



Local Agency Formation Commission of Orange County

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Municipal Service Review and Sphere of Influence Reviews

Southwest Region

August 9th, 2023

**Prepared for the Local Agency Formation Commission of Orange County
by RSG Inc.**



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LIST OF ABBREVIATIONS USED

ACS	American Community Survey
ACFR	Annual Comprehensive Financial Report
ADU	Accessory Dwelling Unit
CASA	Coastal Animal Services Authority
CKH	Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
CSA	County Service Area
DOF	California Department of Finance
DUC	Disadvantaged Unincorporated Community
ETWD	El Toro Water District
GIS	Geographic Information Systems
HOA	Homeowner's Association
JPA	Joint Powers Authority
LAFCO	Local Agency Formation Commission
LBCWD	Laguna Beach County Water District
MHI	Median Household Income
MNWD	Moulton Niguel Water District
MSR	Municipal Service Review
OCFA	Orange County Fire Authority
OC LAFCO	Orange County LAFCO
OCPL	Orange County Public Library
OCSD	Orange County Sheriff's Department
SCWD	South Coast Water District
SCE	Southern California Edison
SDG&E	San Diego Gas & Electric
SMWD	Santa Margarita Water District
SOI	Sphere of Influence
SOCWA	South Orange County Wastewater Authority

I. EXECUTIVE SUMMARY

INTRODUCTION

The Local Agency Formation Commission of Orange County (“OC LAFCO”) initiated this Municipal Service Review (“MSR”) and Sphere of Influence (“SOI”) update in 2022 for six cities, seven special districts, and one joint powers authority (“JPA”) in the OC LAFCO-designated “Southwest Region” of the County. OC LAFCO retained consultant RSG, Inc. (“RSG”) to prepare the MSR, which included conducting surveys and interviews with each of the agencies in the region, and collecting demographic, fiscal, and other data to support the MSR findings and determinations under State law. OC LAFCO also retained Berkson Associates (“Berkson”) to perform an analysis of available financial data and prepare a set of Fiscal Indicators to be published on the OC LAFCO website.

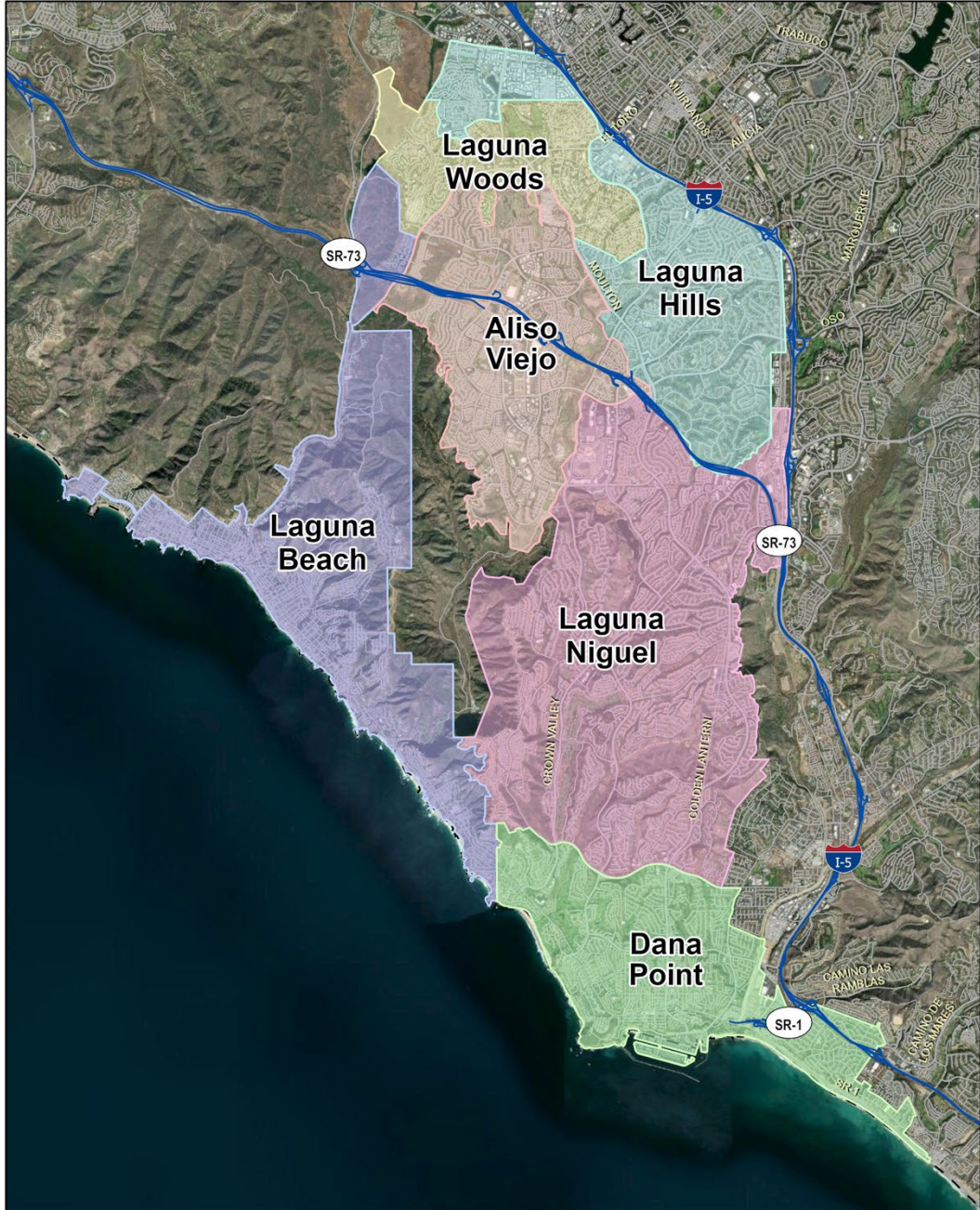
SOUTHWEST REGION CITIES AND SPECIAL DISTRICTS REVIEWED



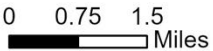
The OC LAFCO Southwest Region consists of 14 total agencies. These agencies are principally located around the Laguna Beach and Dana Point coastlines and inland as far as the Interstate 5 Freeway (“I-5”) corridor. The agencies are listed in Table 1:

Table 1: Southwest Region Agencies

Cities	Special Districts/JPA
Aliso Viejo	El Toro Water District – (“ETWD” or “El Toro”)
Dana Point	Laguna Beach County Water District – (“LBCWD”)
Laguna Beach	Moulton Niguel Water District – (“MNWD” or “Moulton Niguel”)
Laguna Hills	South Coast Water District – (“SCWD” or “South Coast”)
Laguna Niguel	Capistrano Bay Community Services District
Laguna Woods	Emerald Bay Service District
	Three Arch Bay Community Services District
	South Orange County Wastewater Authority – (“SOCWA”)

A map depicting the incorporated cities of the Southwest Region is shown following this page:



	<h3>Southwest MSR Region</h3>	
	<p>Source: RSG Inc., ESRI, OCLAFCO</p>	

MSR DETERMINATIONS SUMMARY

As further detailed in the body of this report, RSG makes the following MSR determinations for the Southwest Region agencies based on our data collection, surveys, and interviews:

1. Population, Growth, and Housing

Within the Southwest Region there is limited potential for population and housing growth due to existing buildout and geography. Population and housing growth projections through 2027 show slight declines for a majority of the agencies in the Region.

2. Disadvantaged Unincorporated Communities

OC LAFCO previously designated a total of seven (7) areas in the County as disadvantaged unincorporated communities (“DUCs”). However, none of these DUCs are in the Southwest Region.

3. Capacity of Facilities and Adequacy of Services

Within the Southwest Region, the present and planned capacity of facilities is generally appropriate for the projected slow growth in population. Additionally, there are adequate law enforcement, fire, water, wastewater, public works, parks and recreation, animal control, and code enforcement services being provided among the agencies reviewed in this MSR.

With the exception of Laguna Beach, which was incorporated 96 years ago, all of the other cities in the Southwest Region are relatively young, with none older than 34 years. These cities are almost all master planned communities with infrastructure and facilities designed to facilitate their growth over time. As a result, none of the cities reported any structural challenges.

The special districts in the Southwest Region are about twice as old as most of the cities. This age is reflected in the water infrastructure, which ranges from 30 to 50 years old. However, the water districts did not indicate any significant cause for concern regarding facilities or service delivery. All of the districts have adequate planning and reporting systems in place to prepare for maintenance and replacement of their water infrastructure and facilities. For stormwater services, two of the CSDs are reporting issues with their current systems. Capistrano Bay CSD with its small and beachfront area, has experienced higher tides in recent years. The threat of damage from the tides has pushed the agency to look into expanding their powers to include stormwater management, primarily to combat beach erosion. Three Arch Bay CSD has stormwater infrastructure that is on average 75 years old. Having been built for far more open space in a different era, the drainage and runoff systems are no longer efficient enough for runoff created from new development. Both CSDs have taken the following steps to address the issues: Capistrano Bay CSD has initiated an application with OC LAFCO to activate latent powers for stormwater management, and Three Arch Bay CSD is developing a new master plan to upgrade their infrastructure.

4. Financial Ability to Provide Services

Most of the agencies of the Southwest Region have the ability to maintain their current service levels. Based on financial indicators prepared by Berkson & Associates, all agencies report high amounts of reserves, moderate growth in revenues, and moderate expenditure growth. However, the cities of Aliso Viejo and Laguna Woods both expressed concern that the costs to provide law enforcement to their cities under the current OC Sheriff contracts are not sustainable. Aliso Viejo is concerned that these rising costs may result in a projected fund deficit in the near future. Therefore, they are seeking opportunities to increase revenues, such as larger scale economic development projects, to offset the negative financial outlook. Aliso Viejo indicated that it has ample reserves to maintain all of its services and obligations in the short term if it incurs a deficit. Laguna Woods did not foresee a deficit arising in their budget from rising law enforcement costs in the short term, but expressed a desire to see more collaboration on operational decisions, labor negotiations, and factors that could potentially lower or moderate costs under the OC Sheriff contract. No other agency reviewed in this MSR expressed similar fiscal concerns.

5. Opportunities for Shared Facilities

Existing shared facilities and/or services include those for animal control through the Mission Viejo Department of Animal Services, the Laguna Beach Animal Services Division, and the Coastal Animal Services Authority. No concerns or suggested changes were reported for these partnerships.

Two areas were identified through this MSR as potential opportunities for shared facilities: wastewater facilities managed through SOCWA, and joint law enforcement services.

SOCWA's current facilities are run by the JPA through project committee agreements between the appropriate agencies in the area. Not all participating agencies within SOCWA are a party to every facility and service agreement that SOCWA oversees. One Southwest Region agency, Moulton Niguel Water District ("MNWD"), expressed their desire for SOCWA to transition facilities to the member agencies that most utilize the facilities. MNWD had requested that OC LAFCO include a review of the discussions regarding SOCWA in this MSR as part of LAFCO's standard review of the JPA as a municipal service provider. MNWD is the largest contributing agency in SOCWA and has taken the position that SOCWA should shift operations of local assets to member agencies and enhance its focus on permit and regulatory compliance matters. Other agencies in the Southwest Region were aware of these requests from MNWD but did not express support nor opposition. The other agencies, particularly South Coast Water District ("SCWD"), did indicate that they were not opposed to alternatives but would prefer a resolution that works within the existing structure of SOCWA. SOCWA and its member agencies continue to work towards a potential resolution of the issues. SOCWA has hired a facilitator to manage regular board meetings specifically on the subject, while MNWD has led regular external meetings for any interested member agency, though mostly with SCWD and Santa Margarita Water District ("SMWD").

Regarding law enforcement services, the Cities of Aliso Viejo and Laguna Woods have held informal internal and external discussions about how to reduce costs, including looking at alternatives to how services are provided under their contracts with the Orange County Sheriff's Department ("OCSD"). The Cities indicated that perhaps the efficiency and effectiveness of a regional OCSD policing model could reduce each city's cost, but this would need to be explored further. Aliso Viejo and Laguna Woods previously discussed this option

with former Sheriff Sandra Hutchens. However, the OCSD could not commit to studying the issue further and has not studied the issue since.

6. Accountability for Community Service Needs

Agencies in the Southwest Region have well-established structures for accountability. With the variety of different entities in the region, significant layering exists to provide residents with multiple opportunities for input. However, there were two issues of representation raised in the MSR process, one of which may be resolved through an SOI update and subsequent annexation.

The residents of South Laguna Beach are seeking direct representation on the South Coast Water District (“SCWD”) board. The area is serviced by SCWD but is not formally within the District boundary. Residents currently have no voting power in District elections and instead receive representation through an advisory committee staffed by residents and elected officials. The City of Laguna Beach would like to see these residents formally represented on the SCWD board with equal voting rights to those residents within the SCWD boundary. This would require an amendment to the sphere of influence of SCWD and a subsequent annexation. SCWD, through the process of this MSR, has expressed support for such an amendment and future annexation.

Another issue identified through this MSR is the service delivery and overall governance structure of SOCWA. Moulton Niguel Water District has expressed concerns with SOCWA’s ability to meet the changing needs and objectives of its member agencies relating to wastewater reuse and treatment. This subject is closely related to the subject of SOCWA’s facilities ownership and operations mentioned in the prior determination. Resolution of SOCWA-related concerns, particularly with the structure and purpose of the JPA, falls outside the purview of OC LAFCO and would need to be addressed among the member agencies of SOCWA. However, as SOCWA provides a key municipal service, OC LAFCO is required by state law to review that service and related facilities and operations in part to this and future MSRs. Additionally, OC LAFCO staff has noted that any resolution of the situation that involves out-of-area service agreements between member agencies would require OC LAFCO review.

7. Any Other Matter Related to Effective or Efficient Service Delivery, As Required by Commission Policy

No other matters were identified through the reporting process of the Southwest MSR.

SOI DETERMINATIONS SUMMARY

As further detailed in the body of this report, RSG makes the following SOI determinations for the Southwest Region agencies based on our data collection, surveys, and interviews:

1. Present and Planned Land Uses

The agencies of the Southwest Region are largely built out with very little remaining open space for new construction. There are no significant agriculture uses.

2. Present and Probable Need for Facilities and Services

Agencies in the Southwest Region are providing adequate services to their residents and customers, and generally have the capacity to keep up with expected growth without adding new facilities or services.

3. Present Capacity and Adequacy of Public Facilities and Services

Agencies in the Southwest Region are providing adequate services to their residents and customers, and generally have the capacity to keep up with expected growth without adding new facilities or services.

4. Social or Economic Communities of Interest

OC LAFCO previously designated a total of seven (7) areas in the County as disadvantaged unincorporated communities (“DUCs”). However, none of these DUCs are in the Southwest Region.

5. Present and Probable Need for Public Facilities and Services by any DUCs within the Existing SOIs

OC LAFCO previously designated a total of seven (7) areas in the County as disadvantaged unincorporated communities (“DUCs”). However, there are no DUCs within the Southwest Region.

SOI Updates

In the course of our review, RSG was made aware of one request for an SOI adjustment among the Southwest Region agencies:

As discussed in further detail in Sections VII and X below, staff of the City of Laguna Beach related concerns from residents of the southern area of Laguna Beach area regarding a lack of formal voter representation on the board of SCWD, the water, recycled water, and wastewater service provider for the area. While the southern Laguna Beach area is within the City of Laguna Beach boundary, it is not within any water district boundary nor SOI. Residents have expressed dissatisfaction with the current representation arrangement, which is a committee established by SCWD comprised of residents and elected officials. In terms of service quality however, SCWD reported that residents have only complimented the agency and would prefer being able to participate in the election process to vote for a member of the SCWD’s Board of Directors that directly represents them. The City of Laguna Beach has requested that OC LAFCO take steps towards increasing the size of SCWD’s SOI to include South Laguna Beach, with the intent of eventual annexation into the District. Additionally, SCWD supports this process. They felt residents were interested in future annexation into SCWD, which aligns with the request from Laguna Beach, but they were not aware of any heightened demands or efforts to proceed. RSG recommends that OC LAFCO facilitate discussions between the City of Laguna Beach and SCWD on the subject. The discussions should include the encouragement of SCWD to file an application to absorb the South Laguna Beach area into its SOI, with the goal of a future or concurrent annexation into SCWD. OC LAFCO staff noted that any application filed by the City, SCWD or

residents should include that a request for an SOI amendment and concurrent annexation which aligns with the Commission's sphere policy.

II. BACKGROUND

LEGAL REQUIREMENTS AND PURPOSE

In 1963, the California Legislature created for each County a Local Agency Formation Commission (“LAFCO”) to oversee the logical formation and determination of local agency boundaries that encourage orderly growth and development essential to the social, fiscal, and economic well-being of the State. LAFCOs’ authority to carry out this legislative charge is codified in the Cortese-Knox-Hertzberg Reorganization Act of 2000 (“CKH”). For nearly 60 years, the CKH has been amended to give more direction to LAFCOs and, in some cases, expand the authorities of the Commissions. One of the most important revisions to CKH by the Legislature occurred in 2000, which added a requirement that LAFCOs review and update the “spheres of influence” for all cities and special districts every five years and, in conjunction with this responsibility, prepare comprehensive studies that are known as “municipal service reviews.”

AUTHORITY AND POWERS OF LAFCO

Codified within CKH are the procedures and processes for LAFCOs to carry out their purposes as established by the Legislature. LAFCOs’ purposes are guided and achieved through their regulatory and planning powers and acknowledge that the local conditions of the 58 California counties shall be considered in part to the Commissions’ authorities.

CKH ACT (G.C. SECTION 56301) – PURPOSES OF LAFCOs

“Among the purposes of a commission are discouraging urban sprawl, preserving open-space and prime agricultural lands, encouraging the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.”

LAFCO RESPONSIBILITIES

LAFCOs’ regulatory authorities include the reviewing, approving, amending or denying of proposals to change the jurisdictional boundaries of cities and special districts. Specifically, these types of boundary changes commonly referred to as “changes of organization,” include:

- City Incorporation
- City Disincorporation
- District Formation
- District Dissolution
- City and District Annexations and Detachments
- City and District Consolidations
- Merger of a City and District
- Establishment of a Subsidiary District
- Activation of new or different functions or classes of services, or divestiture of power to provide services for special districts.

PLANNING AUTHORITIES

LAFCOs’ planning authorities are carried out through the establishment and updating of agencies’ SOIs, which is a tool used to define a city or special district’s future jurisdictional boundary and

service areas. Through the reform of CKH in 2000, LAFCO's planning responsibility includes the preparation of comprehensive studies (MSRs) that analyze service or services within the county, region, subregion, or other designated geographic area. The determinations that LAFCOs must review, analyze, and adopt for SOIs and MSRs are discussed below.

SPHERE OF INFLUENCE UPDATES

In 1972, LAFCOs throughout the state were tasked with determining and overseeing the SOIs for local government agencies. A SOI is a planning boundary that may be outside of an agency's jurisdictional boundary (such as the city limits or a special district's service area) that designates the agency's probable future boundary and service area. The purpose of a SOI is to ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands, and by preventing overlapping jurisdictions and duplication of services. On a regional level, LAFCOs coordinate the orderly development of a community through reconciling differences between different agency plans. This is intended to ensure the most efficient urban service arrangements are created for the benefit of area residents and property owners. Factors considered in a SOI update include current and future land use, capacity needs, and any relevant areas of interest such as geographical terrain, location, and any other aspects that would influence the level of service.

Per Government Code Section 56425, a LAFCO shall consider and prepare a written statement of its SOI determinations on the following five (5) factors:

- 1. The present and planned land use in the area, including agricultural and open space lands.*
- 2. The present and probable need for public facilities and services in the area.*
- 3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
- 4. The existence of any social or economic communities of interest in the area.*
- 5. If a city or special district provides public facilities or services related to sewers, municipal industrial water, or structural fire protection, the Present and Probable Need for those facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.*

From time-to-time, an SOI may be modified as determined by LAFCO using the procedures for making sphere amendments as outlined by CKH. Pursuant to Government Code Section 56430, a LAFCO must first conduct a MSR prior to updating or amending a SOI.

MUNICIPAL SERVICE REVIEWS

Section 56425(g) of CKH requires that LAFCOs evaluate an SOI every five years, or when necessary. The vehicle for doing this is known as a Municipal Service Review.

Pursuant to Government Code Section 56430, MSR's make determinations on seven (7) required topics as follows:

- 1. Growth and population projections for the affected area.*
- 2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.*
- 3. Present and planned capacity of public facilities and adequacy of public services, adequacy of public services, infrastructure needs, or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.*
- 4. Financial ability of agencies to provide services.*
- 5. Status of, and opportunities for, shared facilities.*
- 6. Accountability for community service needs, including government structure and operational efficiencies.*
- 7. Any other matter related to effective or efficient service delivery, as required by Commission Policy.*

The focus of an MSR is to ensure that public services are being carried out efficiently and the residents of any given area or community are receiving the highest level of service possible, while also discouraging urban sprawl and the premature conversion of agricultural lands. If an MSR determines that certain services are not being carried out to an adequate standard, LAFCO can recommend changes be made through making sphere changes and dissolution or consolidation of service providers to provide the best service possible to the population.

PRIOR MUNICIPAL SERVICE REVIEWS

Three cycles of MSR's were completed by OC LAFCO prior to this one. The first was produced in 2005, the second in 2008, and the third in 2013. Each MSR cycle has provided OC LAFCO with new and important information regarding the delivery of services to OC residents. OC LAFCO has learned that generally, all of the agencies in the County are well run and provide a high level of service. The high level of service is especially apparent in the Southwest Region. Prior MSR's have not singled out any significant issues among Southwest agencies.

