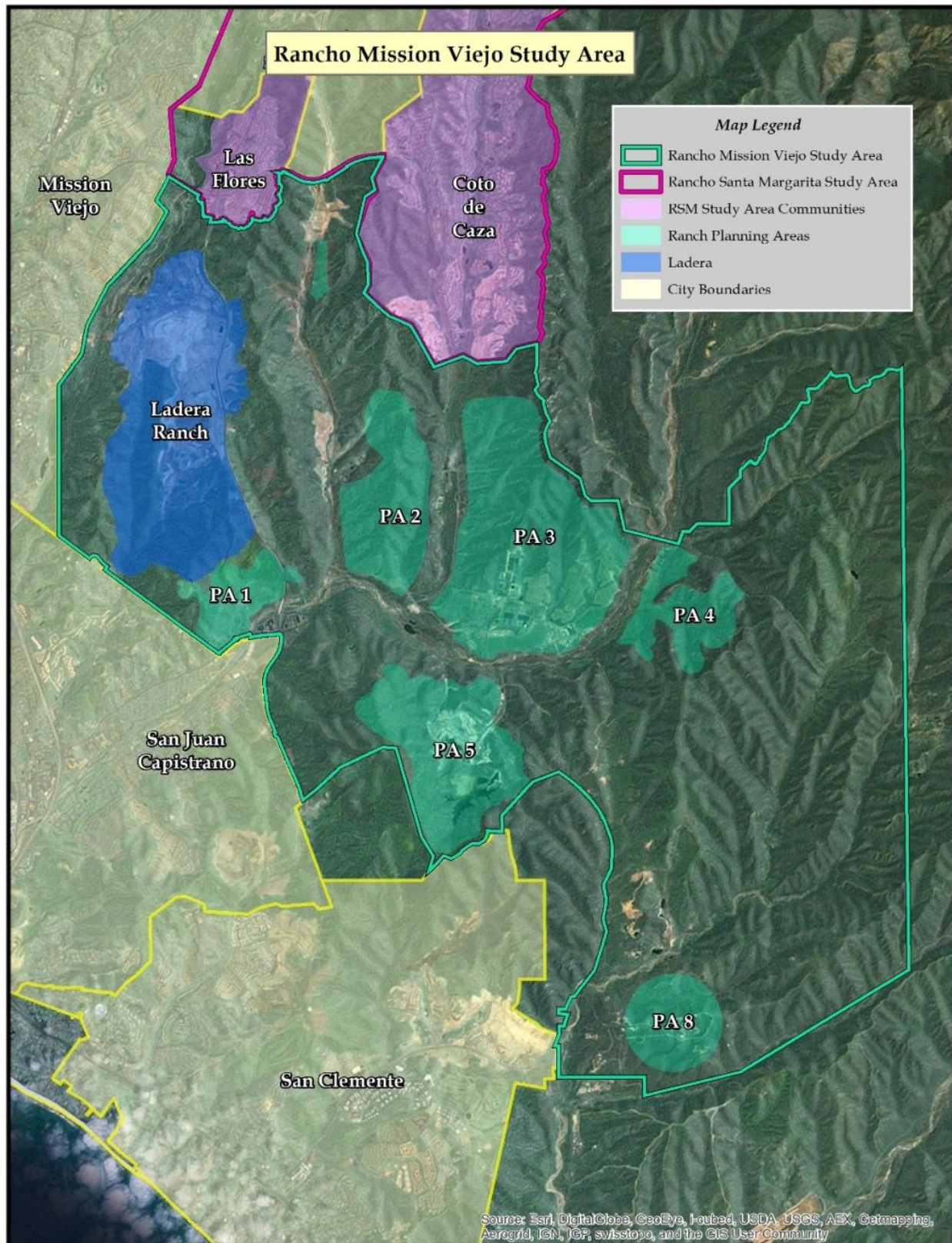
- Do you have service needs or other governance issues that you want to explore through a governance option? If yes, what governance option do you want to explore for the short, mid and long-term?
- What other questions or issues can LAFCO assist with that have not been discussed?
- What questions, issues and/or opportunities do you want identified through this governance envisioning process?
- What other comments do you have?

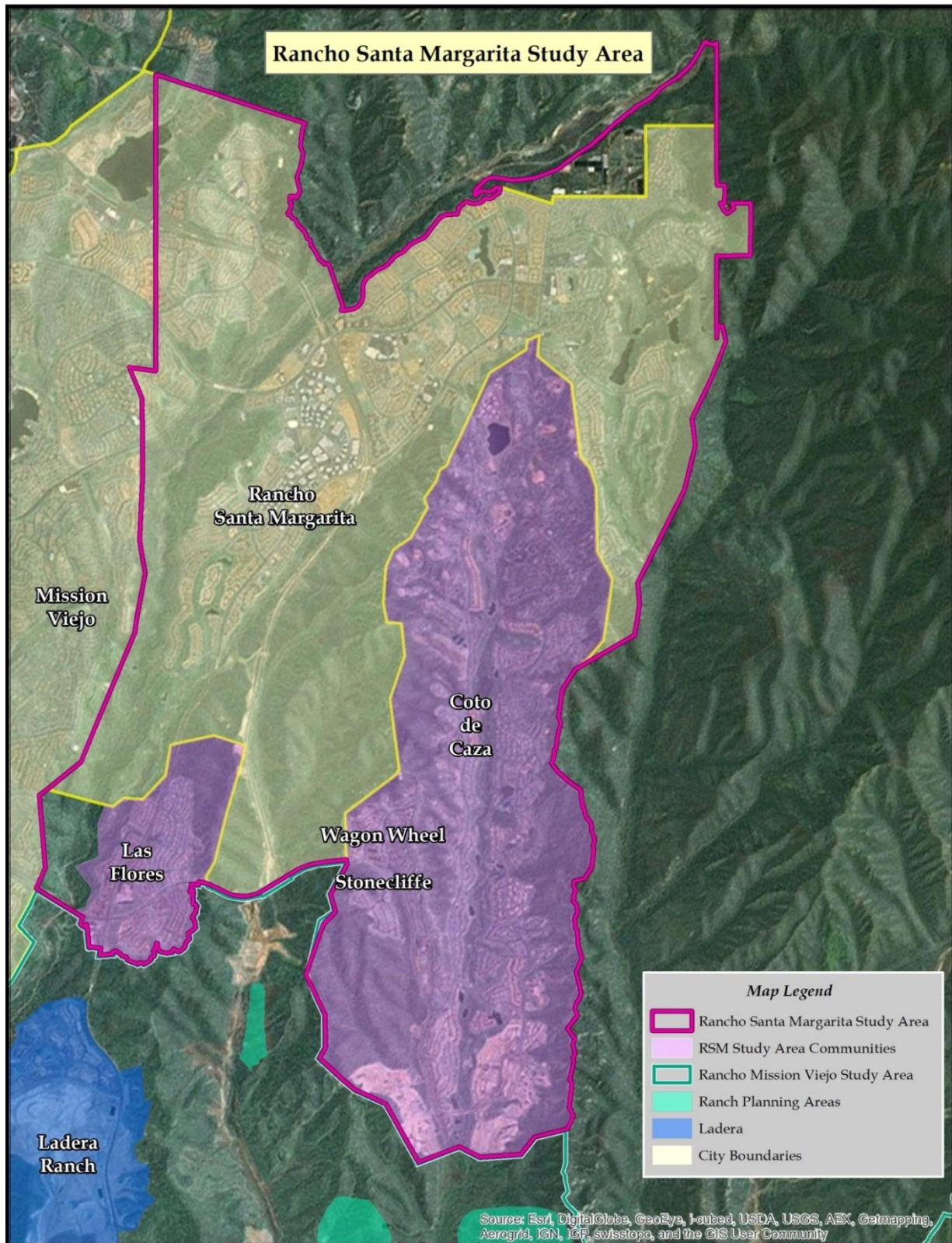
Next Steps

Based on feedback received from each of the SWG members on behalf of their constituents, LAFCO staff will prepare and present a comprehensive report to the LAFCO Commission in late fall 2015 identifying potential next steps that stakeholders and their constituents can explore or implement in the short, mid, and long-term.

GOVERNANCE STUDY AREA INFORMATION

Maps





SOUTH ORANGE COUNTY VISIONING PROCESS

Population & Housing for South County Unincorporated Areas

| Area | Size | Population | Housing |
|--------------------------------|--------------------------------|------------|-----------------------|
| Coto de Caza | 7.7 square miles | 11,888 | 3,915 dwelling units |
| Ladera Ranch | 3.7 square miles | 22,980 | 7,410 dwelling units |
| Las Flores | 2.0 square miles | 5,971 | 1,969 dwelling units |
| Stonecliffe | 0.1 square mile (66 acres) | 515 | 145 dwelling units |
| Wagon Wheel | 0.3 square mile (219 acres) | 2,463 | 796 dwelling units |
| Ranch Plan at Build-out | 10.3 square miles | 37,898* | 14,000 dwelling units |
| Planning Area 1 | 0.7 square mile (566 acres) | 3,820* | 1,287 dwelling units |
| Planning Area 2 | 1.4 square miles | 8,105* | 2,726 dwelling units |
| Planning Area 3 | 3.3 square miles | 19,034* | 7,087 dwelling units |
| Planning Area 4 | 0.8 square mile (518 acres) | 800* | 300 dwelling units |
| Planning Area 5 | 1.9 square miles | 1,973* | 1,000 dwelling units |
| Planning Area 8 | 2.1 square miles | 4,166* | 1,600 dwelling units |
| TOTAL – ALL AREAS | 24.1 square miles | 71,715* | 28,235 dwelling units |

Sources:

2010 Census, Rancho Mission Viejo Company

*Note: Projected population provided by Rancho Mission Viejo Company and is based on projected dwelling units at build-out and demographic trends.

STAKEHOLDER WORKING GROUP INFORMATION

SOUTH ORANGE COUNTY VISIONING PROCESS

Rancho Mission Viejo Governance Study Area

Roster

| COMMUNITY / AGENCY | NAME | TITLE |
|--------------------------------|------------------|--|
| County of Orange | Mark Denny | Chief Operating Officer (COO) |
| | Frank Kim | Chief Financial Officer (CFO) |
| | Michelle Aguirre | Budget Director |
| | Jessica O'Hare | Assistant to the COO |
| | Victor Cao | Policy Advisor, 5 th Sup. District |
| LAFCO | Carolyn Emery | Executive Officer |
| | Ben Legbandt | Project Manager |
| Ladera Ranch | Carlo Tomaino | Civic Council Member |
| Rancho Mission Viejo | Dan Kelly | Sr. Vice President/Governmental Relations and Corporate Communications |
| | Lyle Overby | Consultant |
| Santa Margarita Water District | Jim Leach | Director of External Affairs |
| San Juan Capistrano | Karen Brust | City Manager |
| | Charlie View | Development Services Director |
| San Clemente | James Makshanoff | City Manager |

Purpose Statement

"To provide a forum for stakeholders to envision and consider viable short, mid, and long-term governance scenarios for the Rancho Mission Viejo Study Area."

Desired Outcomes

- An understanding of the projected revenue and service costs for the RMV Study Area.

SOUTH ORANGE COUNTY VISIONING PROCESS

- Consideration of viable potential governance scenarios based upon service costs and projections.
- Generation of stakeholder input and dialogue about the potential governance scenarios.
- Identification of possible timing and next steps for viable governance scenarios in the RMV Study Area.

Scope of Work

The following topics will be explored and tasks will be completed through the SWG process:

- Detailed presentation on and discussion of the geographical areas under discussion. (i.e. Ladera Ranch and RMV Planning Areas and build-out projections)
- Presentation and discussion of the available governance options.
 - Presentation: “The role of HOAs, their evolution and what municipal services they can and cannot provide”
- Presentation and discussion of LAFCO/Cortese-Knox-Hertzberg criteria for determining what viable governance options are available at what point in time.
- Presentation and discussion of fiscal data.
 - Presentation: “AB 8 & Prop 13”
- Presentation and discussion of viable governance scenarios based upon the criteria, fiscal data and RMV build-out projections.
- Identification and discussion of individual stakeholder conclusions regarding viable governance scenarios.
- Identification of next steps.

Rancho Santa Margarita Governance Study Area

Roster

| COMMUNITY / AGENCY | NAME | TITLE |
|---------------------------------------|--------------------|-----------------------------------|
| City of Rancho Santa Margarita | Jennifer Cervantez | City Manager |
| | Nate Farnsworth | Principal Planner |
| Coto de Caza | Bob Varo | HOA Board Member |
| | Xochitl Yocham | HOA Board Member |
| County of Orange | Mark Denny | Chief Operating Officer (COO) |
| | Frank Kim | Chief Financial Officer (CFO) |
| | Michelle Aguirre | Budget Director |
| | Victor Cao | Policy Advisor, 5th Sup. District |
| LAFCO | Carolyn Emery | Executive Officer |
| | Ben Legbandt | Project Manager |
| Las Flores | Fred Whitney | HOA Legal Counsel |
| Santa Margarita Water District | Jim Leach | Director of External Affairs |
| Stonecliffe | Terry Boyd | Former HOA Board Member |
| Wagon Wheel | Kirstie Nystedt | HOA Board Member |

Purpose Statement

“To provide a forum for stakeholders to envision and consider viable short, mid, and long-term governance scenarios for the Rancho Santa Margarita Study Area.”

SOUTH ORANGE COUNTY VISIONING PROCESS

Desired Outcomes

- An understanding of the projected revenue and service costs for the RSM Study Area.
- Consideration of viable potential governance scenarios based upon service costs and projections; and quality of life and other factors that may impact and/or be important to the communities.
- Generation of stakeholder input and dialogue about the potential governance scenarios.
- Identification of possible timing and next steps for viable governance scenarios in the RSM Study Area.

Scope of Work

The following topics will be explored and tasks will be completed through the SWG process:

- Detailed presentations on and discussion of the geographical areas under discussion (presentations will be made by each agency/community about their respective agency/community/HOA).
- Presentation and discussion of available governance options.
 - Presentation: “The role of HOAs, their evolution and what municipal services they can and cannot provide”
- Presentation and discussion of LAFCO/Cortese-Knox-Hertzberg Act criteria for determining what viable governance options are available at what point in time.
- Presentation and discussion of fiscal data and other factors.
- Presentation and discussion of viable governance scenarios based upon the criteria, fiscal data, and other factors.
- Identification and discussion of individual stakeholder conclusions regarding viable governance scenarios.
- Identification of next steps.

POTENTIAL GOVERNANCE OPTIONS AND LAFCO VIABILITY CRITERIA

Overview of Potential Governance Options

Over the course of the RMV and RSM Stakeholder Working Group meetings, the stakeholders received presentations on four primary governance options presented by LAFCO and discussed three other potential governance options not directly under LAFCO jurisdiction. All of the governance options are included in the matrix on the page 16, which provides initial determination of their viability over the short, mid, and long-term. The four primary governance options presented by LAFCO include: (1) annexation to an adjacent city; (2) formation of a county service area (special district administered by the County to finance services in specific county areas); (3) formation of a community services district (independent special district to provide local representation and service administration); and (4) incorporation of a new city. Additional information about each of the four primary governance options presented by LAFCO is included as exhibits to this packet (See Exhibits B – E). The three governance options not under LAFCO jurisdiction would provide local governance by addressing service levels or local control, or both. These options include the status quo governance provided by homeowner associations, the formation of an advisory council to the Board of Supervisors, or contractual arrangements for service levels with other public agencies. To provide context for the Governance Options Matrix on page 16, the table below includes examples of the governance options in Orange County, their purposes and the governance or service(s) they provide.

Examples of Governance Options

Governance Options Example(s) in Orange County

| | |
|--|---|
| Homeowner Associations and Master Maintenance Corporations | <p>Rancho Santa Margarita Landscape and Recreation Corporation (SAMLARC) – a California non-profit mutual benefit corporation organized for the residential property owners within its boundaries. The HOA is funded by dues collected from each homeowner and provides landscape and recreation services to communities in the City of Rancho Santa Margarita.</p> <p>Ladera Ranch – has two organizations that provide landscape and recreation services to the residents of the community. The Ladera Ranch Maintenance Corporation (LARMAC) provides landscaping services and aesthetic review and Ladera Ranch Community Services (LARCS) provides recreation services.</p> <p>CZ Master Association – provides an example of a status quo governance structure that provides security and street maintenance services to the residents of the gated Coto de Caza community.</p> <p>Rancho Mission Viejo – has two organizations that provide maintenance and recreation services to the residents of the community. The Ranch Master Maintenance Corporation funds the management and maintenance of Rancho Mission Viejo community recreational facilities including all-access clubhouses, gardens/farms, parks, common area landscaping, hardscape, lighting, trails, and monuments as well as related staffing and administration. The monthly general Rancho MCC assessment for Sendero homeowners equals \$164 per month. Additional fees will be assessed for other purposes including sub-associations and “special benefit areas” (i.e. covering the maintenance of slopes, alley areas, and gated</p> |
|--|---|

SOUTH ORANGE COUNTY VISIONING PROCESS

Governance Options Example(s) in Orange County

| | |
|-----------------------------|---|
| | <p>neighborhoods). Rancho Mission Viejo also has a community services organization called RanchLife that funds recreational and education programs and a community-wide web portal. RanchLife is funded by a fee collected on the initial home sales and on the resale of all homes in the community.</p> |
| Municipal Advisory Council | <p>State law allows County Boards of Supervisors to establish Municipal Advisory Councils (“MACs”) for any unincorporated area in the county to advise the board of issues related to service provision. MACs are not authorized to provide municipal services. The North Tustin Advisory Council is an example of a MAC that was established by the Orange County Board of Supervisors to review and comment on proposed land development projects within unincorporated North Tustin.</p> |
| Shared Services | <p>There are many examples of public and private agencies sharing or contracting for various services for new services or to improve the efficiency of current service provision. Homeowner associations can enter into agreements with local governments and school districts to either share or contract with services. One example is the Las Flores Maintenance Corporation joint use agreement with Capistrano Unified School District for use and maintenance of athletic fields on school property. The agreement provides off-hours access to school grounds for use of athletic fields providing the community with a new recreational service. To offset any potential impacts to the field, the Las Flores Maintenance Corporation helps to finance the maintenance of the fields.</p> |
| Annexation | <p>Beginning in 2002, the City of San Clemente annexed the Talega development in phases over several years. All 1,600 acres of the 3,500 acre development that were in unincorporated Orange County were eventually annexed to the City. The City of San Clemente provides local municipal services to the residents of the Talega development.</p> |
| County Service Area | <p>County Service Areas (“CSAs”) are special districts that are “dependent” to the County. As a dependent district they are governed by the County Board of Supervisors and administered by County staff. They can be established to provide specific services to portions of the county and can be funded by a portion of the property tax revenue generated in the District’s boundary and other taxes, fees, and assessments. In 1974 the Orange County Board of Supervisors formed “County Service Area 22 – E. Yorba Linda” to provide financing and administration of park maintenance services to a small unincorporated community.</p> |
| Community Services District | <p>Community Services Districts (“CSDs”) are independent special districts that are governed by a locally elected board of directors. CSDs have broad statutory authority to provide services within their boundaries as permanent or transitional forms of governance. The</p> |

SOUTH ORANGE COUNTY VISIONING PROCESS

Governance Example(s) in Orange County
Options

| | |
|---------------|---|
| | Capistrano Bay Community Services District is an example of a CSD in South Orange County. The District provides administration and financing of street maintenance and landscaping for the gated Capistrano Bay community located in the southern portion of Dana Point, just north of the border with San Clemente. |
| Incorporation | Incorporation is the creation or establishment of a new city. State law provides broad statutory authority for cities to enforce the state's laws and provide services. State law also places a high bar on the formation of new public agencies, specifically the incorporation of new cities. Orange County is home to large full service cities and small contract cities. The City of Rancho Santa Margarita recently incorporated on January 1, 2000 making it the 33rd city in Orange County. The City of Rancho Santa Margarita is considered a "contract city." Given the number of homeowner associations and the role of the master maintenance corporation SAMLARC, the City has a relatively small staff and contracts with private companies and public agencies for many city services. Many older cities, such as Anaheim, Fullerton and Santa Ana provide a full array of municipal services (i.e. administration, planning, building, code Enforcement, water, sewer, fire suppression and protection, and law enforcement, etc.) and are known as 'full service' cities. |

LAFCO Viability Criteria

The potential viability of each governance option presented on the following table is subject to several factors, most notably those listed as determining variables. In LAFCO's review of viability of proposed governance options, viability criteria are categorized by general and fiscal viability criteria.

General viability criteria include, but are not limited to population, local land-use and regional transportation plans, community service needs, alternatives to the proposal and existing spheres of influence. These can be found within LAFCO's governing law, the Cortese-Knox-Hertzberg Act (Government Code Section 56000) and the locally adopted policies of Orange County LAFCO.

Financial viability criteria are also found in LAFCO's governing law and locally adopted policies. The general concept is to ensure that the proposed action (annexation, formation of a new district, incorporation) will have sufficient revenues to provide the anticipated municipal services over the long-term. One critical factor associated with the financial viability criteria is the ability of the agency to issue debt. Tied to the issuance of debt is the ability of the agency to identify a revenue stream or establish necessary reserves and then maintain adequate reserve levels over the long-term. Reserve levels can range from 15% to 100% of general fund revenue based on various factors. These factors include, but are not limited to the volatility of the agencies primary revenue sources (i.e. some cities and counties are heavily reliant on sales tax revenue which is volatile in an economic downturn), infrastructure risks (i.e. water and sewer providers would want to consider risks to their infrastructure), and the likelihood of extreme events (i.e. some agencies may be located in areas prone to flooding, wildfires or other extreme events). Each of these factors would need to be evaluated by policy makers when establishing budget reserve levels.

SOUTH ORANGE COUNTY VISIONING PROCESS

The financial data and projections that were prepared to assist in the South Orange County Visioning Process include a 20-year period from 2014 to 2033. The period begins in 2014 with a current snapshot of local and regional services provided by the County of Orange to the developed and developing unincorporated communities in South Orange County. The projections run through the proposed build-out date of the Rancho Mission Viejo planning areas, which is expected to occur in 2033. The time period is categorized in terms of short, mid, and long-term for purposes of discussing the potential viability of each governance option at these intervals of time. The short-term includes the first five years of the projections and runs from 2014 to 2018. The mid-term includes years five through ten or 2019 through 2023. The long-term includes the remainder of the time in the projections, which includes 2024 through 2033.

SOUTH ORANGE COUNTY VISIONING PROCESS

Governance Options Matrix

| Governance Options | Description | Governance Objectives | Financing Sources | POTENTIAL VIABILITY | | | |
|--|---|---|--|------------------------|------------------------|-----------------------|---|
| | | | | Short-term (2014-2018) | Mid-term (2019 – 2023) | Long-term (2024-2033) | Determining Variables |
| Homeowners Association (HOA) | Status quo / expanded HOA role | <ul style="list-style-type: none"> Service administration | <ul style="list-style-type: none"> HOA Dues | Yes | Yes | Yes | <ul style="list-style-type: none"> CC&Rs |
| Municipal Advisory Council (MAC) | Advisory Council to the Board of Supervisors | <ul style="list-style-type: none"> Representation and accountability Advisory input on land use issues | <ul style="list-style-type: none"> Administered by the County | Yes | Yes | Yes | <ul style="list-style-type: none"> Community support Supervisory support |
| Shared Services | Municipal services contract (e.g., joint use agreement) | <ul style="list-style-type: none"> Service administration Local control | <ul style="list-style-type: none"> Administration and contractual arrangement determined by affected agencies | Yes | Yes | Yes | <ul style="list-style-type: none"> County support Community support/HOA Board support Support from other affected agencies CC&Rs Adequate funding |
| Annexation | Annexation to adjacent city | <ul style="list-style-type: none"> Service administration Local control Land use Representation & accountability | <ul style="list-style-type: none"> Property taxes Sales tax, TOT, etc. Other taxes, assessments, and fees | Yes ¹ | Yes | Yes | <ul style="list-style-type: none"> City, County and Community support Voter approval of required taxes State legislation related to VLF revenue Existing legal agreements |
| County Service Area (CSA) | Dependent special district of the County | <ul style="list-style-type: none"> Service administration Localized financial accounting | <ul style="list-style-type: none"> Property taxes Other taxes, assessments, and fees | Yes | Yes | Yes | <ul style="list-style-type: none"> County support CSA boundary Voter approval of CSA & any required taxes Adequate long-term financing and reserve funding |
| Community Services District (CSD) | Independent special district | <ul style="list-style-type: none"> Service administration Representation Localized financial accounting | <ul style="list-style-type: none"> Property taxes Other taxes, assessments, and fees | No | Yes | Yes | <ul style="list-style-type: none"> County and Community support CSD boundary Voter approval of CSD & any required taxes Adequate long-term financing and reserve funding |
| Incorporation | Creation of new city | <ul style="list-style-type: none"> Service administration Local control/land Use Localized financial accounting Representation and accountability | <ul style="list-style-type: none"> Property taxes Sales tax, TOT, etc. Other taxes, assessments, and fees | No | No | Yes | <ul style="list-style-type: none"> County and Community support Incorporation boundary Voter approval of new city & any required taxes State legislation related to VLF revenue Adequate long-term financing and reserve funding |

¹ There are several determining variables that may affect the potential viability of annexation in the short-term.

MUNICIPAL AND REGIONAL SERVICE PROVIDERS

The developed and developing unincorporated communities in the RSM and RMV Study Areas are provided services by several agencies. The financial projections described in the next section are limited to the services currently provided by the County of Orange. Additional information for other regional service providers is included below to provide context for the County's role in providing services to the unincorporated communities.

County of Orange

The County of Orange provides local and regional services to the unincorporated communities in the RMV and RSM study areas. Local or municipal services include law enforcement services provided by the Sheriff, animal care services provided by the Community Services Department, solid waste collection administered by OC Waste & Recycling, and code enforcement and street repair services provided by OC Public Works. Regional services include services that are provided to all residents of the County regardless of whether residents live in a City, community or the unincorporated area of the County. The specific services provided by the County in the RMV and RSM study areas are discussed in more detail under the next section of this report.

