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Public Member**VACANT**
County Member**STAFF****Luis Tapia**
Executive Officer**Scott Smith**
General Counsel**MEETING DATE:** February 11, 2026**7a** | **Public
Hearing****TO:** Local Agency Formation Commission
of Orange County**FROM:** Executive Officer**SUBJECT:** Proposed "Activation of Latent Powers for Three
Arch Bay Community Services District" (LP 25-02)

BACKGROUND

The Three Arch Bay Community Services District (Three Arch Bay CSD) submitted an application by resolution and Plan for Service for the activation of latent powers for park and recreation services¹, included in the Community Services District Act, G.C. Sections 61000-61250. Three Arch Bay CSD intends to provide lifeguard services, maintenance to recreation facilities, and organization of community recreation programs within its jurisdictional boundary.

Latent powers or services, in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act), are those services, facilities, functions, or powers authorized by the principal act under which the district is formed, but that are not currently exercised. Additionally, the CKH Act delineates that a district must obtain approval from the LAFCO Commission prior to exercising latent powers.

¹ Community Services District Act, G.C. §§ 61000-61250: (a) acquire, construct, improve, maintain, and operate recreation facilities, including but not limited to, parks and open space; (b) organize, promote, conduct, and advertise programs of community recreation; (c) acquire, construct, improve, maintain, and operate community facilities.

DISCUSSION

In 2025, Three Arch Bay CSD submitted an application and Plan for Service to activate the District's latent powers to provide park and recreation services, which include the provision of lifeguard services, maintenance of recreation facilities, and organization of recreation programs. The following sections provide information on the proposed activation of latent powers and the submitted Plan for Service, which outlines the services the District would provide and the financing plan for the proposed services.

PLAN FOR SERVICE REQUIREMENTS (GOVT. CODE §§ 56653 and 56824.12)

The CKH Act requires that the applicant submit a Plan for Service (Govt. Code § 56653) for the activation of the latent powers to provide park and recreation services. The Plan for Service requires the following: 1) an enumeration and description of the services currently provided or to be extended to the affected territory; 2) the level and range of those services; 3) an indication of when those services can feasibly be extended to the affected territory; 4) an indication of any improvements or upgrading of structures, roads, sewer or water facilities; and 5) how those services will be financed.

Additionally, the CKH Act under Government Code § 56824.12, requires that the Plan for Service include all of the following information: 1) a total cost to provide the new or different function or class of services within the special district's jurisdictional boundaries; 2) the estimated cost of the new or different function or class of services to customers within the special district's jurisdictional boundaries and estimated costs may be identified by customer class; 3) an identification of existing providers, if any, of the new or different function or class of services proposed to be provided and the potential fiscal impact to the customers of those existing providers; 4) a written summary of whether the new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of section 56654, will involve the activation or divestiture of the powers to provide a particular service or services, service function or functions, or class of service or services; 5) a plan for financing the establishment of the new or different function or class of services within the special district's jurisdictional boundaries; and 6) alternatives of the new or different functions or class of services within the special district's jurisdictional boundaries.

The following section provides staff's review and analysis of Three Arch Bay CSD's Plan for Service and addresses the statutory and Commission requirements. In addition to the factors within Government Code §§ 56653 and 56824.12, State law requires the Commission to also review and consider the factors outlined in Government Code § 56668, which are presented in Attachment 1.

Three Arch Bay CSD

Formed in 1957, under the Community Services District Law, Three Arch Bay CSD is located in the southern part of the City of Laguna Beach, bisected by Pacific Coast Highway. The District provides security and stormwater protection services to approximately 1,004 residents within a service boundary of about 0.23 square miles (Exhibit 1). The district is governed by a five-member board elected at large.

Three Arch Bay CSD provides security and stormwater services to the community through the acquisition of contracts with private vendors. In accordance with the most recent *Municipal Service Review and Sphere of Influence Reviews for the Southwest Region* (MSR), which was received and approved by the Commission in August 2023, Three Arch Bay CSD maintained positive net revenues and increasing reserves during the three fiscal years examined as part of the MSR (FY 18-19 to FY 20-21). The fiscal findings of the MSR demonstrated that the District is in good fiscal standing to provide security and stormwater services. The Three Arch Bay CSD staff includes a general manager, a secretary, and clerical staff, provided through a contract with the local Three Arch Bay Homeowners Association.

Exhibit 1: Three Arch Bay CSD



THREE ARCH BAY CSD PLAN FOR SERVICE

The Three Arch Bay CSD was established under the Community Services District Act (G.C. §§ 61000-61250), which outlines the provisions for CSDs to provide local public services within their designated service area. In accordance with the Act, CSDs are authorized to provide recreation and park services, including the operation and maintenance of facilities such as parks, open spaces, and swimming areas, as well as lifeguard services. Accordingly, the provision allows CSDs to conduct recreation programs in the same manner as a recreation and parks district.

Historically, recreation and park services within the Three Arch Bay community, including replacement, operation, and maintenance of park area, sports court, and beach, have been provided by the Three Arch Bay Homeowners Association through vendor contracts. In addition to maintaining the beach, the Association has provided lifeguard services under contract with the City of Laguna Beach Marine Safety Division. However, the association has expressed concerns about the continued provision of maintenance to the park, sports court, and beach, including lifeguard services, due to fiscal constraints.

Three Arch Bay CSD's request to provide parks and recreation services would enhance maintenance frequency to the community park, sports court, and beach amenities. Park maintenance would include upgrades to turf areas, planter beds, hardscape areas, sports courts, and the recreation building, as well as ongoing maintenance of these areas. Additionally, the District would provide beach maintenance, including general cleanup of debris and trash and cleaning of beach amenities. Lastly, the District intends to organize recreational programs for the community.