In the interest of furthering OC LAFCO's goals, the MSR process over the prior cycles has produced key resources to help coordinate services, provide accountability, and increase transparency. Resources like the Fiscal Indicators and the Shared Services programs have provided agencies with a central location to access OC LAFCO services. OC LAFCO has also partnered with local experts such as those in the California State University of Fullerton's ("CSUF") Demographic Research Unit, to track trends that help develop the data for Disadvantaged Unincorporated Communities ("DUCs").

DISADVANTAGED UNINCORPORATED COMMUNITIES (DUCS)

As part of this MSR, RSG was asked to consider the location, characteristics and adequacy of services and public facilities related to Disadvantaged Unincorporated Communities in any of the SOIs within the Region. DUCs are defined as inhabited territory located within an unincorporated area of a county in which the annual median household income is less than 80 percent of the statewide median household income. State law considers an area with 12 or more registered voters to be an inhabited area. CKH requires identification and analysis of service issues within DUCs as part of MSR/SOI updates. State law (SB 244) also places restrictions on annexations to cities if the proposed annexation is adjacent to a DUC.

OC LAFCO previously designated a total of seven (7) DUCs in the County. However, none of these DUCs are in the Southwest Region.

UNINCORPORATED AREAS

There are several unincorporated islands (territory completely or substantially surrounded by cities) and other unincorporated areas within the County that should eventually be transitioned to an adjacent city over time and when feasible. CKH, in various sections of the statute, requires LAFCO to address these areas during MSR/SOI updates and annexation proceedings. For over 20 years, OC LAFCO has worked collaboratively with the County and multiple cities on the transitioning of unincorporated areas to the jurisdiction of adjacent cities. Today, that effort continues and includes addressing the feasibility of annexation and infrastructure deficiencies and other challenges.

In the Southwest Region, unincorporated areas include the Aliso and Wood Canyons Wilderness Park and the Emerald Bay residential community. Services to these areas are provided by multiple agencies that include the County, Emerald Bay Community Services District, and Laguna Beach County Water District. The Aliso and Wood Canyons Wilderness Park is serviced as part of the County's park system by County Service Area ("CSA") 26. The park receives fire protection services from the Orange County Fire Authority. Emerald Bay is served, either through contract or direct action, by the Emerald Bay Community Services District. More on these services and providers is discussed in Section VII. Due to geography and resident preferences, these areas are unlikely to be annexed by neighboring cities in the near future.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

OC LAFCO is responsible for overseeing the boundaries, establishing and updating SOIs, and preparing MSRs for the County's 34 cities and 34 independent and dependent special districts. Since its creation, the Commission has formed nine cities, approved multiple changes of organization and reorganization involving cities and special districts, and encouraged orderly

MISSION:

OC LAFCO serves Orange County cities, special districts, and the county to ensure effective and efficient delivery of municipal services.

development through the establishment of agency SOIs and preparation of numerous studies. OC LAFCO has also provided proactive leadership on efficient government through its Unincorporated Islands Program and an innovative presence through its Shared Services and Fiscal Indicators Web-based programs. In addition to State law, the Commission's authority is guided through adopted policies and procedures that assist in the implementation of the provisions of the CKH Act and consideration of the local conditions and circumstances of Orange County.

COMMISSION COMPOSITION

OC LAFCO is comprised of eleven (11) members, with seven serving as regular members and four serving as alternate members. The members include: three (3) County Supervisors, three (3) City Council members, three independent Special District members, and two (2) at-large representatives of the general public. All members serve four-year terms and there are no term

limits. In accordance with the statute, while serving on the Commission, all commission members shall exercise their independent judgement on behalf of the interests of residents, property owners, and the public as a whole. Table 2 depicts the current members of the Commission and their respective appointing authority and term.

Table 2: OC LAFCO Commission Roster

Commissioners	Appointing Authority	Current Term
Regular Members		
Douglass Davert, Chair Special District Member	Independent Special District Selection Committee	2022–2026
Donald P. Wagner, Vice Chair County Member	Board of Supervisors	2022–2026
Derek J. McGregor, Immediate Past Chair Public Member	Commission	2022–2026
Andrew Do, County Member	Board of Supervisors	2019–2023
Wendy Bucknum, City Member	City Selection Committee	2020–2024
James Fidler, Special District Member	Independent Special District Selection Committee	2020–2024
Bruce Whitaker, City Member	City Selection Committee	2022–2026
Alternate Members		
Carol Moore, City Member	City Selection Committee	2020–2024
Kathryn Freshley, Special District Member	Independent Special District Selection Committee	2022–2026
Katrina Foley, County Member	Board of Supervisors	2019–2023
Lou Penrose, Public Member	Commission	2021–2025
Carolyn Emery, Executive Officer Scott C. Smith, General Counsel		

MEETING AND CONTACT INFORMATION

The Commission’s regular meetings are held on the second Wednesday of the month at 8:15 a.m. Currently, the meetings are conducted at County Administration North (CAN), First Floor Multipurpose Room 101, 400 W. Civic Center Drive, Santa Ana, CA 92701. The OC LAFCO administrative offices are centrally located at 2677 North Main Street, Suite 1050, Santa Ana, CA 92701. Commission staff may be reached by telephone at (714) 640-5100. The agency’s agendas, reports and other resources are available online at www.OCLAFCO.org.



METHODOLOGY AND DATA SOURCES

RSG worked in coordination with OC LAFCO staff throughout the duration of this MSR. To fully understand key factors and current issues involving the cities, RSG conducted an initial working session with OC LAFCO staff to determine the project scope and process and formalize overall MSR objectives, schedules, agency services to review, fiscal criteria, and roles and responsibilities of OC LAFCO, RSG, and other consultants. Key tasks and activities in the completion of this MSR included a thorough review of available relevant agency data and documents; interviews with agencies; development of agency profiles; MSR and SOI determination analysis; preparation of administrative and public review drafts of the MSR; incorporation of agency, OC LAFCO, and public comments; and consideration by OC LAFCO of adoption of the final MSR.

It is important to acknowledge that the data presented in this report represents the best information available during the data collection phase, which was largely completed between May and November of 2022. This report represents a snapshot in time, and there may be material changes since then that are not reflected in this report.

For subject agencies that are incorporated cities, this MSR uses the Federal Decennial Census (“Census”) or California’s State Department of Finance (“DOF”) Population and Housing Estimates from January 1, 2022. Produced by DOF’s Demographic Research Unit, the estimates are released annually and are the official population and housing unit tallies used in most State programs and for jurisdictional appropriation limits. The estimates are restricted to cities and counties and do not encompass all potential taxing entities or districts in the State. The data from DOF only reports on total population, total housing units, housing type, and unit occupancy status. Therefore, RSG relied on additional sources and tools to provide a more complete demographic picture.

Some of the demographic data reported in this MSR comes from ESRI’s Business Analyst online software. The platform uses Geographic Information Systems (“GIS”) to produce a variety of comparison reports for areas both smaller and larger than most official data sources, such as the Census or DOF. Subjects in this MSR pertaining to growth rates, poverty rates, number of workers in the jurisdiction, and number of businesses all were produced in part by inputting boundary shapefiles into the GIS functions of Business Analyst. Where applicable, this MSR notes agency disagreements with certain reported demographic numbers or rates. Population and housing unit data for the special districts was derived from ESRI, but not for the cities. All demographic data is from the year 2022 unless otherwise stated.

Summary fiscal health data was researched and provided to RSG by another consultant, Berkson & Associates, as part of a separate and independent engagement with OC LAFCO to populate a set of “Fiscal Indicators” that will appear on OC LAFCO’s website. The Fiscal Indicators provide the latest three years of revenue, expenditures, net position, and reserves data reported in the agencies’ financial audits and budgets. Berkson & Associates also provided a summary of the trends for each line item. OC LAFCO’s partnership with Berkson & Associates to develop the Fiscal Indicators website aided RSG in the review of the Southwest agencies’ finances. As a result, this MSR did not undertake an extensive review of each agencies’ finances but consulted with Berkson to present and briefly summarize their findings.

III. AGENCY PROFILES

As part of this MSR, OC LAFCO and RSG examined a range of municipal services provided by each agency in the Southwest Region. This section provides summaries of the governing structure, population, service area, types of services, and the service providers of each agency. The profile of each Southwest Region city covers the key services provided in the city, while the special district profiles provide detail only on the services they are legally authorized to provide. A demographic summary and a map of each agency are shown following the profile table.

Summary financial trends of each agency going back to FY 2018-19 are also shown in this section. All financial tables were produced using the Fiscal Indicators data described in the prior section. Please note that trends shown are exclusive of transfers in and out: transfers of net revenue to capital funds and other uses are not shown; transfers to designated operating reserves may not be required if agency reserve targets are being met.

Below is a list of the agencies profiled:

Cities

- Aliso Viejo
- Dana Point
- Laguna Beach
- Laguna Hills
- Laguna Niguel
- Laguna Woods

Special Districts and JPA

- El Toro Water District
- Laguna Beach County Water District
- Moulton Niguel Water District
- South Coast Water District
- Emerald Bay Community Service District
- Capistrano Bay Community Services District
- Three Arch Bay Community Services District
- South Orange County Wastewater Authority (JPA)

City of Aliso Viejo

Incorporated July 1, 2001

Agency Information

Address	12 Journey, Aliso Viejo, CA 92656
Primary Contact	Dave Doyle, City Manager
Contact Information	949-425-2520
Website	www.avcity.org
Governance	5 Council Members, Elected At-Large
Total City Staff	25 Full Time, 17 Part Time

Service Area Information

Incorporated Area (Sq. Mi.)	6.92
Population	50,782
Unincorporated Population of SOI	N/A

Service Summary

<u>Service or Department</u>	<u>Provider</u>
Law Enforcement	OCSD
Fire Protection/Emergency Medical	OCFA
Building/Planning	Aliso Viejo
Code Enforcement	Aliso Viejo
Animal Control	Aliso Viejo (Contractual agreement with Mission Viejo)
Parks and Recreation	Aliso Viejo, Aliso Viejo Community Association (HOA)
Library	County of Orange
Museum	N/A
Landscape Maintenance	Aliso Viejo Community Association (HOA)
Lighting	N/A
Streets/Road Maintenance	Aliso Viejo
Electricity/Gas	SCE /SoCal Gas/SDG&E
Solid Waste	CR&R
Stormwater Protection	Aliso Viejo
Water	Moulton Niguel Water District, El Toro Water District
Wastewater	Moulton Niguel Water District, El Toro Water District, SOCWA
Wholesale Water	Municipal Water District of Orange County
Cemetery	Orange County Cemetery District
Vector Control	Orange County Mosquito & Vector Control District

Demographics Summary

Aliso Viejo

Population & Density	Agency	County
2020 Population	52,176	3,186,989
2022 Population	50,782	3,203,504
2027 Population ¹	51,200	3,198,933
2022-2027 Projected Growth Rate (%)	0.8% >	-0.1%
Daytime Population	47,773	3,284,351
Unincorporated SOI Population	-	-
Households	19,435	1,082,175
Household Size	2.61 <	2.96
Area (Square Miles)	6.92	948.00
Density (Persons per Square Mile)	7,337 >	3,379
Housing		
Housing Units	20,189	1,142,029
Owner Occupied (%)	58% >	55%
Renter Occupied (%)	39% <	40%
Vacant %	4% <	5%
Median Home Value	\$ 731,802 <	\$ 783,700
Employment & Poverty		
Businesses	2,161	176,208
Employees	21,036	1,631,636
Median Household Income	\$ 126,744 >	\$ 105,674
Public Transportation Commuters (%)	0.7% <	1.8%
Commute Longer than 60 Minutes (%)	7.7% <	9.5%
Poverty Rate	5.1% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

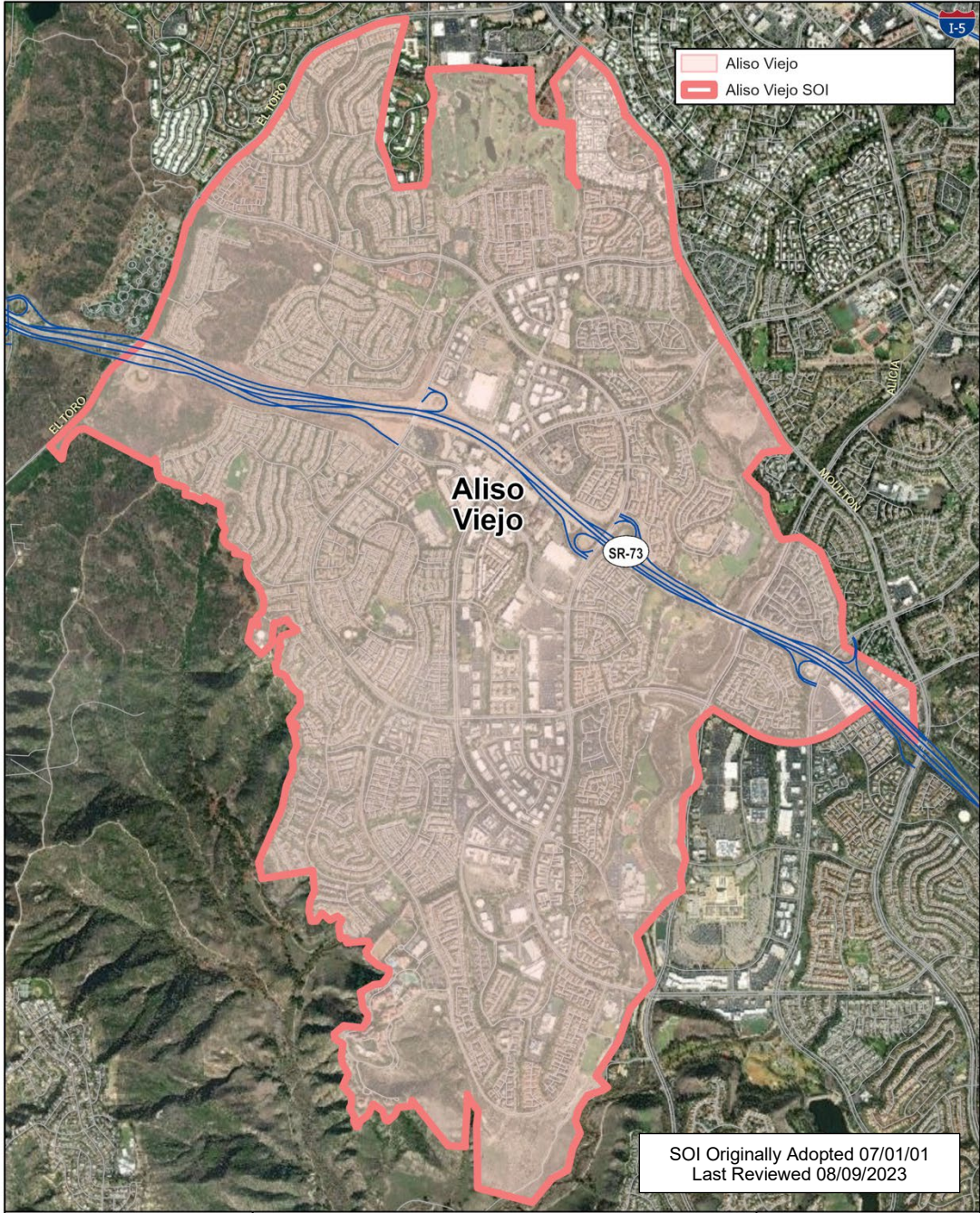
General Fund Cash Flow FY 18-19 to FY 20-21

Aliso Viejo

Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 20,264,249	\$ 19,000,653	\$ 17,662,581
Expenditures	17,483,914	17,860,127	18,991,868
Net	\$ 2,780,335	\$ 1,140,526	\$ (1,329,287)
Reserves	\$ 21,775,144	\$ 22,192,528	\$ 17,586,829

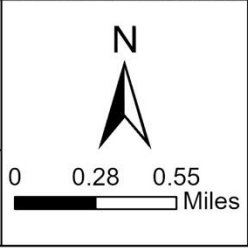
¹"Reserves" based on General Fund balance assigned to contingencies, emergencies, and unassigned

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



City of Aliso Viejo

Source: RSG Inc., ESRI, OCLAFCO



City of Dana Point

Incorporated January 1, 1989

Agency Information

Address	33282 Golden Lantern, Dana Point, CA 92629
Primary Contact	Mike Killebrew, City Manager
Contact Information	949-248-3513
Website	www.danapoint.org
Governance	5 Council Members, Elected by District
Total City Staff	67 Full Time, 8 Part Time

Service Area Information

Incorporated Area (Sq. Mi.)	6.51
Population	32,943
Unincorporated Population of SOI	N/A

Service Summary

Service or Department	Provider
Law Enforcement	OCSD
Fire Protection/Emergency Medical	OCFA
Building/Planning	Dana Point
Code Enforcement	Dana Point
Animal Control	Dana Point (Contractual agreement Coastal Animal Services Authority)
Parks and Recreation	Dana Point
Library	County of Orange
Museum	N/A
Landscape Maintenance	Dana Point (Contractual agreement with ..
Lighting	SDGE
Streets/Road Maintenance	Dana Point
Electricity/Gas	San Diego Gas & Electric
Solid Waste	CR&R
Stormwater Protection	Dana Point
Water	South Coast Water District, Moulton Niguel Water District
Wastewater	SCWD, SOCWA, SMWD
Wholesale Water	Municipal Water District of Orange County
Cemetery	Orange County Cemetery District
Vector Control	Orange County Mosquito & Vector Control District

Demographics Summary

Dana Point

Population & Density	Agency	County
2020 Population	33,107	3,186,989
2022 Population	32,943	3,203,504
2027 Population ¹	33,994	3,198,933
2022-2027 Projected Growth Rate (%)	3.2% >	-0.1%
Daytime Population	31,887	3,284,351
Unincorporated SOI Population	-	-
Households	14,359	1,082,175
Household Size	2.29 <	2.96
Area (Square Miles)	6.51	948.00
Density (Persons per Square Mile)	5,060 >	3,379
Housing		
Housing Units	16,379	1,142,029
Owner Occupied (%)	56% >	55%
Renter Occupied (%)	32% <	40%
Vacant %	12% >	5%
Median Home Value	\$ 962,378 >	\$ 783,700
Employment & Poverty		
Businesses	2,064	176,208
Employees	13,838	1,631,636
Median Household Income	\$ 119,867 >	\$ 105,674
Public Transportation Commuters (%)	1.9% >	1.8%
Commute Longer than 60 Minutes (%)	10.2% >	9.5%
Poverty Rate	5.1% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

General Fund Cash Flow FY 18-19 to FY 20-21

Dana Point

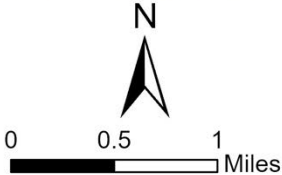
Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 39,020,904	\$ 38,326,095	\$ 41,415,544
Expenditures	36,409,765	36,287,179	34,054,359
Net	\$ 2,611,139	\$ 2,038,916	\$ 7,361,185
Reserves	\$ 7,351,000	\$ 10,623,042	\$ 10,736,189

¹"Reserves" per City policy commitments of unassigned fund balance. Reserves designated for Economic Stability and Extreme Events are less than total unassigned fund balance.