Orange County Flood Control District

The Orange County Flood Control District ("OCFCD") was established by state statute in 1927 to provide countywide flood protection. OCFCD is a dependent district of the County of Orange. OCFCD effectively acts as a department of the County with the Board of Supervisors as the District's governing board and county staff provide administration and staffing services. The District provides for the operation and maintenance of 380 miles of flood control channels, 6 dams, 33 retarding basins, 13 pump stations, and other flood control infrastructure. As development occurs in vacant territory, flood control improvements may be required. Required improvement must be inspected by OCFCD staff before being accepted into the flood control system for long-term maintenance.

Orange County Fire Authority

The Orange County Fire Authority ("OCFA") is a regional fire service agency that provides fire prevention, fire suppression, and emergency medical services to 23 cities in Orange County and all unincorporated areas. The OCFA protects over 1,680,000 residents from its 71 fire stations located throughout Orange County. OCFA Reserve Firefighters also provide assistance and working at 10 stations throughout Orange County. The RSM and RMV Study Areas are within OCFA Division III – Battalions 6 & 7, serving the Cities of Dana Point, Laguna Hills, Laguna Niguel, Mission Viejo, Rancho Santa Margarita, San Clemente, and San Juan Capistrano; along with the unincorporated communities of Coto de Caza, Ladera Ranch, Las Flores, Modjeska Canyon, Trabuco Canyon. Fire Station 40 is located within the gated community of Coto de Caza and Fire Station 58 is within the community of Ladera Ranch. The County's approval of the Rancho Mission Viejo Company's Ranch Plan conditioned the development with the construction of four new fire stations. The first fire station in the area (FS 56) is located within Planning Area 1. The construction of FS 56 is funded by development impact fees from Planning Area 1 as well as the existing developments of "Covenant Hills" in Ladera Ranch and Whispering Hills in San Juan Capistrano. The station will respond to calls for service from each of these communities. The construction of the remaining fire stations in the Ranch Plan will be funded by Rancho Mission Viejo. The land, station construction and purchase of fire equipment will be financed by Rancho Mission Viejo. Ongoing operations and maintenance costs are funded through property tax revenue generated within the area.

Orange County Transportation Authority

The Orange County Transportation Authority ("OCTA") is Orange County's primary transportation agency. OCTA was formed in 1991 through the consolidation of seven separate transportation agencies. A 17-member

SOUTH ORANGE COUNTY VISIONING PROCESS

Board of Directors governs OCTA with the Caltrans District Director serving as the 18th member in an ex-officio capacity. OCTA is responsible for administering the County's Master Plan of Arterial Highways ("MPAH") which was established in 1956 to ensure that a regional arterial highway network would be planned, developed, and maintained in order to supplement the County's developing freeway system. The MPAH represents coordinated planning requiring the cities and the County of Orange to work cooperatively in implementing the regional transportation system. As the administrator of the MPAH, OCTA is responsible for maintaining the integrity of the MPAH system through its coordination with the County and cities. To receive OCTA program revenues the general plans of the County and cities must be "consistent" with the MPAH.

Transportation Corridor Agencies

Two Joint Powers Authorities (Foothill/Eastern Transportation Corridor Agency & San Joaquin Hills Transportation Corridor Agency) were organized under the provisions of state law among the County of Orange and certain cities within the County to plan, design, finance, construct and operate major thoroughfares and bridges in Orange County. In 1987, Senate Bill 1413 passed, giving the Transportation Corridor Agencies ("TCA") the authority to construct the new roads as toll facilities and issue bonds backed by future toll revenues and development impact fees. Over the past 27 years, TCA has constructed fifty-one miles of toll roads, including the 73, 133, 261, and 241 Toll Roads. The 241 currently terminates at Oso Parkway, which coincides with the boundary between the RSM Study Area (to the north) and the RMV Study Area (to the south). The extension of the 241 was proposed to run southerly through the Rancho Mission Viejo Planning areas ultimately connecting to Interstate 5 in the City of San Juan Capistrano. The 241 has been on the County's MPAH since 1981 as a potential method of alleviating traffic congestion on Interstate 5 and provide traffic redundancy in the area in case of emergency. The renewed development of the Rancho Mission Viejo Planning Areas has spurred discussion about the extension of the 241 to the south either as a toll road or an arterial extension that would provide connectivity for the transportation network in the region. TCA certified the final environmental documents for the 241 extension in 2006, but the project was rejected by the California Coastal Commission in 2008. The Southern California Association of Governments ("SCAG") is the regional transportation planning agency and is actively working with OCTA and TCA to determine a viable alternative to the 241 Toll Road extension. In 2011, TCA commissioned an economic analysis of the proposed 241 Toll Road extension which concluded that the project would generate \$2.3 billion in economic output and create more than 13,600 jobs in Orange County.

Santa Margarita Water District

Santa Margarita Water District ("SMWD") serves as the second largest retail water agency in Orange County. The District provides safe, affordable, reliable water and wastewater services to over 155,000 customers in Mission Viejo, Rancho Santa Margarita and the unincorporated areas of Coto de Caza, Las Flores, Ladera Ranch and Talega. SMWD has worked closely with Rancho Mission Viejo and the County on developing a water supply plan to meet future demands in 2003. Since that time, the District has continued to work with RMV and the County to finance and construct necessary infrastructure. The financial projections and fiscal data for each of the communities do not include information related to retail water or local sewer services provided by the Santa Margarita Water District.

Homeowner Associations

Homeowner Associations ("HOAs") are corporations, legal entities created and recognized by state law. They are commonly established as non-profit mutual benefit corporations. HOA membership is automatic. When a person buys a lot, home, townhouse, or condominium in a HOA, he/she automatically becomes a member of the association. HOAs are typically formed by developers to fund services and maintenance within the development. Over the past thirty years, HOAs have played an increasing role in local governance providing

SOUTH ORANGE COUNTY VISIONING PROCESS

services ranging from utility services to road and landscape maintenance. The services provided by the HOA are funded by member dues. As HOAs have evolved in their roles as service providers, they have become more complex. Many large developments now include two layers with a large master maintenance association that may serve as the umbrella organization providing community-wide services such as recreation or maintenance services. Working under the master association, one or more sub-associations may be established to provide localized services such as security to a smaller gated community within the larger community or hillside slope maintenance to a specific portion of the community.

FINANCIAL PROJECTIONS

Overview

The financial projections are included in the Stakeholder Information Packet to provide the context for discussions of potential viable governance alternatives to the long-term provision of municipal services by the County of Orange. The information in this section provides background and supporting data for the fiscal summaries for each of the developed and developing communities that are presented in the next section. This section includes a general overview of local government finance and the revenue and cost assumptions that were used to develop the fiscal summaries. The financial information presented is a “snapshot” in time of the County’s projected services in terms of related revenues and costs. The projections do not include any assumed growth rate. The financial data is not a fiscal analysis and its purpose is to assist with exploring future governance. Additional analysis regarding the ultimate viability of any other governance options would be required.

Primer of Local Government Finance

Local government finance is comprised of two basic components: (1) the money that flows into the agency as revenue and (2) the money spent on infrastructure, facilities, administration and service provision. The financial projections presented in this information packet focus on the County of Orange and the projected revenues and expenditures related to local and regional services provided to the developed and developing communities in South Orange County. This overview of local government finance provides context for understanding the County’s revenue and also provide information about the four primary governance options.

Property Tax Revenue

Property taxes can be a major revenue source for cities, counties and certain special districts. Approval of an annexation, incorporation, or the formation of new special districts by LAFCO does not result in reassessment of property values. However, property tax revenue is linked with services. Annexations or other LAFCO actions may require the addition (or deletion) of a taxing entity to ensure that property tax revenues are appropriately allocated to the new service providers. Exhibits 1 and 2 below show how every \$1.00 of property tax from sample tax rate areas in the Ladera Ranch and Wagon Wheel communities, respectively, is allocated among existing taxing agencies that provide municipal services in the area and region.

Exhibit 1: Property Tax Allocation – Ladera Ranch Sample Tax Rate Area

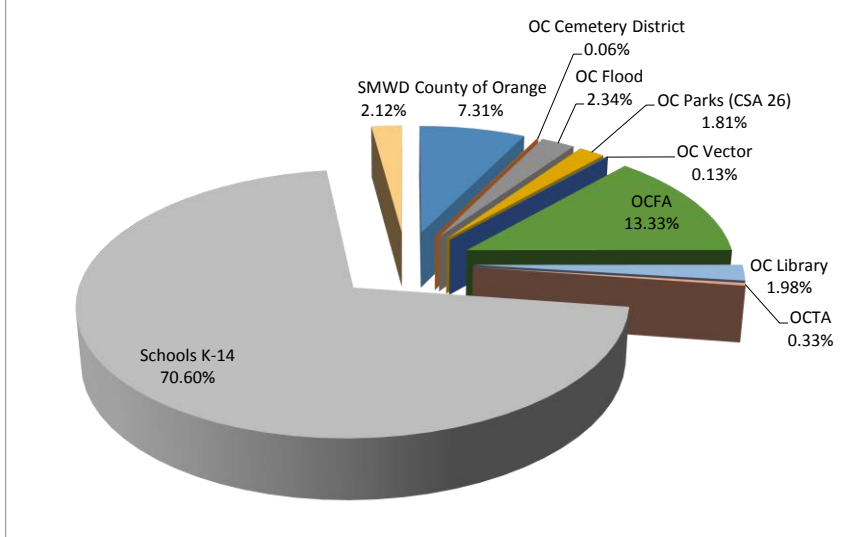
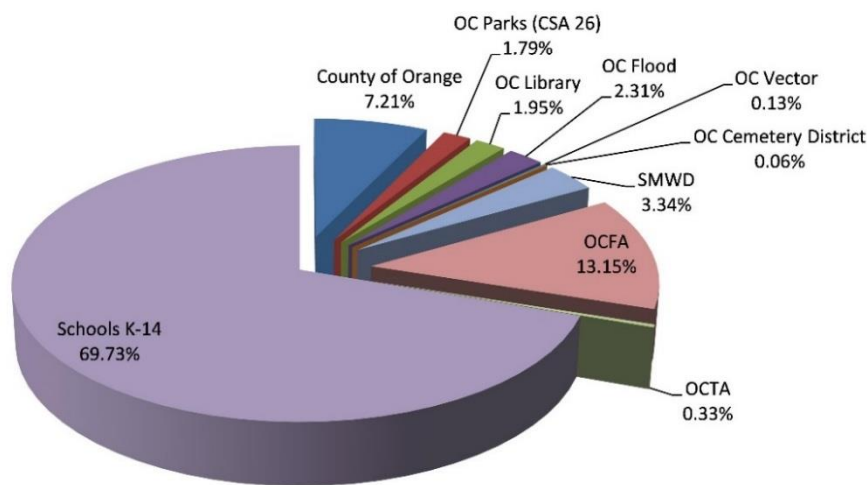


Exhibit 2: Property Tax Allocation – Wagon Wheel Sample Tax Rate Area



Financing levels of service in unincorporated communities through annexation to a city or special district, formation of a county service area (“CSA”) or community services district (“CSD”), or incorporation of a new city may include the sharing of property taxes by existing service providers. For example, forming a CSA may require negotiation with the County to share a portion of their property tax allocation. Other “Property Tax In Lieu of VLF” and “Property Transfer Tax” revenues (shown later in this packet as part of the “County General Fund Revenue and Cost Projections”) are not readily available to new CSAs/CSDs to finance enhanced services.

Sales Tax Revenue

Sales and use tax often represents another major source of revenue for city and county governments. In California, sales tax is imposed on retailers for the privilege of selling tangible personal property. Retailers typically pass this tax directly to the consumer. In addition to the state sales tax rate, counties can impose a sales and use tax up to 1.25 percent. Cities may also impose a sales and use tax at a rate of up to one percent. Sales tax is collected by the retailers and is allocated to cities and counties based on a point of sale basis going to the city and/or county where the retailer is located. The state sales tax rate is 7.5 percent. The Orange County sales tax rate is 8 percent due to the implementation of Measure M to fund local transportation projects. Measure M was first approved by Orange County voters in 1990 and renewed for a 30-year extension in 2006. The combined measures raise the sales tax in Orange County by one-half cent through 2041 to help alleviate traffic congestion.

Transient Occupancy Tax (TOT)

Transient occupancy tax is another type of tax where visitors to an area pay local taxes. State law allows counties and cities the ability to tax persons staying 30 days or less in hotels, motels and similar lodgings. As with sales tax, the TOT is collected by the vendor (lodging providers) and turned over to the county or city. Counties may charge transient occupancy taxes on individuals staying in hotels and other lodging in the county area outside city limits, while cities charge the tax on individuals staying within city limits. The imposition, increase or extension of TOT requires voter approval. The County’s transient occupancy tax rate is 10 percent.

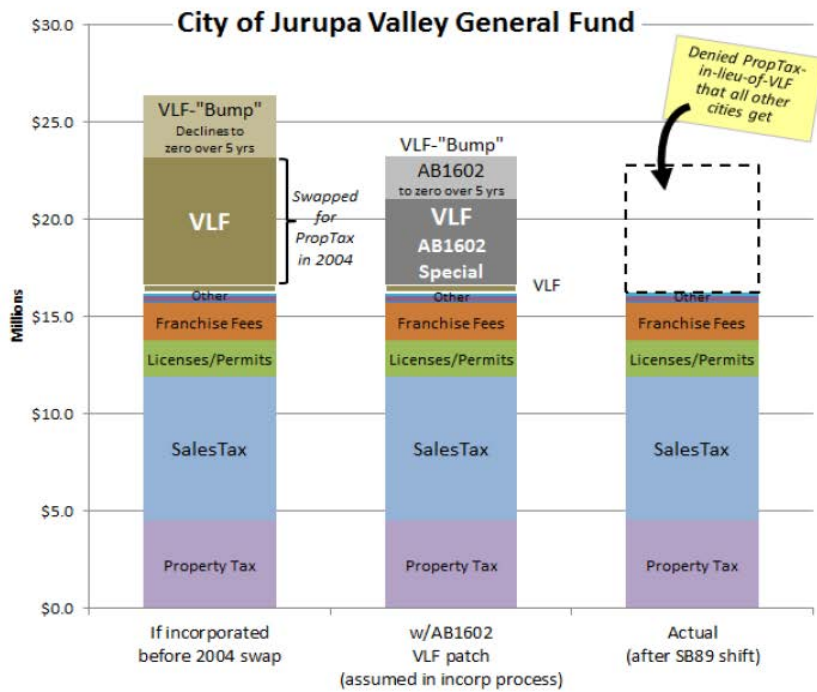
Vehicle License Fee Revenue

The state Vehicle License Fee has been a significant source of general purpose revenue to cities since 1935 when it was established in lieu of a property tax on motor vehicles. In 2004, the California Legislature approved a VLF for property tax swap as a part of a state-local budget agreement. The 2004 swap reduced vehicle license fee allocations to local jurisdictions and offset the reduction with an increased compensation from the State of new property tax share to the local jurisdictions. Counties, with the exception of Orange County, gave up all of their discretionary per capita VLF for property tax share. Because a portion of the County's VLF revenue allocation was pledged to bonded debt related to the county's bankruptcy proceedings, Orange County chose not to receive \$54 million per year in property tax revenue, but to instead continue to receive these funds from the VLF.

The 2004 swap legislation failed to provide compensating property tax revenues to annexations and new incorporations. A stop-gap measure was implemented through AB 1602 (Laird) which provided special allocations, carved from the remaining city VLF revenues, to new incorporations and annexations. In 2011, in conjunction with a hastily created annual budget bill, the Legislature passed SB 89 taking the revenues and directing their use to fund state law enforcement programs which had previously been funded by the State. The 2011 budget bill had a major impact on agencies that annexed large uninhabited territory and cities that incorporated between 2004 and 2011. Previously, cities would be able to count on a larger share of the property tax in-lieu of VLF revenue due to new development or annexation of developed lands, but this is no longer the case. State legislation would be required to reinstate some form of the VLF to cities that annex uninhabited territory or incorporate in the future. The following exhibits provide examples of the impact the loss of the VLF revenue had on the recent incorporation of the City of Jurupa Valley (Exhibit 3) and a hypothetical City annexation (Exhibit 4).

SOUTH ORANGE COUNTY VISIONING PROCESS

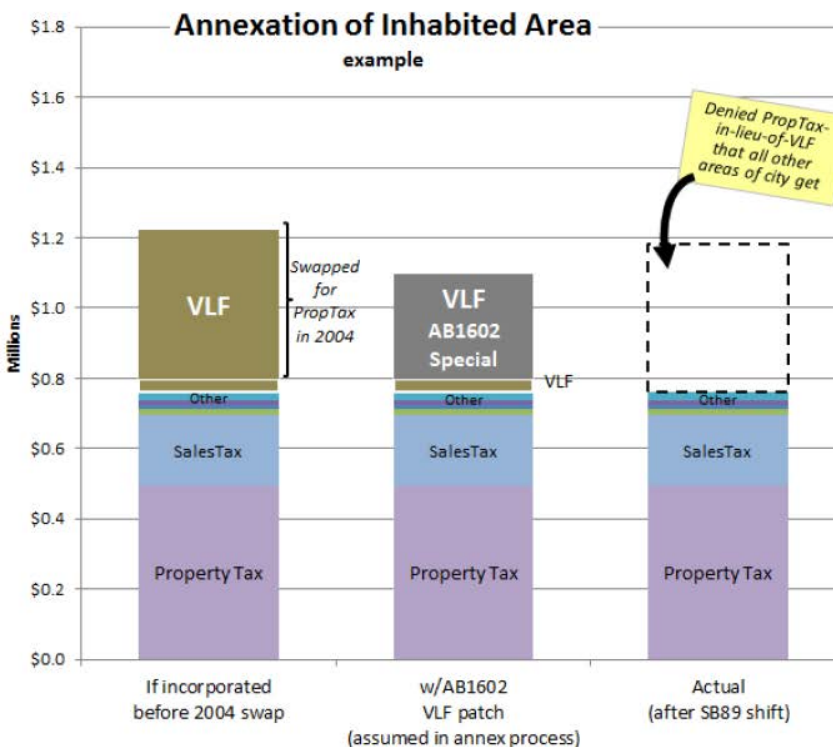
EXHIBIT 3: IMPACT TO THE CITY OF JURUPA VALLEY (PROVIDED COURTESY OF MICHAEL COLEMAN, COLEMAN ADVISORY SERVICES²)



If the City of Jurupa Valley had incorporated under the VLF rules as they were before 2004 the city would be receiving \$6.5 million in annual VLF revenues PLUS a declining temporary bump for five years. Under the 2004 swap, the \$6.5 million would now come to them as additional property tax. But there are no provisions to give Property Tax in lieu of VLF to a new city after 2004.

AB1602 patched this problem with a special VLF allocation, but that was wiped out by the SB89 shift of VLF to fund law enforcement grants previously paid by the state general fund.

EXHIBIT 4: IMPACT TO HYPOTHETICAL CITY ANNEXATION (PROVIDED COURTESY OF MICHAEL COLEMAN, COLEMAN ADVISORY SERVICES)



Under the pre-2004 rules, an inhabited annexation brought additional per capita VLF to the annexing city. But the VLF swap of 2004 denied any additional property tax for existing residents/development. This generally made annexation of developed areas fiscally unviable – contrary to state and local policy objectives.

AB1602 patched this problem with a special VLF allocation, but that was wiped out by the SB89 shift of VLF to fund law enforcement grants previously paid by the state general fund.

² Michael Coleman is the principal Fiscal Policy Advisor to the California Society of Municipal Finance Officers (CSMFO) and to the League of California Cities.

Demographic and Financial Assumptions

The following sections of this packet describe the demographic and financial assumptions that were used to generate the revenue and cost projections presented in this packet for Las Flores, Coto de Caza (including Wagon Wheel and Stonecliffe), Ladera Ranch, and Planning Areas 1, 2, 3, 4, 5, and 8 of the Ranch Plan. Due to the size of the Stonecliffe and Wagon Wheel communities their financial data are aggregated with Coto de Caza. The following section provides key details about the assumptions and methodologies for each of the revenue sources and expense categories used in the model that produced the financial projections presented in the Fiscal Summaries presented in the next section.

General Assumptions and Methodologies

Several revenues and costs are impacted by both population and employment growth, such as franchise taxes and certain countywide costs. Therefore, these fiscal factors are estimated by allocating budgeted revenues or costs to both population and employment. For the allocation of these revenues and costs, the employment estimate was weighted at 50 percent to account for the estimated less frequent use of public services by employment versus population.

Total County: An estimated service area population of 3,783,354 is used to calculate the revenues and costs that apply to both population and employment for the total County. This estimate includes the resident population of 3,081,804 and the estimated weighted employment of 701,550 (or 50% of 1,403,100). Based on these estimated shares of the total service population, revenues and costs that apply to both population and employment for the total County are allocated 80 percent to population and 20 percent to employment.

Unincorporated Area: The estimated service area population for the unincorporated area is 150,578 based on the population of 120,396 and the weighted employment estimate of 30,182 (or 50 percent of 60,363). Based on the estimated shares of the total service population, revenues and costs that apply to both population and employment for the unincorporated area are allocated 80 percent to population and 20 percent to employment.

Actuals vs. Projections

Due to the timing of the effort to develop the County projections, the data includes fiscal year 2012-2013 actuals in some cases and fiscal year 2013-2014 projections in others. Each of the assumptions described below includes reference to whether the information is based on actual or projected data.

Local vs. Regional Services

For purposes of the financial projections, certain County services were identified as “local services” such as Sheriff and OC Animal Care and all other services were identified as “regional services.” The local services are based on current costs for South Orange County using per capita cost assumptions. Regional services cost assumptions are based on current costs countywide using per capita and per employee cost assumptions.

Growth Rate

The financial projections were determined using a zero growth rate assumption. Due to uncertainty with development plans due to the market volatility and other factors, the model does not include any built-in growth rate assumptions such as adjustments based on the consumer price index (“CPI”) which is a common inflator.

Orange County General Fund Revenue Assumptions

SOUTH ORANGE COUNTY VISIONING PROCESS

PROPERTY TAX

Property tax revenues are based on the County's share of the one percent property tax levy for the assessed valuation in the South Orange County Study Area. The Orange County Assessor's Office provided the current assessed valuation for the tax rate areas ("TRAs") located in the South Orange County Study Area.

PROPERTY TAX IN LIEU OF VLF

Cities and counties receive additional property tax revenue to replace vehicle license fee ("VLF") revenue that was lowered when the state reduced the vehicle license tax in fiscal year 2004-2005. Property tax in lieu of VLF revenues is in addition to other property tax apportionments. Based on information for the State Controller, property tax in lieu of VLF is projected to grow in proportion to the change in the countywide gross assessed valuation from the prior year. For Las Flores, Coto de Caza (including Wagon Wheel and Stonecliffe), and Ladera Ranch, these revenues are estimated based on each community's share of the County's total assessed valuation. For the Ranch Plan, property tax in lieu of VLF revenues are projected using a countywide factor of \$457 per \$1.0 million year-to-year increase in assessed valuation.

PROPERTY TRANSFER TAX

Orange County taxes the sale of real property at a rate of \$1.10 per \$1,000 of property value. Residential property is estimated to change ownership at an average of about 8.0 percent per year based on the estimated turnover data from the U.S. Census Bureau, 2008-2012 American Community Survey, Tenure by Year Householder Moved Into Unit for the Ladera Ranch Census Designated Place. Non-residential property is assumed to change ownership at about half the residential turnover rate, or at 4.0 percent per year.

SALES AND USE TAX

Sales tax revenues to the County are projected at one percent of taxable sales. In addition to sales tax revenue, the County receives revenues from use tax, which is levied on shipments into the state and on construction materials for new residential and non-residential development not allocated to a situs location. Use tax revenue projections for the Study Areas were estimated at an additional 10.5 percent of point-of-sale sales tax.

TRANSIENT OCCUPANCY TAX

Transient occupancy tax ("TOT") accrues to the County General Fund at the rate of 10.0 percent of gross room receipts for hotels located in unincorporated county territory. There is no TOT projected for the three unincorporated communities. Only two of the Rancho Mission Viejo Planning Areas (PA 3 and PA 8) have projected TOT and is based on projected room receipts for two business hotels in PA 3 and one resort hotel in PA 8. Projected room receipts are based on estimated room counts, room rates (e.g., \$150 per night), and occupancy rates (e.g., 75% occupancy). Development assumptions were provided by the Rancho Mission Viejo Company.

FRANCHISES/RENTS/CONCESSIONS

Franchise revenues for fiscal year 2013-2014 are estimated at \$2.60 million for all unincorporated territories countywide. These revenues are allocated 80 percent to population and 20 percent to employment. Franchise revenues are projected for The Ranch Plan and the three unincorporated areas at \$17.28 per capita and \$8.61 per employee based on the Study Areas' share of the countywide unincorporated population and employment.

STATE ALLOCATION OF MOTOR VEHICLE LICENSE FEES

When the State Legislature established the property tax in lieu of VLF in 2004, as discussed above, a portion of the collected VLF revenues continued to be apportioned locally on a population basis. These VLF revenues are projected using a factor of \$0.36 per capita and are determined by dividing the County budget amount

SOUTH ORANGE COUNTY VISIONING PROCESS

of \$1.10 million by the total Orange County population of 3,081,804. This revenue is projected for both The Ranch Plan and the three unincorporated areas using the factor of \$0.36 per capita.

PROPERTY TAX ADMINISTRATION

Property tax administration revenues for fiscal year 2013-2014 countywide are estimated at \$14.90 million. These revenues are projected for the Ranch Plan, Coto de Caza (including Wagon Wheel and Stonecliffe), Ladera Ranch, and Las Flores using a countywide allocation of \$3.87 per capita and \$2.12 per employee.