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



City of Dana Point



Source: RSG Inc., ESRI, OCLAFCO



City of Laguna Beach

Incorporated June 29, 1927

Agency Information

Address	505 Forest Ave, Laguna Beach, CA 92651
Primary Contact	Shohreh Dupuis, City Manager
Contact Information	(949) 497-0704
Website	www.lagunabeachcity.net
Governance	5 Council Members, Elected At-Large
Total City Staff	290.68 FTE

Service Area Information

Incorporated Area (Sq. Mi.)	8.84
Population	22,706
Unincorporated Population of SOI	N/A

Service Summary

Service or Department	Provider
Law Enforcement	Laguna Beach
Fire Protection/Emergency Medical	Laguna Beach
Building/Planning	Laguna Beach
Code Enforcement	Laguna Beach
Animal Control	Laguna Beach
Parks and Recreation	Laguna Beach
Library	County of Orange
Museum	Laguna Art Museum
Landscape Maintenance	Laguna Beach
Lighting	Laguna Beach, SCE, SDG&E
Streets/Road Maintenance	Laguna Beach
Electricity/Gas	SCE/SDG&E/SoCal Gas
Solid Waste	Waste Management
Stormwater Protection	N/A
Water	Laguna Beach County Water District, South Coast Water District
Wastewater	Laguna Beach, SOCWA, SCWD
Wholesale Water	Municipal Water District of Orange County
Cemetery	Orange County Cemetery District
Vector Control	Orange County Mosquito & Vector Control District

Demographics Summary

Laguna Beach

Population & Density	Agency	County
2020 Population	23,032	3,186,989
2022 Population	22,706	3,203,504
2027 Population ¹	22,271	3,198,933
2022-2027 Projected Growth Rate (%)	-1.9% <	-0.1%
Daytime Population	28,215	3,284,351
Unincorporated SOI Population	-	-
Households	10,771	1,082,175
Household Size	2.11 <	2.96
Area (Square Miles)	8.84	948.00
Density (Persons per Square Mile)	2,569 <	3,379
Housing		
Housing Units	13,025	1,142,029
Owner Occupied (%)	52% <	55%
Renter Occupied (%)	29% <	40%
Vacant %	19% >	5%
Median Home Value	\$ 1,865,589 >	\$ 783,700
Employment & Poverty		
Businesses	2,777	176,208
Employees	16,992	1,631,636
Median Household Income	\$ 159,682 >	\$ 105,674
Public Transportation Commuters (%)	1.0% <	1.8%
Commute Longer than 60 Minutes (%)	8.3% <	9.5%
Poverty Rate	6.2% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

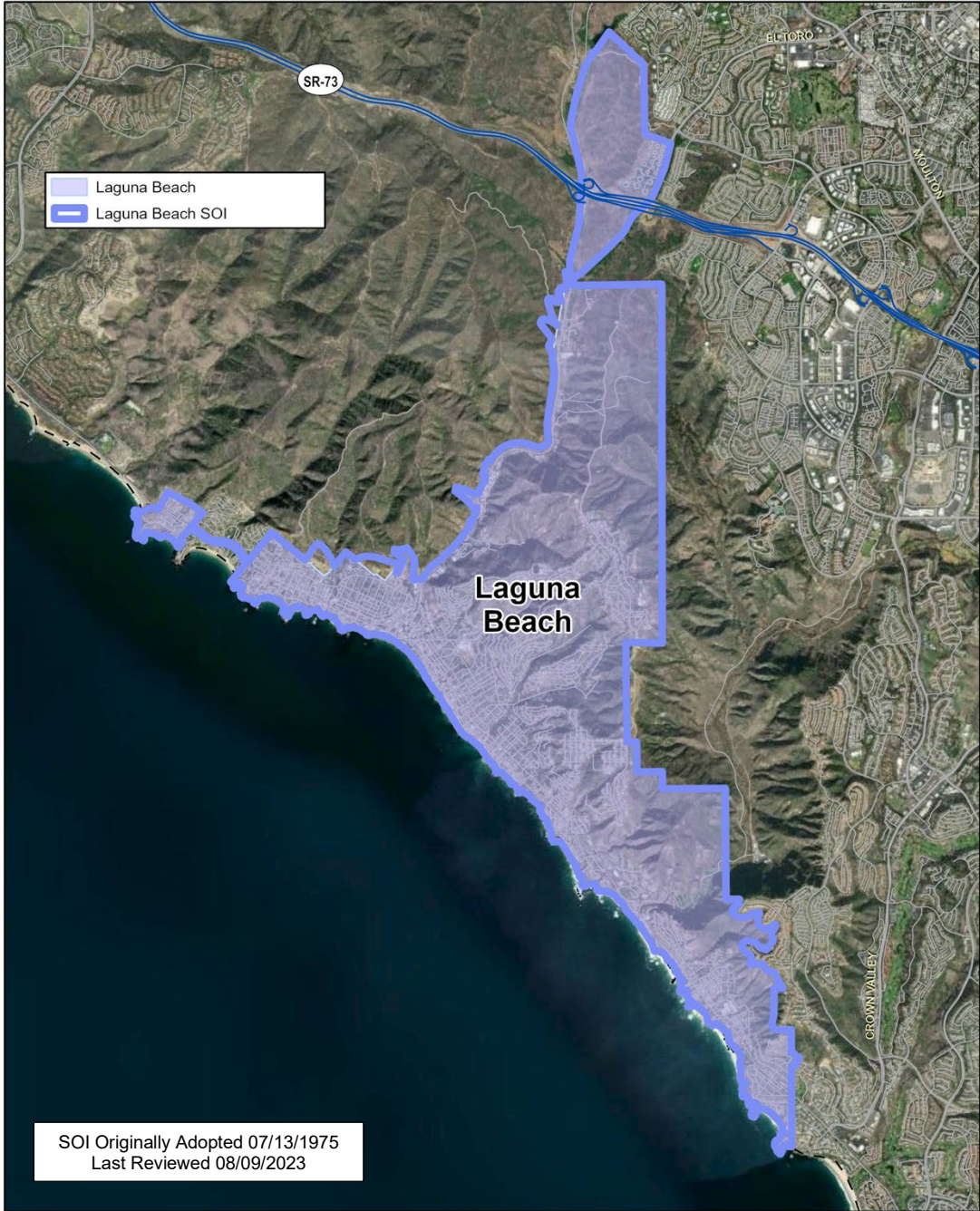
General Fund Cash Flow FY 18-19 to FY 20-21


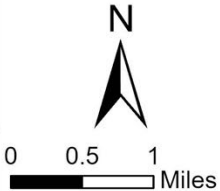
Laguna Beach

Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 88,020,317	\$ 80,357,811	\$ 92,717,406
Expenditures	79,906,315	79,714,372	81,430,309
Net	\$ 8,114,002	\$ 643,439	\$ 11,287,097
Reserves	\$ 27,530,330	\$ 23,406,015	\$ 26,195,065

¹"Reserves" based on unassigned fund balance. City indicates its Municipal Code Requires a 10% General Fund Reserve and the City has a 10% Disaster Contingency Reserve (Response to MSR Data Request).

Source: OC LAFCO Fiscal Indicators, Berkson & Associates ;



	<h3>City of Laguna Beach</h3>	
	<p>Source: RSG Inc., ESRI, OCLAFCO</p>	

City of Laguna Hills

Incorporated December 20, 1991

Agency Information

Address	24035 El Toro Rd, Laguna Hills, CA 92653
Primary Contact	Jarad Hildenbrand, City Manager
Contact Information	949-707-2620
Website	www.ci.laguna-hills.ca.us
Governance	5 Council Members, Elected At-Large
Total City Staff	25 Full Time, 2.75 Part Time

Service Area Information

Incorporated Area (Sq. Mi.)	6.65
Population	30,750
Unincorporated Population of SOI	N/A

Service Summary

<u>Service or Department</u>	<u>Provider</u>
Law Enforcement	OCSD
Fire Protection/Emergency Medical	OCFA
Building/Planning	Laguna Hills
Code Enforcement	Laguna Hills
Animal Control	Laguna Hills (contractual agreement with Mission Viejo)
Parks and Recreation	Laguna Hills
Library	County of Orange
Museum	N/A
Landscape Maintenance	Laguna Hills
Lighting	Laguna Hills
Streets/Road Maintenance	Laguna Hills
Electricity/Gas	SCE/SoCal Gas
Solid Waste	CR&R
Stormwater Protection	Laguna Hills
Water	Moulton Niguel Water District, El Toro Water District
Wastewater	Moulton Niguel Water District, El Toro Water District, SOCWA
Wholesale Water	Municipal Water District of Orange County
Cemetery	Orange County Cemetery District
Vector Control	Orange County Mosquito & Vector Control District

Demographics Summary

Laguna Hills

Population & Density	Agency	County
2020 Population	31,374	3,186,989
2022 Population	30,750	3,203,504
2027 Population ¹	31,276	3,198,933
2022-2027 Projected Growth Rate (%)	1.7% >	-0.1%
Daytime Population	37,754	3,284,351
Unincorporated SOI Population	-	-
Households	10,951	1,082,175
Household Size	2.81 <	2.96
Area (Square Miles)	6.65	948.00
Density (Persons per Square Mile)	4,626 >	3,379
Housing		
Housing Units	11,430	1,142,029
Owner Occupied (%)	68% >	55%
Renter Occupied (%)	30% <	40%
Vacant %	2% <	5%
Median Home Value	\$ 820,467 >	\$ 783,700
Employment & Poverty		
Businesses	2,912	176,208
Employees	20,391	1,631,636
Median Household Income	\$ 118,475 >	\$ 105,674
Public Transportation Commuters (%)	1.2% <	1.8%
Commute Longer than 60 Minutes (%)	7.8% <	9.5%
Poverty Rate	8.7% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

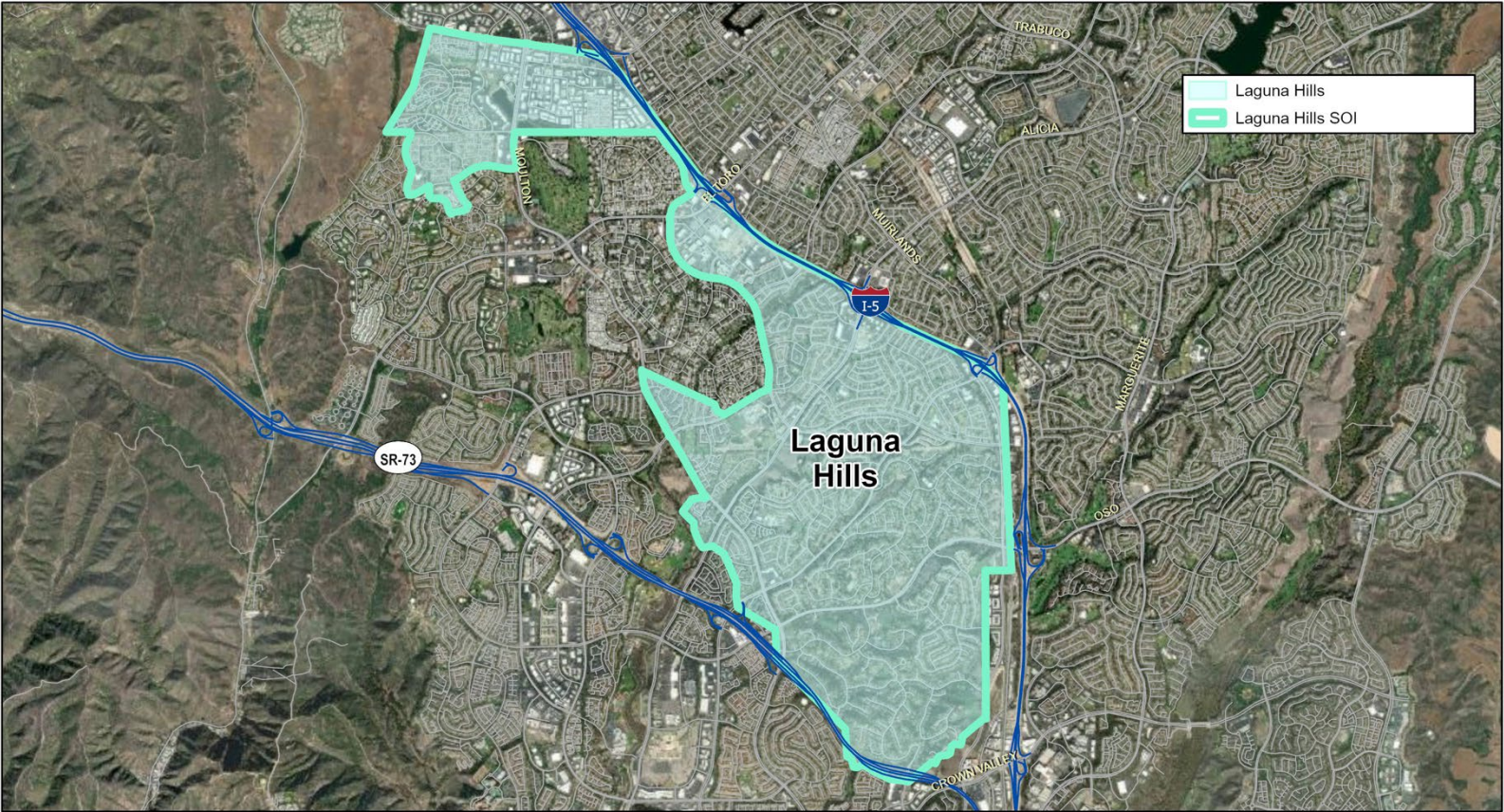
General Fund Cash Flow FY 18-19 to FY 20-21

Laguna Hills

Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 22,047,533	\$ 21,846,623	\$ 22,752,294
Expenditures	19,725,985	20,403,623	20,590,720
Net	\$ 2,321,548	\$ 1,443,000	\$ 2,161,574
Reserves	\$ 7,161,146	\$ 7,487,247	\$ 7,824,536

¹"Reserves" based on unassigned General fund balance. City policy strives to maintain a minimum Fund Balance Reserve of 35% of operating budget for contingencies, calamitous events, economic uncertainty and cash flow fluctuations.

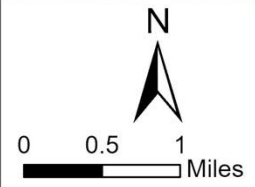
Source: OC LAFCO Fiscal Indicators, Berkson & Associates



	Laguna Hills
	Laguna Hills SOI



City of Laguna Hills



Source: RSG Inc., ESRI, OCLAFCO



City of Laguna Niguel

Incorporated December 1, 1989

Agency Information

Address	30111 Crown Valley Pkwy, Laguna Niguel, CA 92677
Primary Contact	Tamara Letourneau, City Manager
Contact Information	949-362-4300
Website	www.cityoflagunaniguel.org
Governance	5 Council Members, Elected At-Large
Total City Staff	64 FTE

Service Area Information

Incorporated Area (Sq. Mi.)	14.79
Population	64,316
Unincorporated Population of SOI	N/A

Service Summary

Service or Department	Provider
Law Enforcement	OCSD
Fire Protection/Emergency Medical	OCFA
Building/Planning	Laguna Niguel
Code Enforcement	Laguna Niguel
Animal Control	Laguna Niguel (contractual agreement with Mission Viejo)
Parks and Recreation	Laguna Niguel
Library	Laguna Niguel
Museum	County of Orange
Landscape Maintenance	Laguna Niguel
Lighting	Laguna Niguel
Streets/Road Maintenance	Laguna Niguel
Electricity/Gas	SDG&E, SCE, SoCal Gas
Solid Waste	CR&R
Stormwater Protection	Laguna Niguel
Water	Moulton Niguel Water District
Wastewater	Moulton Niguel Water District, SOCWA
Wholesale Water	Municipal Water District of Orange County
Cemetery	Orange County Cemetery District
Vector Control	Orange County Mosquito & Vector Control District

Demographics Summary

Laguna Niguel

Population & Density	Agency	County
2020 Population	64,355	3,186,989
2022 Population	64,316	3,203,504
2027 Population ¹	63,771	3,198,933
2022-2027 Projected Growth Rate (%)	-0.8% <	-0.1%
Daytime Population	55,490	3,284,351
Unincorporated SOI Population	-	-
Households	25,703	1,082,175
Household Size	2.50 <	2.96
Area (Square Miles)	14.79	948.00
Density (Persons per Square Mile)	4,349 >	3,379
Housing		
Housing Units	27,822	1,142,029
Owner Occupied (%)	65% >	55%
Renter Occupied (%)	27% <	40%
Vacant %	8% >	5%
Median Home Value	\$ 943,144 >	\$ 783,700
Employment & Poverty		
Businesses	3,018	176,208
Employees	20,900	1,631,636
Median Household Income	\$ 131,037 >	\$ 105,674
Public Transportation Commuters (%)	0.5% <	1.8%
Commute Longer than 60 Minutes (%)	9.0% <	9.5%
Poverty Rate	6.7% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

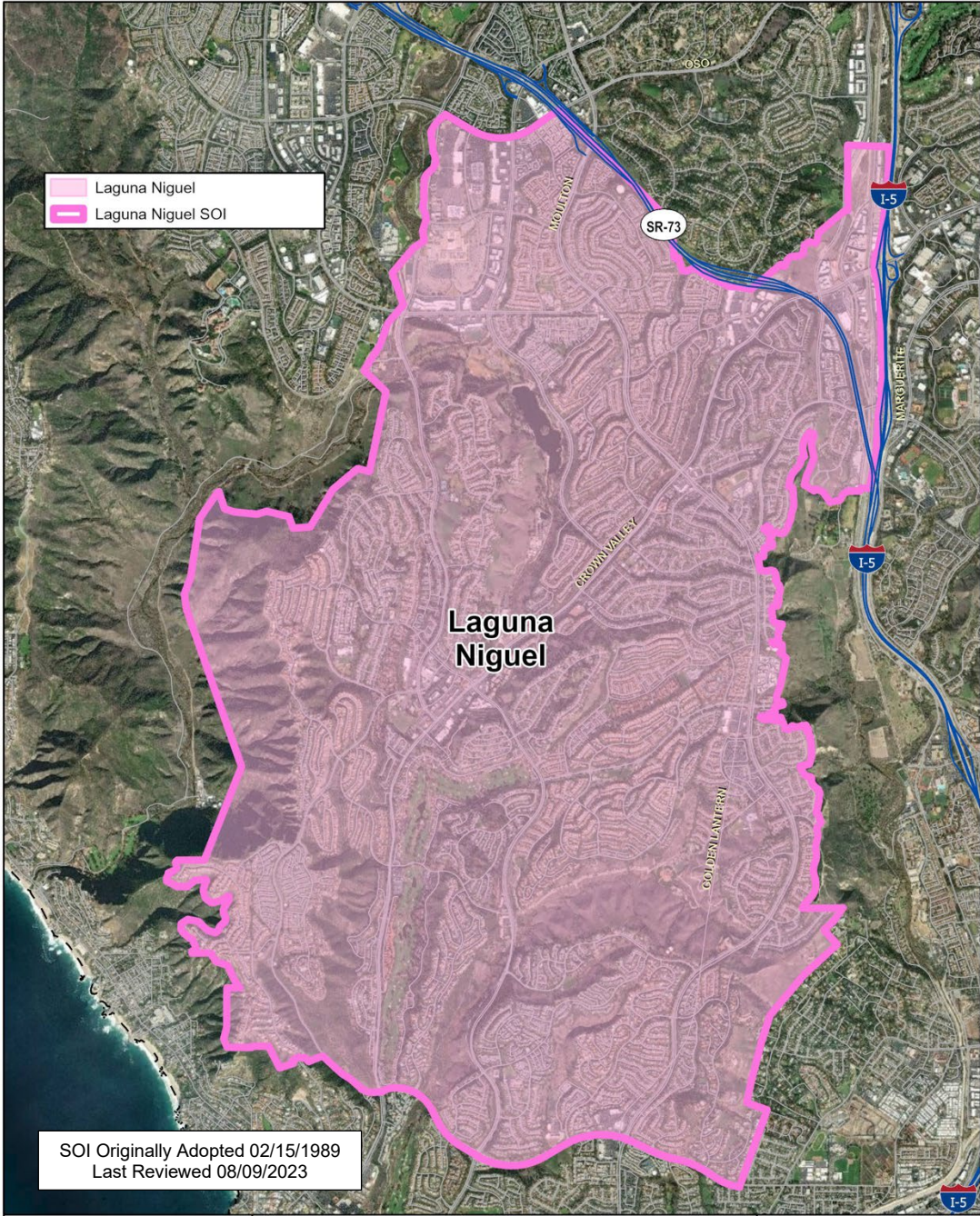
General Fund Cash Flow FY 18-19 to FY 20-21

Laguna Niguel

Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 43,809,474	\$ 44,183,014	\$ 45,750,457
Expenditures	38,213,862	40,501,961	39,338,865
Net	\$ 5,595,612	\$ 3,681,053	\$ 6,411,592
Reserves	\$ -	\$ 20,250,975	\$ 19,669,431

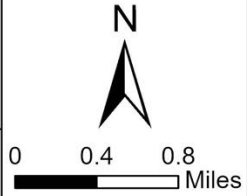
¹"Reserves" shown based on General Fund Balance committed to financial and economic uncertainty (City budgets beginning FY 2019-20). Total reserves including capital and other reserves were \$57.4 mill. (FY19), \$41.7 mill. (FY20) and \$46.3 mill. (FY22) per Annual Comprehensive Financial Reports.

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



City of Laguna Niguel

Source: RSG Inc., ESRI, OCLAFCO



City of Laguna Woods

Incorporated March 24, 1999

Agency Information

Address	24264 El Toro Rd, Laguna Woods, CA 92637
Primary Contact	Christopher Macon, City Manager
Contact Information	949-639-0525
Website	www.cityoflagunawoods.org
Governance	5 Council Members, Elected At-Large
Total City Staff	10.25 FTE

Service Area Information

Incorporated Area (Sq. Mi.)	3.31
Population	17,514
Unincorporated Population of SOI	N/A

Service Summary

<u>Service or Department</u>	<u>Provider</u>
Law Enforcement	OCSD
Fire Protection/Emergency Medical	OCFA
Building/Planning	Laguna Woods, (contractual agreement with Bureau Veritas North America)
Code Enforcement	Laguna Woods, (contractual agreement with Willdan Engineering)
Animal Control	Laguna Woods (contractual agreement Laguna Beach)
Parks and Recreation	Laguna Woods
Library	County of Orange
Museum	N/A
Landscape Maintenance	Laguna Woods, (contractual agreement with BrightView Landscape Services (HOA))
Lighting	Laguna Woods, (contractual agreement with Siemens Mobility)
Streets/Road Maintenance	Laguna Woods, HOA
Electricity/Gas	SCE/SoCal Gas
Solid Waste	CR&R
Stormwater Protection	Laguna Woods
Water	El Toro Water District
Wastewater	El Toro Water District, SOCWA
Wholesale Water	Municipal Water District of Orange County
Cemetery	Orange County Cemetery District
Vector Control	Orange County Mosquito & Vector Control District

Demographics Summary

Laguna Woods

Population & Density	Agency	County
2020 Population	17,644	3,186,989
2022 Population	17,514	3,203,504
2027 Population ¹	17,977	3,198,933
2022-2027 Projected Growth Rate (%)	2.6% >	-0.1%
Daytime Population	20,225	3,284,351
Unincorporated SOI Population	-	-
Households	11,963	1,082,175
Household Size	1.46 <	2.96
Area (Square Miles)	3.31	948.00
Density (Persons per Square Mile)	5,297 >	3,379
Housing		
Housing Units	13,414	1,142,029
Owner Occupied (%)	65% >	55%
Renter Occupied (%)	24% <	40%
Vacant %	11% >	5%
Median Home Value	\$ 435,864 <	\$ 783,700
Employment & Poverty		
Businesses	379	176,208
Employees	5,749	1,631,636
Median Household Income	\$ 51,641 <	\$ 105,674
Public Transportation Commuters (%)	1.1% <	1.8%
Commute Longer than 60 Minutes (%)	6.2% <	9.5%
Poverty Rate	10.2% >	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

General Fund Cash Flow FY 18-19 to FY 20-21

Laguna Woods

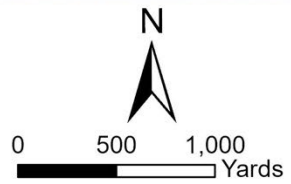
Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 6,351,788	\$ 6,147,530	\$ 6,030,918
Expenditures	6,423,364	5,872,459	5,920,678
Net	\$ (71,576)	\$ 275,071	\$ 110,240
Reserves	\$ 9,358,299	\$ 7,089,455	\$ 7,109,867

¹"Reserves" based on unassigned General Fund balance. City targets committed and assigned reserves from unassigned fund balance of 50% of ongoing General Fund revenues for General Contingency, self-insurance, and paid leave Reserve (approx. \$3 mill. in FY2022-23 budget).