SOUTH ORANGE COUNTY VISIONING PROCESS

Orange County General Fund Cost Assumptions

SHERIFF-CORONER

The Orange County Sheriff Department is responsible for providing local law enforcement services to the unincorporated areas of Orange County. LAFCO's Fiscal Model uses a per capita assumption based on population data for the unincorporated communities of Coto de Caza, Ladera Ranch, Las Flores, and Trabuco Canyon that were received from the Sheriff-Coroner Department for services provided during the 2012-2013 fiscal year. Trabuco Canyon is not part of the South Orange County Visioning Process, but was included by the Sheriff's department in the information used to determine the annual per capita cost of Sheriff-Coroner services to the unincorporated communities in the Governance study areas. FY 2012-2013 actual costs of \$5,787,753 were divided by the combined population of 45,692 for the unincorporated areas of Coto de Caza, Ladera Ranch, Las Flores, and Trabuco Canyon resulting in an annual per capita cost of \$126.67. This annual per capita cost was used for the projected costs for the Ranch Plan Planning Areas based on development assumptions provided by the Rancho Mission Viejo Company.

OC ANIMAL CARE

The Orange County Animal Control Department is responsible for providing local animal care to the unincorporated areas of Orange County. For the Ranch Plan Planning Areas, LAFCO's Fiscal Model uses a per capita assumption based on the total population in unincorporated Orange County. The countywide costs of \$241,167 were divided by the unincorporated area population estimate of 120,396 resulting in a per capita cost of \$2.00. This per capita cost was applied to population estimates for the Ranch Plan Planning Areas based on development assumptions provided by the Rancho Mission Viejo Company. Animal Care costs for the unincorporated communities of Las Flores, Coto de Caza (including Wagon Wheel and Stonecliffe), and Ladera Ranch are based on estimated net actual expenditures for fiscal year 2012-13.

COUNTYWIDE PUBLIC PROTECTION

In addition to Sheriff-Coroner services, the County of Orange provides countywide public protection services including District Attorney, Emergency Management, Grand Jury, Juvenile Just Commission, Sheriff Court Operations, Detention Release, Office of Independent Review, Sheriff-Coroner Communications, Probation, Public Defender, Alternate Defense, and Trial Courts. Estimated net expenditures for countywide public protection services for fiscal year 2013-2014 are approximately \$315.25 million. These costs are allocated 80 percent to population and 20 percent to employment. Countywide Public Protection costs are projected for The Ranch Plan and the three unincorporated areas at \$81.84 per capita and \$44.94 per employee based on the Study Areas' share of the countywide unincorporated population and employment.

COUNTYWIDE COMMUNITY SERVICES

Countywide Community Services include: Child Support Services, Public Administrator, OC Public Guardian, Health Care Agency, Social Services Agency, In-Home Supportive Services, CalWorks Family Group/Unemployed Parents, Aid to Facilities with Dependent Children – Foster Care, aid to refugees and general relief. Estimated net expenditures for countywide community resources for fiscal year 2013-2014 are approximately \$129.61 million. These costs are allocated 100 percent to population. Countywide community services are projected at \$42.06 per capita based on the Study Areas' share of the total county population.

INFRASTRUCTURE AND ENVIRONMENTAL RESOURCES

These services include OC Watersheds, utilities, and General Fund building and safety and public works. Expenditures for fiscal year 2013-2014 are estimated at \$32.57 million. The costs are allocated 80 percent to population and 20 percent to employment. Expenditures for these services are projected for The Ranch Plan

SOUTH ORANGE COUNTY VISIONING PROCESS

and the three unincorporated areas at \$8.46 per capita and \$4.64 per employee based on the Study Areas' share of the countywide population and to weighted employment.

GENERAL GOVERNMENT SERVICES

General government services include Assessor, Auditor-Controller, Board of Supervisors, Clerk of the Board, County Executive Office, County Counsel, Registrar of Voters, Human Resources, Internal Audit, Clerk Recorder, and Treasurer-Tax Collector. With the exception of Registrar of Voters, general government expenditures for fiscal year 2013-2014 are estimated at \$90.57 million. These costs are allocated 80 percent to population and 20 percent to employment. General government costs of \$23.51 per capita and \$12.91 per employee are based on the total countywide population and employment and were projected for both The Ranch Plan and the three unincorporated areas. Registrar of Voters expenditures for fiscal year 2013-2014 are estimated at \$11.26 million and are allocated 100 percent to population. Registrar of Voters estimated expenditures of \$3.65 per capita are determined by dividing the Registrar of Voters expenditures amount of \$11.26 million by the total Orange County population of 3,081,804. This cost is projected for both The Ranch Plan and the three unincorporated areas using a factor of \$3.65 per capita.

CAPITAL IMPROVEMENTS

These costs relate to capital improvements and equipment related to operations and maintenance ("O&M") services. Fiscal year 2013-2014 estimated O&M costs are \$15.66 million. These costs are allocated 80 percent to population and 20 percent to employment. O&M costs of \$4.07 per capita and \$2.23 per employee are based on the total county population and employment and were projected for both The Ranch Plan and the three unincorporated areas.

DEBT SERVICE

Debt service includes 2005 Lease Revenue Refunding Bonds, Capital Acquisition Financing, 2005 Refunding Recovery Bonds, and Prepaid Pension Obligation. Debt service costs estimated for fiscal year 2013-2014 are \$19.29 million. These costs are allocated 80 percent to population and 20 percent to employment. Debt service costs of \$5.01 per capita and \$2.75 per employee are based on the total countywide population and employment and were projected for both The Ranch Plan and the three unincorporated areas.

INSURANCE, RESERVES AND MISCELLANEOUS

These costs include miscellaneous expenditures, IBM mainframe, employee benefits, and General Fund net expenditures. Net revenues of \$12.67 million were projected for this category in fiscal year 2013-2014. These revenues are allocated 80 percent to population and 20 percent. Revenues of \$3.29 per capita and \$1.81 per employee based on the total countywide population and employment were projected for both The Ranch Plan and the three unincorporated areas.

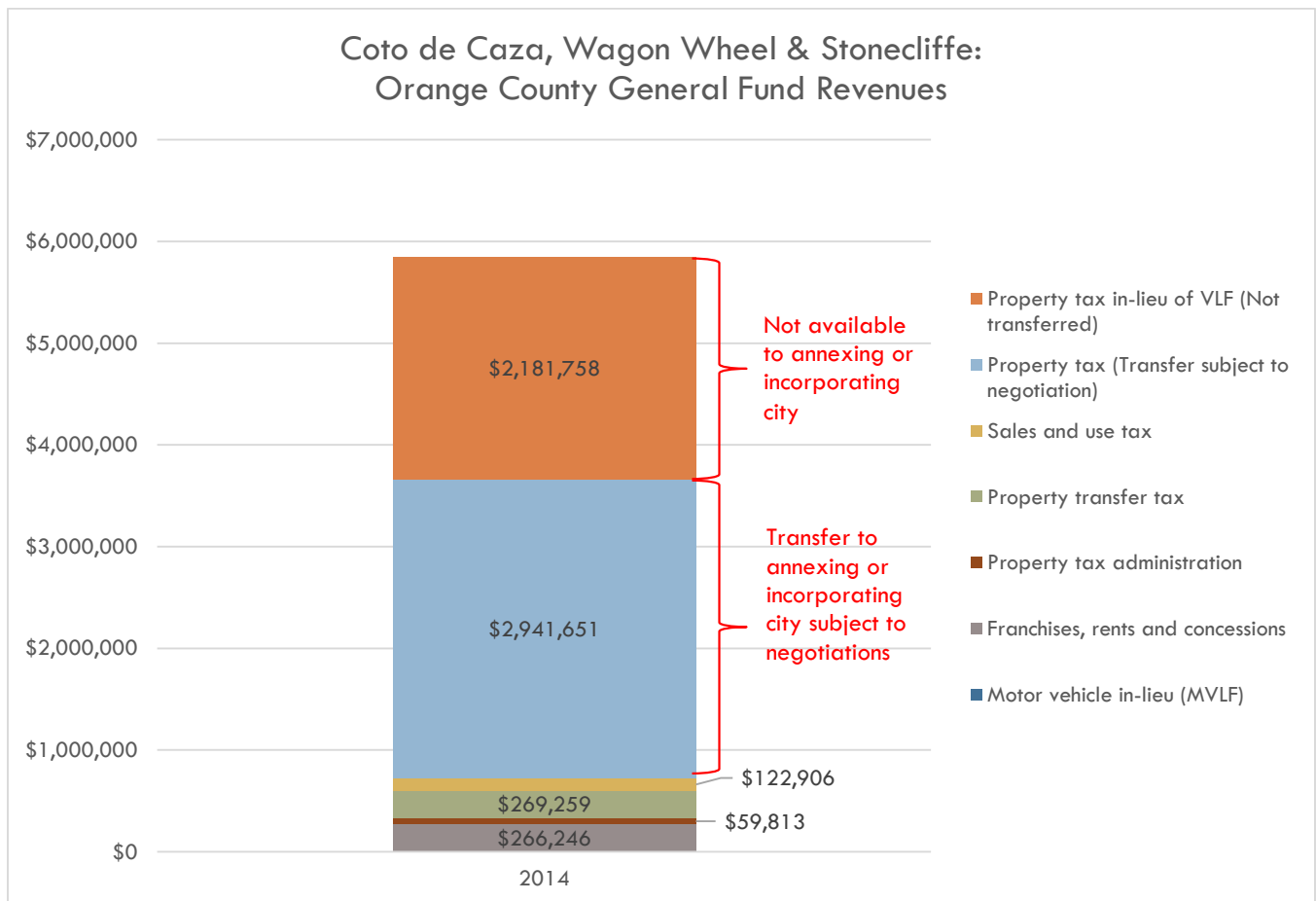
County General Fund Revenue and Cost Projections

FISCAL SUMMARY: COTO DE CAZA, WAGON WHEEL & STONECLIFFE

The charts below depict the annual recurring baseline County revenues and costs for current and projected service provision to the communities of Coto de Caza, Wagon Wheel and Stonecliffe. These residential communities are largely built-out. The baseline projections assume a zero growth rate and that the communities remain unincorporated resulting in static projections. The information below depicts the revenues and costs for fiscal year 2014 and provides a starting point to explore and evaluate the viability of future governance options for Coto de Caza and the other current and proposed communities in the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas.

REVENUES

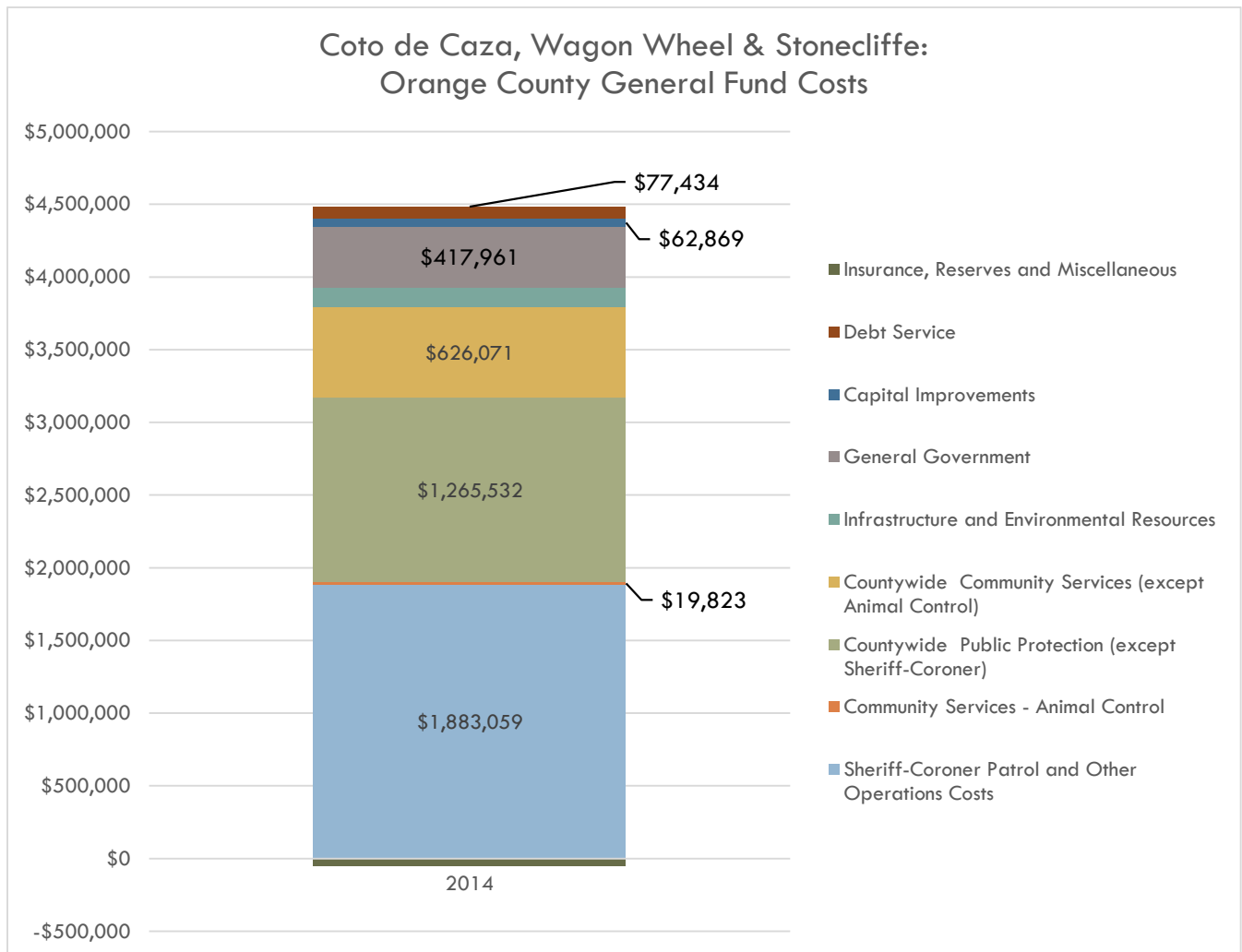
The revenues depicted in the chart above include the following major revenues categories: (1) property taxes (50% of projected revenues), (2) property tax in-lieu of VLF (37%), and (3) property tax transfers (5%). Property related taxes are subject to negotiation and/or transfer as part of a proposed annexation, incorporation, or formation of a County Service Area or Community Services District. However, the property tax in-lieu of vehicle license revenue is not subject to negotiation and/or transfer as a part of any LAFCO related process and would remain with the County. Sales and use tax and franchise revenues would be collected by an annexing or incorporated city but are not typically available funding sources to County Service Areas and Community Services Districts.



SOUTH ORANGE COUNTY VISIONING PROCESS

COSTS

The costs depicted in the chart below include a broad array of services provided by the County to Coto de Caza. The service costs depicted in the chart range from local municipal-type services to regional services and include the following primary service cost categories: (1) Sheriff-Coroner Patrol and other operations (42% of projected costs), (2) countywide public protection (29%), and (3) countywide community services (14%). It is important to note that the County provides certain regional services throughout the County irrespective of city and special district service boundaries such as Social Services and District Attorney.



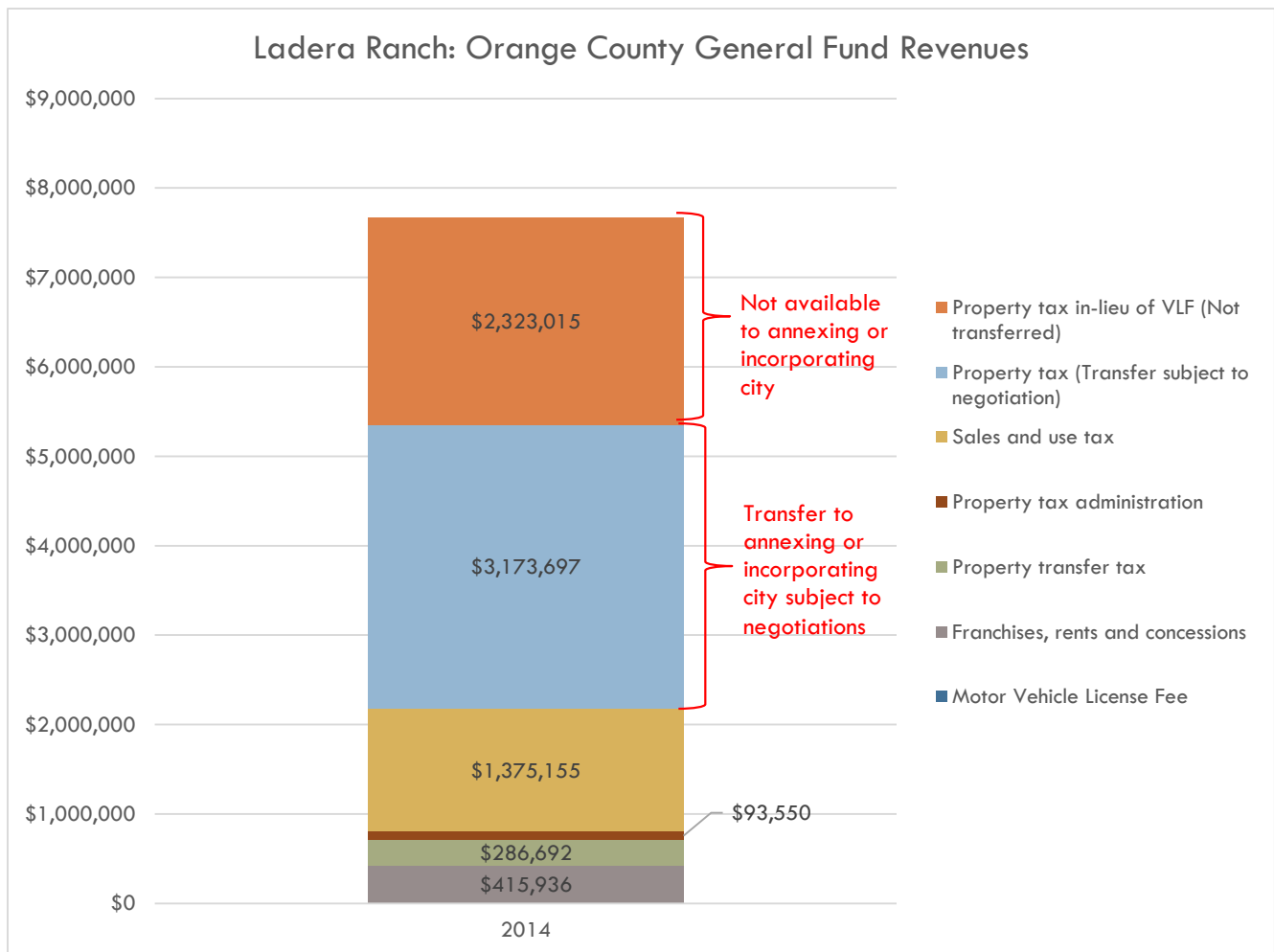
SOUTH ORANGE COUNTY VISIONING PROCESS

FISCAL SUMMARY: LADERA RANCH

The charts below depict the annual recurring baseline County revenues and costs for current and projected service provision to the unincorporated community of Ladera Ranch. The community of Ladera Ranch includes commercial and residential properties and is near build-out. The baseline projections assume a zero growth rate and that Ladera Ranch remains unincorporated resulting in static projections. The information below depicts the revenues and costs for fiscal year 2014 and provides a starting point to explore and evaluate the viability of future governance options for Ladera Ranch and the other current and proposed communities in the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas.

REVENUES

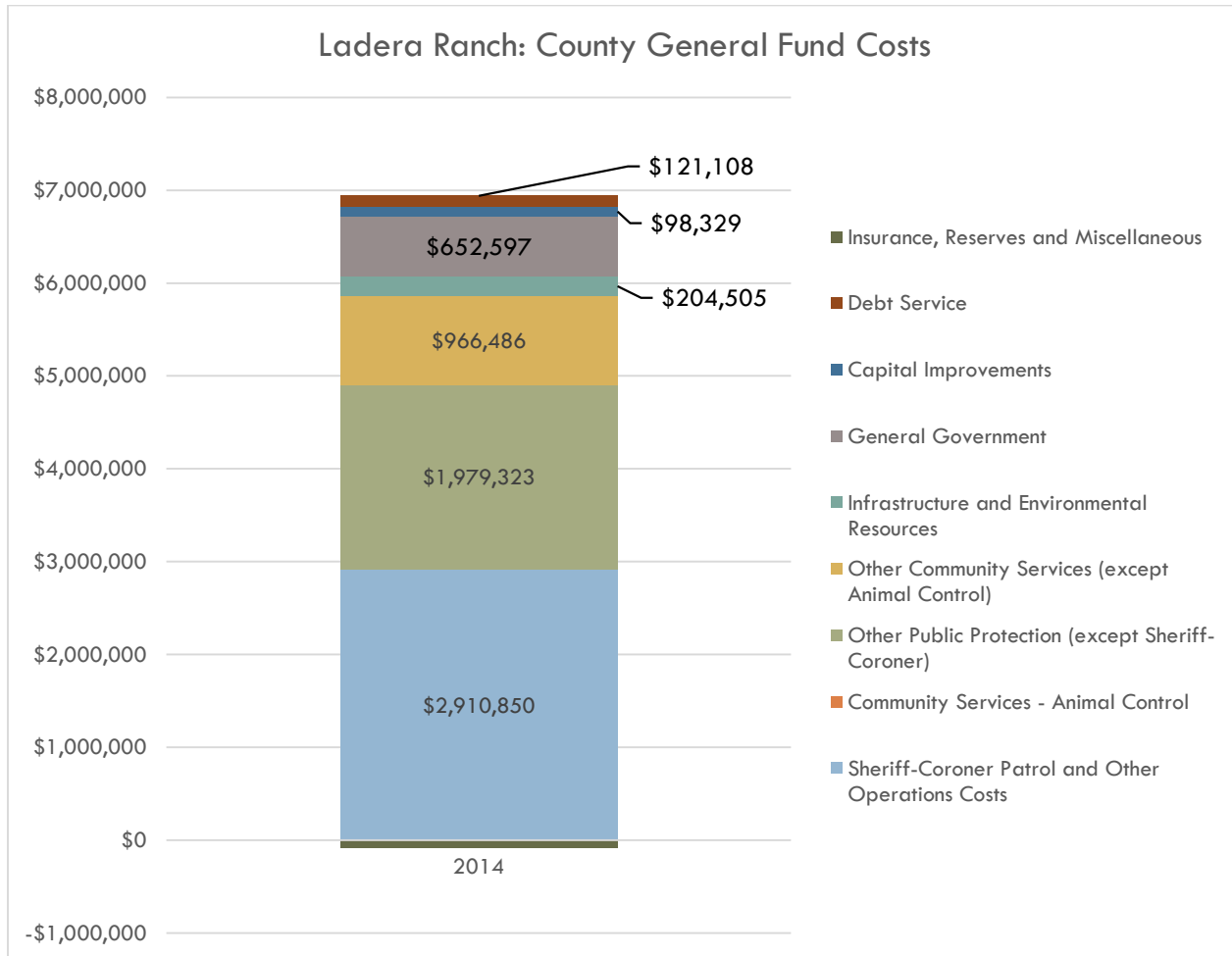
The revenues depicted in the chart below include the following major revenues categories: (1) property taxes (41% of projected revenues), (2) property tax in-lieu of vehicle license revenue (30%), (3) sales and use tax (18%), and (4) franchises, fees and concessions (5%). Property related taxes are subject to negotiation and/or transfer as part of a proposed annexation, incorporation, or formation of a County Service Area or Community Services District. However, the property tax in-lieu of vehicle license revenue is not subject to negotiation and/or transfer as a part of any LAFCO related process and would remain with the County. Sales and use tax and franchise revenues would be collected by an annexing or incorporating city, but are not revenues typically available to County Service Areas and Community Services Districts.



SOUTH ORANGE COUNTY VISIONING PROCESS

COSTS

The costs depicted in the chart below include a broad array of services provided by the County to Ladera Ranch. The service costs depicted in the chart above range from local municipal types services to regional services and include the following major service categories: (1) Sheriff-Coroner services (42% of projected costs), (2) Other Public Protection services (29%), and (3) Community Services (14%). It is important to note that the County provides certain regional services throughout the County irrespective of city and special district service boundaries such as Social Services and District Attorney.

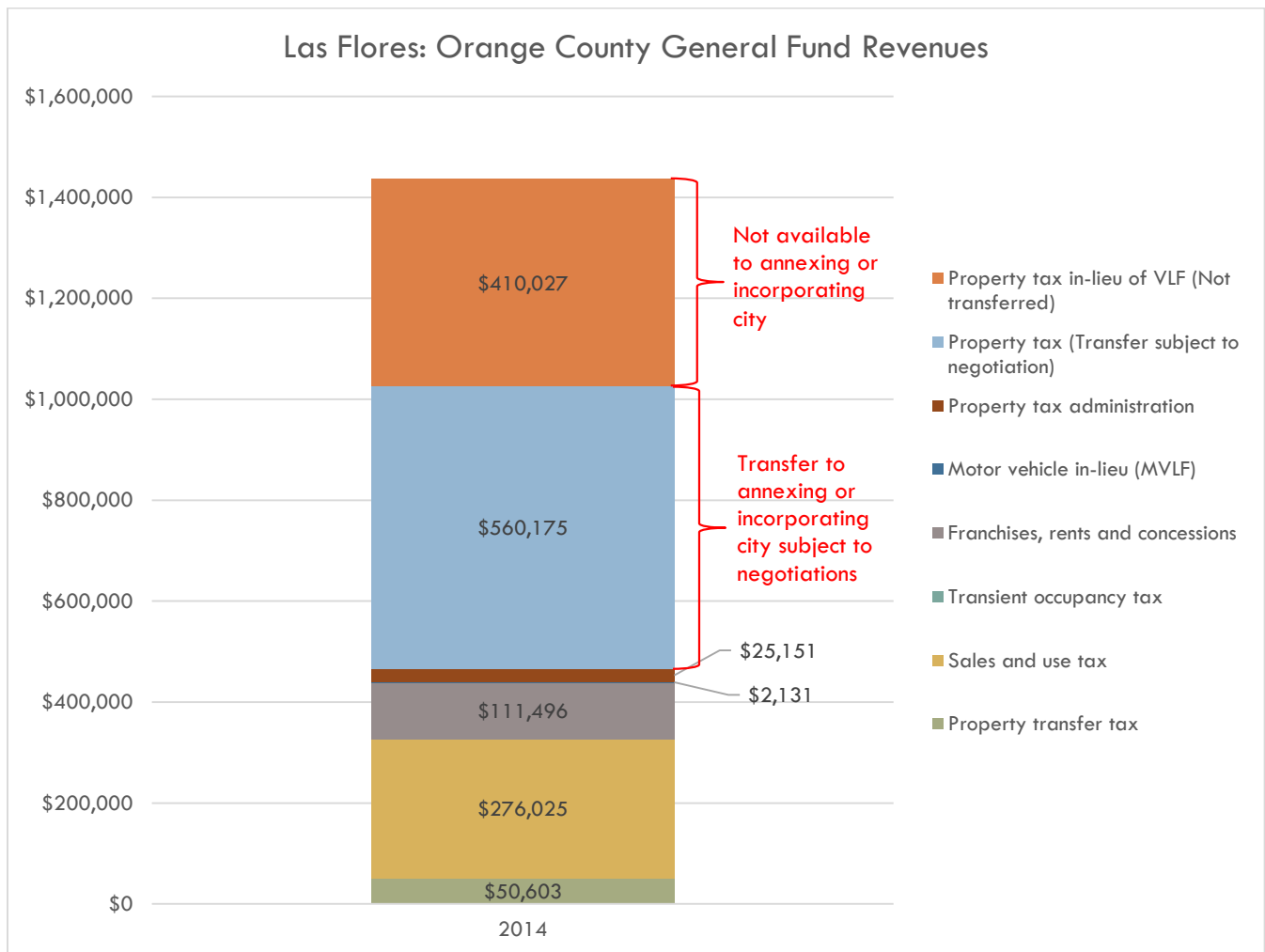


FISCAL SUMMARY: LAS FLORES

The charts below depict the annual recurring baseline County revenues and costs for current and projected service provision to the unincorporated community of Las Flores. The community of Ladera Ranch includes commercial and residential properties and is built-out. The baseline projections assume a zero growth rate and that Las Flores remains unincorporated resulting in static projections. The information below depicts the revenues and costs for fiscal year 2014 and provides a starting point to explore and evaluate the viability of other governance options for Las Flores and the other current and proposed communities in the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas.

REVENUES

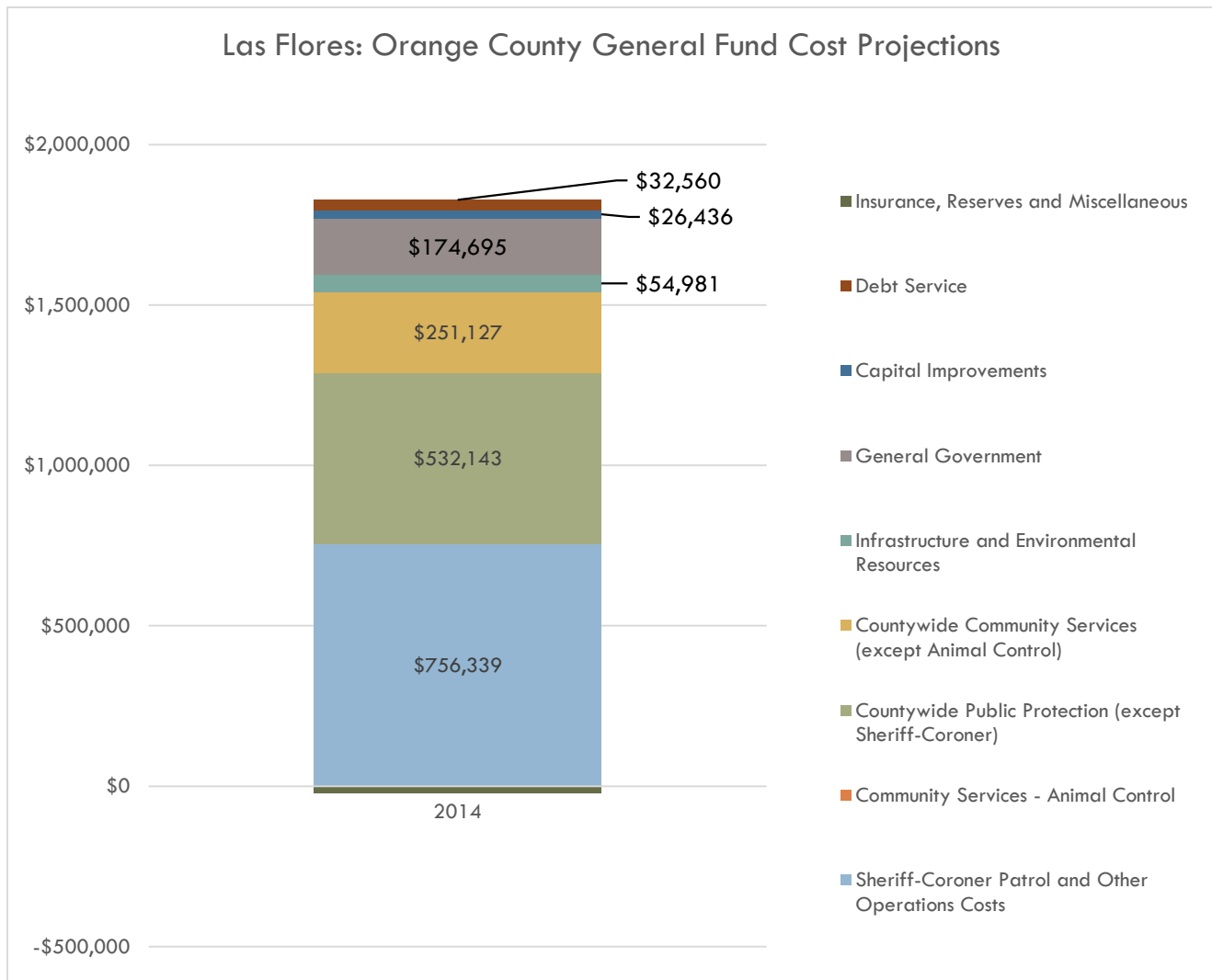
The revenues depicted in the chart above include the following major revenues categories: (1) property taxes (39% of projected revenues), (2) property tax in-lieu of VLF (29%), and (3) sales and use tax (19%). Property related taxes are subject to negotiation and/or transfer as part of a proposed annexation, incorporation, or formation of a County Service Area or Community Services District. However, the property tax in-lieu of vehicle license revenue is not subject to negotiation and/or transfer as a part of any LAFCO related process and would remain with the County. Sales and use tax and franchise revenues would be collected by an annexing or incorporating city, but are not revenues typically available to County Service Areas and Community Services Districts.



SOUTH ORANGE COUNTY VISIONING PROCESS

COSTS

The costs depicted in the chart below include a broad array of services provided by the County to Las Flores. The service costs depicted in the chart range from local municipal types services to regional services and include the following major service categories: (1) Sheriff-Coroner patrol and other operations costs (42% of projected costs), (2) countywide public protection (29%), and (3) countywide community services (14%). It is important to note that the County provides certain regional services throughout the County irrespective of city and special district service boundaries such as Social Services and District Attorney.

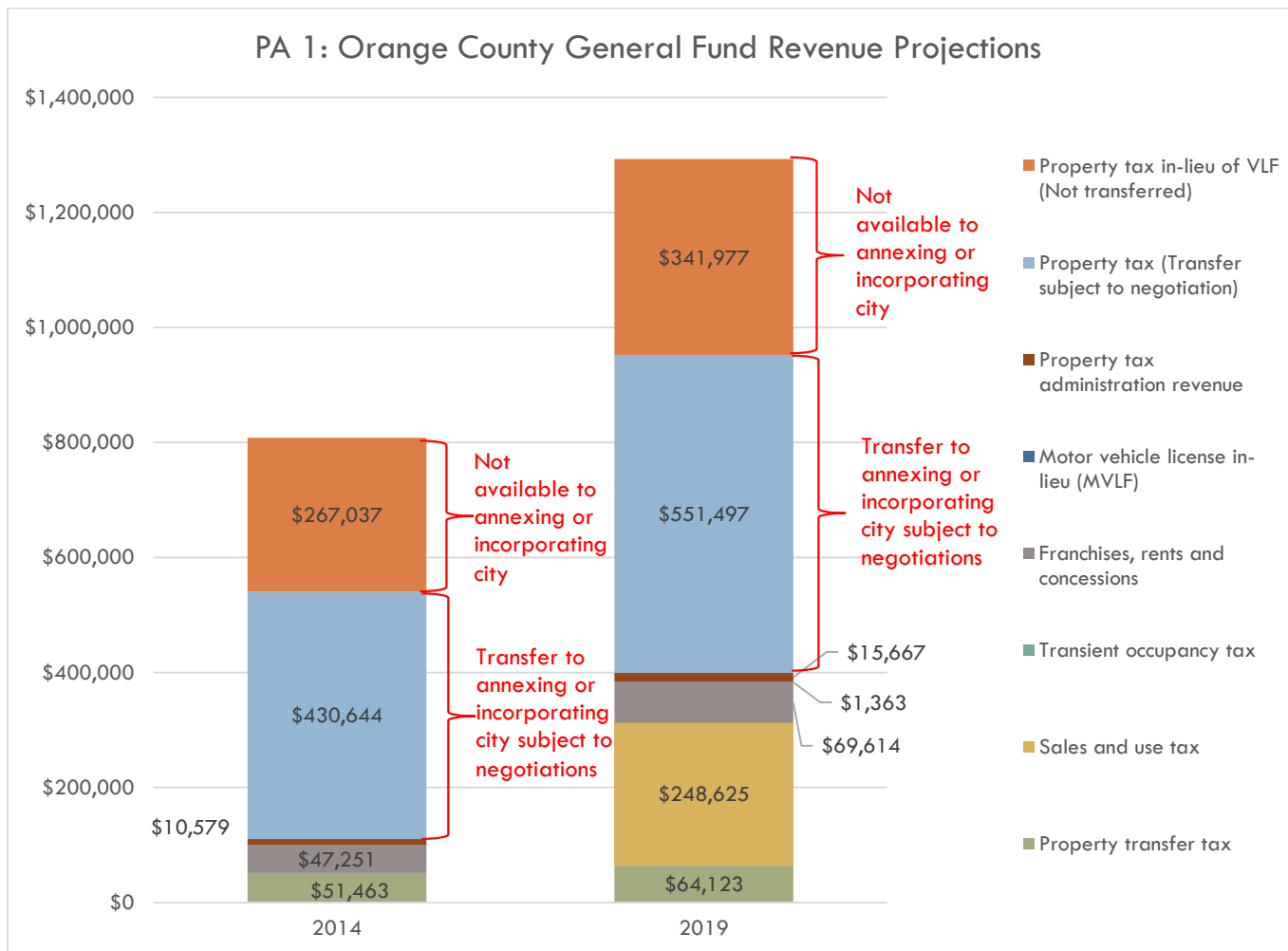


FISCAL SUMMARY: RMV PLANNING AREA 1

The charts below depict the annual recurring baseline County revenues and costs for future service provision to the developing unincorporated community of Sendero, or RMV Planning Area 1 (PA 1). Development of PA 1 began in 2013 and is expected to be complete by 2019. The baseline projections assume a zero growth rate and that PA 1 remains unincorporated. The information provides a starting point to explore and evaluate the viability of other governance options for PA 1 and the other current and proposed communities in the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas.

REVENUES

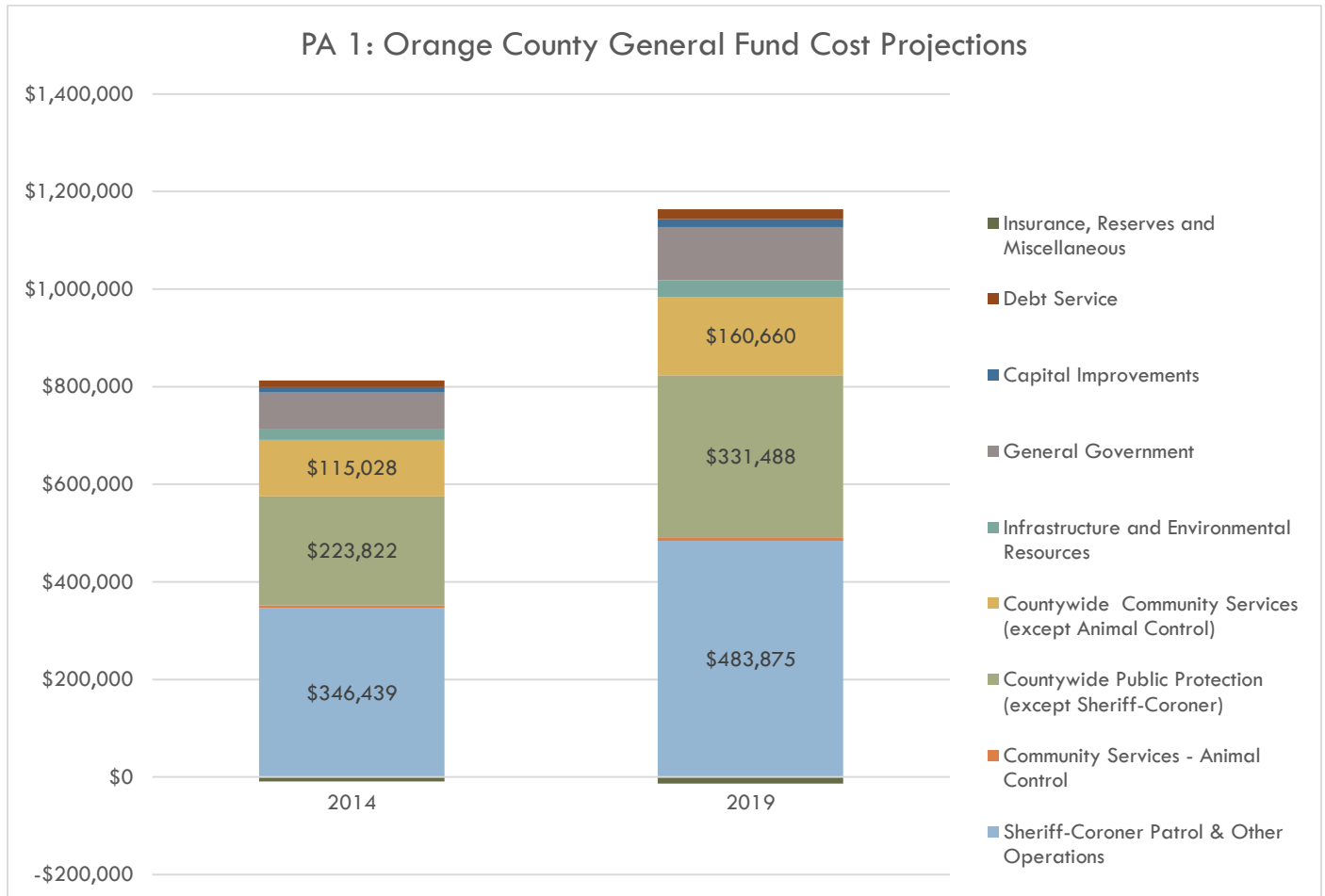
The revenues depicted in the chart below include the following major revenues categories at build-out: (1) property taxes (43% of projected revenues), (2) property tax in lieu of VLF (26%), and (3) sales and use tax (19%). Property taxes are subject to negotiation and/or transfer as part of a proposed annexation, incorporation, or formation of a County Service Area or Community Services District. However, the property tax in-lieu of VLF would not transfer to an annexing or incorporating city. Sales and use tax and franchise revenues would be collected by an annexing or incorporating city but are not revenues typically available to County Service Areas and Community Services Districts. The chart below provides a graphic depiction of the projected revenues for 2014, which is the first year of the projections and 2019 when PA 1 is expected to be built-out.



SOUTH ORANGE COUNTY VISIONING PROCESS

COSTS

The costs depicted in the chart below include a broad array of services provided by the County to PA 1. The service costs depicted in the chart above range from local municipal-type services to regional services and include the following major service categories projected at build-out: (1) Sheriff-Coroner Patrol & Other Operations (42% of projected costs), (2) Countywide Public Protection Services (29%), and (3) Countywide Community Services (14%). It is important to note that the County provides certain regional services throughout the County irrespective of city and special district service boundaries such as Social Services and District Attorney.

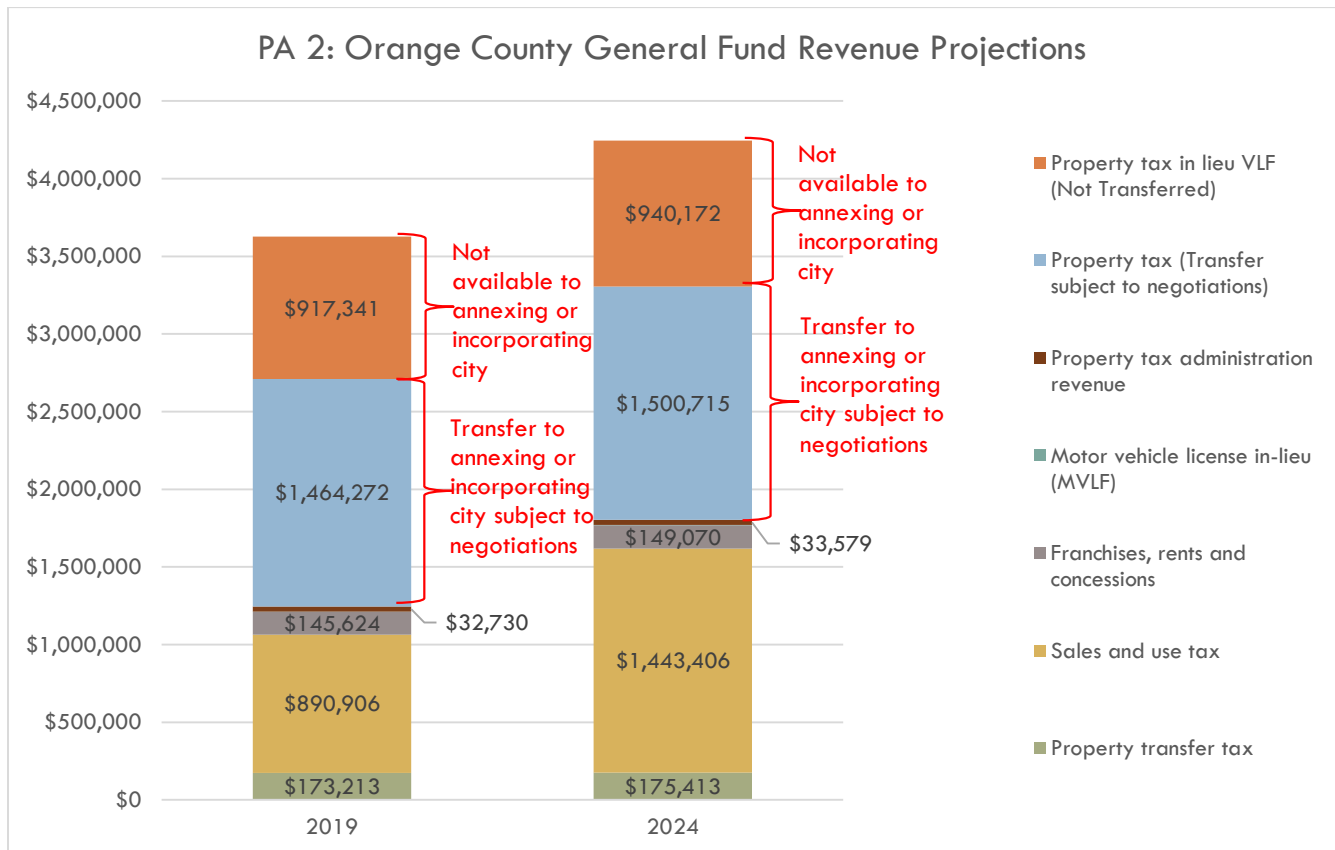


FISCAL SUMMARY: RMV PLANNING AREA 2

The charts below depict the annual recurring baseline County revenues and costs for future service provision to the future unincorporated planned development of RMV Planning Area 2 (PA 2). Development of PA 2 is currently scheduled to begin in 2016. The projections were completed in 5-year increments beginning in 2014. The data below depicts projections for the first 5-year increment with data for PA 2 (2019) and expected build-out at 2024. The baseline projections assume a zero growth rate and that PA 2 remains unincorporated. The information provides a starting point to explore and evaluate the viability of other governance options for PA 2 and the other current and proposed communities in the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas.

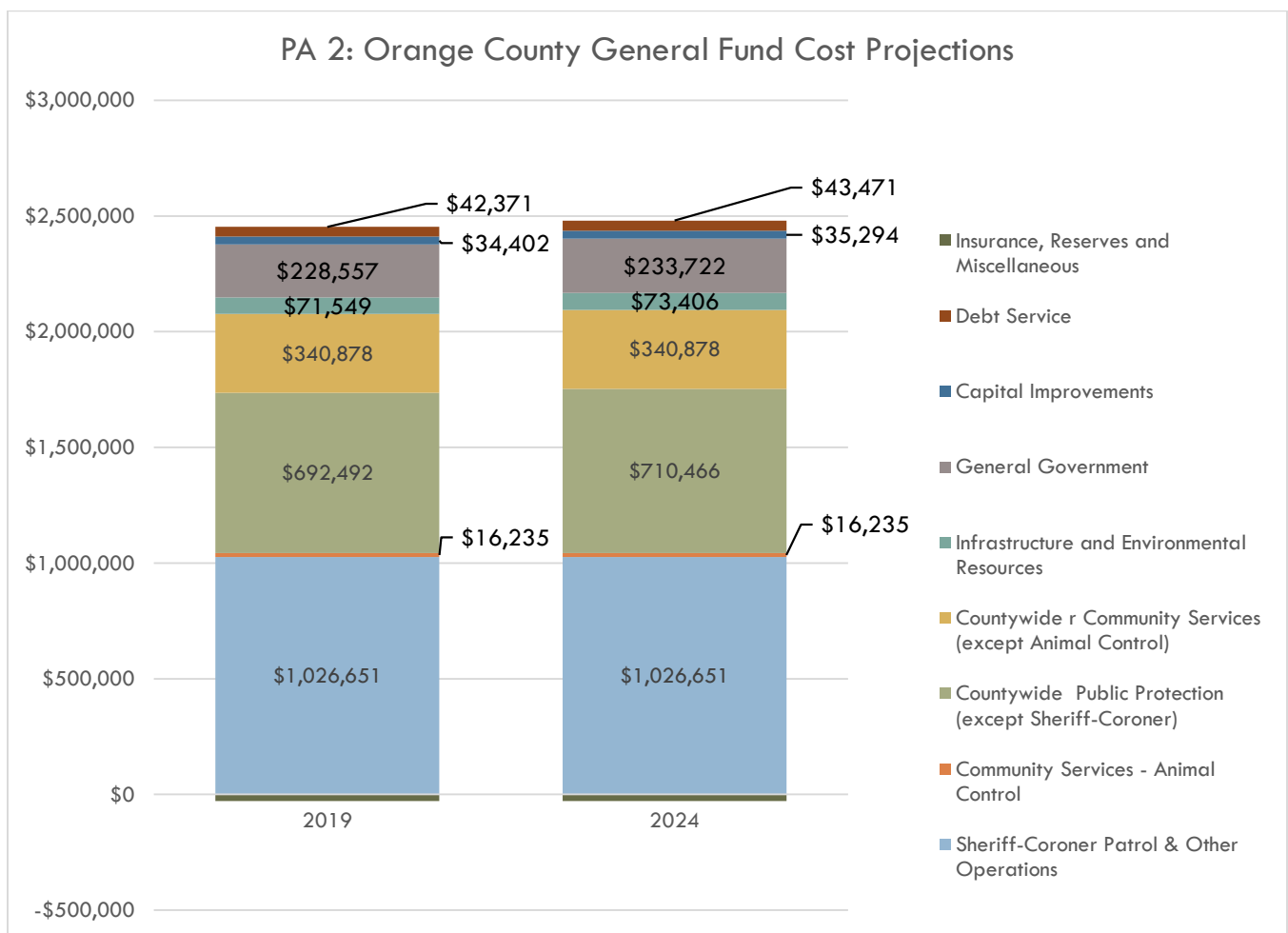
REVENUES

The revenues depicted in the chart below include the following three major revenues categories: (1) property taxes (35% of projected revenues), (2) property tax in lieu of VLF (22%), and (3) sales and use taxes (34% of projected revenues). Property taxes are subject to negotiation and/or transfer as part of a proposed annexation, incorporation, or the formation of a County Service Area or Community Services District. However, the property tax in lieu of VLF would remain with the County and would not transfer for an annexing or incorporating city. Sales and use tax and franchise revenues would be collected by an annexing or incorporating city, but are not revenues typically available to County Service Areas and Community Services Districts.



COSTS

The costs depicted in the chart below include a broad array of services provided by the County to PA 2. The service costs depicted in the chart range from local municipal-type services to regional services and include the following major service categories: (1) Sheriff-Coroner Patrol & Other Operations (42% of projected costs), (2) Countywide Public Protection Services (29%), and (3) Other Community Services (14%). It is important to note that the County provides certain regional services throughout the County irrespective of city and special district service boundaries such as Social Services and District Attorney. The residential portion of PA 2 is expected to be completed by 2019 with development of commercial facilities occurring through 2024. The cost projections that are based on population do not change from 2019 and 2024 and the small adjustments in certain County costs depicted in the chart below are due to changes in employment projections for the area.