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



City of Laguna Woods



Source: RSG Inc., ESRI, OCLAFCO



El Toro Water District

Formed in 1960

District Information

Address	24251 Los Alisos Blvd, Lake Forest, CA 92630
Primary Contact	Dennis Cafferty, General Manager
Contact Information	dcafferty@etwd.com
Website	www.etwd.com
Governance	5 Board Members, Elected At-Large
District Type	Independent Special District
Total Agency Staff	60 Full Time, 2 Part Time

Service Area Information

Incorporated Area (Sq. Mi.)	8.24
Communities Served	City of Laguna Woods, and portions of the Cities of Aliso Viejo, Lake Forest, Laguna Hills, and Mission Viejo
Population Served	53,062
Municipal Water Connections	9,536

Services Provided

- Potable water for various customer uses with approximately 287 million gallons of reservoir space.
- Sanitation/Wastewater services with 158 miles of sewer lines.
- Recycled water services with 24.9 miles of dedicated pipelines.

Demographics Summary

El Toro Water District

Population & Density	Agency	County
2020 Population	52,024	3,186,989
2022 Population	53,062	3,203,504
2027 Population ¹	52,864	3,198,933
2022-2027 Projected Growth Rate (%)	-0.4% <	-0.1%
Daytime Population	58,431	3,284,351
Unincorporated SOI Population	-	-
Households	23,134	1,082,175
Household Size	2.29 <	2.96
Area (Square Miles)	8.24	948.00
Density (Persons per Square Mile)	6,436 >	3,379
Housing		
Housing Units	24,921	1,142,029
Owner Occupied (%)	65% >	55%
Renter Occupied (%)	28% <	40%
Vacant %	7% >	5%
Median Home Value	\$ 572,348 <	\$ 783,700
Employment & Poverty		
Businesses	3,433	176,208
Employees	27,750	1,631,636
Median Household Income	\$ 72,230 <	\$ 105,674
Public Transportation Commuters (%)	2.4% >	1.8%
Commute Longer than 60 Minutes (%)	5.7% <	9.5%
Poverty Rate	9.8% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

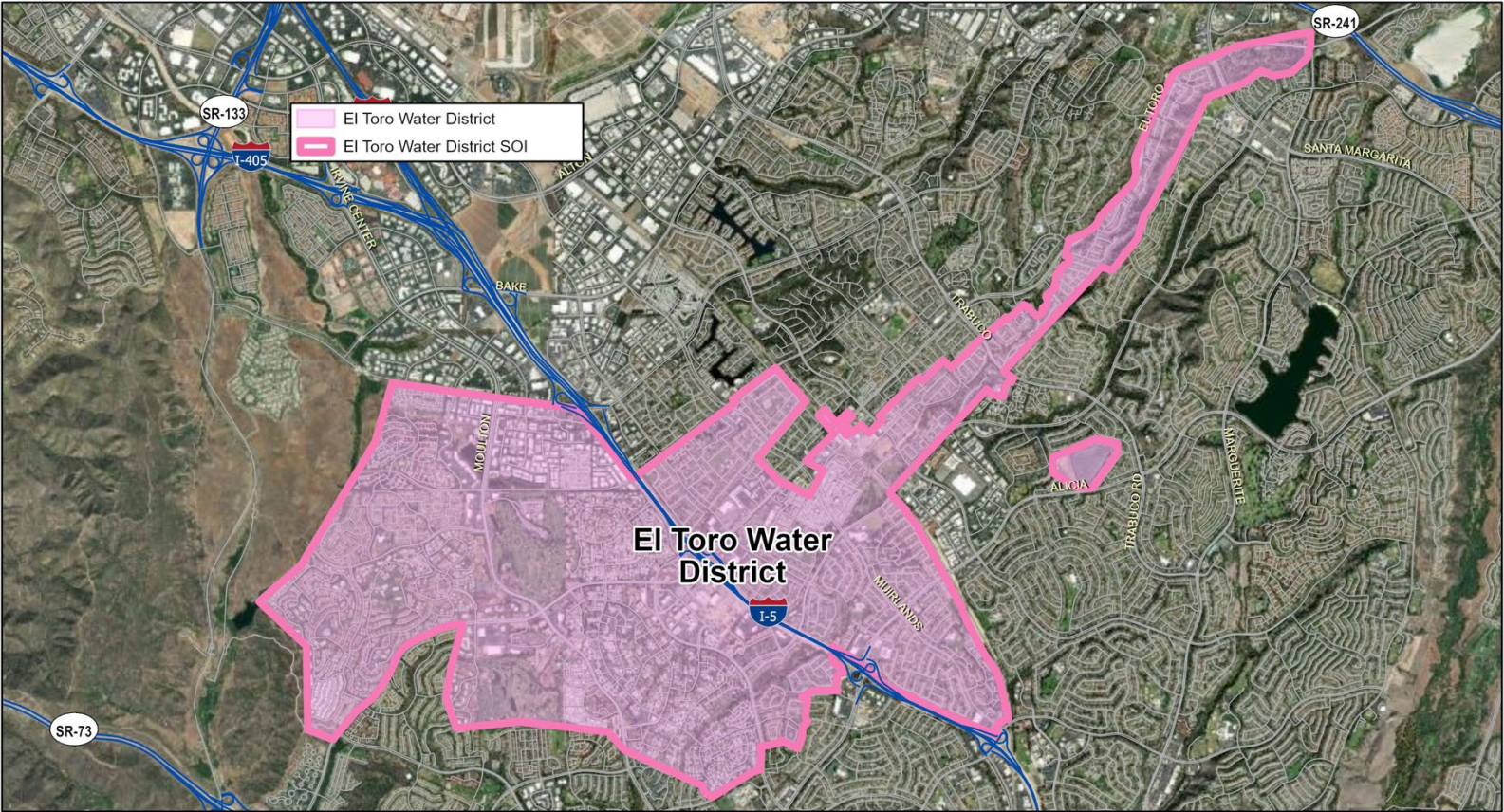
General Fund Cash Flow FY 18-19 to FY 20-21

El Toro Water District

Financial Summary¹	2018-19	2019-20	2020-21
Revenue	\$ 26,537,536	\$ 26,164,368	\$ 27,349,923
Expenditures	26,928,835	27,981,030	29,244,287
Net	\$ (391,299)	\$ (1,816,662)	\$ (1,894,364)
Reserves	\$ 6,121,392	\$ 4,989,655	\$ 2,472,175

¹"Reserves" shown are based on Unrestricted Net Position. "Cash and Cash Equivalents" meet Board mandated policy levels.

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



	<h1>El Toro Water District</h1> <p>Source: RSG Inc., ESRI, OCLAFCO</p>	
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Laguna Beach County Water District

Formed in 1925

Became Subsidiary of City of Laguna Beach on November 1, 2000

District Information

Address	306 3rd St, Laguna Beach, CA 92651
Primary Contact	Keith Van Der Maaten, General Manager
Contact Information	949-494-1041
Website	www.lbcwd.org
Governance	5 City Council Members ; 5 Water Commissioners appointed by City Council
District Type	Dependent Special District (Subsidiary of the City of Laguna Beach)
Total Agency Staff	39 FTE

Service Area Information

Incorporated Area (Sq. Mi.)	8.5
Communities Served	City of Laguna Beach and Unincorporated Community of Emerald Bay
Population Served	18,257
Municipal Water Connections	8,703

Services Provided

- Provides water for various customer uses through 21 water storage reservoirs, a capacity of 33.5 million gallons.
- Potable water provided to customers.

Demographics Summary

Laguna Beach County Water District

Population & Density	Agency	County
2020 Population	18,392	3,186,989
2022 Population	18,257	3,203,504
2027 Population ¹	18,017	3,198,933
2022-2027 Projected Growth Rate (%)	-1.3% <	-0.1%
Daytime Population	21,902	3,284,351
Unincorporated SOI Population	-	-
Households	8,660	1,082,175
Household Size	2.11 <	2.96
Area (Square Miles)	8.50	948.00
Density (Persons per Square Mile)	2,148 <	3,379
Housing		
Housing Units	10,219	1,142,029
Owner Occupied (%)	52% <	55%
Renter Occupied (%)	33% <	40%
Vacant %	15% >	5%
Median Home Value	\$ 1,821,790 >	\$ 783,700
Employment & Poverty		
Businesses	2,455	176,208
Employees	13,324	1,631,636
Median Household Income	\$ 153,642 >	\$ 105,674
Public Transportation Commuters (%)	1.1% <	1.8%
Commute Longer than 60 Minutes (%)	7.8% <	9.5%
Poverty Rate	6.3% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

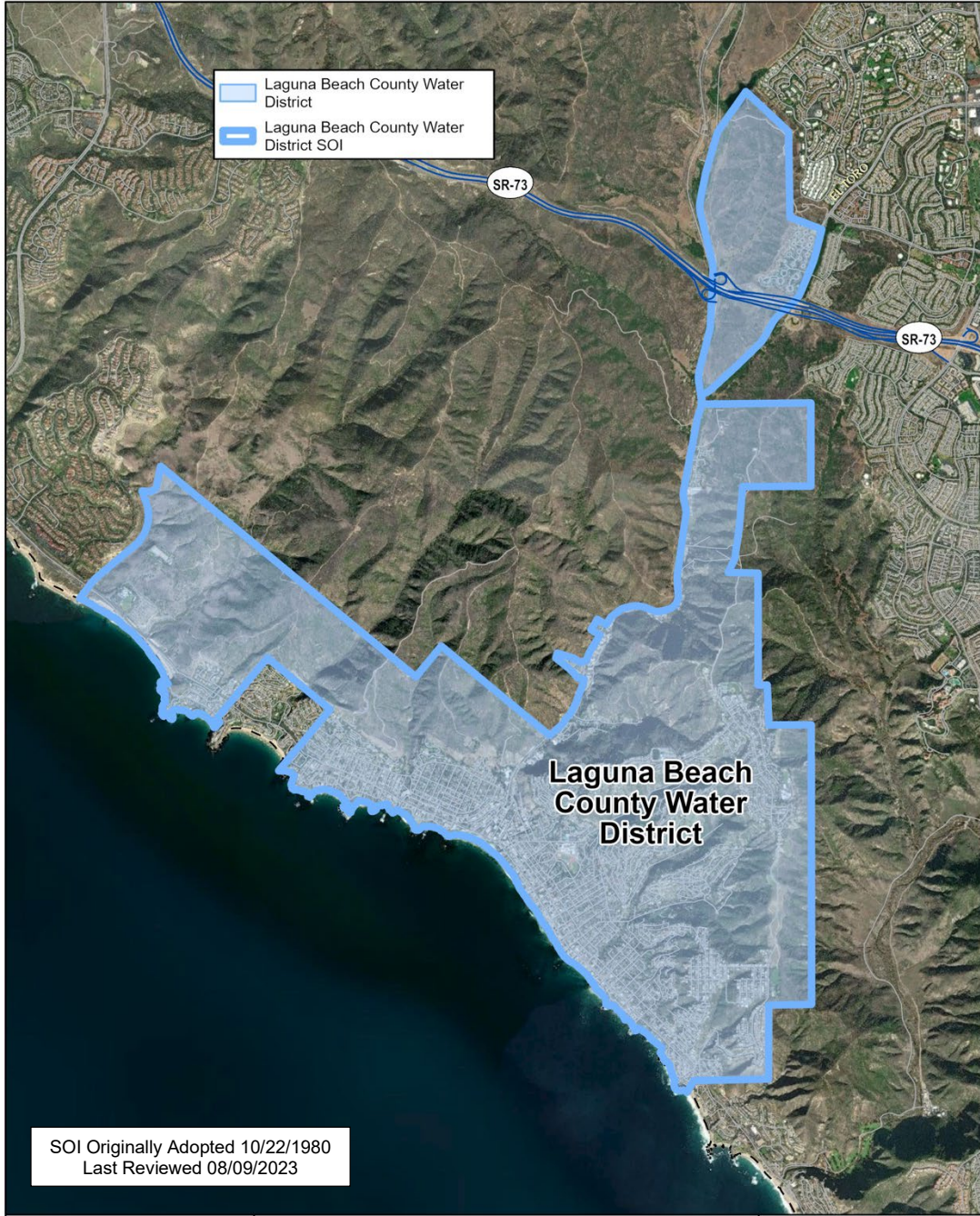
General Fund Cash Flow FY 18-19 to FY 20-21


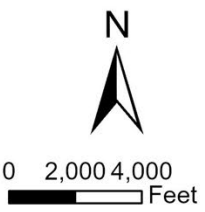
Laguna Beach County Water District

Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 14,832,343	\$ 15,806,304	\$ 17,293,460
Expenditures	13,118,553	14,369,924	15,403,586
Net	\$ 1,713,790	\$ 1,436,380	\$ 1,889,874
Reserves	\$ 13,289,814	\$ 12,890,018	\$ 15,030,315

¹"Reserves" based on unrestricted net position designations to Emergency Reserves and Operating Reserves (see notes to financial reports).

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



	Laguna Beach County Water District	
	<i>Source: RSG Inc., ESRI, OCLAFCO</i>	

Moulton Niguel Water District

Formed in 1960

District Information

Address	26161 Gordon Rd, Laguna Hills, CA 92653
Primary Contact	Joone Lopez, General Manager
Contact Information	949-831-2500
Website	www.mnwd.com
Governance	7 Board Members, Elected At-Large
District Type	Independent Special District
Total Agency Staff	180 FTE

Service Area Information

Incorporated Area (Sq. Mi.)	36.83
Communities Served	Cities of Aliso Viejo and Laguna Niguel, and portions of Laguna Hills, Mission Viejo, Dana Point, and San Juan Capistrano
Population Served	170,167
Municipal Water Connections	55,013

Services Provided

- Potable water, wastewater, and recycled water services are provided to customers.

Demographics Summary

Moulton Niguel Water District

Population & Density	Agency	County
2020 Population	170,015	3,186,989
2022 Population	170,167	3,203,504
2027 Population ¹	168,311	3,198,933
2022-2027 Projected Growth Rate (%)	-1.1% <	-0.1%
Daytime Population	164,577	3,284,351
Unincorporated SOI Population	-	-
Households	64,556	1,082,175
Household Size	2.64 <	2.96
Area (Square Miles)	36.83	948.00
Density (Persons per Square Mile)	4,620 >	3,379
Housing		
Housing Units	67,869	1,142,029
Owner Occupied (%)	64% >	55%
Renter Occupied (%)	31% <	40%
Vacant %	5% <	5%
Median Home Value	\$ 839,922 >	\$ 783,700
Employment & Poverty		
Businesses	9,288	176,208
Employees	76,073	1,631,636
Median Household Income	\$ 128,639 >	\$ 105,674
Public Transportation Commuters (%)	0.8% <	1.8%
Commute Longer than 60 Minutes (%)	8.5% <	9.5%
Poverty Rate	6.0% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

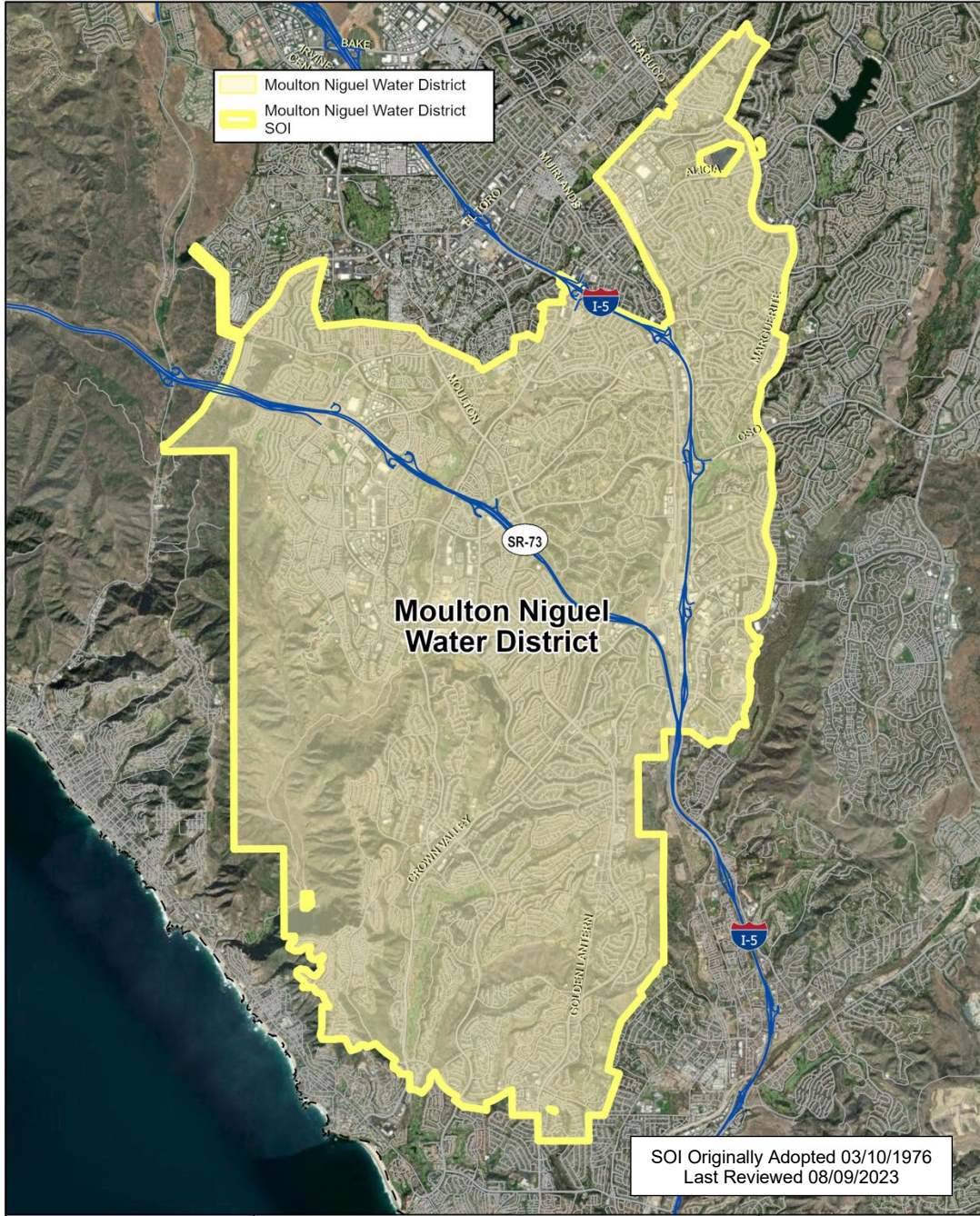
General Fund Cash Flow FY 18-19 to FY 20-21

Moulton Niguel Water District

Financial Summary¹	2018-19	2019-20	2020-21
Revenue	\$ 96,516,105	\$ 101,752,512	\$ 102,012,587
Expenditures	91,115,002	96,220,339	101,350,805
Net	\$ 5,401,103	\$ 5,532,173	\$ 661,782
Reserves	\$ 59,501,827	\$ 83,711,877	\$ 66,334,668

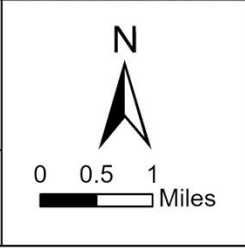
¹"Reserves" based on unrestricted net position designations to Emergency Reserves and Operating Reserves (see notes to financial reports).

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



**Moulton Niguel
Water District**

Source: RSG Inc., ESRI, OCLAFCO



South Coast Water District

Formed in 1932

District Information

Address	31592 West St, Laguna Beach, CA 92651
Primary Contact	Jody Brennan, Clerk of the Board
Contact Information	949-499-4555
Website	www.scwd.org
Governance	5 Board Members, Elected by District
District Type	Independent Special District
Total Agency Staff	95 FTE

Service Area Information

Incorporated Area (Sq. Mi.)	8.99
Communities Served	South Laguna Beach, portions of San Clemente and San Juan Capistrano, City of Dana Point
Population Served	33,897
Municipal Water Connections	12,562

Services Provided

- Potable water, wastewater, and recycled water services are provided to customers.

Demographics Summary

South Coast Water District

Population & Density	Agency	County
2020 Population	33,241	3,186,989
2022 Population	33,897	3,203,504
2027 Population ¹	34,211	3,198,933
2022-2027 Projected Growth Rate (%)	0.9% >	-0.1%
Daytime Population	32,060	3,284,351
Unincorporated SOI Population	-	-
Households	14,361	1,082,175
Household Size	2.36 <	2.96
Area (Square Miles)	8.99	948.00
Density (Persons per Square Mile)	3,771 >	3,379
Housing		
Housing Units	16,406	1,142,029
Owner Occupied (%)	57% >	55%
Renter Occupied (%)	31% <	40%
Vacant %	12% >	5%
Median Home Value	\$ 966,340 >	\$ 783,700
Employment & Poverty		
Businesses	2,008	176,208
Employees	13,618	1,631,636
Median Household Income	\$ 118,457 >	\$ 105,674
Public Transportation Commuters (%)	1.5% <	1.8%
Commute Longer than 60 Minutes (%)	10.3% >	9.5%
Poverty Rate	5.1% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

General Fund Cash Flow FY 18-19 to FY 20-21

South Coast Water District

Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 39,432,332	\$ 42,800,981	\$ 44,575,807
Expenditures	39,422,843	41,659,204	41,356,292
Net	\$ 9,489	\$ 1,141,777	\$ 3,219,515
Reserves	\$ 9,043,169	\$ 43,648,035	\$ 47,113,607

¹"Reserves" based on unrestricted net position. FY2018-19 bond obligations increased significantly and reduced net position in that year. The District's operating reserve policy requires the District to maintain a required number of days of cash to cover temporary cash flow deficiencies due to timing differences between the receipt of operating revenues and expenditures.