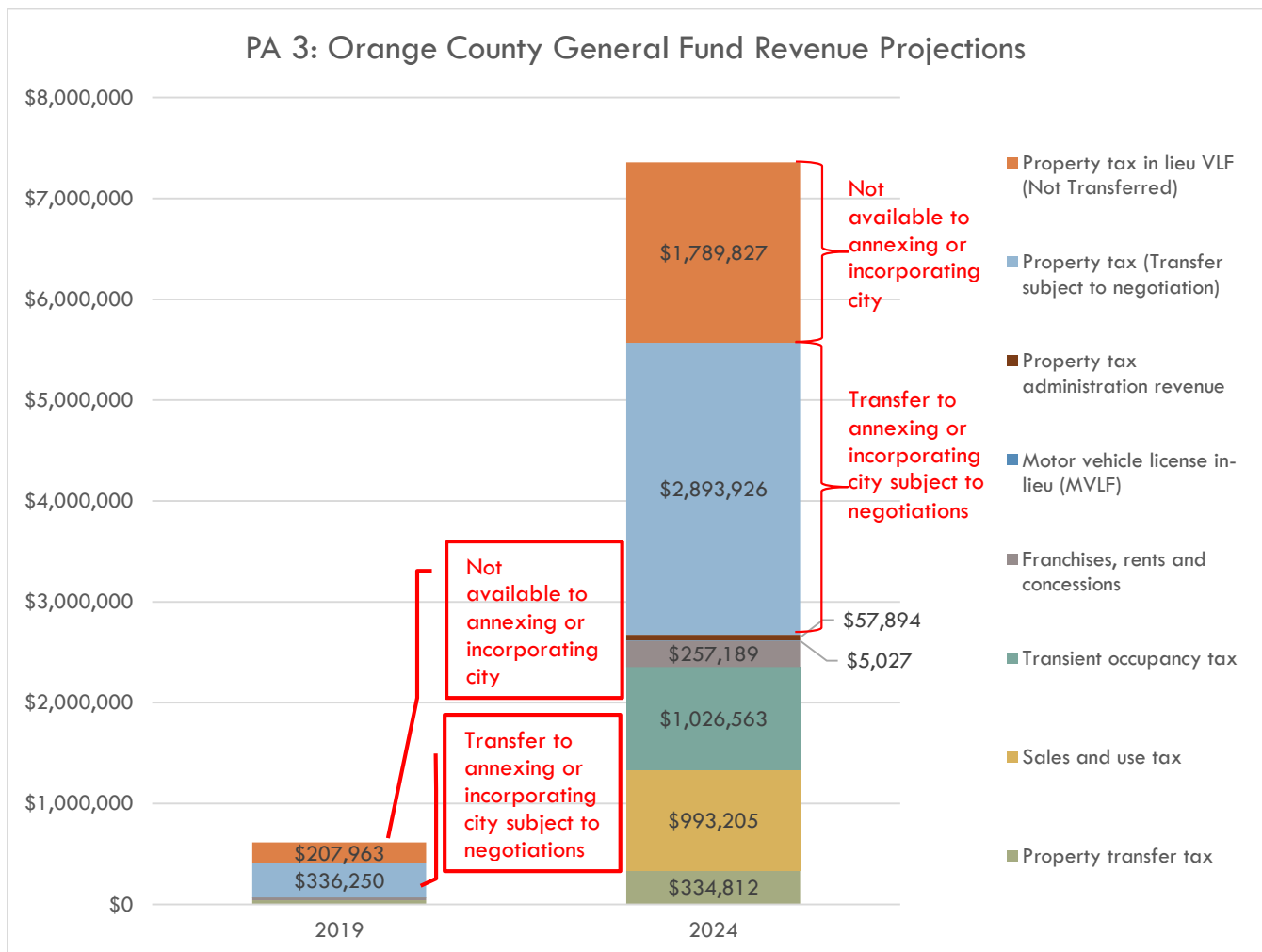


FISCAL SUMMARY: RMV PLANNING AREA 3

The charts below depict the annual recurring baseline County revenues and costs for future service provision to the future unincorporated planned development of RMV Planning Area 3 (PA 3). Development of PA 3 is currently scheduled to begin in 2019. The charts below depict the projected revenues and costs for the County to provide services to the future community in 2019 and at 2029, two years after the anticipated build-out of PA 3. The baseline projections assume a zero growth rate and that PA 3 remains unincorporated. The information provides a starting point to explore and evaluate the viability of governance options for PA 3 and the other current and proposed communities in the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas.

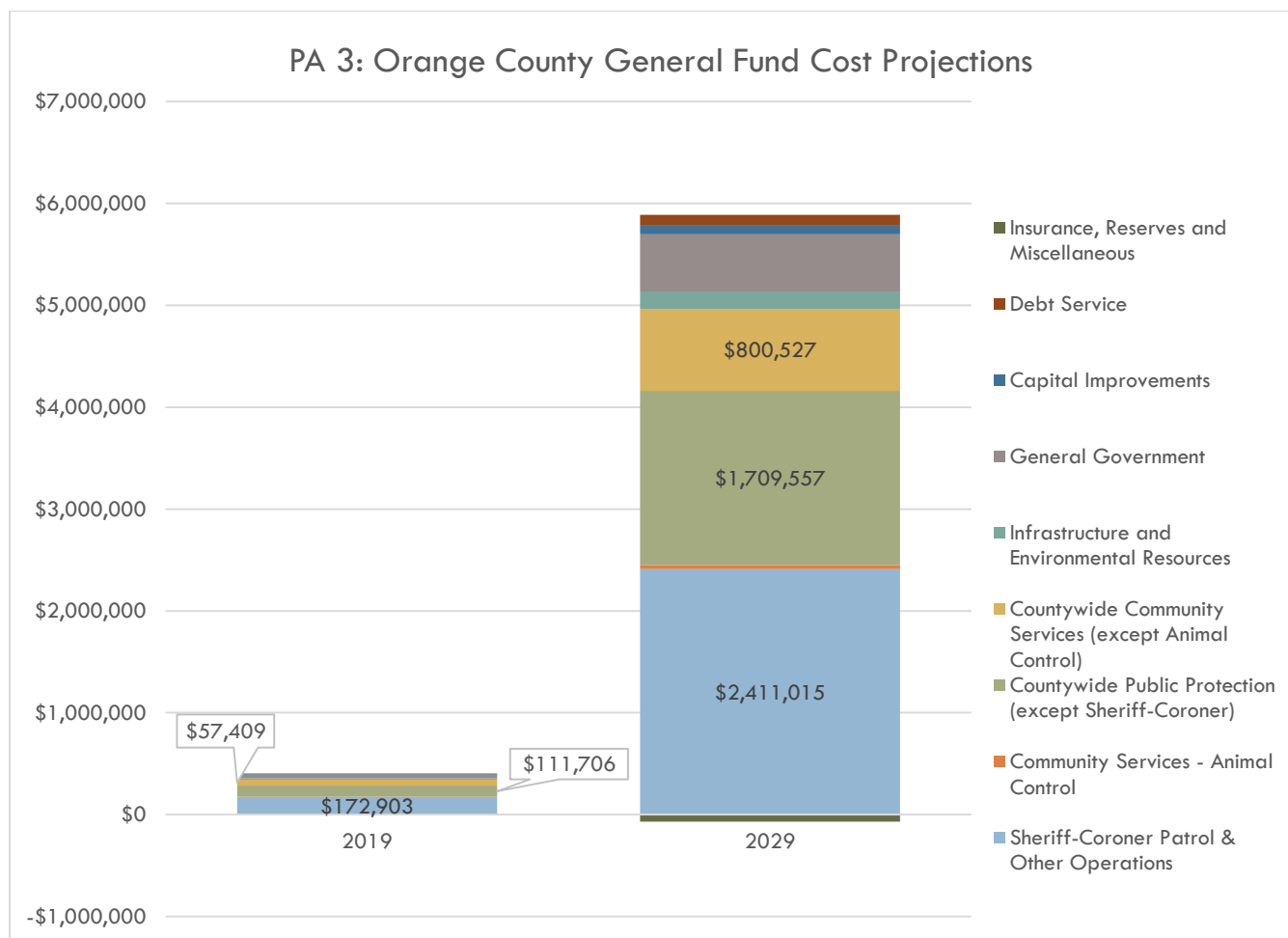
REVENUES

The revenues depicted in the chart above include the following major revenues categories: (1) property taxes (35% of projected revenues), (2) property tax in lieu of VLF (22%), and transient occupancy tax (19%). Property taxes are subject to negotiation and/or transfer as part of a proposed annexation, incorporation, or formation of a County Service Area or Community Services District. However, the property tax in lieu of VLF would remain with the County and would not transfer for an annexing or incorporating city. Sales and use tax and franchise revenues would be collected by an annexing or incorporating city, but are not revenues typically available to County Service Areas and Community Services Districts.



COSTS

The costs depicted in the chart above include a broad array of services provided by the County to PA 3. The service costs depicted in the chart above range from local municipal-type services to regional services and include the following major service categories: (1) Sheriff-Coroner Patrol & Other Services (41% of projected costs), (2) Countywide Public Protection Services (29%), and (3) Community Services (15%). It is important to note that the County provides certain regional services throughout the County irrespective of city and special district service boundaries such as social services and District Attorney.



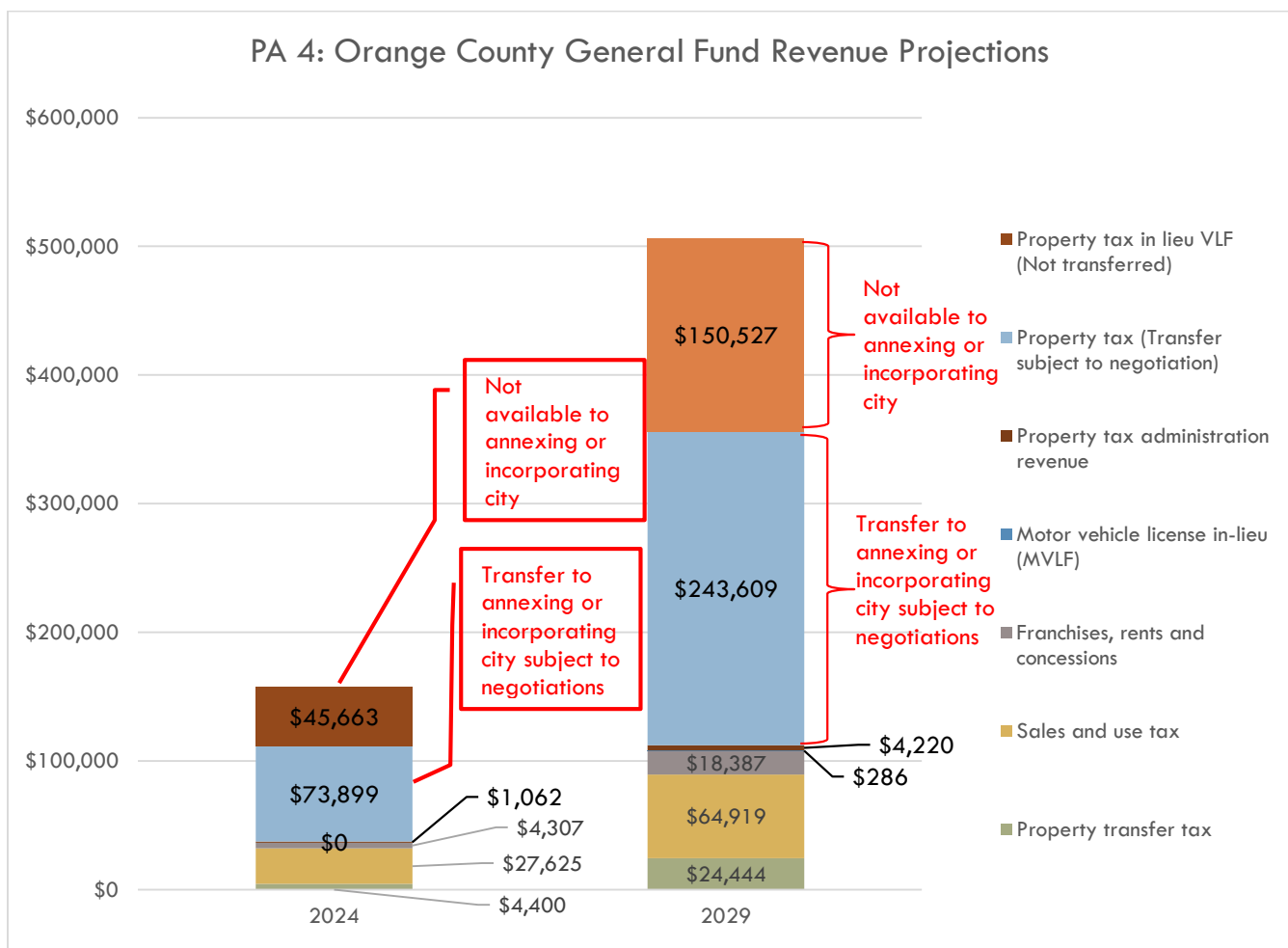
SOUTH ORANGE COUNTY VISIONING PROCESS

FISCAL SUMMARY: RMV PLANNING AREA 4

The charts below depict the annual recurring baseline County revenues and costs for future service provision to the future unincorporated planned development of RMV Planning Area 4 (PA 4). Development of PA 4 is currently scheduled to begin in 2026. The charts below depict the projected revenues and costs for the County to provide services to the future community in 2024 and at 2029, two year after the anticipated build-out of PA 4. The baseline projections have no growth assumptions and assume that PA 4 remains unincorporated. The information presented provides a starting point to explore and evaluate the viability of other governance options for PA 4 and the other current and proposed communities in the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas.

REVENUES

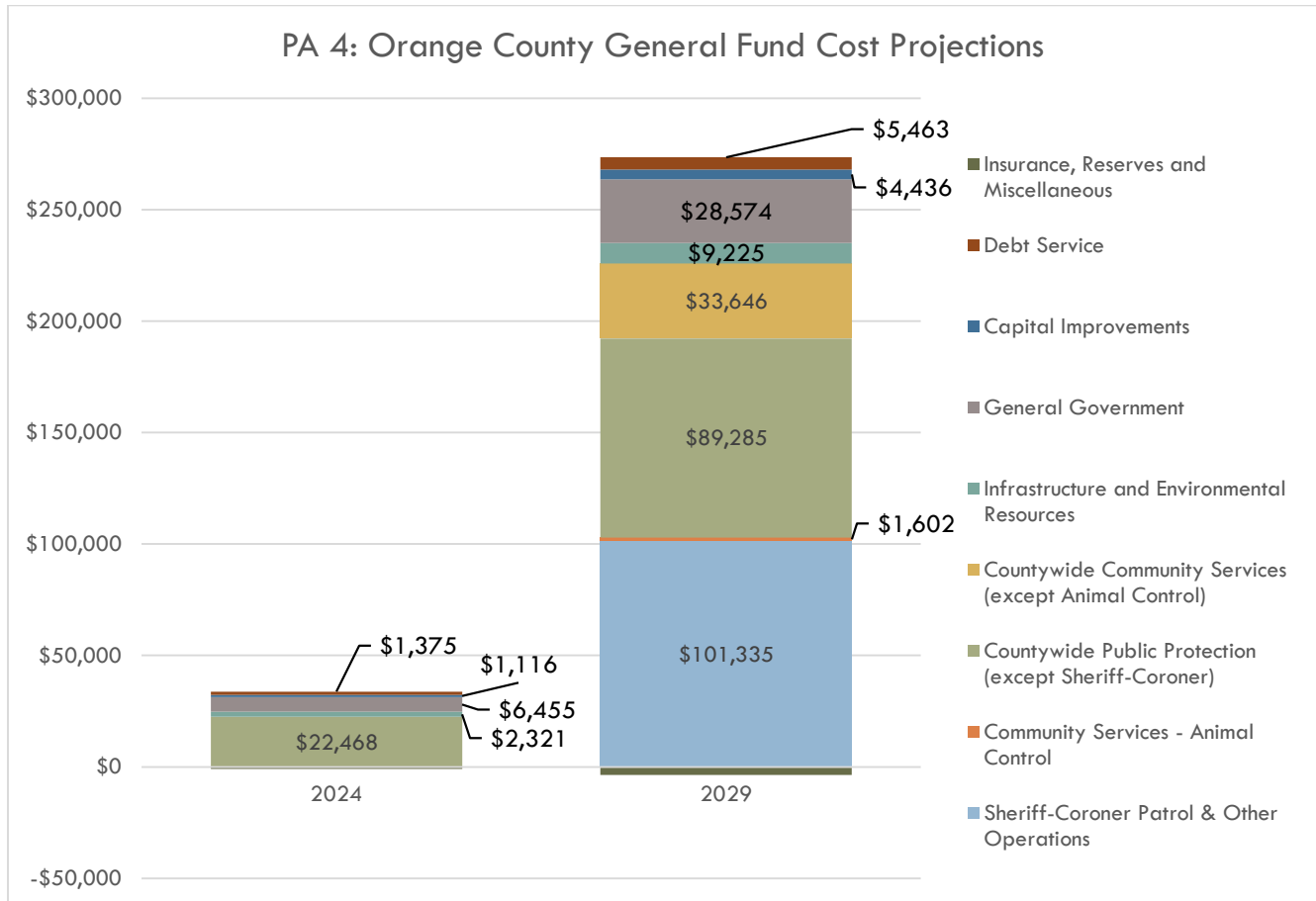
The revenues depicted in the chart above include the following major revenues categories: (1) property taxes (48% of projected revenues), (2) property tax in lieu of VLF (30%), and (3) sales and use taxes (13%). Property taxes are subject to negotiation and/or transfer as part of a proposed annexation, incorporation, or the formation of a County Service Area or Community Services District. However, the property tax in lieu of VLF would remain with the County and would not transfer for an annexing or incorporating city. Sales and use tax and franchise revenues would be collected by an annexing or incorporating city, but are not revenues typically available to County Service Areas and Community Services Districts.



SOUTH ORANGE COUNTY VISIONING PROCESS

COSTS

The costs depicted in the chart above include a broad array of services provided by the County to the future unincorporated community of RMV Planning Area 4. The service costs depicted in the chart below range from local municipal-type services to regional services and include the following major service categories: (1) Sheriff-Coroner patrol and other operations (38% of projected costs), (2) countywide public protection services (33%), and (3) countywide community services (13%). It is important to note that the County provides certain regional services throughout the County irrespective of city and special district service boundaries such as Social Services and District Attorney.

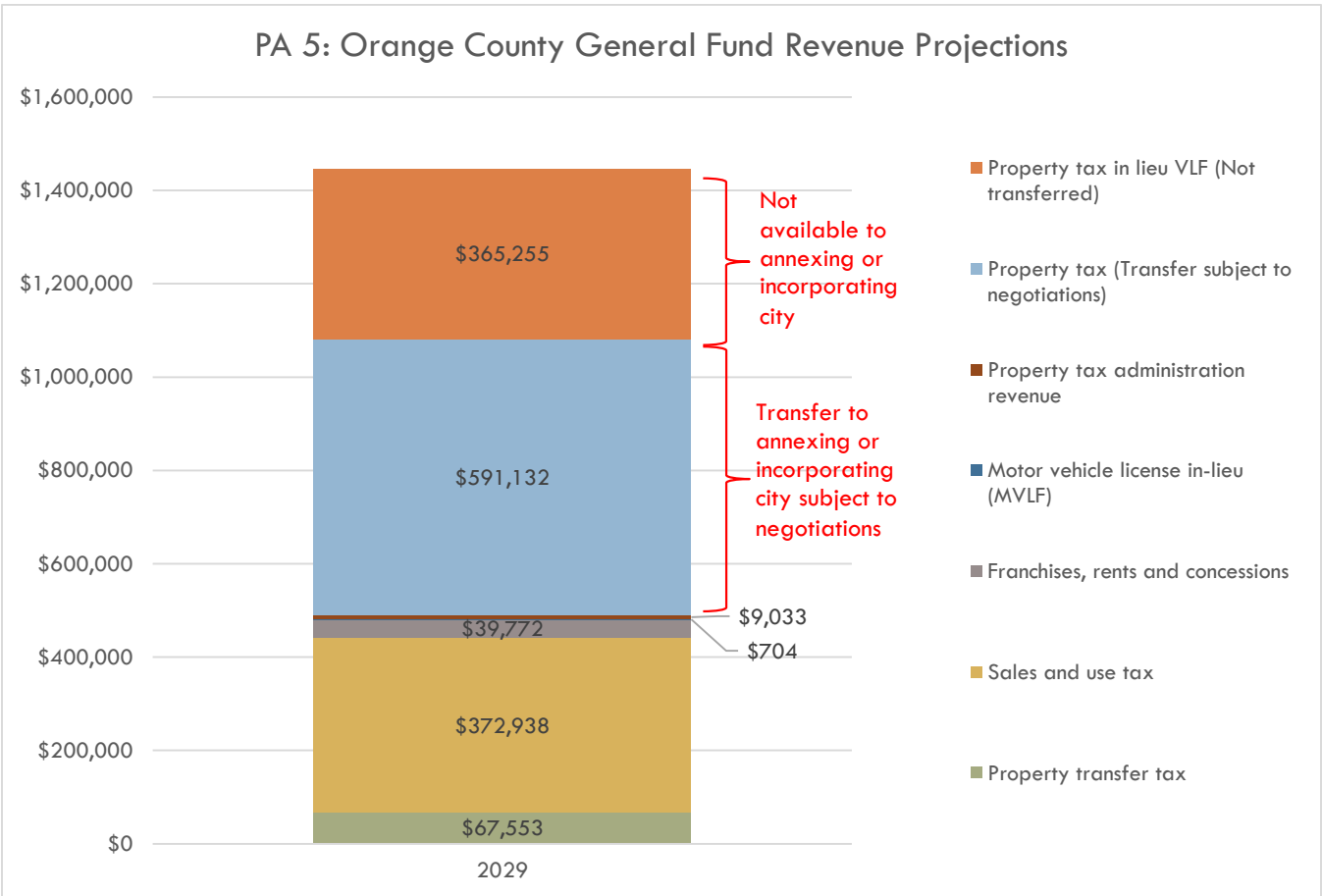


FISCAL SUMMARY: RMV PLANNING AREA 5

The charts below depict the annual recurring baseline County revenues and costs for future service provision to the future unincorporated planned development of RMV Planning Area 5 (PA 5). Development of PA 5 is currently scheduled to begin in 2026 and be completed by 2029. The fiscal projections were completed in 5-year increments and data for 2029 is presented in the following revenue and data charts. The baseline projections include no growth assumptions and assume PA 5 remains unincorporated. The information provides a starting point to explore and evaluate the viability of other governance options for PA 5 and the other current and proposed communities in the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas.

REVENUES

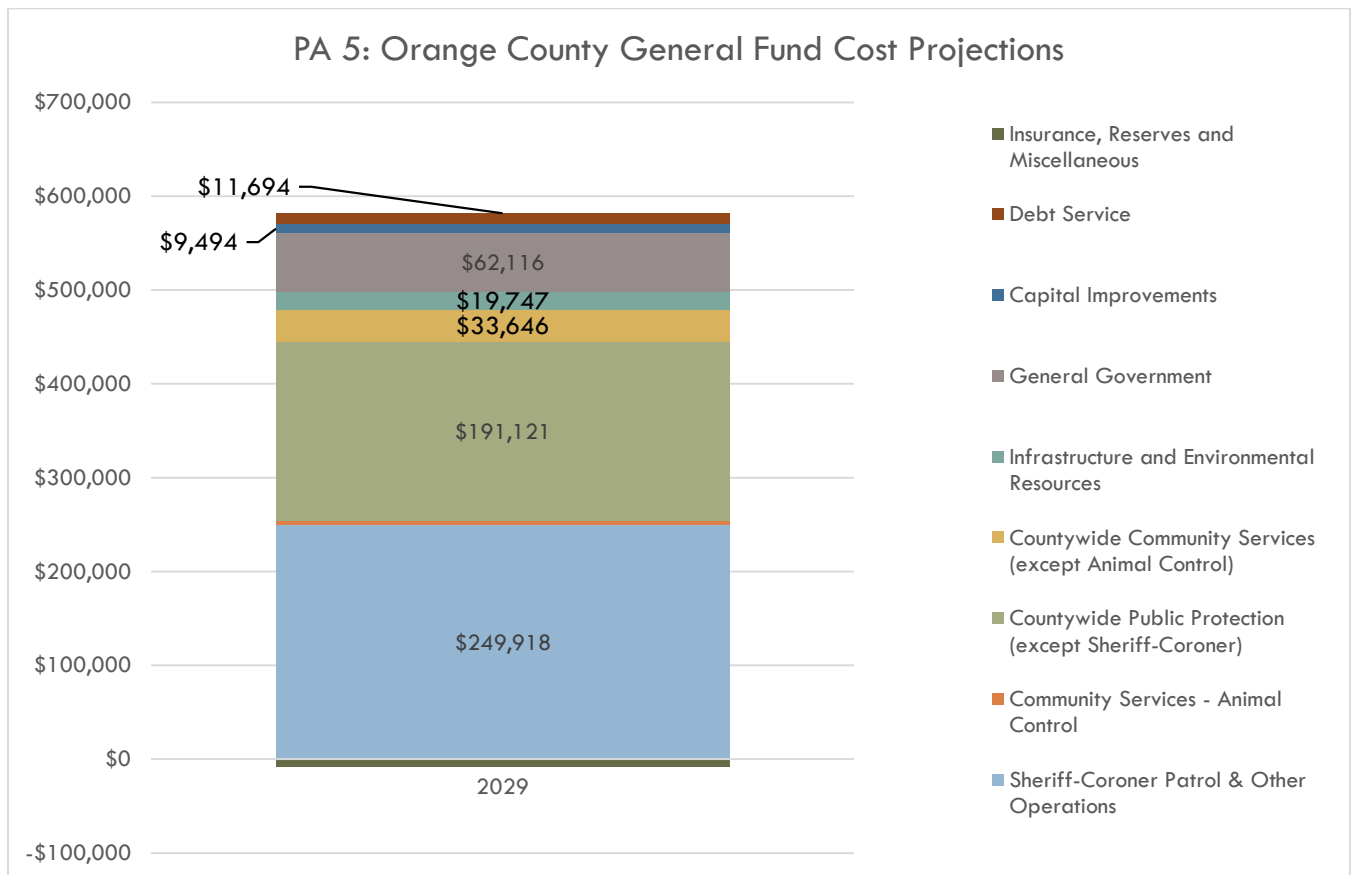
The revenues depicted in the chart above include the following major revenues categories: (1) property taxes (41% of projected revenues), (2) property tax in-lieu of VLF (25%), and (3) sales and use taxes (26%). Property taxes are subject to negotiation and/or transfer as part of a proposed annexation, incorporation, or formation of a County Service Area or Community Services District. However, the property tax in lieu of VLF would remain with the County and would not transfer for an annexing or incorporating city. Sales and use tax and franchise revenues would be collected by an annexing or incorporating city, but are not revenues typically available to County Service Areas and County Services Districts.