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



	<h1>South Coast Water District</h1> <p>Source: RSG Inc., ESRI, OCLAFCO</p>	
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Capistrano Bay Community Services District

Formed in 1959

District Information

Address	35000 Beach Rd, Capistrano Beach, CA 92624
Primary Contact	Donal Russell, General Manager
Contact Information	949-496-6576
Website	www.capobay.org
Governance	5 Board Members, Elected At-Large
District Type	Independent Special District
Total Agency Staff	2

Service Area Information

Incorporated Area (Sq. Mi.)	0.06
Communities Served	Portion of City of Dana Point
Population Served	145

Services Provided

- Provides Security, Streets/Roads Maintenance, Street Lighting, and Trash/Solid Waste Pickup services to residents.

Demographics Summary

Capistrano Bay Community Services District

Population & Density	Agency	County
2020 Population	147	3,186,989
2022 Population	145	3,203,504
2027 Population ¹	141	3,198,933
2022-2027 Projected Growth Rate (%)	-2.8% <	-0.1%
Daytime Population	128	3,284,351
Unincorporated SOI Population	-	-
Households	87	1,082,175
Household Size	1.67 <	2.96
Area (Square Miles)	0.06	948.00
Density (Persons per Square Mile)	2,398 <	3,379
Housing		
Housing Units	194	1,142,029
Owner Occupied (%)	42% <	55%
Renter Occupied (%)	3% <	40%
Vacant %	55% >	5%
Median Home Value	\$ 1,112,500 >	\$ 783,700
Employment & Poverty		
Businesses	9	176,208
Employees	31	1,631,636
Median Household Income	\$ 113,832 >	\$ 105,674
Public Transportation Commuters (%)	0.0% <	1.8%
Commute Longer than 60 Minutes (%)	5.3% <	9.5%
Poverty Rate	0.0% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

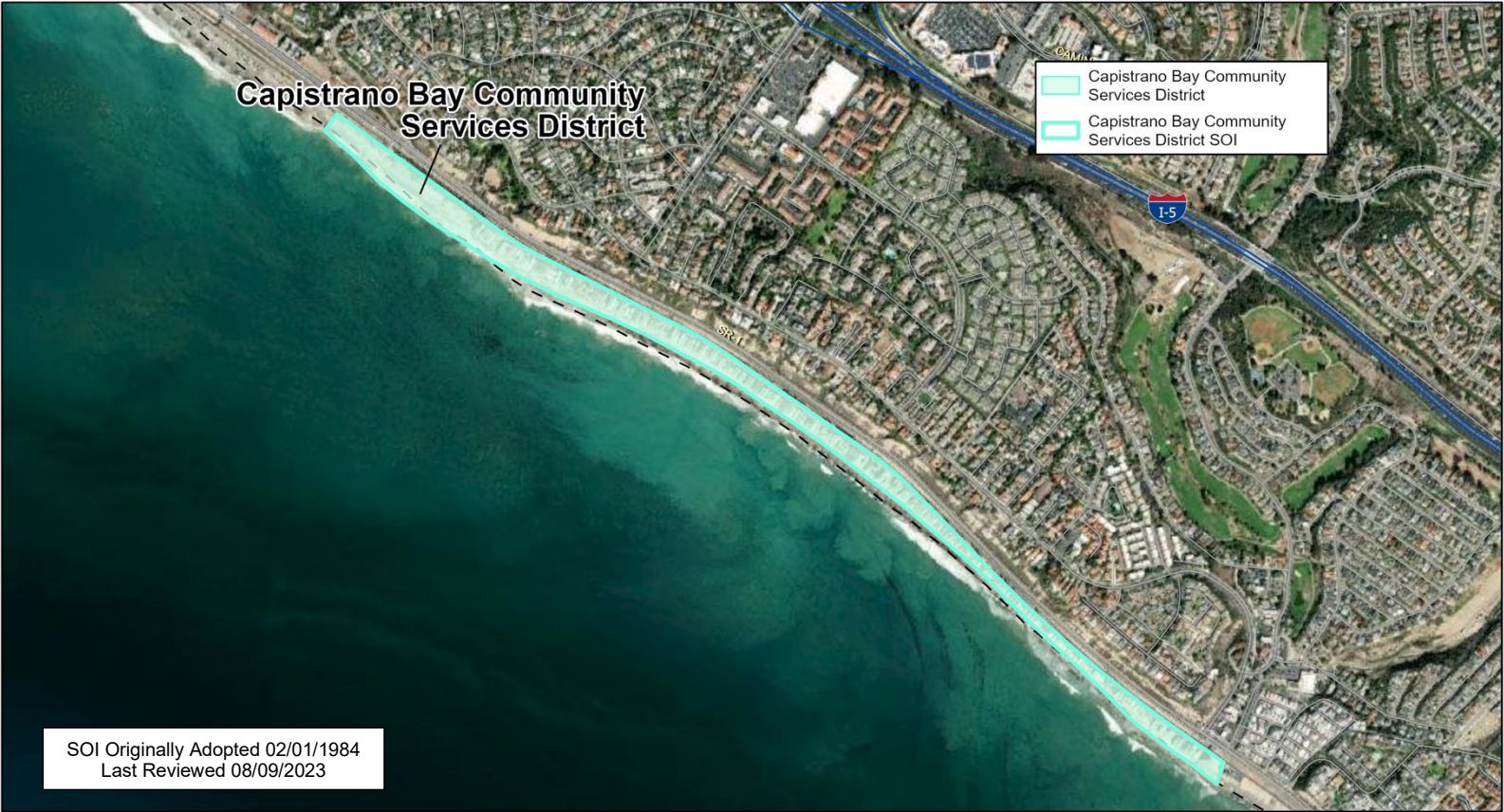
General Fund Cash Flow FY 18-19 to FY 20-21

Capistrano Bay Community Services District

Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 1,310,898	\$ 1,126,996	\$ 1,402,026
Expenditures	1,117,084	1,145,645	1,124,473
Net	\$ 193,814	\$ (18,649)	\$ 277,553
Reserves	\$ 2,019,309	\$ 2,018,897	\$ 2,303,238

¹"Reserves" based on unassigned fund balance. The District conducts an annual update to their Reserve Study.

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



Emerald Bay Service District

Formed in 1961

District Information

Address	600 Emerald Bay Laguna Beach, California 92651
Primary Contact	Michael Dunbar, General Manager
Contact Information	949-494-8572
Website	www.emeraldbayservicedistrict.org
Governance	5 Board Members, Elected At-Large
District Type	Independent Special District
Total Agency Staff	1 FTE

Service Area Information

Incorporated Area (Sq. Mi.)	0.23
Communities Served	Unincorporated Area of Emerald Bay
Population Served	2,000

Services Provided

- Provides Parks and Recreation, Security Services, Streets & Roads Maintenance, Water, Wastewater, Solid Waste, and Fire Protection to residents.
- Contracts with OC Sheriff to provide law enforcement at special events; routine Law Enforcement provided through County jurisdiction of unincorporated areas with the OC Sheriff.
- Provides retail water service through contract with Laguna Beach County Water District.

Demographics Summary

Emerald Bay Service District

Population & Density	Agency	County
2020 Population	1,974	3,186,989
2022 Population	2,000	3,203,504
2027 Population ¹	2,015	3,198,933
2022-2027 Projected Growth Rate (%)	0.8% >	-0.1%
Daytime Population	762	3,284,351
Unincorporated SOI Population	-	-
Households	524	1,082,175
Household Size	3.82 >	2.96
Area (Square Miles)	0.23	948.00
Density (Persons per Square Mile)	8,584 >	3,379
Housing		
Housing Units	527	1,142,029
Owner Occupied (%)	90% >	55%
Renter Occupied (%)	10% <	40%
Vacant %	0% <	5%
Median Home Value	\$ 2,000,001 >	\$ 783,700
Employment & Poverty		
Businesses	25	176,208
Employees	229	1,631,636
Median Household Income	\$ 200,001 >	\$ 105,674
Public Transportation Commuters (%)	0.0% <	1.8%
Commute Longer than 60 Minutes (%)	0.0% <	9.5%
Poverty Rate	0.0% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

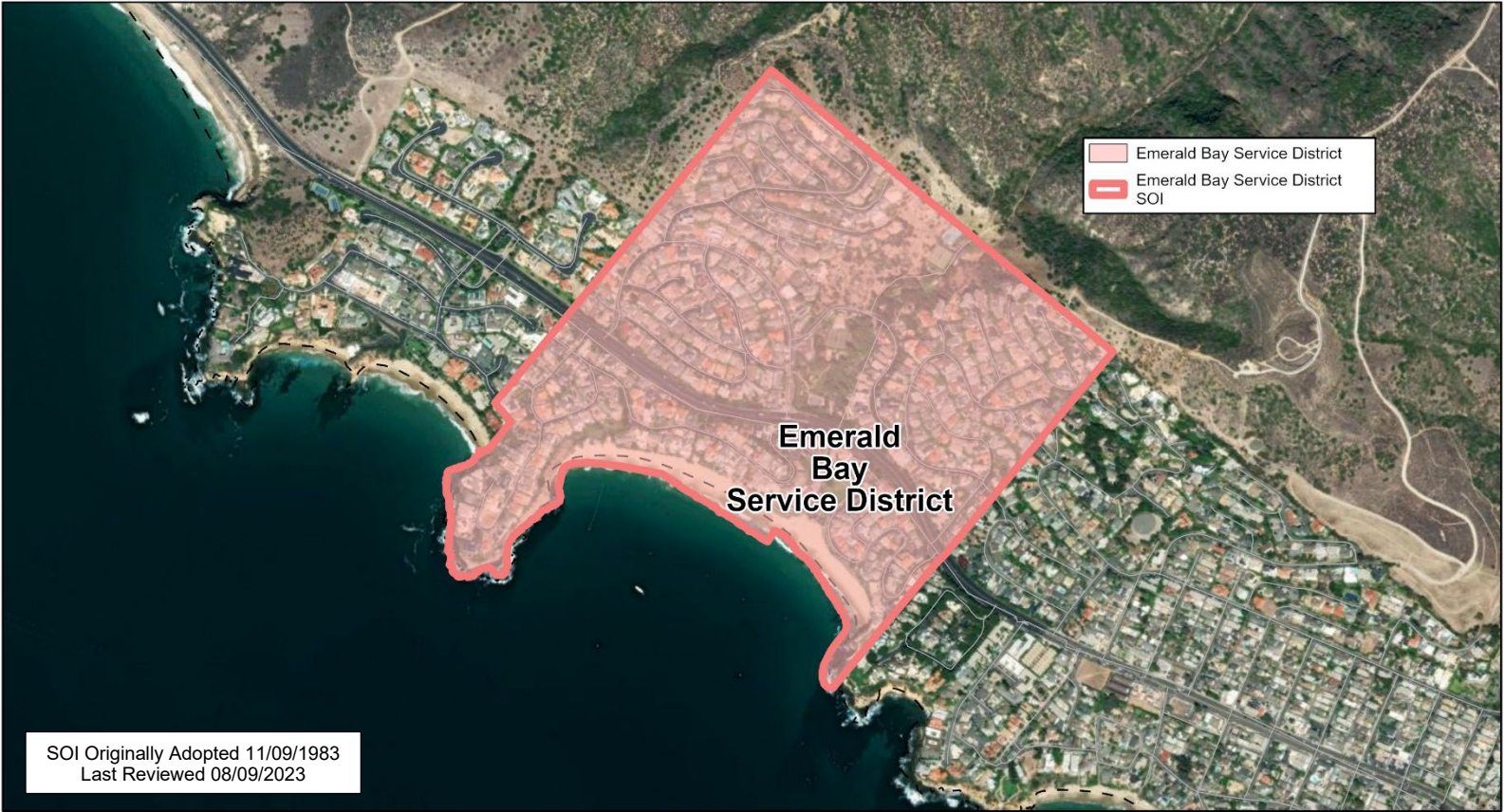
General Fund Cash Flow FY 18-19 to FY 20-21

Emerald Bay Service District

Financial Summary¹	2018-19	2019-20	2020-21
Revenue	\$ 2,765,556	\$ 2,770,850	\$ 2,897,437
Expenditures	2,431,981	2,868,505	2,280,507
Net	\$ 333,575	\$ (97,655)	\$ 616,930
Reserves	\$ 1,600,724	\$ 1,243,711	\$ 1,370,317

¹Table excludes capital contributions. "Reserves" based on unassigned fund balance.

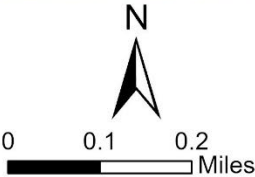
Source: OC LAFCO Fiscal Indicators, Berkson & Associates



SOI Originally Adopted 11/09/1983
Last Reviewed 08/09/2023



Emerald Bay Service District



Source: RSG Inc., ESRI, OCLAFCO



Three Arch Bay Community Services District

Formed in 1957

District Information

Address	5 Bay Drive, Laguna Beach, CA
Primary Contact	Jeremy Pipp, General Manager
Contact Information	949-499-4567
Website	www.threearchbaycsd.org
Governance	5 Board Members, Elected At-Large
District Type	Independent Special District
Total Agency Staff	0 (No in-house Employment; District has Professional Services Agreement with Three Arch Bay Association)

Service Area Information

Incorporated Area (Sq. Mi.)	0.23
Communities Served	Portion of City of Laguna Beach
Population Served	1,004

Services Provided

- Provides Security and Stormwater Protection services to residents.

Demographics Summary

Three Arch Bay Community Services District

Population & Density	Agency	County
2020 Population	1,009	3,186,989
2022 Population	1,004	3,203,504
2027 Population ¹	988	3,198,933
2022-2027 Projected Growth Rate (%)	-1.6% <	-0.1%
Daytime Population	931	3,284,351
Unincorporated SOI Population	-	-
Households	363	1,082,175
Household Size	2.77 <	2.96
Area (Square Miles)	0.23	948.00
Density (Persons per Square Mile)	4,279 >	3,379
Housing		
Housing Units	488	1,142,029
Owner Occupied (%)	90% >	55%
Renter Occupied (%)	10% <	40%
Vacant %	0% <	5%
Median Home Value	\$ 2,000,001 >	\$ 783,700
Employment & Poverty		
Businesses	51	176,208
Employees	279	1,631,636
Median Household Income	\$ 200,001 >	\$ 105,674
Public Transportation Commuters (%)	0.0% <	1.8%
Commute Longer than 60 Minutes (%)	6.5% <	9.5%
Poverty Rate	5.7% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

General Fund Cash Flow FY 18-19 to FY 20-21

Three Arch Bay Community Services District

Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 2,096,185	\$ 2,252,295	\$ 2,145,511
Expenditures	1,363,237	1,280,103	1,825,422
Net	\$ 732,948	\$ 972,192	\$ 320,089
Reserves	\$ 5,661,833	\$ 6,634,025	\$ 6,961,978

¹Revenues exclude "Other Sources" (proceeds). "Reserves" based on unassigned fund balance/net position (no designations indicated in financial reports).

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



	Three Arch Bay Community Services District	
	<i>Source: RSG Inc., ESRI, OCLAFCO</i>	

South Orange County Wastewater Authority

Formed in 2001

District Information

Address	34156 Del Obispo St, Dana Point, CA 92629
Primary Contact	Danita Hirsh, Executive Assistant to General Manager
Contact Information	949-234-5452
Website	www.socwa.com
Governance	Joint Powers Authority comprised of 7 Member Agencies
Total Agency Staff	62 FTE

Service Area Information

Incorporated Area (Sq. Mi.)	221
Communities Served	Cities of Aliso Viejo, Dana Point, Laguna Beach, Laguna Hills, Laguna Niguel, Laguna Woods, Lake Forest, Mission Viejo, Rancho Santa Margarita, San Juan Capistrano, San Clemente, and unincorporated communities.
Member Agencies	Emerald Bay CSD, ETWD, City of Laguna Beach, MNWD, City of San Clemente, Santa Margarita Water District, and SCWD
Population Served	593,660

Services Provided

- Provides a variety of wastewater support services to member agencies including recycled water and National Pollution Discharge Elimination System (NPDES) permits.
- Operates three wastewater treatment plants and two ocean outfalls within the Southwest and Southeast MSR Regions of Orange County.

Demographics Summary

South Orange County Wastewater Authority

Population & Density	Agency	County
2020 Population	589,514	3,186,989
2022 Population	593,660	3,203,504
2027 Population ¹	589,218	3,198,933
2022-2027 Projected Growth Rate (%)	-0.7% <	-0.1%
Daytime Population	556,951	3,284,351
Unincorporated SOI Population	-	-
Households	224,371	1,082,175
Household Size	2.65 <	2.96
Area (Square Miles)	221.00	948.00
Density (Persons per Square Mile)	2,686 <	3,379
Housing		
Housing Units	238,797	1,142,029
Owner Occupied (%)	66% >	55%
Renter Occupied (%)	28% <	40%
Vacant %	6% >	5%
Median Home Value	\$ 849,248 >	\$ 783,700
Employment & Poverty		
Businesses	31,402	176,208
Employees	234,290	1,631,636
Median Household Income	\$ 126,108 >	\$ 105,674
Public Transportation Commuters (%)	1.0% <	1.8%
Commute Longer than 60 Minutes (%)	9.0% <	9.5%
Poverty Rate	5.8% <	9.9%

¹2027 Population estimate is a projection only.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

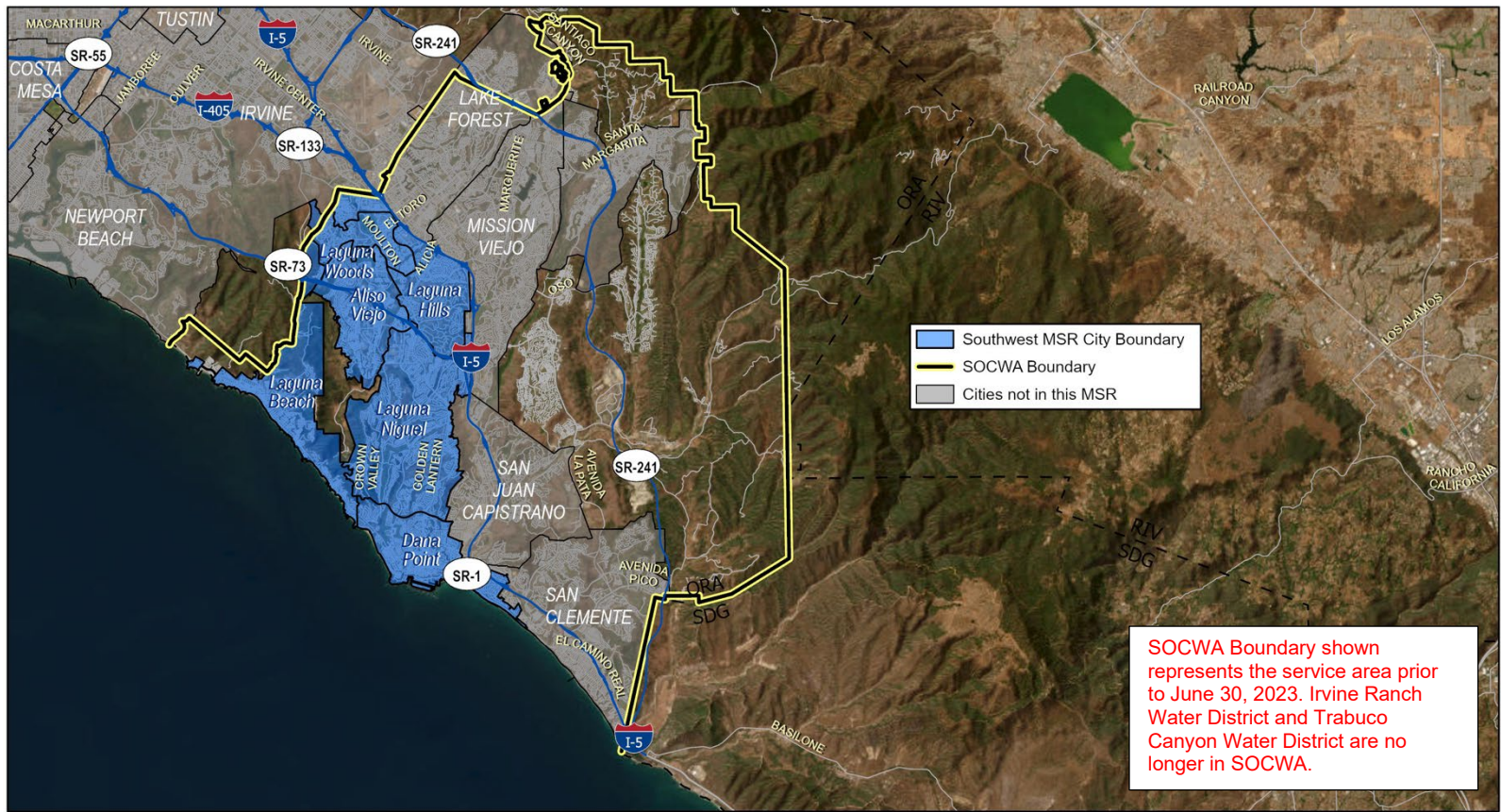
General Fund Cash Flow FY 18-19 to FY 20-21

South Orange County Wastewater Authority

Financial Summary ¹	2018-19	2019-20	2020-21
Revenue	\$ 32,200,865	\$ 37,761,216	\$ 33,792,147
Expenditures	28,366,905	31,281,811	31,127,994
Net	\$ 3,833,960	\$ 6,479,405	\$ 2,664,153
Reserves	N/A	N/A	N/A

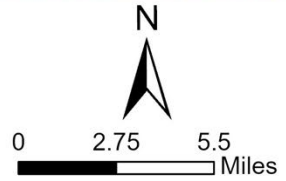
¹Revenues include capital contributions from member agencies. SOCWA does not retain reserves. They also do not retain operating capital and they collect revenue four times throughout the year as money is expended (MSR Interview).

Source: OC LAFCO Fiscal Indicators, Berkson & Associates



South Orange County Wastewater Authority

Source: RSG Inc., ESRI, OCLAFCO



IV. GROWTH AND POPULATION PROJECTIONS

Pursuant to Government Code Section 56430, MSRs make determinations on seven (7) required topics, including:

1. Growth and population projections for the affected area.

The Southwest Region covers an incorporated population of about 219,000 people spread across the six cities of Aliso Viejo, Dana Point, Laguna Beach, Laguna Hills, Laguna Niguel, and Laguna Woods. The seven special districts in the region provide services to about 278,000 people. These population totals are different because district boundaries extend beyond the Southwest cities' boundaries to include residents in the cities of Lake Forest, Mission Viejo, San Clemente, and San Juan Capistrano, all of which are not in this MSR. SOCWA, a Joint Powers Authority with cities and districts as member agencies, has an approximate service population of 594,000 since it extends well beyond the Southwest Region.

Collectively, the cities in the Southwest Region are expected to increase slightly in population by 2027. In contrast, the special districts are projected to decline over the same period. Cities are projected to increase by 0.7%, while special districts and SOCWA are both expected to decline by 0.7% respectively.

As is the larger trend across the County and State of California, development of new housing units has slowed in recent years. Using estimates from DOF, Southwest Region cities developed approximately 5,100 new units, an increase of 5.3%, from 2010 to 2022. However, projections for the subsequent five years, from 2022 to 2027, show housing growth shrinks to an increase of just 0.1%. Table 3 shows both population and housing trends for the Southwest region.

Table 3: Regional Population and Housing Trends

Southwest					
Population		Cities	Special Districts	SOCWA	County
	2020 Population	221,688	276,802	589,514	3,186,989
	2022 Population	219,011	278,532	593,660	3,203,504
	2027 Population ¹	220,489	276,547	589,218	3,198,933
	2020-2022 Growth Rate (%)	-1.2%	0.6%	0.7%	0.5%
	2022-2027 Projected Growth Rate (%)	0.7%	-0.7%	-0.7%	-0.1%
Housing					
	2010 Units	97,102	115,394	223,119	1,048,907
	2020 Units	101,319	120,123	237,313	1,129,785
	2022 Units	102,259	120,624	238,797	1,142,029
	2027 Units ¹	102,352	121,641	240,223	1,153,825
	2022 Household Size	2.1	2.3	2.5	2.8
	2010-2022 Unit Growth Rate (%)	5.3%	4.5%	7.0%	8.9%
	2022-2027 Projected Unit Growth Rate (%)	0.1%	0.8%	0.6%	1.0%

¹ 2027 estimates are only projections.

Source: US Census Bureau, DOF Population and Housing Estimates (Cities), ESRI Business Analyst

Individually, some agencies' populations are projected to decline while others increase:

- Aliso Viejo, Dana Point, Laguna Hills, Laguna Woods, and South Coast Water District are all projected to increase residents by 2027.

- If projections hold, Dana Point would lead with population growth increasing by 3.19%, or about 1,000 people.
- The Capistrano Bay CSD is expected to see the largest percentage decline at -2.76%.
- SOCWA, as a JPA made up of multiple member agencies (some of which are not under review in this MSR), is projected to see the largest gross decline in residents with a drop of about 4,400.

Table 4 lists the agencies past and projected growth, sorted in order of their projected 2022 to 2027 growth.

Table 4: Agency Individual Population Growth

Southwest Population Changes	Past Growth		Projected Growth	
	2020-2022		2022-2027	
	%	#	%	#
Dana Point	-0.50%	-164	3.19%	1,051
Laguna Woods	-0.74%	-130	2.65%	463
Laguna Hills	-1.99%	-624	1.71%	526
South Coast Water District	1.97%	656	0.93%	314
Aliso Viejo	-2.67%	-1,394	0.82%	418
Emerald Bay Service District	1.32%	26	0.75%	15
El Toro Water District	2.00%	1,038	-0.37%	-198
South Orange County Wastewater Authority	0.70%	4,146	-0.75%	-4,442
Laguna Niguel	-0.06%	-39	-0.85%	-545
Moulton Niguel Water District	0.09%	152	-1.09%	-1,856
Laguna Beach County Water District	-0.73%	-135	-1.31%	-240
Three Arch Bay Community Services District	-0.50%	-5	-1.59%	-16
Laguna Beach	-1.42%	-326	-1.92%	-435
Capistrano Bay Community Services District	-1.36%	-2	-2.76%	-4

Source: US Census Bureau, DOF Population and Housing Estimates, ESRI Business Analyst

Housing unit growth on a per agency basis follows a similar pattern as population. A majority of the agencies are projected to grow their housing stock by less than 1% by 2027.

- The largest percentage increase is again expected in Dana Point with an increase of 2.47%.
- Aliso Viejo, Laguna Niguel, and Laguna Beach are the only agencies with projected declines in their housing unit totals.
- SOCWA is expected to see the largest gross increase in housing units with about 1,400 projected to be added by 2027.

All agencies are listed by order of their 2022 to 2027 projected growth in Table 5. Past growth from 2010 to 2022 is also shown.

Table 5: Agency Individual Housing Unit Growth

Southwest Housing Unit Changes	Past Growth		Projected Growth	
	2010-2022		2022-2027	
	%	#	%	#
Dana Point	2.77%	441	2.47%	404
Laguna Hills	4.01%	441	1.95%	223
South Coast Water District	3.73%	590	1.26%	207
El Toro Water District	4.16%	996	0.91%	227
Laguna Woods	2.56%	335	0.71%	95
South Orange County Wastewater Authority	7.03%	15,678	0.60%	1,426
Moulton Niguel Water District	5.71%	3,666	0.84%	573
Laguna Beach County Water District	-0.60%	-62	0.10%	10
Three Arch Bay Community Services District	2.31%	11	0.00%	0
Capistrano Bay Community Services District	13.45%	23	0.00%	0
Emerald Bay Service District	1.15%	6	0.00%	0
Aliso Viejo	7.04%	1,328	-0.15%	-30
Laguna Niguel	9.92%	2,510	-1.02%	-285
Laguna Beach	0.79%	102	-2.41%	-314

Source: US Census Bureau, DOF Population and Housing Estimates, ESRI Business Analyst

V. PRESENT AND PLANNED LAND USES

Per Government Code Section 56425, a LAFCO shall consider and prepare a written statement of its SOI determinations on five (5) factors, including:

- the present and planned land use in the area, including agricultural and open space lands.*

The agencies of the Southwest Region are largely built out with very little remaining land available or designated to allow for development, and that is not otherwise zoned for open space. The vast majority of agencies’ land is zoned for residential uses with pockets of commercial and industrial. Since they are mostly built out, the cities are planning for infill growth, minimally supplemented by acquisition and rezoning of incremental amounts of land. There are no significant agriculture uses in the Southwest Region.

Following are individual agency notes on development and land use:

- The City of Laguna Woods explicitly mentioned rezoning as part of their plan to comply with state housing laws.
- The City of Aliso Viejo is in the process of reviewing various economic development projects, one of which could develop a significant town center for the city.
- The City of Laguna Niguel is considering the rezoning and repurpose of a one million square foot federal building, potentially for new housing development.

Overall, options for changing current land uses for new development are limited and some agencies, such as the City of Laguna Beach, noted a lack of capacity for additional growth with the current infrastructure.



VI. LOCATION AND CHARACTERISTICS OF ANY DUCS

Pursuant to Government Code Section 56430, MSRs make determinations on seven (7) required topics, including:

- 2. Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence(s);*

Per Government Code Section 56425, a LAFCO shall consider and prepare a written statement of its SOI determinations on five (5) factors, including:

- 4. the existence of any social or economic communities of interest in the area.*

The Southwest Region does not presently contain any OC LAFCO-designated Disadvantaged Unincorporated Communities (DUCs). Due to the lack of inhabited unincorporated space in the region, no DUCs are expected to be designated in the near future.

VII. CAPACITY OF FACILITIES AND ADEQUACY OF SERVICES

Pursuant to Government Code Section 56430, MSRs make determinations on seven (7) required topics, including:

- 3. Present and planned capacity of public facilities and adequacy of public services, adequacy of public services, infrastructure needs, or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.*

Per Government Code Section 56425, a LAFCO shall consider and prepare a written statement of its SOI determinations on five (5) factors, including:

- 2. the present and probable need for public facilities and services in the area;*
- 3. the present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide; and*
- 5. the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.*

REGIONAL OVERVIEW

Overall, agencies in the Southwest Region are providing adequate services to their residents and customers. Agencies reported no complaints from residents and customers and all agencies expressed confidence that they have the resources to maintain the current levels of service. This section of the report discusses the major public services provided by the agencies in the Southwest Region and their capacity to deliver those services with the existing staff and public facilities. Many of the special districts in the Southwest Region are water districts, so a majority of the typical city services discussed in this section are not applicable to those agencies.

LAW ENFORCEMENT AND SECURITY SERVICES

Law enforcement and/or police protection is provided by the Orange County Sheriff's Department ("OCSD") for five cities (all but one) and the unincorporated areas in the Southwest Region. In contrast, the City of Laguna Beach provides this service through its own Police Department.

Under State law, CSDs are permitted to administer and provide law enforcement as well as security services that otherwise are not being provided in their jurisdictions. Security services are defined in CSD law, or Government Code § 61100(j), as any service, including burglar protections and fire alarms, with the goal of protecting lives and property. The three CSDs in the Southwest Region are all authorized to provide security services to their districts. Capistrano Bay and Three Arch Bay CSDs both contract for security services to private security vendors. Neither district is currently providing law enforcement to their jurisdiction, nor are they authorized. Emerald Bay CSD is authorized to provide their district with law enforcement services for private events. They currently contract with OCSD for their annual July 4th fireworks presentation but also for some other community events. Additionally, Emerald Bay covers a portion of the costs to fund 24/7 private internal security services, while the rest of the costs are covered by the Emerald Bay Community Association.

The agencies reported no issues or concerns relating to the quality or adequacy of OCSD services in the Region. However, the rising cost of OCSD services were cited as a concern by the cities of Laguna Woods and Aliso Viejo. Among their cost concerns was the absence of more efficient regionalization of patrol and administrative functions. For more on this issue see Section IX – Opportunities for Shared Services.

FIRE PROTECTION AND EMERGENCY MEDICAL

Fire protection is almost universally provided to the agencies of the Southwest Region by the Orange County Fire Authority ("OCFA"). The City of Laguna Beach remains the exception, providing fire protection services from their own fire department. OCFA formed originally as a department of the County government in 1980. The department was governed by the County Board of Supervisors at that time. However, as the County expanded and more cities incorporated, particularly those in South Orange County, local residents and governments requested more input in how the department was run. Initially the plan was for the department to become a fire district, but after several years of discussion the agencies agreed to structure OCFA as a Joint Powers Authority in 1995. OCFA has since expanded to include 23 cities, 77 fire stations, and 2 million residents served.

The cities who receive OCFA fire protection are either members of the JPA or contract directly with the Authority. The community of Emerald Bay CSD also receives OCFA services for fire protection. However, as they do not have active statutory power to provide this service, it is provided through the County. Emerald Bay does provide additional services to enhance the community's fire security, including, but not limited to, the land and building structure for Fire Station 11, which serves the community, maintenance, repair and replacement of fire hydrants, perimeter defensible space, and emergency preparedness committee support.

Agencies reported no complaints regarding fire services in their jurisdictions, nor any concerns about adequacy of service or capacity.

WATER SERVICES

Retail water services in the Southwest Region are provided by four of the special districts under review in this MSR:

- El Toro Water District (“ETWD”),
- Emerald Bay Service District (“Emerald Bay”) – through an out-of-area service agreement with LBCWD,
- Laguna Beach County Water District (“LBCWD”),
- Moulton Niguel Water District (“MNWD”), and
- South Coast Water District (“SCWD”).

There is a wide range of eligible government entities in California that can provide water services to residents in the state. Cities, water districts, and CSDs all can exercise their legal authority to govern this service area. They can also relinquish this power to another district or simply contract with them instead. All water districts in the Southwest Region were formed before the incorporation of the cities where they provide service. The oldest district is LBCWD at 97 years old. As a result, none of the cities reviewed in this MSR currently exercise their power to contract or provide water service.

There were no complaints or issues reported by the districts relating to service delivery or capacity. The age of the water infrastructure in each agency varied but was generally within the range of 30 to 50 years old, with the exception of some parts of Laguna Beach. All water districts indicated they had adequate capacity to handle growth with no reported deficiencies. The agencies confirmed they have sufficient planning and infrastructure to address any future maintenance and replacement needs.

Service delivery provided by districts generally follows city boundaries. However, the southern area of Laguna Beach, which was annexed into the City in 1987, was not annexed into LBCWD or any other water district. Because the community was already receiving its water service from SCWD, the residents supported continued provision of the service by SCWD through an agreement with the City. However, since the area is not within the SCWD district boundary, residents may not participate in the election process for the District’s board members. The service agreement attempts to provide South Laguna Beach residents with some representation through an advisory committee staffed by several residents from South Laguna Beach and several elected officials from both the City of Laguna Beach and SCWD. The advisory committee meets quarterly to discuss water and sewer related projects, programs, and topics of interest. The chair of the committee then provides an end-of-month report to the Laguna Beach City Council reporting on SCWD matters within the Laguna Beach boundaries.

Through RSG’s interviews with staff of LBCWD, SCWD, and the City of Laguna Beach, various perspectives were provided about the current arrangement. LBCWD did not indicate awareness of any discussions regarding potential annexation to their District, but staff noted they could provide water services to the area if so desired. SCWD expressed both their own satisfaction and the residents’ positive reviews of the services they provide. According to SCWD, residents of South Laguna Beach have also expressed interest in being annexed to the District. SCWD has also indicated its support and interest in inclusion of the area in the SCWD’s SOI and annexation. The staff of the City of Laguna Beach indicated that an SOI adjustment could be initiated with OC LAFCO, adding it to the SCWD SOI for a later annexation into that water district. However, OC LAFCO staff recommends the processing of both actions simultaneously for consideration by the

Commission. More on this is discussed in Section IX – Accountability, Government Structure, and Operational Efficiencies.

Wholesale water service within the Southwest Region is provided by the Municipal Water District of Orange County ("MWDOC"). MWDOC was formed in 1951 to import wholesale water from the Metropolitan Water District of Southern California. Governed by a seven-member board, the district's countywide service area includes fourteen cities, thirteen special districts and one private water agency. In addition to wholesale water services, MWDOC also provides other water resources and programs within the Southwest Region that includes planning efforts in water supply development, water use efficiency, and water education and emergency preparedness.

WASTEWATER SERVICES

Wastewater and sewer services are provided to Southwest Region agencies by three (3) of the water districts operating in the area: ETWD, MNWD, and SCWD. Additionally, Emerald Bay CSD and the City of Laguna Beach both retain the power to provide wastewater services to their respective jurisdictions. A Laguna Beach Councilmember has discussed with the Laguna Beach City Council the potential of transferring wastewater services from the City of Laguna Beach to LBCWD in order to make the district an independent agency again, but this has not moved beyond conceptual discussion. Regardless, such a transfer of powers would need to be studied in detail, including operational and fiscal assessments, and an application filed with OC LAFCO to facilitate the proceedings for the formation of an independent special district and the analysis of and analysis of any service and governance changes.

All agencies in the Southwest Region receive wastewater services in some capacity from SOCWA. Services provided by SOCWA generally fit into two areas:

1. Permitting and regulatory support for the operation of all wastewater treatment plants in South Orange County.
2. Operation of three wastewater treatment plants.

SOCWA's JPA agreement previously included ten (10) agencies but has recently been reduced to seven (7) voting member agencies including five (5) Southwest Region entities: ETWD, MNWD, SCWD, Emerald Bay CSD, and the City of Laguna Beach. The two (2) agencies that are not in the Southwest Region and were not reviewed as part of this MSR are the Santa Margarita Water District ("SMWD") and the City of San Clemente. As of July 1, 2023, the following three (3) agencies are no longer members of SOCWA: the Irvine Ranch Water District ("IRWD"), Trabuco Canyon Water District ("TCWD"), and the City of San Juan Capistrano. San Juan Capistrano wastewater services and infrastructure were assumed by SMWD through an annexation to the district in 2018, and the TCWD and IRWD have made arrangements for former SOCWA services to be provided through other means.

Wastewater services that have been provided by SOCWA and its predecessors in the Southwest Region were facilitated through JPA agreements. Most of these agreements were initiated in the 1970s following the adoption of the Federal Clean Water Act to obtain grant funding through the Environmental Protection Agency ("EPA") to construct treatment plants and other infrastructure. The JPA agreements were under three entities, the Aliso Water Management Authority ("AWMA"), the Southeast Regional Reclamation Authority ("SERRA") and the South Orange County Reclamation Authority ("SOCRA"). Since that time, the agencies recognized there would be a benefit to the consolidation of these separate JPAs into what is now known as SOCWA.

The regional SOCWA approach to wastewater management has not gone without critiques from some member agencies, particularly the larger districts. MNWD has been one of the leading voices for a reexamination of the agreements that govern the management of SOCWA facilities as well as the overall purpose and structure of SOCWA itself. Outside of the Southwest Region agencies, SMWD has also requested a review and potential changes to the arrangement. MNWD staff has stressed, in their view, that SOCWA as currently structured is not ideally situated to meet the changing wastewater treatment environment. Among their concerns is that SOCWA lacks the direct ability to develop certain water reuse projects, implement capital financing, and interface with customers. SOCWA staff is aware of the evolving issues and has hired a facilitator, at the request of SCWD, to assist in moving the discussion forward. Additionally, SOCWA staff noted that the agencies have full authority to make any changes they desire to the JPA agreement, provided they get the appropriate majority. Separately, MNWD has partnered with SCWD and SMWD to host regular meetings on the subject, particularly on which agencies are best suited to manage certain treatment plants. SCWD has expressed their support of the current SOCWA structure, as well as the facilitated discussions currently in progress to identify potential improvements and efficiencies to the existing structure. Notably, the other agencies reviewed in this MSR did not express similar interest in a reexamination of the SOCWA arrangements, nor did they share any complaints or concerns about SOCWA's service level. More on this is discussed in Section IX – Accountability, Government Structure, and Operational Efficiencies.

SOLID WASTE SERVICES

Solid waste pickup in the Southwest Region is provided by CR&R, Capistrano Bay CSD, and Waste Management. Five (5) jurisdictions receive solid waste pick up from CR&R, while Laguna Beach and the community within Emerald Bay CSD receive pick up from Waste Management. Agencies reported no complaints or issues with solid waste services.

STORMWATER SERVICES

Stormwater services are provided by the respective Public Works or Planning and Environmental Services departments. Additionally, only one CSD, Three Arch Bay, provides this service. Capistrano Bay CSD is currently seeking to activate the latent power allowing them to provide stormwater protection within their jurisdiction and has filed an application with OC LAFCO to proceed. Citing rising sea levels and tides, the Capistrano Bay CSD believes it needs the ability to manage stormwater impacts to help protect homes within their service area.

Three Arch Bay CSD indicated that their stormwater infrastructure is at or near capacity with an average age of around 75 years old. Their system was designed for a far less developed area with more open space. After becoming built out over the last several decades, more runoff is produced than the infrastructure can handle. To address this, Three Arch Bay CSD has begun a master plan update that will assess the needs for enhancement or replacement, and what funding options are available. The agency indicated that more details would become available once the master plan was complete.

The remaining agencies in the Southwest Region reported no complaints or issues with stormwater services.

OTHER PUBLIC WORKS (ELECTRIC, LIGHTING, UTILITIES, STREETS/ROAD MAINTENANCE)

Lighting services in the Southwest Region are provided by each City's Public Works department and the Capistrano Bay CSD, either through contract or in-house staff. The City of Laguna Beach provides this service through a partnership with Southern California Edison ("SCE") and San Diego Gas and Electric ("SDG&E") as well as their own Public Works department. The cities of Laguna Niguel and Laguna Hills provide the service in-house. Some residential streetlights in Laguna Woods are owned and maintained by the city. In all other cases, lighting is managed by the utilities.

Electricity and gas services are generally provided to the agencies of the Southwest Region directly from SCE, SDG&E, and Southern California Gas ("SoCal Gas").

Street and road maintenance services are provided or managed by the Public Works departments of each city or agency, or through the community or homeowner's association ("HOA"). Emerald Bay and Capistrano Bay CSDs both are authorized and actively provide this service. In Emerald Bay the CSD maintains curbs and gutters as well as provides street sweeping services, while the Emerald Bay Community Association, which functions as the HOA for the area, provides direct street and road maintenance.

Agencies reported no complaints or issues with any of the services covered in this section.