SOUTH ORANGE COUNTY VISIONING PROCESS

COSTS

The costs depicted in the chart below include a broad array of services provided by the County to the future unincorporated planned development of RMV Planning Area 5 (PA 5). The service costs depicted in the chart below are associated with services that range from local municipal-type services to regional services and include the following major service categories: (1) Sheriff-Coroner patrol and other operations (44% of projected costs), (2) countywide public protection services (33%), and (3) general government services (11%). It is important to note that the County provides certain regional services throughout the County irrespective of city and special district service boundaries such as Social Services and District Attorney.



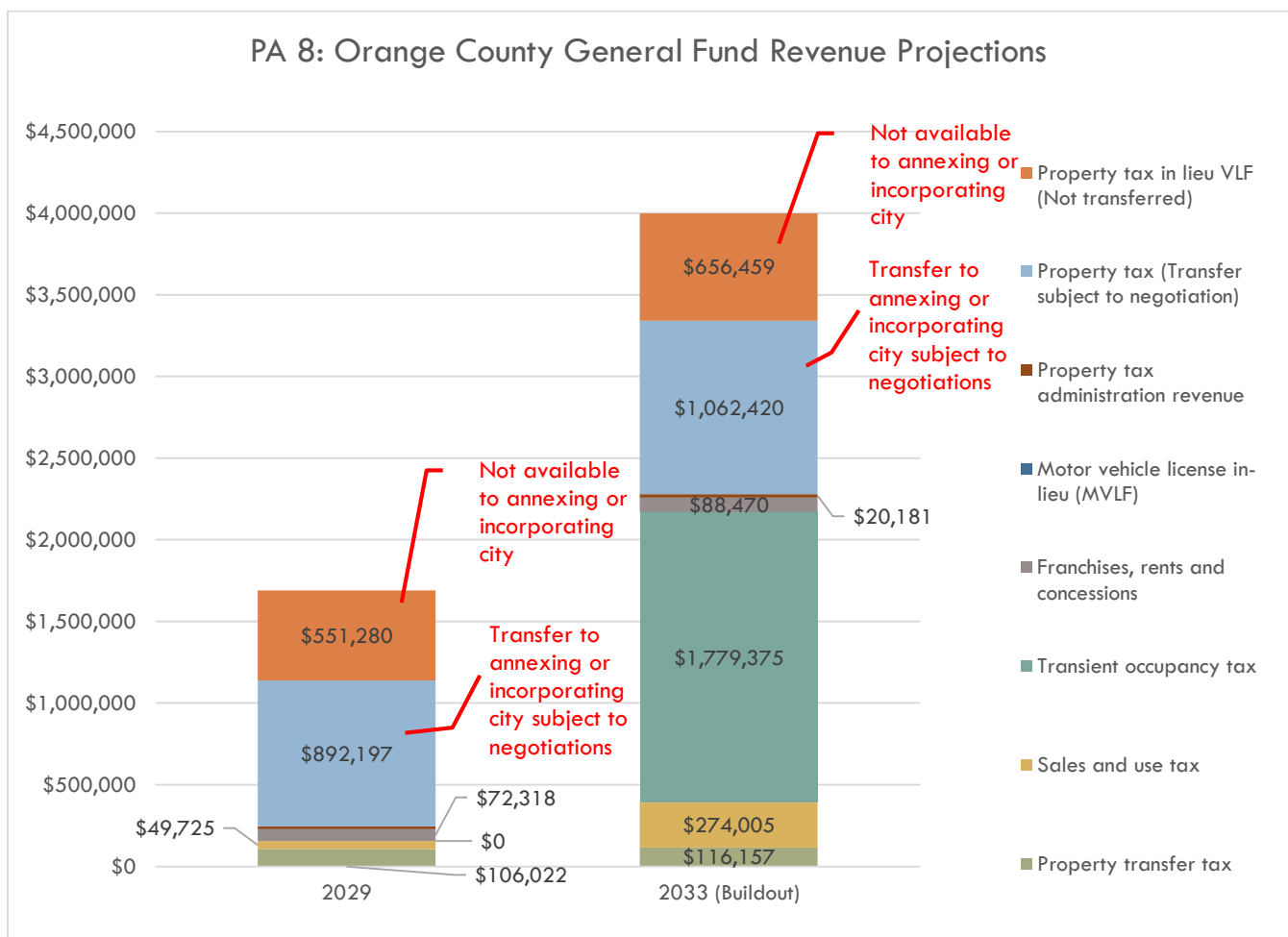
SOUTH ORANGE COUNTY VISIONING PROCESS

FISCAL SUMMARY: RMV PLANNING AREA 8

The charts below depict the annual recurring baseline County revenues and costs for future service provision to the future unincorporated planned development of RMV Planning Area 8 (PA 8). Development of PA 8 is currently scheduled to begin in 2027 and be completed by 2033. The fiscal projections were completed in 5-year increments and data for 2029 and 2033 are presented in the following revenue and data charts. The baseline projections include no growth assumptions and assume that PA 8 remains unincorporated. The information provides a starting point to explore and evaluate the viability of other governance options for PA 8 and the other current and proposed communities in the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas.

REVENUES

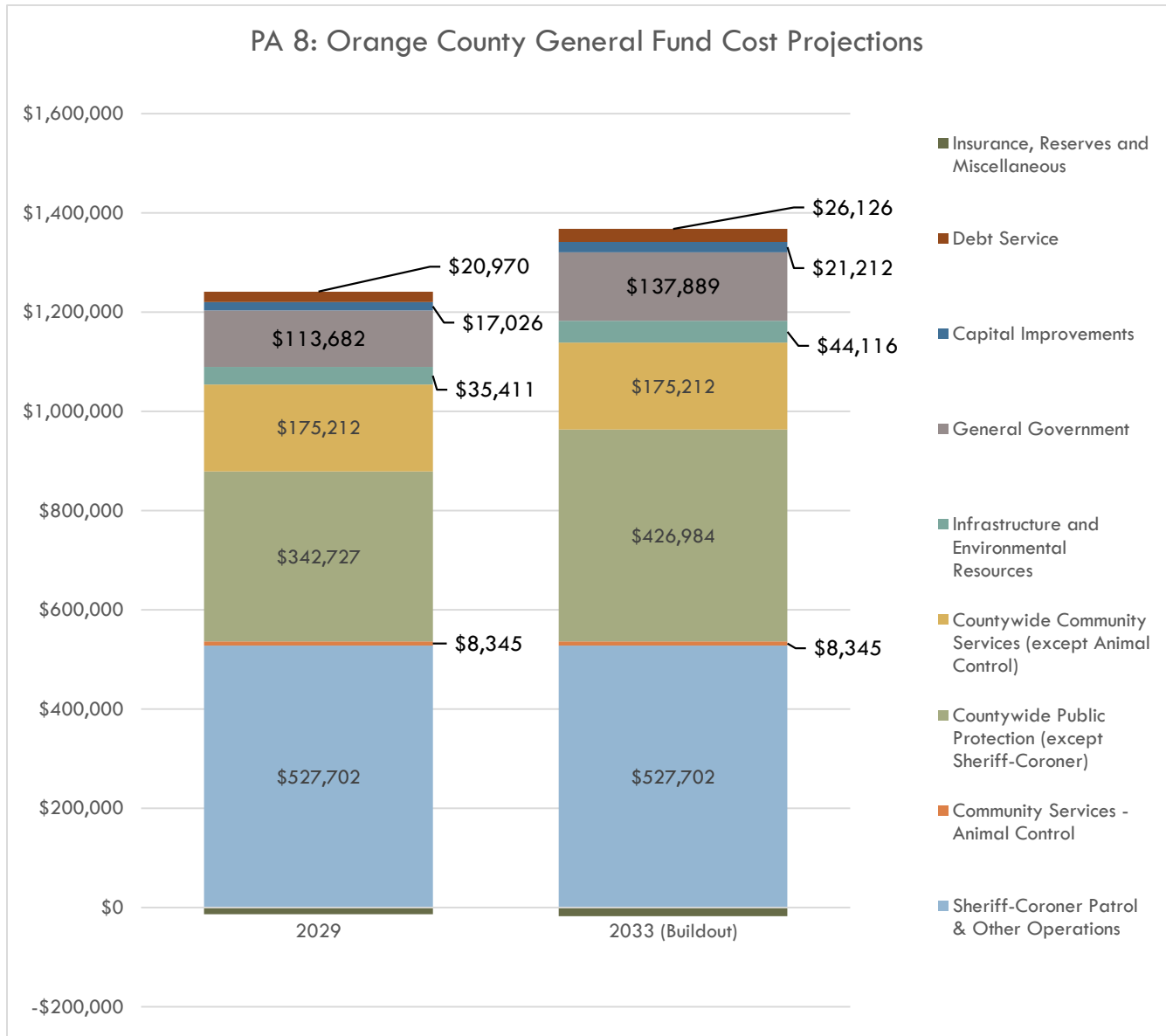
The revenues depicted in the chart below include the following major revenues categories: (1) transient occupancy tax (45% of projected revenues), (2) property taxes (27%), and (3) property tax in-lieu of VLF (16%). Property taxes are subject to negotiation and/or transfer as part of a proposed annexation, incorporation, or formation of a County Service Area or Community Services District. However, the property tax in lieu of VLF would remain with the County and would not transfer for an annexing or incorporating city. Sales and use tax and franchise revenues would be collected by an annexing or incorporating city, but are not revenues typically available to County Service Areas and Community Services Districts.



SOUTH ORANGE COUNTY VISIONING PROCESS

COSTS

The costs depicted in the chart above include a broad array of services provided by the County to PA 8. The service costs depicted in the chart above range from local municipal-type services to regional services and include the following major service categories: (1) Sheriff-Coroner patrol and other operations (39% of projected costs), (2) countywide public protection (32%), and (3) countywide community services (13%). It is important to note that the County provides certain regional services throughout the County irrespective of city and special district service boundaries such as Social Services and District Attorney.

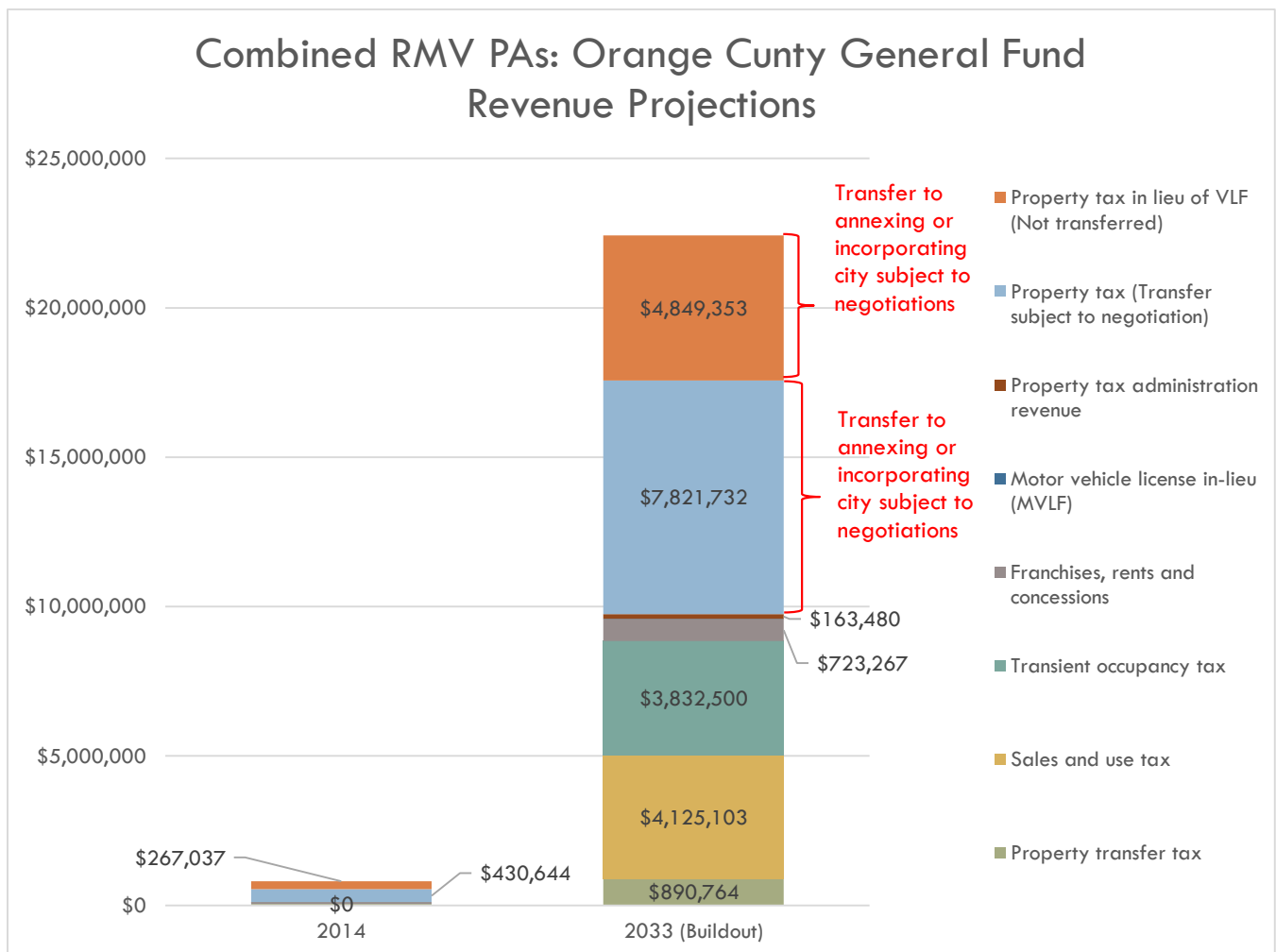


FISCAL SUMMARY: COMBINED RMV PLANNING AREAS

The charts below depict the annual recurring baseline County revenues and costs for future service provision to all of the future unincorporated planned development of RMV Planning Areas. Development of the RMV Planning Areas began in 2013 (PA 1) and is scheduled to be completed by 2033 (PA 8). The fiscal projections were completed in 5-year increments and data for 2014 and 2033 are presented in the following revenue and data charts. The baseline projections include no growth assumptions and assume that all of the RMV Planning Areas remain unincorporated. The information provides a starting point to explore and evaluate the viability of other governance options for the combined RMV Planning Areas and the other current and proposed communities in the Rancho Mission Viejo and Rancho Santa Margarita Governance Study Areas.

REVENUES

The revenues depicted in the chart above include the following major revenues categories: (1) property taxes (35% of projected revenues), (2) property tax in-lieu of VLF (22%), and (3) sales and use tax (18%). Property taxes are subject to negotiation and/or transfer as part of a proposed annexation, incorporation, or formation of a County Service Area or Community Services District. However, the property tax in lieu of VLF would remain with the County and would not transfer for an annexing or incorporating city. Sales and use tax and franchise revenues would be collected by an annexing or incorporating city, but are not revenues typically available to County Service Areas and Community Services Districts.



APPENDIX A: GLOSSARY

ANNEXATION – Defined in Government Code Section 56017, “annexation” means the inclusion, attachment, or addition of territory to a city or district.

ASSESSED VALUATION - A valuation set upon real estate or other property by government as a basis for levying taxes.

CAPITAL PROJECTS - A program itemizing the County's acquisitions, additions and improvements to fixed assets. Examples include building improvements and land purchases.

CEO – County Executive Office.

CSA – County Service Area is a form of independent local government used to provide services in areas of a county.

CSD – Community Services District.

DEPENDENT SPECIAL DISTRICT – Includes any special district that has a legislative body that consists, in whole or part, of ex officio members who are officers of a county or another local agency, or who are appointees of those officers, and who are not appointed to fixed terms.

DISCRETIONARY FUNDS – These are the general purpose revenues plus General Fund Balance Available. Combined, they are the funding source for the Departmental Net County Cost.

EXPENSE – Designates the cost of goods delivered or services rendered whether paid or unpaid, for proprietary funds such as enterprise funds.

FISCAL YEAR – County accounting period which runs from July 1 through June 30 and is designated by the calendar year in which it ends.

FY – Fiscal Year.

GENERAL PURPOSE REVENUES – These are revenues to the County's General Fund from a variety of sources, primarily: property tax, vehicle license fees, interest and sales tax. The use of these revenues is unrestricted, which means that the Board can allocate them to any program under the Board's control.

HOMEOWNERS ASSOCIATIONS – Homeowners Associations are legal entities created and recognized by state law, governed under California Civil Corporations Code. They are commonly non-profit mutual benefit corporations. Membership in the association is automatic and occurs when a person buys a log, home, townhouse, or condominium in a common interest development.

INCORPORATION – Defined in Government Code Section 56043, “Incorporation” means the creation or establishment of a city. Any area proposed for incorporation as a city shall have at least 500 registered voters residing within the affected territory at the time the proposal is initiated.

INDEPENDENT SPECIAL DISTRICT – Includes any special district having a legislative body all of whose members are elected by registered voters or landowners within the district, or whose members are appointed to fixed terms and excludes any special district having a legislative body consisting, in whole or in part, of ex officio

SOUTH ORANGE COUNTY VISIONING PROCESS

members who are officers of a county or another local agency or who are appointees of those officers other than those who are appointed to fixed terms (California Government Code Section 56044).

INFRASTRUCTURE – Refers to the physical assets of a government such as streets, public buildings, parks, and water and sewer infrastructure.

LAFCO – Local Agency Formation Commission. Created by the State Legislature in 1963, LAFCOs are political entities associated with each of the 58 counties of California that oversee the formation and development of local governmental agencies.

MAC – Municipal Advisory Council may be established and funded by the County Board of Supervisors for any unincorporated areas in the county to advise the board on various matters of public interest. A municipal advisory council is formed pursuant to Government Code Section 31010 of the California Code.

MOU – Memorandum of Understanding.

OCTA – Orange County Transportation Authority.

OCFA – Orange County Fire Authority.

REVENUE - Money received to finance ongoing County governmental services. Examples: property taxes, interest, fines, fees, charges for services, etc.

PROPOSITION 13 - Adopted by California voters in 1978. It establishes a base year value for real estate and limits increases in taxable value.

SPHERE OF INFLUENCE – Defined in Government Code section 56076 a “sphere of influence” means a plan for the probably physical boundaries and service area of a local agency, as determined by the Commission.

TAX LEVY - Amount of tax dollars raised by the imposition of the tax rate on the assessed valuation.

TAX RATE AREA – A specific geographic area that is comprised of one or multiple individually identified properties that have a tax rate applied to the assessed valuation base. Each tax rate area is unique based on the specific taxing entities receiving a portion of the base tax levy.

TCA – Transportation Corridor Agency.

TOT – Transient Occupancy Tax.

VLf – Vehicle License Fee.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

ANNEXATION FACT SHEET

LEGISLATIVE INTENT

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (Government Code §§56000 et seq.) establishes a legislative preference for annexation of territory to an existing public agency over the formation of a new agency, when appropriate: *"...the Legislature further finds and declares that this policy should be effected by the logical formation and modification of the boundaries of local agencies, with a preference granted to accommodating additional growth within, or through the expansion of, the boundaries of those local agencies which can best accommodate and provide necessary governmental services and housing for persons and families of all incomes in the most efficient manner feasible..."* (Government Code 56001)

LAFCO'S ROLE

Annexation is the transition of territory to a city or district and allows the annexing city or special district to provide a full range of municipal or special services (in the case of special district annexations) to the area. The legislature has charged LAFCO with the responsibility of reviewing annexation proposals and ultimately approving, modifying, or denying the proposals. Annexation territory must already be within an annexing agency's sphere of influence, or a concurrent amendment to the sphere of influence must be approved with the annexation. Annexations may be initiated by: (1) petition of registered voters or landowners within the annexation area; or (2) resolution of any affected agency, including the annexing city or special district, the county board of supervisors, or any other agency with jurisdictional or sphere of influence boundaries that overlap the annexation territory. Initiation of annexation triggers a set of processing and procedural requirements that must be completed before the proposal can be scheduled for public hearing by LAFCO. (See Exhibit A for a flowchart.) The following section outlines these requirements.

LAFCO APPLICATION

Prior to initiation of annexation and filing of any documents, applicants are required to meet with LAFCO staff for a pre-application meeting to discuss the LAFCO process, required application documents, and LAFCO's filing and processing fees. Standard application requirements include, but are not limited to: (1) resolution of application or landowner/registered voter petition (5% of registered voters or 5% of the landowners owning at least 5% of the assessed value); (2) filing fees; (3) plan for services; (4) property tax exchange agreement; (5) map and legal description; (6) disclosure of political expenditures; and (7) indemnification agreement. Certain application requirements, most notably the property tax exchange

agreement, may be developed during the course of the application process and are not expected to be submitted upfront by the applicant as part of the initial application submittal.

Fees: LAFCO filing fee for an annexation is \$4,600 (\$5,600 if the annexation includes a concurrent sphere of influence amendment). The fees are used to pay for the costs of: (1) verifying the signatures on the petition, if applicable; (2) preparing environmental review documents required under the California Environmental Quality Act (“CEQA”); and (3) other LAFCO direct and indirect costs, including staff time, legal costs, noticing, etc. Complex proposals may warrant the submission of additional fees.

Boundary Map: A map of the proposed annexation boundary is required. LAFCO staff, affected local agencies, and interested parties will review the boundary map to determine consistency with the boundaries of existing local agencies and to ensure that the boundaries are logical and reasonable. A more detailed map and legal description that meets specified requirements of the Orange County Surveyor’s Office and the State Board of Equalization must be completed before the proposal can be scheduled for public hearing.

Property Tax Exchange Agreement: LAFCO must consider the sufficiency of the city or special district revenues for the services following annexation. Revenue sources may include a portion of the property taxes, special taxes, and special benefit assessments (city annexations may also include other revenue sources, such as sales tax or transient occupancy tax). The County and other affected agencies are required to adopt resolutions agreeing to an exchange of property tax revenues generated in the proposed annexation territory. The amount of property taxes transferred is negotiated and agreed upon but typically aligns with the types, levels, and costs of services to be transferred to the annexing agency. For city annexations, the County typically retains a certain amount of the property tax revenues to support the provision of regional services provided by the County. Annexations to enterprise special districts usually do not result in the transfer of any property tax revenues from the County. Several cities have adopted master property tax exchange agreements with the County to streamline the process for standard annexations. However, each annexation may be negotiated separately, if so desired.

Plan for Services: The exchange of property taxes is often associated with the transfer of service responsibility from the County (or other affected local agencies) to the annexation area. The “Plan for Services” must describe the current and future service providers and anticipated service level enhancements, if any (see Exhibit B). Services that may be addressed in the Plan for Services include the following (the provision of some services may not change):

| Potential Municipal Services | Regional Services Retained by County |
|--|--|
| Law enforcement and police protection | General government administration |
| Fire protection | Legislative functions |
| Parks, recreation, and open-space conservation | Criminal justice (courts, prosecution, etc.) |
| Animal control | Regional parks |
| Libraries | Elections and voter services |
| Community facilities | Social services |
| Flood control/drainage | Sheriff and coroner |

| Potential Municipal Services | Regional Services Retained by County |
|---|--------------------------------------|
| Utilities (water & sewer) | Health services |
| Solid waste | |
| Funding for services of a municipal advisory council | |
| Funding for land use planning (i.e. area planning commission) | |

The Plan for Services must also describe the long-term financing plan for the services to be transferred as part of the annexation. LAFCO is required to analyze the Plan for Services to determine the financial ability of the agency to provide the proposed services and other factors. Of importance is the financial viability of the proposal to ensure that the service provision to the annexation territory will be sustainable in the long-term.

Sphere of Influence: The annexation territory must be within the annexing agency's existing sphere of influence or the proposal must include concurrent amendment of the annexing agency's sphere of influence. A sphere of influence is a long-range planning tool used by LAFCO and is defined in state law as "a plan for the probable physical boundaries and service area of a local agency, as determined by the Commission" (Government Code Section 56076). LAFCO is required to review and update the sphere of influence for each city and special district every five years, or as necessary. When an annexation request includes a sphere of influence amendment, LAFCO is required to analyze the request and prepare written statements of determinations with respect to each of the following:

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

PUBLIC HEARING

Once LAFCO receives an application, LAFCO staff will prepare and distribute a preliminary staff report to affected agencies for initial comments on the proposal. During the public review, LAFCO staff will continue to work with the County and various public agencies to analyze the proposal and craft a recommendation. When the LAFCO Executive Officer deems the application complete, the proposal will be scheduled for a legally noticed public hearing, as required.

During the annexation proceedings, based on various factors required to be considered by state law (see Exhibit B), LAFCO may deny, approve, or conditionally approve the annexation with modifications and subject to terms and conditions. If LAFCO denies the proposal, the application is terminated. If approved or approved with modifications, subsequent steps in the annexation process are outlined in the following sections of this fact sheet.

REQUEST FOR RECONSIDERATION

Within 30 days of the adoption of the LAFCO resolution either approving or disapproving the proposal, any interested party can request the Commission to reconsider the action. Such a request must identify the new or different facts that warrant the reconsideration and requires the payment of a fee as determined by the LAFCO Schedule of Filing and Processing Fees in effect at that time. Upon receipt of a timely request, LAFCO will hold a legally noticed (at least 21 days prior to the hearing) public hearing on the reconsideration request. At the reconsideration hearing LAFCO may approve, deny, or continue the reconsideration request.

PROTEST PROCEEDINGS

If LAFCO approves the annexation proposal, the Commission may be required to conduct a protest hearing to collect written and oral opposition to the LAFCO action. The hearing is conducted at the conclusion of a protest period (may range between 21 to 60 days). Under certain circumstances, the Commission may waive protest proceedings.