PARKS, RECREATION AND OPEN SPACE

Parks and recreation services in the agencies of the Southwest Region are provided by either a CSD or City department. Among CSDs, only Emerald Bay CSD has the active power to provide parks and recreation services to their residents. Capistrano Bay residents receive this service from the City of Dana Point, while Three Arch Bay residents receive this service from the Three Arch Bay Association. No issues were reported by any Southwest Region agency. The Region does not contain any Recreation and Parks Districts or other regional cooperatives, but it does possess two regional wilderness parks that border several of the cities in the Southwest area: the Laguna Canyon Wilderness Park, and the Aliso and Woods Canyon Wilderness Park. Both parks are unincorporated and managed by CSA 26. The parks also receive OCFPA protection. In addition to the regional parks, each agency possesses a variety of recreation and park facilities within their respective jurisdictions.

LIBRARY SERVICES

Library services in the Southwest Region are provided to each City and the adjacent unincorporated areas by the Orange County Public Library (OCPL) System. No complaints or issues were reported by the agencies relating to library services.

ANIMAL CONTROL

Animal control services in the Southwest Region are provided by three entities: the City of Mission Viejo Department of Animal Services, the City of Laguna Beach Animal Services Division, and the Coastal Animal Services Authority ("CASA"). Mission Viejo provides animal control services to the Cities of Aliso Viejo, Laguna Hills, and Laguna Niguel through a contractual agreement. A

similar arrangement is in place whereby the City of Laguna Beach provides this service to Laguna Woods. The CASA is a JPA inclusive of the cities of San Clemente and Dana Point. One council member from each city sits on the board. Animal control services are provided to both cities through this JPA. No complaints or concerns were provided by the agencies regarding animal control services.

CODE ENFORCEMENT

Code enforcement services are provided by the cities and the County in the Southwest Region. Each city enforces municipal and building codes through their Community Development or Code Enforcement departments or divisions, either through contract or in-house staff. Emerald Bay receives code enforcement services from the County of Orange Public Works Neighborhood Preservation Department as part of their unincorporated area services. Southwest Region agencies reported no complaints or issues regarding the quality or adequacy of code enforcement.

VIII. FINANCIAL ABILITY TO PROVIDE SERVICES

Pursuant to Government Code Section 56430, MSRs make determinations on seven (7) required topics, including:

4. *Financial ability of agencies to provide services.*

The development of the fiscal indicators web-based program (formerly fiscal trends) began in 2008. The intent of the program began with the opportunity to generally compare the performance of Orange County local agencies, and ultimately became a resource for the Commission in the preparation of MSRs through the housing of accurate and meaningful data. Since that time, the web-program has experienced functional improvements and structure enhancements that assist in evaluating the efficiency and effectiveness of municipal service delivery in Orange County. More recently, the fiscal indicators have been simplified while maintaining the goal of its effectiveness as one of OC LAFCO's livable and ongoing resources.

The Southwest MSR process included the gathering of data needed for the fiscal indicators and was discussed with the agencies of the Southwest region. More details on each of the indicators is provided in the next section of the report as well as the performance of each agency relative to the indicators.

OC LAFCO FISCAL INDICATORS

Fiscal indicators help measure and describe prospects for fiscal health. Indicators can flag trends that warrant further evaluation and planning to avoid potential service reductions and declining reserves. The OC LAFCO fiscal indicators are based on the State of California Auditor's indicators of cities' fiscal risk.¹ Multi-year trends in growth (or decline) of agency operating revenues and expenditures, and levels of reserves, are adapted and applied to agencies in Orange County. Agency annual financial reports provide the source data for three key indicators used by OC LAFCO and further described below:

¹ See the California Auditor's "Local Government High Risk Dashboard"
https://www.auditor.ca.gov/local_high_risk/data_download

- **Annual Change in Revenues** compares revenue growth over multiple years to long-term inflation (historically about 2-3%) – Low revenue growth below inflation indicates a potential long-term problem keeping pace with inflationary cost increases. Declining revenues can be a symptom of the pandemic and/or weakening economic conditions.

<u>Indicator</u>	<u>Range (avg. annual change)</u>
Declining Revenues	less than 0%
Low Growth	0% - 3%
Moderate Growth	3% - 6%
High Growth	> 6%

- **Annual Change in Expenditures** compares expenditure growth over multiple years to long-term inflation. Expenditure growth consistently above inflation and/or above revenue growth indicates a potential structural imbalance and potential future revenue shortfalls. Excessive expenditures could require reserve drawdowns and service reductions.

<u>Indicator</u>	<u>Range (avg. annual change)</u>
Declining Expenditures	less than 0%
Low Growth	0% - 3%
Moderate Growth	3% - 6%
High Growth	> 6%

The indicator generally favors low or declining expenditures. A comparison to revenue indicators, if favorable, can help confirm that declining expenditures are a benefit and not an adverse response to weak revenues.

- **Adequate Operating Reserves** are essential to manage cash flow during the year, handle contingencies and emergencies, and provide a "rainy day" account for future economic downturns. Operating reserves typically provide at least two months of operating funds (i.e., 16.7% of annual expenditures). If financial audits do not distinguish operating from capital and other reserves, other metrics include total unallocated fund balances or unrestricted net position. "Cash" does not always indicate unencumbered funds available for cash flow and contingencies.

<u>Reserve Indicator</u>	<u>Range</u>
Low	Less than 17% of Expenditures
Moderate	17% - 40%
High	> 40%

Depending on the type of agency and the timing of revenues and expenditures, higher minimum reserves may be required. Some agencies do not distinguish operating from capital and other reserves in their audit documents which may produce a "high" reserve indicator; further analysis is necessary to determine adequacy of capital reserves.

The fiscal indicators are intended to provide an initial review of annually reported financial data. Further in-depth analysis may be indicated to better understand the cause of financial trends and potential remedies. For example, additional research could clarify whether declining expenditures positively reflect prudent management or are the result of weak revenues. Other factors that could influence indicators include the impacts of the pandemic; the economic climate; State and Federal

regulatory changes; infrastructure needs and improvements; changes in service levels and contracts; unfunded OPEB and pension obligations; development, population growth, and increased need for services.

FISCAL INDICATORS FOR SOUTHWEST REGION

The financial capacity of each agency in the Southwest Region is generally adequate for providing services at the current levels. This MSR relies on data from the concurrent Fiscal Indicators project conducted by Berkson & Associates on behalf of OC LAFCO, which assesses the short-term financial trends of the Southwest Region agencies. Table 6 provides a summary of trends reported by the Fiscal Indicators. Three variables (revenues, expenditures, and reserves) are measured for each Southwest Region agency over four fiscal years (FY 17-18 to FY 20-21). The variables are then ranked on a scale from “high” to “declining”. For revenues and reserves, the “high” designation indicates the most positive outcome, while “declining” represents the lowest. The inverse applies for expenditures with “high” indicating the most negative outcome and “declining” indicating the most positive one. In addition, the California Auditor’s “fiscal condition rank” is shown for each city². Cities ranked higher numerically are considered lower risk by the Auditor, with cities ranked in the 400s being the most financially sound. Most agencies in the Southwest Region possess high reserve amounts, moderate expenditure growth, and moderate revenue growth.

Table 6: Summary of Fiscal Indicators Project and CA Auditor Rankings

Southwest Agency	Growth of Agency...			CA Auditor Fiscal Condition Rank ¹
	Revenues	Expenditures	Reserves	
Aliso Viejo	Declining	Moderate	High	336
Dana Point	Moderate	Declining	Moderate	279
Laguna Beach	Moderate	Low	Moderate	268
Laguna Hills	Low	Low	Moderate	238
Laguna Niguel	Low	Moderate	High	367
Laguna Woods	Low	Moderate	High	413
El Toro Water District	Low	Low	Low	
Laguna Beach County Water District	Moderate	Moderate	High	
Moulton Niguel Water District	Moderate	Moderate	High	
South Coast Water District	Moderate	Moderate	High	
Capistrano Bay Community Services District	Moderate	Moderate	High	
Emerald Bay Service District	Moderate	Low	High	
Three Arch Bay Community Services District	Low	High	High	
South Orange County Wastewater Authority ²	Moderate	Low	N/A	

¹The California Auditor fiscal condition rank is for cities only. Rankings in the 400s represent a better fiscal outlook than lower numbers.

²SOCWA does not possess any reserves or reserve requirements.

Source: Berkson & Associates Fiscal Indicators Report, CA Auditor Local Government High Risk Dashboard FY 20-21

² Rankings produced by the Auditor’s “Local Government High Risk Dashboard”
https://www.auditor.ca.gov/local_high_risk/data_download

CITY OF ALISO VIEJO

The City of Aliso Viejo had positive net revenues in FY 2019 and 2020. This turned negative in FY 2021 but with ample reserves to cover the decline in revenues. As detailed later in this MSR, Aliso Viejo spends almost half or more of their budget on public safety costs. The City of Aliso Viejo was the only agency expressing concerns about expenditure growth exceeding that of revenues, as confirmed by the data reported in the Fiscal Indicators. Aliso Viejo is exploring options to increase their revenues including economic development projects and public benefit agreements with developers.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Taxes	\$17,704,139	\$16,270,976	14,823,926
License and Permits	706,763	719,720	976,781
Intergovernmental	42,008	49,186	42,844
Charges of Services	413,035	470,670	488,154
From Use of Property	1,022,657	1,022,120	940,875
Fines and Forfeitures	307,513	275,229	310,419
Other Revenues	68,134	192,752	79,582
Total Revenues	\$20,264,249	\$19,000,653	\$17,662,581
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
City Council	\$184,492	\$164,735	\$170,930
City Manager	875,751	716,215	629,525
Human Resources	-	134,204	212,296
Economic Development	373,188	494,986	1,087,509
City Clerk	261,690	250,852	445,305
City Attorney	415,399	430,777	367,891
Finance	747,325	795,153	779,554
Information Technology	535,713	700,860	731,197
General Government	892,835	630,169	581,423
Community Services	1,323,747	1,376,697	1,525,026
Planning	1,618,808	992,522	873,575
Building	-	562,302	686,606
Public Works	1,418,034	1,537,300	1,797,903

Public Safety	8,714,189	9,025,529	9,103,128
Total Expenses	\$17,483,914	\$17,860,127	\$18,991,868
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$2,780,335	\$1,140,526	(\$1,329,287)
Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21
Year-end Reserve Balance³	\$21,775,144	\$22,192,528	\$17,586,829

³ Audited Financial Statements

CITY OF DANA POINT

The City of Dana Point had positive net revenues in all fiscal years examined. Net revenues tripled in FY 2021. The City also carried stable reserves throughout all three years.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Taxes	\$34,198,704	\$31,830,880	\$30,967,742
Licenses, fees and permits	1,565,400	1,872,421	2,250,354
Fines, forfeitures and penalties	345,000	682,731	621,991
Intergovernmental	329,000	395,793	5,148,752
Charges for services	2,004,000	2,166,472	2,120,995
Investment earnings	452,800	1,241,425	219,377
Other	126,000	136,373	86,333
Total Revenues	\$39,020,904	\$38,326,095	\$41,415,544
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
General government	\$7,126,828	\$6,686,169	\$6,226,774
Public safety	13,092,601	13,362,026	12,506,009
Community development	4,104,299	4,445,245	5,121,938
Parks and recreation	5,355,895	5,042,492	4,449,295
Public works	6,653,642	6,730,238	5,750,343
Capital outlay	76,500	21,009	-
Total Expenses	\$36,409,765	\$36,287,179	\$34,054,359
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$2,611,139	\$2,038,916	\$7,361,359
Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21

Year-end Reserve Balance⁴	\$7,351,000	\$10,623,042	\$10,736,189
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CITY OF LAGUNA BEACH

The City of Laguna Beach had positive net revenues for all fiscal years examined. There was a notable dip in FY 2020 due to a decline in revenues from taxes, charges for services, and parking meters, lots, and permits. This dip did not push Laguna Beach into negative territory and the net revenues again reached in the millions in FY 2021.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Taxes	\$61,952,567	59,593,169	\$66,741,431
Licenses and Permits	1,401,562	1,192,344	1,468,109
Fines and Penalties	959,270	937,560	963,325
Investment Income, Net	3,567,040	3,030,274	174,488
Rental	425,517	448,319	224,649
Intergovernmental	1,862,776	1,231,888	6,218,657
Charges for Services	8,648,899	7,375,023	8,610,465
Parking Meters, Lots, and Permits	8,065,075	5,908,986	7,695,559
Development Tax	263,291	153,783	210,061
Contributions from property owners	30,000	-	-
Other	844,320	486,465	410,662
Total Revenues	\$88,020,317	\$80,357,811	\$92,717,406
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
General Government	6,425,030	6,129,597	8,423,726
Community Development	5,884,065	6,245,015	6,343,820
Public Safety	35,904,287	37,253,216	40,198,725
Public Works	15,461,831	15,079,771	17,817,484
Recreation and Social Services	5,309,727	5,175,265	3,295,223
Capital Outlay	10,921,375	9,831,508	5,351,331
Total Expenses	\$79,906,315	\$79,714,372	\$81,430,309

⁴ Audited Financial Statements

Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$8,114,002	\$643,439	\$11,287,097
Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21
Year-end Reserve Balance⁵	\$27,530,330	\$23,406,015	\$26,195,065

⁵ Audited Financial Statements

CITY OF LAGUNA HILLS

The City of Laguna Hills had positive net revenues in all years examined. Revenues dipped slightly in FY 2020 but rose and recovered in FY 2021. The decline in 2020 was due to a fall in intergovernmental revenues and charges for service.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Taxes	\$13,557,754	13,537,100	\$13,827,470
Licenses and permits	954,017	1,666,474	2,311,051
Intergovernmental revenues	6,072,420	5,726,576	5,879,645
Charges for services	1,152,319	637,373	584,889
Fines and forfeitures	219,727	175,661	146,395
Investment income	91,296	103,439	2,844
Total Revenues	\$22,047,533	\$21,846,623	\$22,752,294
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
General government	3,856,802	3,801,648	3,721,795
Public services	4,351,578	4,687,465	4,544,662
Community development	1,175,000	1,655,447	2,269,587
Community services	2,002,236	1,705,869	1,304,563
Public safety	8,243,746	8,456,527	8,669,578
Capital outlay	3,856,802	3,801,648	3,721,795
Principal retirement	96,623	96,667	4,544,662
Total Expenses	\$19,725,985	\$20,403,623	\$20,590,720
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$2,321,548	\$1,443,000	\$2,161,574
Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21

Year-end Reserve Balance⁶	\$7,161,146	\$7,487,247	\$7,824,536
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⁶ Audited Financial Statements

CITY OF LAGUNA NIGUEL

The City of Laguna Niguel had positive net revenues in all years examined. As the largest city in the Southwest, Laguna Niguel also had the largest budget over the analyzed period. From FY 2019 to FY 2021 Laguna Niguel saw annual revenue increases, while expenditures fluctuated.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Taxes	\$37,522,924	\$38,763,249	\$40,969,647
Licenses and permits	2,346,727	2,426,416	2,037,023
Intergovernmental	112,492	204,040	1,418,949
Charges for services	989,221	661,762	465,020
Fines and forfeitures	460,296	352,064	302,213
Use of money and property	2,150,521	1,263,362	434,725
Contributions	33,747	19,340	-
Miscellaneous	193,546	492,781	122,880
Total Revenues	\$43,809,474	\$44,183,014	\$45,750,457
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
General government	\$4,334,859	\$4,470,422	\$4,637,532
Public safety	15,483,937	15,968,936	16,281,019
Community development	3,038,525	3,307,515	3,311,883
Parks and recreation	4,481,142	4,591,224	3,488,143
Public works	10,421,900	11,853,234	11,464,123
Capital outlay	453,499	310,630	156,165
Total Expenses	\$38,213,862	\$40,501,961	\$39,338,865
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$5,595,612	\$3,681,053	\$6,411,592
Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21

Year-end Reserve Balance⁷	-	\$20,250,975	\$19,669,431
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CITY OF LAGUNA WOODS

The City of Laguna Woods had negative net revenues in FY 2019 but positive in FY 2020 and FY 2021. Both revenues and expenditures had at least one year of declines in the three years observed. The City's largest expense category is public safety. Reserves declined in FY 2020 but remained steady in FY 2021.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Taxes and Assessments	\$4,100,589	\$4,160,340	\$4,438,569
Intergovernmental	32,361	7,993	0
Franchise Fees	701,646	699,250	667,091
Charges for Services	759,261	671,039	682,913
Investment Income	261,436	335,092	23,400
Miscellaneous	496,495	273,816	218,945
Total Revenues	\$6,351,788	\$6,147,530	\$6,030,918
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
General Government	\$1,462,734	\$1,432,577	\$1,298,242
Public Safety	2,718,495	2,754,601	2,857,749
Public Works	317,837	341,111	308,354
Community Development	1,082,897	992,748	1,185,731
Community Services	-	-	-
Capital Outlay	841,401	351,422	270,602
Total Expenses	\$6,423,364	\$5,872,459	\$5,920,678
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	(\$71,576)	\$275,071	\$110,240

⁷ Audited Financial Statements

Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21
Year-end Reserve Balance⁸	\$9,358,299	\$7,089,455	\$7,109,867

⁸ Audited Financial Statements

EL TORO WATER DISTRICT

The El Toro Water District had negative net revenues in each of the years examined. The district has a negative cash flow due to high depreciation and amortization costs. According to El Toro staff, the high relative expenditures and the operating shortfall are expected to decline as major capital improvements are amortized and retired.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Water Consumption Sales	\$8,474,791	\$8,705,986	\$9,571,562
Water Service Charges	4,623,068	4,977,611	5,070,326
Sewer Service Charges	10,955,238	11,044,342	11,496,657
Standby Charges	247	-	-
Reimbursements from Others	383,810	328,310	401,225
Other Charges for Service	226,303	141,081	170,209
Non-operating Revenues	1,874,079	967,038	639,944
Total Revenues	\$26,537,536	\$26,164,368	\$27,349,923
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Source of Supply	\$7,650,468	\$8,085,299	\$8,763,806
Pumping	1,480,556	1,359,915	1,417,215
Treatment	3,744,102	3,763,671	3,951,679
Transmission and Distribution	4,561,123	5,178,966	5,458,122
Customer Service	720,714	603,473	533,039
General and Administrative	4,305,441	4,506,099	4,774,869
Depreciation and Amortization	4,466,431	4,483,607	4,345,557
Total Expenses	\$26,928,835	\$27,981,030	\$29,244,287
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	(\$391,299)	(\$1,816,662)	(\$1,894,364)
Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21



Year-end Reserve Balance⁹	\$6,121,392	\$4,989,655	\$2,472,175
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⁹ Audited Financial Statements



LAGUNA BEACH COUNTY WATER DISTRICT

The LBCWD had positive net revenues for each year examined. Water sales revenues were the highest individual source for LBCWD, while purchased water was consistently the largest expenditure. Reserves for the district declined slightly in FY 2020 but increased in FY 2021 to a higher amount than in FY 2019.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Water Sales	\$10,573,692	\$10,805,469	\$11,397,809
Service Installation Fees	106,005	97,326	72,540
Fire Service Charges	11,588	11,838	11,841
Equipment Rental	22,986	11,386	9,528
Overhead Expense Charged Out	9,109	8,588	6,826
Penalties	37,683	25,607	24
Customer Administration Fees	24,568	23,370	22,327
Miscellaneous Income	40,248	27,514	19,854
Non-Operating Revenues	4,006,464	4,795,206	5,752,711
Total Revenues	\$14,832,343	\$15,806,304	\$17,293,460
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Water Purchased	\$2,948,992	\$3,137,686	\$3,956,859
Source of Supply	163,551	139,482	153,468
Pumping	803,089	801,109	773,469
Transmission and Distribution	3,170,158	3,159,319	3,669,931
Customer Service	565,590	601,504	598,626
General and Administrative	2,932,461	3,840,183	3,580,921
Other Operation and Maintenance	230,070	292,444	281,370
Depreciation	2,304,642	2,398,197	2,388,942
Total Expenses	\$13,118,553	\$14,369,924	\$15,403,586
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$1,713,790	\$1,436,380	\$1,889,874



Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21
Year-end Reserve Balance¹⁰	\$13,289,814	\$12,890,018	\$15,030,315

¹⁰ **Audited Financial Statements**



MOULTON NIGUEL WATER DISTRICT

The Moulton Niguel Water District had positive net revenues in all years examined. Net revenues declined in FY 2021 due to an increase in water purchases and a decline in non-operating revenues. The decline in non-operating revenues came mostly from a decrease in investment income. The district possessed reserves in excess of \$50 million from FY 2019 to FY 2021.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Water Charges	\$32,680,545	\$32,980,943	\$37,593,121
Recycled Charges	5,161,153	5,049,306	6,179,569
Sanitation Charges	25,463,110	26,695,247	28,033,043
Other	644,182	498,377	329,171
Total Non-Operating Revenues	32,567,115	36,528,639	29,877,683
Total Revenues	\$96,516,105	\$101,752,512	\$102,012,587
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Water Purchases	\$23,670,442	\$26,530,223	\$29,806,447
Meter Purchases	360,439	-	-
Utilities	1,849,001	1,662,017	2,184,581
Pumping Water	2,108,350	1,714,355	1,692,188
Wastewater Treatment	12,221,043	12,680,278	13,029,758
Water Transmission/Distribution	2,048,008	1,423,084	1,958,001
Customer Service	3,413,313	3,555,680	3,619,657
Water Efficiency	4,333,171	4,335,108	4,061,557
General, Administrative & Other	21,367,711	22,543,109	22,162,851
Right to Use Leased Asset	-	925,676	1,111,906
Regulated Assets	-	19,919	54,600
Depreciation	19,743,524	20,830,890	21,669,259
Total Expenses	\$91,115,002	\$96,220,339	\$101,350,805
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$5,401,103	\$5,532,173	\$661,782

Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21
Year-end Reserve Balance¹¹	\$59,501,827	\$83,711,877	\$66,334,668

¹¹ Audited Financial Statements



SOUTH COAST WATER DISTRICT

The South Coast Water District had positive net revenues in every year examined. Net revenues rose from a few thousand in FY 2019 to approximately \$3.2 million in FY 2021. The district also possessed ample reserves throughout all three years. FY 2019 reserves were low due to an increase in bond obligations.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Water Sales	\$17,518,158	\$18,482,268	\$19,527,900
Sewer Service Charges	14,702,662	15,202,153	15,465,736
Recycled Water	1,770,840	1,855,007	2,179,970
Recreation Facilities	294,177	244,999	257,294
Total Non-Operating Revenues	5,146,495	7,016,554	7,144,907
Total Revenues	\$39,432,332	\$42,800,981	\$44,575,807
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Purchased Water	\$6,085,677	\$5,549,902	\$6,878,289
Groundwater Recovery Facility	1,011,303	1,330,142	1,110,828
Recycled Water	942,374	1,015,881	1,313,227
Pumping Expense	1,111,566	1,169,994	989,363
Sewer Treatment Plant	5,400,627	4,551,238	4,132,637
Transmission and Distribution	4,854,330	5,431,867	4,520,965
Operations Support	2,932,001	2,612,869	2,517,593
Recreation Facilities	294,565	277,255	321,871
Engineering and Consulting	2,314,667	2,159,615	2,110,391
General and Administrative	8,216,031	10,977,290	10,926,420
Depreciation	6,259,702	6,583,151	6,534,708
Total Expenses	\$39,422,843	\$41,659,204	\$41,356,292
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$9,489	\$1,141,777	\$3,219,515

Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21
Year-end Reserve Balance ¹²	\$9,043,169	\$43,648,035	\$47,113,607

¹² **Audited Financial Statements**

CAPISTRANO BAY COMMUNITY SERVICES DISTRICT

The Capistrano Bay CSD had positive net revenues in FY 2019 and FY 2021. The agency's revenues briefly dipped in FY 2020 causing a negative cash flow for that year. The negative net revenues were caused by a decline in user fees. The primary expenditure for Capistrano Bay is security services.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Property Taxes	\$1,024,223	\$1,069,555	\$1,112,135
User fees	227,469	-	227,379
Parking fees	41,370	43,340	45,310
Trash collection	3,600	3,975	3,500
Investment earnings	5,461	6,109	2,500
Other	8,775	4,017	11,202
Total Revenues	\$1,310,898	\$1,126,996	\$1,402,026
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Salaries and wages	\$130,585	\$131,605	\$143,442
Repairs and maintenance	109,246	92,296	94,783
Professional services	208,031	173,566	167,615
Security services	520,790	584,110	559,292
Utilities	70,295	72,074	79,716
Insurance	41,536	44,123	46,166
Other	36,601	47,871	33,459
Total Expenses	\$1,117,084	\$1,145,645	\$1,124,473
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$193,814	(\$18,649)	\$277,553
Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21

Year-end Reserve Balance¹³	\$2,019,309	\$2,018,897	\$2,303,238
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EMERALD BAY SERVICE DISTRICT

The Emerald Bay Service District had positive net revenues in FY 2019 and FY 2021. In FY 2020 the agency briefly had negative net revenues due to an increase in capital outlay costs. Reserves also declined in FY 2020 but increased slightly in FY 2021.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Taxes	\$2,476,611	\$2,652,590	\$2,842,302
Intergovernmental	-	-	-
Investment Income	48,221	59,417	1,549
Other	240,724	58,843	53,586
Total Revenues	\$2,765,556	\$2,770,850	\$2,897,437
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
General Governmental	\$653,655	\$659,290	\$721,293
Public Services Water and Sewer Services	281,490	298,420	311,163
Recreation and Safety	395,222	436,396	495,942
Capital Outlay	614,192	986,978	424,980
Principal Retirement	274,848	284,412	159,431
Interest and Fiscal Charges	212,574	203,009	167,698
Total Expenses	\$2,431,981	\$2,868,505	\$2,280,507
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$333,575	(\$97,655)	\$616,930
Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21
Year-end Reserve Balance¹⁴	\$1,600,724	\$1,243,711	\$1,370,317

¹³ Audited Financial Statements

¹⁴ Audited Financial Statements

THREE ARCH BAY COMMUNITY SERVICES DISTRICT

The Three Arch Bay CSD had positive net revenues in each year examined. Net revenues peaked in FY 2020 before declining slightly in FY 2021. Services made up the majority of the districts costs in FY 2019 and 2020, with benefits taking that place in FY 2021. Agency reserves increased in every year.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
Property Taxes	\$1,587,580	1,676,867	\$1,748,038
Property Assessments	409,854	415,566	403,693
Grants and Contributions	7,649	7,656	7,500
Revenue from Use of Money	91,102	91,999	(13,720)
Other Revenues	-	60,207	-
Total Revenues	\$2,096,185	\$2,252,295	\$2,145,511
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Benefits	\$1,739	\$-	\$1,617,301
Supplies	346	77	-
Services	1,245,212	1,277,037	206,121
Depreciation	-	-	578
Capital Outlay	115,940	2,989	1,422
Total Expenses	\$1,363,237	\$1,280,103	\$1,825,422
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$732,948	\$972,192	\$320,089
Reserves			
	FY 2018-19	FY 2019-20	FY 2020-21
Year-end Reserve Balance ¹⁵	\$5,661,833	\$6,634,025	\$6,961,978

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

The South Orange County Wastewater Authority had positive net revenues in each year examined. All of the agency's revenues come from member contributions. The largest expense for SOCWA was the O&M, Environmental, Compliance, and Safety category. The agency is not required to hold reserves and does not do so.

General Fund Cash Flow Detail FY 18-19 to FY 20-21

Revenues			
	FY 2018-19	FY 2019-20	FY 2020-21
O&M Member Agency Assessments	\$20,945,369	\$22,455,961	\$22,015,485
Capital Contributions from Member Agencies	9,490,114	14,587,871	11,533,533
Total Revenues	\$32,200,865	\$37,761,216	\$33,792,147
Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
O&M, Environmental, Compliance, & Safety	\$17,558,573	\$18,500,935	\$18,026,588
Engineering after Capital Transfer	457,175	395,760	293,908
Administration	2,360,182	2,359,762	2,161,324
Unallocated Pension and OPEB Expense	569,469	1,525,773	2,099,574
Other Expenses	558,257	1,337,225	945,120
Depreciation and Amortization	6,863,249	7,162,356	7,601,480
Total Expenses	\$28,366,905	\$31,281,811	\$31,127,994
Revenues/Expenditures			
	FY 2018-2019	FY 2019-20	FY 2020-21
Total Balance	\$3,833,960	\$6,479,405	\$2,664,153

IX. OPPORTUNITIES FOR SHARED FACILITIES

Pursuant to Government Code Section 56430, MSRs make determinations on seven (7) required topics, including:

5. Status of, and opportunities for, shared facilities;

WATER AND WASTEWATER

The Southwest Region has several existing regional cooperatives including its four water districts as well as the SOCWA JPA. Within SOCWA there are numerous shared facilities for wastewater collection and treatment. These are managed by SOCWA through separate project agreements or committees among various member agencies. Many of these agreements predate SOCWA and are due to expire in the coming decade. MNWD has expressed strong interest in assuming the operational responsibility of one of SOCWA's regional facilities in its jurisdiction and sees a potential benefit if many of SOCWA's assets were operated by each member agency themselves. In their view (which is shared by the Santa Margarita Water District), SOCWA is not structured to meet the wastewater service needs of some member agencies and should focus on providing enhanced permit and regulatory compliance support for the SOCWA member agencies. This would require SOCWA to relinquish their facilities ownership while keeping their powers to manage ocean outfalls, acquire EPA certification, and apply for NPDES permits. In turn, the local water districts and city departments would assume control of the wastewater facilities and bring those operations in-house. Alternatively, SCWD has expressed a strong interest in preserving the existing structure of SOCWA while also expressing openness to evaluating the agreements for efficiencies and improvements. The other three Southwest Region SOCWA member agencies are aware of the MNWD and SMWD concerns and proposals. However, they did not express a desire to advance these ideas during the MSR process but stressed their openness to reevaluating the project agreements as they approach their respective expiration dates.

SOCWA staff is also aware of the discussions between member agencies and noted that any change in the operations and ownership of SOCWA's wastewater treatment facilities will need to account for the agencies serviced by the respective facility. As of the writing of this MSR, SOCWA staff confirmed that a facilitator had been hired by the SOCWA board in order to hold and guide productive meetings on the subject. Additionally, MNWD, SMWD, and SCWD have been hosting weekly meetings amongst their agencies' staff to produce workable alternatives to the issues MNWD and SMWD have highlighted. These meetings have discussed, among other things, who would become the responsible operator for the Regional Treatment Plant, the Coastal Treatment Plant, and the J.B. Latham Treatment Plant in the event of a SOCWA reorganization.

LAW ENFORCEMENT

As mentioned previously, the Cities of Laguna Woods and Aliso Viejo have concerns with the rising costs of the current OC Sheriff's contract. Through agency interviews and survey responses while conducting this MSR, a regional policing model through OCSD was floated informally as one of a few potential solutions to reduce costs.

ANIMAL CONTROL

As mentioned in Section VII, there are three existing joint ventures for animal control in the Southwest Region. The first is through the Mission Viejo Department of Animal Services and its contract services with the Cities of Aliso Viejo, Laguna Hills, and Laguna Niguel. The second is through the Laguna Beach Animal Services Division which contracts with the City of Laguna Woods, in addition to operating within the City of Laguna Beach. The third joint venture is the Coastal Animal Services Authority or CASA. As explained earlier, CASA is a JPA between the cities of Dana Point and San Clemente, the latter of which is not reviewed in this MSR. These joint ventures provide adequate service and neither partnership had any issues reported. Animal Control is currently the only instance where facilities are shared and services are contracted directly between cities. All other regional cooperatives involve the County, the water districts, or SOCWA.

X. ACCOUNTABILITY, GOVERNMENT STRUCTURE AND OPERATIONAL EFFICIENCIES

Pursuant to Government Code Section 56430, MSRs make determinations on seven (7) required topics, including:

- 6. Accountability for community service needs, including government structure and operational efficiencies.*
- 7. Any other matter related to effective or efficient service delivery, as required by Commission Policy.*

Overall, agencies in Southwest Region of Orange County function at an efficient level and do not have many structural problems. This is largely due to four things: the high amount of contract or third-party labor, successful regional cooperation, the high value of land and property, and the fact that most of the region was developed as several master planned communities. Outside of the City of Laguna Beach, LBCWD, and SCWD, every agency is under 65 years old. All other cities besides Laguna Beach are even younger at around 34 years of age. The water districts formed first during the area's agricultural days in the 1960s. From there almost every city developed as a general plan community with the eventual goal of incorporation. From 1989 to 2001 the cities of Dana Point, Laguna Niguel, Laguna Hills, Laguna Woods, and Aliso Viejo all incorporated. This development process is unique in comparison to some of the older parts of the County where governance and planning structures were produced after development had already taken place. One other notable difference for cities incorporated during this period is the prevalence of homeowner associations (HOAs) and the provision of municipal services by the HOAs.

Overall, the Southwest Region agencies implement policies and procedures that ensure transparency and accountability to the public, including appropriate elections and public notice of agency meetings and actions. Each agency has a formal governing body that is elected, and all the agencies conduct regularly scheduled public hearings. Many agencies stream their public hearings on platforms such as Zoom. All of the Southwest agencies maintain websites that contain general information on City and District departments, activities, and events.

All cities in the Southwest Region are general law cities with a Council-Manager form of government. Additionally, all cities have a five-member City Council elected at-large or by district. The CSDs in the region are also governed by five Board Members each elected at-large or by

district. The CSDs function with minimal in-house staff. Only two employees work at the Capistrano Bay CSD, one at Emerald Bay CSD, and none are employed directly by the Three Arch Bay CSD. For Emerald Bay and Three Arch Bay, most work is contracted out to the local homeowners or community association. In Emerald Bay, work contracted to the Emerald Bay Community Association is governed by a management services agreement. The agreement includes the cost of office rent, a facilities lease, and administrative expenses, as well as the cost of an administrative assistant position for a certain amount of time per month. According to the Emerald Bay FY 2022-23 budget, the management services covered under the agreement cost the district approximately \$372,000. Three Arch Bay has a similar management services agreement with the Three Arch Bay Association, an HOA that covers the same geographic area as the CSD. Under the Three Arch Bay agreement, the association provides general manager, secretarial, and clerical services to the district. It also covers related administrative expenditures and facilities leases. The Three Arch Bay management services agreement costs the district approximately \$480,000 as of the FY 2022-23 budget.

In the Fall of 2021, two residents of Three Arch Bay CSD raised concerns with OC LAFCO regarding the district's use of unauthorized service provisions and its use of district funds. In response to these concerns, OC LAFCO engaged with the district staff to understand the services that were being provided. Subsequently, the CSD indicated that they would not be providing any services that have not been appropriately authorized by OC LAFCO and they do not intend to file an application with the Commission to provide such services. Should the CSD's position change in the future, an application must be filed with OC LAFCO.

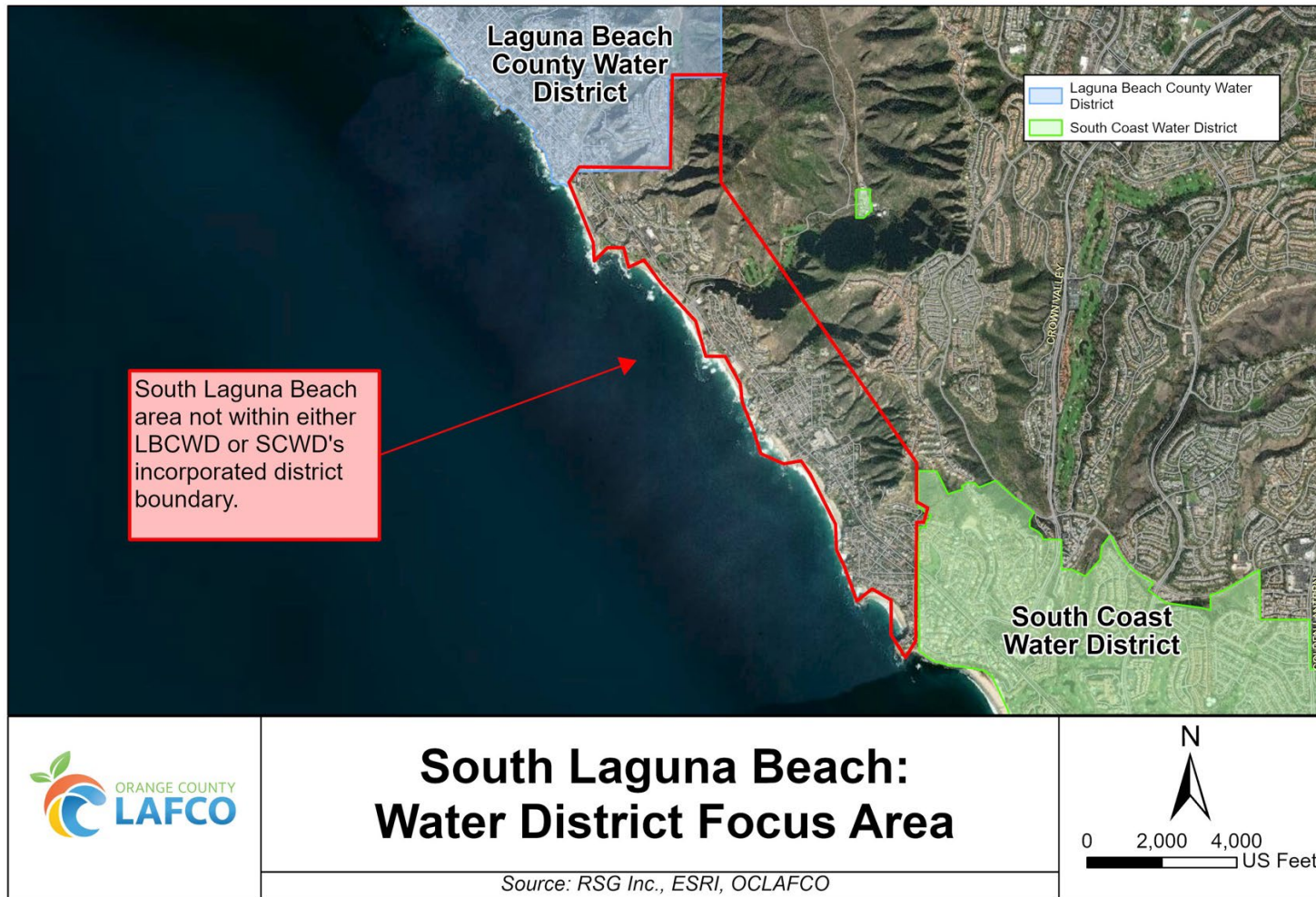
Southwest Orange County is also unique in that it possesses four locally controlled water districts as opposed to large regional ones. Two of these water districts (ETWD and MNWD) are considered "California Water Districts", while one (LBCWD) is considered a "County Waterworks District" and a dependent district, and one other (SCWD) is considered a "County Water District". The differences between the three district styles lie in their formation. A California Water District, according to Government Code Section 34153, is formed when the owners of a majority of the land in an area capable of using water beneficially for irrigation, domestic, industrial, or municipal purposes, and which can be serviced from common sources or supply and by the same system of works, petition LAFCO for the formation of a district. In other words, it is created from a petition of private landowners. A County Waterworks District is formed when a petition is sent to LAFCO that has acquired signatures from 25% of the residences in the area designated to be within the future district. As opposed to being based on land ownership, a Waterworks district is based on a percent of total residences. Additionally, a County Waterworks District must be wholly within one county, as opposed to the similarly named "County Water District", which can be made up of multiple counties but does not have to be.

Following are specific individual agency findings for this topic area:

- The City of Laguna Beach recently reached an agreement with the County to take ownership and responsibility for the beaches in South Laguna; mainly Aliso, Camel Point, Laguna Royale, Table Rock, Thousand Steps, and West Street. The agreement went into effect on March 1, 2023. Although the County will retain its property tax share for this part of County Service Area ("CSA") 26, it agreed to pay the city a \$22 million lump-sum to cover the transfer of operations. This new arrangement improves local accountability for the operations of the lifeguard towers and public facilities there and also streamlines government service.
- In the southern area of the City of Laguna Beach ("South Laguna"), the lack of directly elected representation on the SCWD board is a concern of residents and representatives

of the City of Laguna Beach. In particular, residents have provided feedback suggesting that since SCWD now conducts district elections for Board Members, the voice of south Laguna Beach residents is more limited than when Board Members were elected at-large. At-large board members, in their view, had less of an obligation to focus only on their own district voters' concerns. The residents have not expressed concerns about the quality of service, only the form of representation. SCWD was not opposed to the idea and reported that there is interest in annexation. The issue was raised in the MSR survey and interviews with City of Laguna Beach staff, who were interested in studying an amendment to the SOI boundary so that South Laguna Beach can eventually be annexed into SCWD, allowing residents to vote in the district's election process.

A map of the area is shown on the following page:



- OC LAFCO staff participated in discussions with the City of Laguna Beach regarding the provision of water and sewer services by multiple providers within their jurisdictional boundary. As indicated in other sections of this report, the City and respective providers acknowledge that generally the services are being provided efficiently and do not see a need for consolidation or reorganization; however, there have been past inquiries from the City and LBCWD representatives involving potential reorganization involving the delivery of these services to improve efficiency. OC LAFCO staff acknowledges these discussions and notes that a change of organization (i.e. formation of district, reorganization, divestiture of services) would require an in-depth multi-year study involving the operational and fiscal assessments.
- Governance structure has also been raised as an issue within SOCWA. Though the problem has evolved over the years, the current issue relating to facilities operations stems from concerns previously shared by MNWD. In terms of accountability and governance structure, MNWD and SMWD have expressed dissatisfaction with SOCWA's ability to adapt to new trends in wastewater treatment services and regulations. In MNWD's view, a transition of assets to the member agencies would enable agencies to better implement water reuse programs, seek outside funding, and integrate new projects into the regional infrastructure. As with all other SOCWA related subjects in this MSR, the same level of concern was not expressed by the other member agencies interviewed. SCWD emphasized their interest in preserving the existing SOCWA structure. The other three Southwest Region agencies did express a willingness to explore alternative methods of governance within SOCWA, provided they go through the proper channels. SOCWA staff has stressed that any changes to the JPA agreement, including a redistribution of assets, is open for discussion. SOCWA staff also noted that any reorganization discussions should take into account what they viewed as beneficial contractor pricing from SOCWA's ability to request proposals regionally. OC LAFCO staff is aware of current SOCWA Board discussions, member agency meetings, and potential proposals involving the reorganization of SOCWA. OC LAFCO staff has noted the complexity of the issues involving SOCWA and that LAFCOs do not have authority over JPAs. However, staff also notes, that in accordance with state law, LAFCOs are required to review the municipal services delivered by JPAs through the MSR process, and JPAs that provide municipal services are required to submit copies of their agreements, including subsequent amendments, to their respective LAFCO in accordance with Government Code Section 6503. In addition, if SOCWA's assets ever transition to the ownership of any single member agency, any provision of service outside of said agency's service area may require OC LAFCO review.
- Through this MSR, Capistrano Bay CSD expressed concern with an ongoing boundary issue at the south end of their district at Poche Beach. In the past the beach was shown as a part of the district's boundary but was excluded from their SOI for an unknown reason. The CSD staff believed that the Poche Beach area may never have been part of their district. However, OC LAFCO staff investigated this issue thoroughly and found that the boundary of the district and its SOI should both include Poche Beach. The error on the SOI map file was corrected and now shows the SOI and boundary are coterminous.

No additional matters related to effective and efficient service delivery have been identified for review in this MSR by OC LAFCO or the Southwest Region agencies.