The annexation for territory is ordered without election if written protests have been filed and not withdrawn by either of the following:

- For inhabited territory either (1) less than 25% of the registered voters or (2) less than 25% of the number of landowners owning less than 25% of the land in the annexation boundary.
- For uninhabited territory, landowners owning less than 50% of the total assessed value of land within the annexation boundary

The annexation is terminated if a majority protest is deemed according to either of the following:

- For inhabited territory, written protest filed by 50% or more of the voters residing in the annexation boundary.
- For uninhabited territory, written protest filed by landowners owning 50% or more of the assessed value of the land within the annexation boundary.

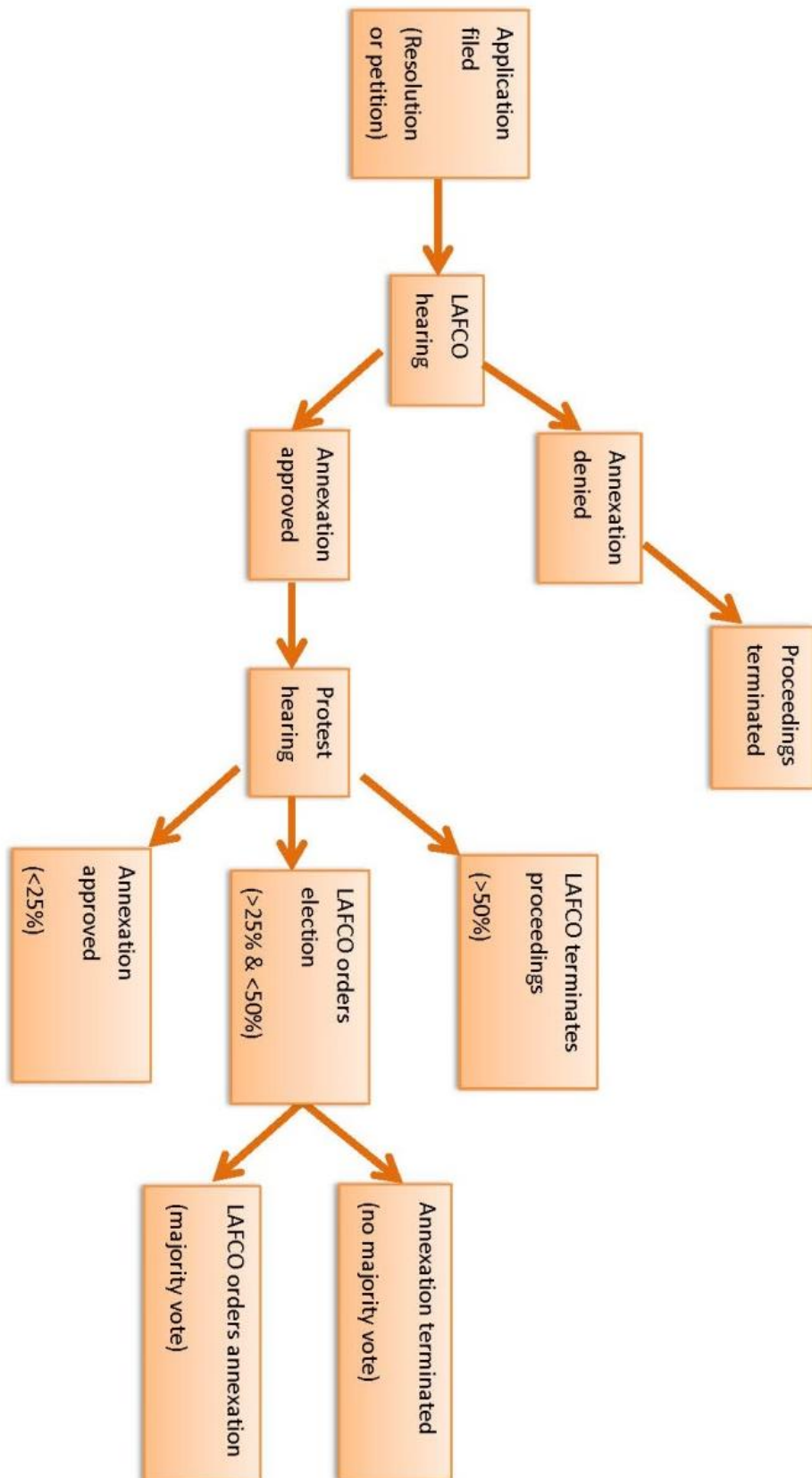
For inhabited territory, the Commission shall order the annexation subject to voter confirmation according to either of the following:

- At least 25%, but less than 50%, of the registered voters residing in the annexation boundary.
- At least 25% of the number of owners of land who also won at least 25% of the assessed value of land within the annexation boundary.

ELECTION PROCESS

If required, the Commission will order the proposal to be placed on the ballot for voter approval. The election may occur at the next regularly scheduled election or at a special election. A simple majority of the registered voters (residing within the annexation boundary) is required to approve the annexation.

LAFCO PROCESS: ANNEXATION



EVALUATING VIABILITY: PLAN FOR SERVICES & FACTORS CONSIDERED BY LAFCO

Applications for annexations must be accompanied by a Plan for Services enumerating and describing the services that will be extended to the annexation territory, including the level of services and financing plan for service provision. LAFCO evaluates the Plan for Services and a variety of factors outlined in state law when making decisions on annexations. Excerpts from LAFCO law addressing these requirements are provided below.

PLAN FOR SERVICES (GOVERNMENT CODE SECTION 56653(b))

The Plan for Services must include all of the following information:

- An enumeration and description of the services to be extended to the affected territory.
- The level and range of those services.
- An indication of when those services can feasibly be extended to the affected territory.
- An indication of any improvements or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
- Information with respect to how those services will be financed.
- Any additional information required by the Commission or LAFCO Executive Officer.

FACTORS CONSIDERED BY LAFCO IN THE REVIEW OF PROPOSALS (GOVERNMENT CODE SECTION 56668)

Factors that LAFCO considers in the review of a proposal are outlined in state law (Government Code Section 56668) and listed below.

- (a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.
- (b) The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs of those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of service and controls in the area and adjacent areas. "Services," as used in this subdivision, refers to governmental services whether or not the services are services which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.
- (c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.
- (d) The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities in Section 56377.
- (e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.

- (f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.
- (g) A regional transportation plan adopted pursuant to Section 65080, and its consistency with city or county general and specific plans.
- (h) The sphere of influence of any local agency which may be applicable to the proposal being reviewed.
- (i) The comments of any affected local agency or other public agency.
- (j) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.
- (k) Timely availability of water supplies adequate for projected needs as specified in Section 65352.2.
- (l) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7.
- (m) Any information or comments from the landowner or owners, voters, or residents of the affected territory.
- (n) Any information related to existing land use designations.
- (o) The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

APPENDIX C: COUNTY SERVICE AREA FACT SHEET

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

COUNTY SERVICE AREA FACT SHEET

LEGISLATIVE INTENT

County Service Areas (“CSAs”) are dependent special districts that are governed by the County Board of Supervisors. To accommodate new growth, state law authorizes CSAs to provide an array of public services, provided that the County does not perform the services to the same extent countywide.

“State law declares that population growth and development in unincorporated areas result in new and increased demands for public facilities and services that promote the public peace, health, safety, and general welfare. Residents and property owners in these areas should have reasonable methods available to finance and provide these needed facilities and services. In the absence of independent special districts, County boards of supervisors should have alternative organizations and methods to finance and provide the needed public facilities and services to these areas.”

“It is the intent of the California State Legislature to continue a broad statutory authority for county boards of supervisors to use county service areas as a method to finance and provide needed public facilities and services” and “to meet the diversity of local conditions, circumstances, and resources of unincorporated communities.” (Government Code Sections 25210 et seq.)

LAFCO’S ROLE

The legislature has charged LAFCO with the responsibility of determining the viability of a proposed county service area (“CSA”) and ultimately approving, modifying, or denying the formation proposal. CSA formations may be initiated by: (1) petition of registered voters or landowners within the identified area; or (2) resolution of any the county board of supervisors. Initiation of a CSA formation triggers a lengthy and complex set of processing and procedural requirements that must be completed before the proposal can be scheduled for public hearing by LAFCO. (See Exhibit A for a flowchart.) The following section outlines these requirements.

LAFCO APPLICATION

Prior to initiation and filing of any documents, applicants are required to meet with LAFCO staff for a pre-application meeting to discuss the LAFCO process, required application documents, and LAFCO’s filing and processing fees. Standard application requirements include, but are not limited to: (1) resolution of application or landowner/registered voter petition (either 25% of the registered voters or 25% of the landowners who own at least 25% of the assessed value of land); (2) filing fees; (3) plan for services; (4) map and legal description; (5) disclosure of political expenditures; and (6) indemnification agreement.

Certain application requirements may be developed during the course of the application process and all of the items listed are not expected to be submitted upfront by the applicant as part of the initial application submittal.

Fees: LAFCO filing fees for special district formations is \$7,900. The fees are used to pay for the costs of: (1) verifying the signatures on the petition, if applicable; (2) preparing environmental review documents required under the California Environmental Quality Act (“CEQA”); and (3) other LAFCO direct and indirect costs, including staff time, legal costs, noticing, etc. Complex proposals may warrant the submission of additional fees.

Boundary Map: A map of the proposed special district boundary is required. LAFCO staff, affected local agencies, and interested parties will review the boundary map to determine consistency with the boundaries of existing local agencies and to ensure that the boundaries are logical and reasonable. A more detailed map and legal description that meets specified requirements of the Orange County Surveyor’s Office and the State Board of Equalization will need to be completed before the proposed CSA formation can be scheduled for Commission consideration.

Property Tax Exchange: State law requires that the Commission determine that the proposed CSA will have sufficient revenues to carry out its purposes. Revenue sources may include a portion of the property taxes, special taxes, and special benefit assessments. LAFCO is required to work with the County Auditor-Controller to determine the amount of property taxes, if any, that transfer from existing taxing entities to the proposed CSA. The amount of property taxes received by the CSA is typically associated with the number of services to be provided and their respective service levels. The County always retains a certain amount of the property tax revenues to support the provision of regional services retained by the County.

Plan for Services: A CSA may provide any governmental services within its boundary that the county is authorized to perform and does not perform to the same extent countywide. The “Plan for Services” must describe the current and future service providers and anticipated improvements in service levels, if any (see Exhibit B). Services that may be addressed in the Plan for Services include the following (the provision of some services may not change):

| Potential CSA Services | Regional Services Retained by County |
|---|---|
| Parks, recreation, and open-space conservation | General government/administration/legislative functions |
| Community facilities | Criminal justice (courts, prosecution, etc.) |
| Utilities (water & sewer) | Social services |
| Solid waste | Health services |
| Law enforcement and police protection | Regional parks |
| Funding for land use planning (i.e. area planning commission) | Sheriff and coroner |
| Funding for services of a municipal advisory council | Elections and voter services |

LAFCO must perform a fiscal analysis to determine if the anticipated revenues are sufficient to provide the proposed services (see Exhibit B). LAFCO's analysis will include review of the current county revenues and departmental cost data, the calculation of the property tax allocation, and the analysis of fiscal and service level assumptions provided by the applicant. Formation proposals are highly scrutinized by the Commission and LAFCO staff to ensure that the new agency will be financially **viable and sustainable** long-term. Fiscal factors influencing long-term viability include, but are not limited to, the size of the community, diversity of the proposed revenue stream, costs of providing the proposed public services, the amount of property taxes, if any, as determined by LAFCO, existing assessments and fees, and any proposed new taxes, assessments, or fees.

PUBLIC HEARING

The CSA formation process is an open, public process with several opportunities for the public and affected local agencies to participate in discussions and provide input. Once LAFCO receives an application, LAFCO staff prepares and distributes a preliminary staff report to all affected agencies for initial comments on the proposal. During the public review, LAFCO staff will continue to work with the County and various public agencies to analyze the proposal and develop a recommendation. When the LAFCO Executive Officer deems the application complete, the proposal will be scheduled for public hearing. The formation proposal will be considered by LAFCO at a minimum of one public hearing. LAFCO may hold the public hearing in the community to ensure maximum exposure of the process and to solicit public testimony on the proposal.

During the application proceedings, based on various factors required to be considered by state law (see Exhibits B and C), LAFCO may deny, approve, or conditionally approve the proposal with modifications and subject to terms and conditions. If LAFCO denies the proposal, the application is terminated and no new proposal, which is the same, or substantially similar may be filed for one year. If approved or approved with modifications, subsequent steps in the formation process are outlined in the following sections of this fact sheet.

REQUEST FOR RECONSIDERATION

Within 30 days of the adoption of the LAFCO resolution either approving or disapproving the proposal, any interested party can request the Commission to reconsider the action. Such a request must identify the new or different facts that warrant the reconsideration and requires the payment of a fee as determined by the LAFCO Schedule of Filing and Processing Fees in effect at that time. . Upon receipt of a timely request, LAFCO will hold a legally noticed (at least 21 days prior to the hearing) public hearing on the reconsideration request. At the reconsideration hearing LAFCO may approve, deny, or continue the reconsideration request.

PROTEST PROCEEDINGS

If LAFCO approves the proposal, the Commission is required to conduct a protest hearing to collect written and oral opposition to the LAFCO action. The hearing is conducted at the conclusion of a protest

period (may range between 21 to 60 days). The CSA formation is terminated if a majority protest is deemed according to either of the following:

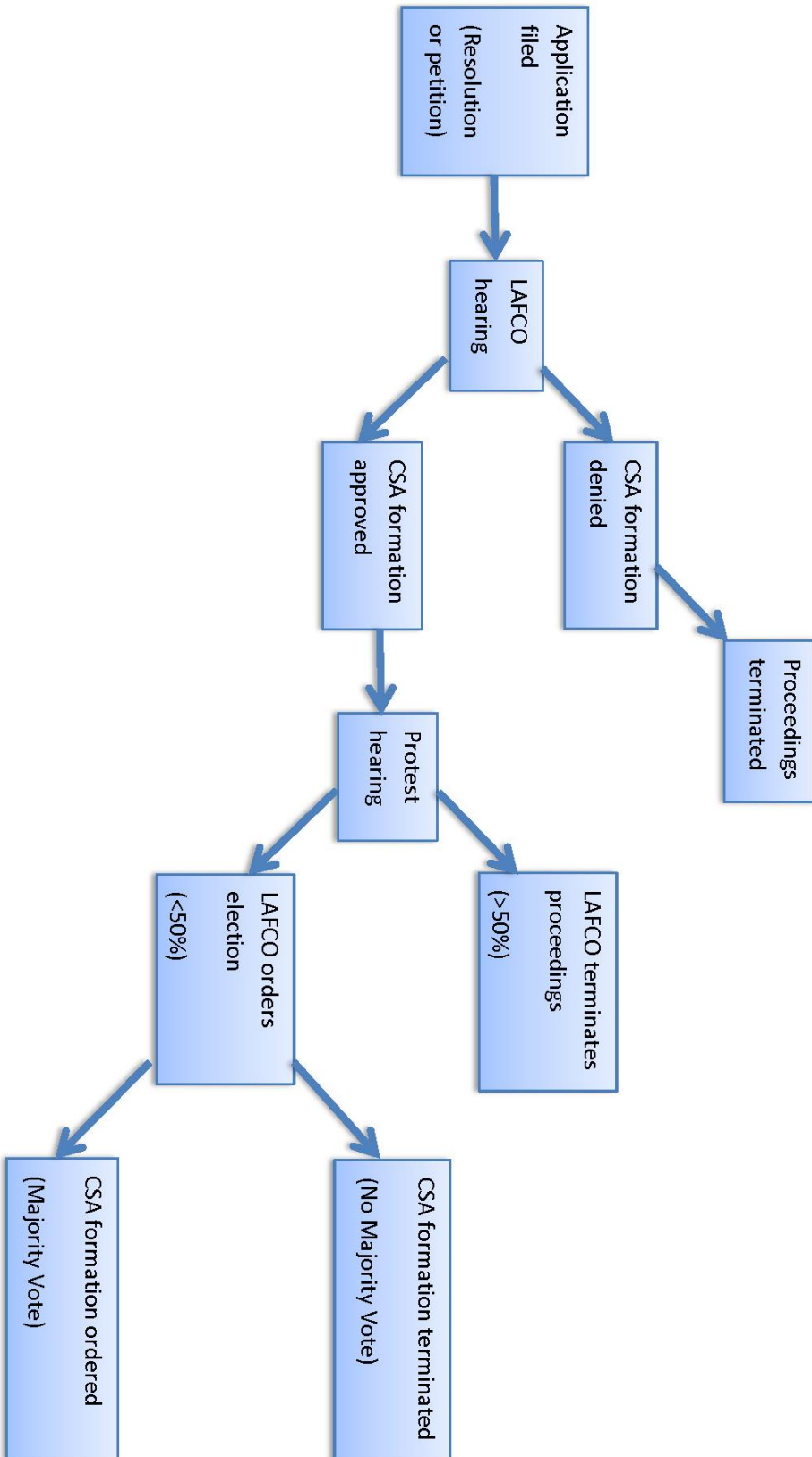
- For uninhabited territory, written protests filed by landowners owning 50% or more of the assessed value of the land within the boundary of the proposed CSA.
- For inhabited territory, written protests filed by 50% or more of the voters residing in the boundary of the proposed CSA.

ELECTION PROCESS

If there is no majority protest LAFCO shall order the formation without an election where all of the following apply: (1) the area is not inhabited; (2) there is 100% landowner consent; and (3) no special tax, benefit assessment, or property related fee or charge is needed.

Where the above requirements are not met, the Commission will order the proposal to be placed on the ballot for voter approval. A simple majority of the registered voters (residing within the proposed CSA boundary) is required to approve the formation of the new CSA. If LAFCO has conditioned the CSA formation upon a tax, fee, or assessment necessary to make the CSA financially viable, the proposed tax, fee, or assessment will be placed on the ballot along with the proposed formation. Some taxes may require two-thirds voter approval under Proposition 218.

LAFCO PROCESS: CSA FORMATION



EVALUATING VIABILITY: PLAN FOR SERVICES & SUFFICIENCY OF REVENUES

Applications for CSA formations must be accompanied by a detailed Plan for Services enumerating and describing the services that will be extended to the CSA territory, including the levels of services and financing plan for service provision. CSA law requires LAFCO to make a determination that the proposed CSA will have sufficient revenues to provide the services described in the Plan for Services, or otherwise condition approval of the formation on a special tax, benefit assessment, and/or property-related fee or charge, subject to voter approval. Excerpts from state law addressing these requirements are provided below.

PLAN FOR SERVICES (GOVERNMENT CODE SECTION 56653(b))

The Plan for Services must include all of the following information:

- An enumeration and description of the services to be extended to the affected territory.
- The level and range of those services.
- An indication of when those services can feasibly be extended to the affected territory.
- An indication of any improvements or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
- Information with respect to how those services will be financed.
- Any additional information required by the Commission or LAFCO Executive Officer.

DETERMINATION OF SUFFICIENCY OF REVENUES (GOVERNMENT CODE SECTION 25211.4(b))

- (1) Notwithstanding any other provision of law, a local agency formation commission shall not approve a proposal that includes the formation of a county service area unless the commission determines that the proposed county service area will have sufficient revenues to carry out its purposes.
- (2) Notwithstanding paragraph (1), a local agency formation commission may approve a proposal that includes the formation of a county service area where the commission has determined that the proposed county service area will not have sufficient revenues provided that the commission conditions its approval on the concurrent approval of special taxes, benefit assessments, or property-related fees or charges that will generate those sufficient revenues. In approving the proposal, the commission shall provide that if the voters or property owners do not approve the special taxes, benefit assessments, or property-related fees or charges, the proposed county service area shall not be formed.

EVALUTING VIABILITY: FACTORS CONSIDERED BY LAFCO

Factors that LAFCO considers in the review of a proposal are outlined in state law (Government Code Section 56668) and listed below.

- (a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.
- (b) The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs of those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of service and controls in the area and adjacent areas. "Services," as used in this subdivision, refers to governmental services whether or not the services are services which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.
- (c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.
- (d) The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities in Section 56377.
- (e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.
- (f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.
- (g) A regional transportation plan adopted pursuant to Section 65080, and its consistency with city or county general and specific plans.
- (h) The sphere of influence of any local agency which may be applicable to the proposal being reviewed.
- (i) The comments of any affected local agency or other public agency.
- (j) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.
- (k) Timely availability of water supplies adequate for projected needs as specified in Section 65352.2.
- (l) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7.
- (m) Any information or comments from the landowner or owners, voters, or residents of the affected territory.
- (n) Any information related to existing land use designations.
- (o) The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

APPENDIX D: COMMUNITY SERVICES DISTRICT FACT SHEET

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

COMMUNITY SERVICES DISTRICT FACT SHEET

LEGISLATIVE INTENT

Community Services Districts (“CSDs”) are independent special districts that are governed by a locally elected board of directors. To accommodate new growth, state law authorizes the establishment of CSDs as permanent or transitional forms of governance.

State law declares that differences among California’s communities reflect the broad diversity of the state’s population, geography, natural resources, history, and economy. The Community Services District Law was enacted to address the desires of California’s diverse communities for public facilities and services that promote the public peace, health, safety, and welfare.

It is the intent of the Legislature: to provide a broad statutory authority for a class of limited-purpose special districts to provide a wide variety of public facilities and services; to encourage LAFCOs to use municipal service reviews, sphere of influence, and boundary powers, where feasible and appropriate, to combine special districts that serve overlapping or adjacent territory into multifunction community services districts; and that residents, property owners, and public officials use the powers and procedures provided by Community Services District Law to meet the diversity of the local conditions, circumstances, and resources.

The Legislature also finds and declares that community services districts can serve a wide range of purposes: a permanent form of governance that can provide locally adequate levels of public facilities and services; a multifunction special district in place of multiple individual special districts; a form of governance that is an alternative to city incorporation; or a transitional form of governance as a community approaches cityhood. (Government Code Sections 61000 et seq.)

LAFCO’S ROLE

The legislature has charged LAFCO with the responsibility of determining the viability of a proposed county service area (“CSD”) and ultimately approving, modifying, or denying the proposal. CSD formations may be initiated by: (1) petition of registered voters or landowners with the identified area; or (2) resolution of any affected agency, including the county board of supervisors or any other agency with jurisdictional boundaries overlapping the proposed CSD territory. Initiation of a CSD formation triggers a lengthy and complex set of processing and procedural requirements that must be completed before the proposal can be scheduled for public hearing by LAFCO. (See Exhibit A for a flowchart.) The following section outlines these requirements.

LAFCO APPLICATION

Prior to initiation and filing of any documents, applicants are required to meet with LAFCO staff for a pre-application meeting to discuss the LAFCO process, required application documents, and LAFCO's filing and processing fees. Standard application requirements include, but are not limited to: (1) resolution of application adopted by any county, city, or special district that contains any of the territory proposed to be included in the district or by petition of 25% of the registered voter residing in the area to be included in the district; (2) filing fees; (3) plan for services; (4) property tax exchange agreement; (5) map and legal description; (6) disclosure of political expenditures; and (7) indemnification agreement. Certain application requirements may be developed during the course of the application process and all of the items listed are not expected to be submitted upfront by the applicant as part of the initial application submittal.

Fees: LAFCO filing fee for special district formations is \$7,900. The fees are used to pay for the costs of: (1) verifying the signatures on the petition, if applicable; (2) preparing environmental review documents required under the California Environmental Quality Act ("CEQA"); and (3) other LAFCO direct and indirect costs, including staff time, legal costs, noticing, etc. Complex proposals may warrant the submission of additional fees.

Boundary Map: A map of the proposed special district boundary is required. LAFCO staff, affected local agencies, and interested parties will review the boundary map to determine consistency with the boundaries of existing local agencies and to ensure that the boundaries are logical and reasonable. A more detailed map and legal description that meets specified requirements of the Orange County Surveyor's Office and the State Board of Equalization will need to be completed before the proposed CSD formation can be scheduled for Commission consideration.

Property Tax Exchange: State law requires that the Commission determine that the proposed CSD will have sufficient revenues to carry out its purposes. Revenue sources may include a portion of the property taxes, special taxes, and special benefit assessments. LAFCO is required to work with the County Auditor-Controller to determine the amount of property taxes, if any, that transfer from existing taxing entities to the proposed CSD. The amount of property taxes received by the CSD is typically associated with the number of services to be provided and their respective service levels. The County always retains a certain amount of the property tax revenues to support the provision of regional services retained by the County.

Plan for Services: CSDs may provide a wide array of municipal level services; however, certain regional services (e.g., social services, courts, etc.) and land use authority will be retained by the county. The "Plan for Services" must describe the current and future service providers and anticipated improvements in service levels, if any (see Exhibit B). Services that may be addressed in the Plan for Services include the following (the provision of some services may not change):

| Potential CSD Services | Regional Services Retained by County | |
|---|---|--|
| Law enforcement and police protection | General government/administration/legislative functions | |
| Fire protection | Health services | |
| Parks, recreation, and open-space conservation | Criminal justice (courts, prosecution, etc.) | |
| Animal control | Regional parks | |
| Libraries | Elections and voter services | |
| Community facilities | Social services | |
| Flood control/drainage | Sheriff and coroner | |
| Utilities (water & sewer) | | |
| Solid waste | | |
| Funding for services of a municipal advisory council | | |
| Funding for land use planning (i.e. area planning commission) | | |

LAFCO must perform a fiscal analysis to determine if the anticipated revenues are sufficient to provide the proposed services (see Exhibit B). LAFCO's analysis will include review of the current county revenue and departmental cost data, the calculation of the property tax allocation, and the analysis of fiscal and service level assumptions provided by the applicant. State law prohibits LAFCO from approving formation of a CSD unless the Commission determines that the proposed district will be financially viable and sustainable long-term. Fiscal factors influencing long-term viability include, but are not limited to, the size of the community, diversity of the proposed revenue stream, costs of providing the proposed public services, the property tax allocation, if any, as determined by LAFCO, existing assessments and fees, and any proposed new taxes, assessments, or fees.

PUBLIC HEARING

The CSD formation process is an open, public process with several opportunities for the public and affected local agencies to participate in discussions and provide input. Once LAFCO receives an application, LAFCO staff prepares and distributes a preliminary staff report to all affected agencies for initial comments on the proposal. During the public review, LAFCO staff will continue to work with the County and various public agencies to analyze the proposal and develop a recommendation. When the LAFCO Executive Officer deems the application complete, the proposal will be scheduled for public hearing. The formation proposal will be considered by LAFCO at a minimum of one public hearing. LAFCO may hold the public hearing in the community to ensure maximum exposure of the process and to solicit public testimony on the proposal.

During application proceedings, based on various factors required to be considered by state law (see Exhibits B and C), LAFCO may deny, approve, or conditionally approve the proposal with modifications and subject to terms and conditions. If LAFCO denies the proposal, the application is terminated and no new proposal, which is the same, or substantially similar may be filed for one year. If approved or

approved with modifications, subsequent steps in the formation process are outlined in the following sections of this fact sheet.

REQUEST FOR RECONSIDERATION

Within 30 days of the adoption of the LAFCO resolution either approving or disapproving the proposal, any interested party can request the Commission to reconsider the action. Such a request must identify the new or different facts that warrant the reconsideration and requires the payment of a fee as determined by the LAFCO Schedule of Filing and Processing Fees in effect at that time. Upon receipt of a timely request, LAFCO will hold a legally noticed (at least 21 days prior to the hearing) public hearing on the reconsideration request. At the reconsideration hearing LAFCO may approve, deny, or continue the reconsideration request.

PROTEST PROCEEDINGS

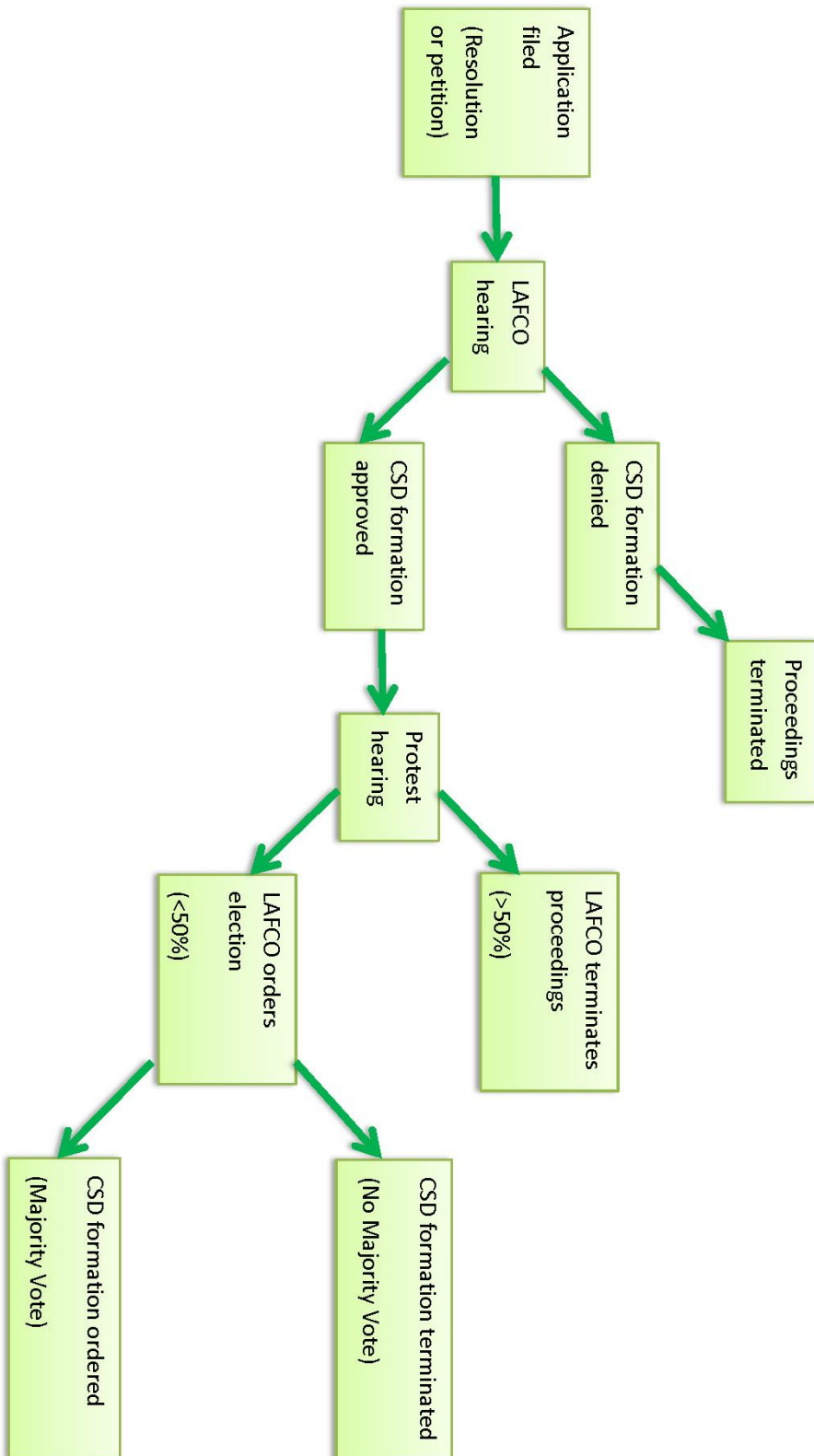
If LAFCO approves the proposal, the Commission is required to conduct a protest hearing to collect written and oral opposition to the LAFCO action. The hearing is conducted at the conclusion of a protest period (may range between 21 to 60 days). The CSD formation is terminated if a majority protest is deemed according to either of the following:

- For uninhabited territory, written protests filed by landowners owning 50% or more of the assessed value of the land within the boundary of the proposed CSD.
- For inhabited territory, written protests filed by 50% or more of the voters residing in the boundary of the proposed CSD.

ELECTION PROCESS

If there is no majority protest, the Commission will order the proposal to be placed on the ballot for voter approval. The election may occur at the next regularly scheduled election or at a special election. A simple majority of the registered voters (residing within the proposed CSD boundary) is required to approve formation of a new CSD. If LAFCO has conditioned the CSD formation upon a tax, fee, or assessment necessary to make the CSD financially viable, the proposed tax, fee, or assessment will be placed on the ballot along with the proposed formation. Some taxes may require two-thirds voter approval under Proposition 218.

LAFCO PROCESS: CSD FORMATION



EVALUATING VIABILITY: PLAN FOR SERVICES & SUFFICIENCY OF REVENUES

Applications for CSD formations must be accompanied by a detailed Plan for Services enumerating and describing the services that will be extended to the CSD territory, including the levels of services and financing plan for service provision. CSD law requires LAFCO to make a determination that the proposed CSD will have sufficient revenues to provide the services described in the Plan for Services, or otherwise condition approval of the formation on a special tax, benefit assessment, and/or property-related fee or charge, subject to voter approval. Excerpts from state law addressing these requirements are provided below.

PLAN FOR SERVICES (GOVERNMENT CODE SECTION 56653(b))

The Plan for Services must include all of the following information:

- An enumeration and description of the services to be extended to the affected territory.
- The level and range of those services.
- An indication of when those services can feasibly be extended to the affected territory.
- An indication of any improvements or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
- Information with respect to how those services will be financed.
- Any additional information required by the Commission or LAFCO Executive Officer.

DETERMINATION OF SUFFICIENCY OF REVENUES (GOVERNMENT CODE SECTION 61014)

- (b) Notwithstanding any other provision of law, a local agency formation commission shall not approve a proposal that includes the formation of a district unless the commission determines that the proposed district will have sufficient revenues to carry out its purposes.
- (c) Notwithstanding subdivision (b), a local agency formation commission may approve a proposal that includes the formation of a district where the commission has determined that the proposed district will not have sufficient revenue provided that the commission conditions its approval on the concurrent approval of special taxes or benefit assessments that will generate those sufficient revenues. In approving the proposal, the commission shall provide that, if the voters or property owners do not approve the special taxes or benefit assessments, the proposed district shall not be formed.

EVALUTING VIABILITY: FACTORS CONSIDERED BY LAFCO

Factors that LAFCO considers in the review of a proposal are outlined in state law (Government Code Section 56668) and listed below.

- (a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.
- (b) The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs of those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of service and controls in the area and adjacent areas. "Services," as used in this subdivision, refers to governmental services whether or not the services are services which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.
- (c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.
- (d) The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities in Section 56377.
- (e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.
- (f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.
- (g) A regional transportation plan adopted pursuant to Section 65080, and its consistency with city or county general and specific plans.
- (h) The sphere of influence of any local agency which may be applicable to the proposal being reviewed.
- (i) The comments of any affected local agency or other public agency.
- (j) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.
- (k) Timely availability of water supplies adequate for projected needs as specified in Section 65352.2.
- (l) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7.
- (m) Any information or comments from the landowner or owners, voters, or residents of the affected territory.
- (n) Any information related to existing land use designations.
- (o) The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

CITY INCORPORATION FACT SHEET

LEGISLATIVE INTENT

State law places a high bar on the formation of new public agencies, specifically the incorporation of new cities, and requires LAFCOs to consider the ability of existing service providers to provide the needed services instead of creating a new entity.

“When the formation of a new government entity is proposed, a commission shall make a determination as to whether existing agencies can feasibly provide the needed service or services in a more efficient and accountable manner.” (Government Code Section 56301)

LAFCO’S ROLE

The legislature has charged LAFCO with the responsibility of determining the viability of proposed incorporations and ultimately approving, modifying, or denying the proposal. City incorporations may be initiated by: (1) petition of registered voters or landowners within the identified area; or (2) resolution of any affected local agency, including the county board of supervisors or any other agency with jurisdictional boundaries overlapping the proposed incorporation territory. The processing of an incorporation proposal involves a lengthy and complex review of procedural and policy requirements and conduct of a public hearing by LAFCO. (See Exhibit A for a flowchart.) The incorporation process can take one to two years to complete. The following section outlines these requirements.

LAFCO APPLICATION PROCESS AND REQUIREMENTS

Prior to initiation and filing of any documents, incorporation applicants are required to meet with LAFCO staff for a pre-application meeting to discuss the incorporation process, required documents, and LAFCO’s fee/deposit requirements. Incorporation application requirements include, but are not limited to: (1) filing fees; (2) resolution of application by an affected agency, or landowner and/or registered voter petition (petitions must be signed by either 25% of registered voters or 25% of landowners owning at least 25% of the assessed valuation of the land); (3) plan for services; (4) comprehensive fiscal analysis (CFA); (5) revenue neutrality agreement; (6) map and legal description; (7) disclosure of political expenditures; and (8) indemnification agreement. Several of the application requirements, most notably the CFA and revenue neutrality agreement, are developed during the course of the application process and are not expected to be submitted upfront by the applicant as part of the initial application submittal.

Fees: Due to the complex nature of incorporation proposals, LAFCO fees for incorporation typically exceed \$150,000. The fees are used to pay for the costs of: (1) verifying the signatures on the petition, if

applicable; (2) preparing a Comprehensive Fiscal Analysis; (3) preparing environmental review documents required under the California Environmental Quality Act (“CEQA”); and (4) other LAFCO direct and indirect costs, including but may not be limited to staff time, legal costs, and noticing.

Boundary Map: A map of the proposed incorporation boundary is required. LAFCO staff, affected local agencies, and interested parties will review the boundary map to determine consistency with the boundaries of existing local agencies and to ensure that the boundaries are logical and reasonable. A more detailed map and legal description that meets specified requirements of the Orange County Surveyor’s Office and the State Board of Equalization are required.

Revenue Neutrality: To ensure that counties are kept “whole” in any incorporation, state law requires that the incorporation be “revenue neutral” and results “in a similar exchange of both revenue and responsibility for service delivery among the county, the proposed city, and other affected agencies” (see Exhibit B). While cities can provide an array of services, certain regional services will always remain the responsibility of the county. Revenue neutrality requires: (1) a similar exchange of revenue and service responsibility between the proposed new city and the county and (2) a negotiated revenue neutrality payment accepted by the County. The revenue neutrality process may result in the adoption of agreements sharing property taxes, providing lump-sum payments, payments over a fixed period of time, modification of the incorporation boundary, or other provisions that keep the county financially whole following incorporation.

Comprehensive Fiscal Analysis (“CFA”): The incorporation proponents must describe the services that the new city (see Exhibit B for Plan for Service requirements) will provide and are required to submit a preliminary fiscal analysis (“PFA”) for evaluation by LAFCO staff. The cost for preparing the PFA is not included in the LAFCO fees and is the responsibility of the applicant. The PFA includes a “Plan for Services” which must describe the current and future service providers and anticipated improvements in service levels, if any, for the following services (the provision of some services may not change):

| Potential New City Services | Regional Services Retained by County |
|--|---|
| General administration/legislative functions | General government/administration/legislative functions |
| Police protection | Health services |
| Planning and land use administration | Criminal justice (courts, prosecution, etc.) |
| Public works | Regional parks |
| Animal control | Elections and voter services |
| Parks and recreation | Social services |
| Fire protection | Sheriff and coroner |
| Library | |
| Flood control/drainage | |
| Solid waste | |
| Utilities (water & sewer) | |

The PFA is the starting point for the Comprehensive Fiscal Analysis (CFA) that LAFCO must independently prepare, usually with the expert assistance of financial consultants (see Exhibit B). Incorporation proposals are highly scrutinized by the Commission, LAFCO staff, county staff, other affected local agencies, and the public to ensure that the new city will not only be financially **feasible**, but financially **viable and sustainable** in the long-term over future economic cycles. Fiscal factors influencing long-term viability include, but are not limited to, the size of the community, strength of retail sales tax base, diversity of the proposed revenue stream, costs of providing the proposed public services, the property tax exchange and revenue neutrality negotiations with the county, existing assessments and fees, and any proposed new taxes, assessments, or fees.

PUBLIC HEARING

The incorporation process is an open, public process with multiple opportunities for the public and affected local agencies to participate in discussions and provide input. Once LAFCO receives an application, LAFCO staff will prepare and distribute a preliminary staff report to affected agencies for initial comments on the proposal. Upon completion of the comprehensive fiscal analysis, LAFCO staff will publish a legal notice setting a 30-day public review period for the CFA. Depending on the comments received on the CFA, LAFCO may host a community workshop in the community. Once the CFA is finalized and the LAFCO Executive Officer deems the application complete, the proposal will be scheduled for public hearing. The incorporation proposal will be considered by LAFCO at a minimum of one, but most likely several, public hearings. These hearings will address the various factors required to be considered in state law (see Exhibit C), the CFA (including the proposed Plan for Services and Revenue Neutrality requirement – see Exhibit B), the LAFCO staff report, and any other relevant information. LAFCO may also hold the public hearing in the community to ensure maximum exposure of the process and to solicit public testimony on the proposal. LAFCO may deny, approve, or conditionally approve the proposal with modifications and subject to terms and conditions. If LAFCO approves the proposal as submitted or with conditions, the item proceeds to the next steps listed below. If LAFCO denies the incorporation proposal, the application is terminated. No new proposal which is the same or substantially similar may be filed for one year.

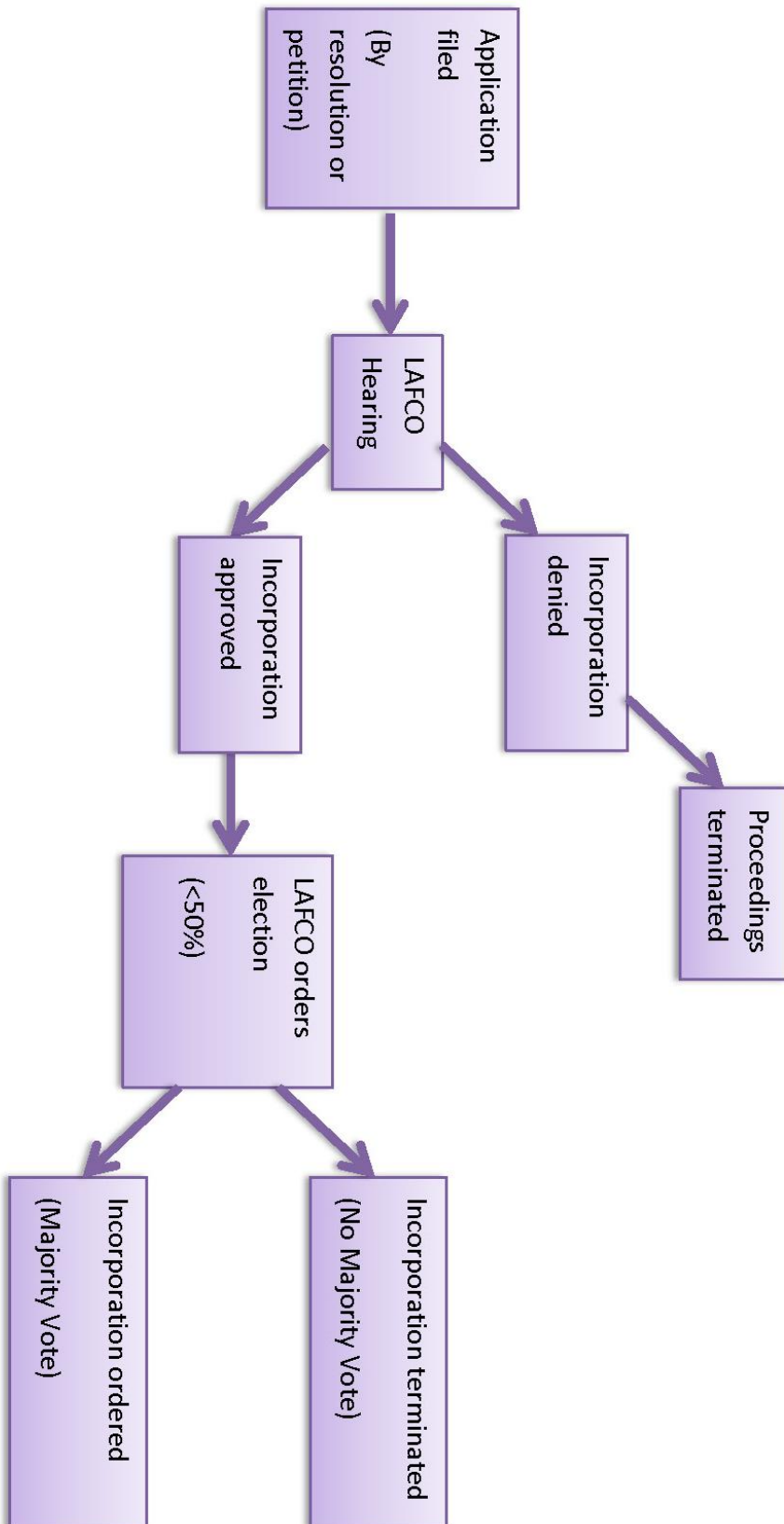
REQUEST FOR RECONSIDERATION

Within 30 days following the adoption of the LAFCO resolution either approving or disapproving the proposal, any interested party can request the Commission to reconsider the action. Such a request must identify the new or different facts that warrant the reconsideration and requires the payment of a fee as determined by the LAFCO Schedule of Filing and Processing Fees in effect at that time. Upon receipt of a timely request, LAFCO will hold a legally noticed (at least 15 days prior to the hearing) public hearing on the reconsideration request. At the reconsideration hearing LAFCO may approve, deny, or continue the reconsideration request.

ELECTION PROCESS

If LAFCO approves the incorporation of a new city at a public hearing, the Commission will order the incorporation proposal to be placed on the ballot for voter approval. The election may occur at the next regularly scheduled election or at a special election. A simple majority of the registered voters (residing within the proposed incorporation territory) is required to approve formation of a new city. Sometimes an additional tax may be placed on the ballot with the proposed incorporation in order for the incorporation to be feasible. Some taxes may require two-thirds voter approval under Proposition 218.

LAFCO PROCESS: CITY INCORPORATION



EVALUATING VIABILITY: PLAN FOR SERVICES & SUFFICIENCY OF REVENUES

Incorporation proposals require the preparation of a Plan for Services and Comprehensive Fiscal Analysis, which provide the information necessary for LAFCO to make a determination that the proposal will have sufficient revenues to carry out the proposed services and facilities, including reserves. Excerpts from LAFCO law addressing these requirements are provided below. LAFCO also has a locally adopted “Policy & Procedural Guidelines for Processing Incorporation Applications and Implementing Revenue Neutrality Provisions” that further guide the incorporation process. Visit the LAFCO web site at www.oclafco.org to download the LAFCO Policies & Procedures Handbook.

PLAN FOR SERVICES (GOVERNMENT CODE SECTION 56653(b))

The Plan for Services must include all of the following information:

- An enumeration and description of the services to be extended to the affected territory.
- The level and range of those services.
- An indication of when those services can feasibly be extended to the affected territory.
- An indication of any improvements or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
- Information with respect to how those services will be financed.
- Any additional information required by the Commission or LAFCO Executive Officer.

COMPREHENSIVE FISCAL ANALYSIS (GOVERNMENT CODE SECTIONS 56720, 56800, and 56815)

Required LAFCO Findings for Incorporations (Government Code Section 56720)

The commission shall not approve or conditionally approve any proposal that includes an incorporation, unless the commission finds, based on the entire record, that:

- The proposed incorporation is consistent with the intent of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (Government Code Sections 56000 et seq.), including, but not limited to, the policies of Sections 56001, 56300, 56301, and 56377.
- It has reviewed the spheres of influence of the affected local agencies and the incorporation is consistent with those spheres of influence.
- It has reviewed the comprehensive fiscal analysis prepared pursuant to Section 56800 and the Controller’s report prepared pursuant to Section 56801.
- It has reviewed the executive officer’s report and recommendation prepared pursuant to Section 56665, and the testimony presented at its public hearing.
- The proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.

Comprehensive Fiscal Analysis Requirements (Government Code Section 56800)

For any proposal that includes an incorporation, the executive officer shall prepare, or cause to be prepared by contract, a comprehensive fiscal analysis. This analysis shall become part of the report required pursuant to Section 56665. Data used for the analysis shall be from the most recent fiscal year for which data are

available, preceding the issuances of the certificate of filing. When data requested by the executive officer in the notice to affected agencies are unavailable, the analysis shall document the source and methodology of the data used. The analysis shall review and document each of the following:

- (a) The costs to the proposed city of providing public services and facilities during the three fiscal years following incorporation in accordance with the following criteria:
 - (1) When determining costs, the executive officer shall include all direct and indirect costs associated with the current provision of existing services in the affected territory. These costs shall reflect the actual or estimated costs at which the existing level of service could be contracted by the proposed city following an incorporation, if the city elects to do so, and shall include any general fund expenditures used to support or subsidize a fee-supported service where the full costs of providing the service are not fully recovered through fees. The executive officer shall also identify which of these costs shall be transferred to the new city that result in an administrative cost reduction to other agencies. In the analysis, the executive officer shall also review how the costs of any existing services compare to the costs of services provided in cities with similar populations and similar geographic size that provide a similar level and range of services and shall make a reasonable determination of the costs expected to be borne by the newly incorporated city.
 - (2) When determining costs, the executive officer shall also include all direct and indirect costs of any public services that are proposed to be assumed by the new city and that are provided by state agencies in the area proposed to be incorporated.
- (b) The revenues of the proposed city during the three fiscal years following incorporation.
- (c) The effects on the costs and revenues of any affected local agency during the three fiscal years of incorporation.
- (d) Any other information and analysis needed to make the findings required by Section 56720.

Revenue Neutrality Requirement (Government Code Section 56815)

- (a) It is the intent of the Legislature that any proposal that includes an incorporation should result in a similar exchange of both revenue and responsibility for service delivery among the county, the proposed city, and other subject agencies. It is the further intent of the Legislature that an incorporation should not occur primarily for financial reasons.
- (b) The commission shall not approve a proposal that includes an incorporation unless it finds that the following two quantities are substantially equal:
 - (1) Revenues currently received by the local agency transferring the affected territory that, but for the operation of this section, would accrue to the local agency receiving the affected territory.
 - (2) Expenditures, including direct and indirect expenditures, currently made by the local agency transferring the affected territory for those services that will be assumed by the local agency receiving the affected territory.
- (c) Notwithstanding subdivision (b), the commission may approve a proposal that includes an incorporation if it finds either of the following:
 - (1) The county and all of the subject agencies agree to the proposed transfer.

- (2) The negative fiscal effect has been adequately mitigated by tax sharing agreements, lump-sum payments, payments over a fixed period of time, or any other terms and conditions pursuant to Section 56886.
- (d) Nothing in this section is intended to change the distribution of growth on the revenues within the affected territory unless otherwise provided in the agreement or agreements specified in paragraph (2) of subdivision (c).
- (e) Any terms and conditions that mitigate the negative fiscal effect of a proposal that contains an incorporation shall be included in the commission resolution making determinations adopted pursuant to Section 56880 and the terms and conditions specified in the questions pursuant to Section 57134.

EVALUTING VIABILITY: FACTORS CONSIDERED BY LAFCO

Factors that LAFCO considers in the review of a proposal are outlined in state law (Government Code Section 56668) and listed below.

- (a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.
- (b) The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs of those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of service and controls in the area and adjacent areas. "Services," as used in this subdivision, refers to governmental services whether or not the services are services which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.
- (c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.
- (d) The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities in Section 56377.
- (e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.
- (f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.
- (g) A regional transportation plan adopted pursuant to Section 65080, and its consistency with city or county general and specific plans.
- (h) The sphere of influence of any local agency which may be applicable to the proposal being reviewed.
- (i) The comments of any affected local agency or other public agency.
- (j) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.
- (k) Timely availability of water supplies adequate for projected needs as specified in Section 65352.2.
- (l) The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7.
- (m) Any information or comments from the landowner or owners, voters, or residents of the affected territory.
- (n) Any information related to existing land use designations.
- (o) The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.