The proposed recreational programs include sports activities, community events, and beach lifeguard services. The District anticipates that lifeguard services will be provided as needed, including nine days during spring break (between March and April), Memorial Day weekend, weekends during "non-peak" days in late May, the first two weekends in June and September, and daily from mid-June to early September.

Three Arch Bay CSD Financial Forecast

To address the statutory requirements for activating the proposed latent powers, Three Arch Bay CSD has provided a financial forecast demonstrating how the district would finance park and recreation services upon activation. The financial plan provides forecasts of expenditures, revenues, and reserve balances associated with the District's current services, including security and stormwater, as well as the projected costs to provide park and recreation services. The District's revenues are generated from three sources: a portion of the ad valorem property tax, security assessments, and stormwater assessments. The portions from the property tax and security assessment are collected annually, and the storm revenue assessment is billed quarterly to property owners by Three Arch Bay CSD. Table A presents the District's projected revenues and expenditures for six fiscal years, commencing with FY 2025-26, indicating approximately \$2.72 million in revenues and approximately \$2.09 million in expenditures. Expenditures generally include expenses for security services, storm drain maintenance, and allocating revenues to reserves for a management plan that encompasses the maintenance of the stormwater system infrastructure.

The projections provided in the Three Arch Bay CSD Plan of Service, and reflected in Table A, demonstrate that upon receiving approval to provide park and recreation services, the District will have sufficient revenues to fund the services. In addition to the expenditures associated with the current services provided by the District, the projections include the costs for the new services, with a projected annual increase of \$5,000 for maintenance of parks, beaches, and organization of recreation programs, and an annual increase of five percent in costs per year for lifeguard services. The following are descriptions of the revenues, expenses, and projected expenses for the proposed park and recreation services:

Revenues:

- **Ad Valorem Property Tax**
A portion of the ad valorem property tax received by Three Arch Bay CSD which is generated from properties within the District.
- **Security Assessment**
Assessment included as part of the property tax bill for properties within the Three Arch Bay CSD, allocated to security services.
- **Storm Revenue Assessment**
Quarterly assessment billed by Three Arch Bay CSD to the properties within the District, allocated to stormwater services.

Expenditures:

- **Security Services:**
Security services are provided through contracts with external companies, including patrol services and gate attendants.
- **Storm Drain Maintenance/Inspections/Reserve Designation:**
Maintenance, repairs, and monitoring of the storm drain system costs.
- **Management/General/Administrative:**
Staff, general maintenance, and administrative service costs.
- **Park and Recreation Services**
Maintenance of recreation facilities, including parks and beaches, and organization of recreation programs.
- **Lifeguard Services**
Lifeguard service costs for nine days during spring break (between March and April), Memorial Day weekend, weekends during “non-peak” days in late May, the first two weekends in June and September, and daily from mid-June to early September.

The table on the following page provides the District’s fiscal projections, including the current provision of security and stormwater services, and the proposed park and recreation services.

Table A: Fiscal Projections Security, Stormwater, and Park and Recreation Services						
Revenues						
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Property Tax	\$2,206,599	\$2,361,061	\$2,526,335	\$2,703,179	\$2,892,401	\$3,094,869
Security Assessment	\$101,830	\$102,029	\$102,029	\$102,029	\$102,029	\$102,029
Storm Assessment	\$415,140	\$415,140	\$415,140	\$415,140	\$415,140	\$415,140
Total Revenues	\$2,723,569	\$2,878,230	\$3,043,504	\$3,220,348	\$3,409,570	\$3,612,038
Expenditures						
Security Services	\$696,000	\$696,000	\$696,000	\$716,880	\$738,386	\$760,538
Storm Drain Maintenance	\$166,046	\$175,000	\$180,000	\$182,500	\$185,000	\$187,500
Management-General-Administrative	\$1,228,449	\$1,265,302	\$1,303,262	\$1,342,359	\$1,382,630	\$1,424,109
Total Expenses	\$2,090,495	\$2,136,302	\$2,179,262	\$2,241,739	\$2,306,016	\$2,372,147
Revenues/Expenditures Totals	\$633,074	\$741,928	\$864,242	\$978,609	\$1,103,554	\$1,239,891
Expenditures for Proposed Park and Recreation Services						
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Parks, Maintenance of Recreation Facilities, Organization of Recreation Activities	\$165,000	\$170,000	\$175,000	\$180,000	\$185,000	\$190,000
Lifeguard Services	\$135,000	\$141,750	\$148,838	\$156,280	\$164,094	\$172,299
Transfer to Reserves	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000	\$450,000
Total Revenue Balance	\$133,074	\$180,177	\$240,404	\$292,329	\$354,459	\$427,592

Three Arch Bay CSD's Plan for Service demonstrates that the financial projections will effectively fund all services, including park and recreation services. The annual projected total revenue balance is applied to infrastructure maintenance, invested in T-Bills², or transferred to reserves. Included in the financial projections is the allocation of revenues to the District's reserves, which are designated for infrastructure replacements associated with the stormwater system. The District is currently developing a new Stormwater Master Plan that will include a maintenance schedule and repair cost estimates for the stormwater system. Starting FY 2025-26, the allocation of revenues to reserves is \$200,000 and projected to increase by \$50,000 each fiscal

² Short-term, low-risk U.S. government debt securities with maturities of approximately one year.

year. Table B provides the projected reserves assigned for future repairs and replacements of the stormwater system.

Table B: Reserve Funds Projections						
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Beginning Reserve Balance	\$6,963,667	\$7,163,667	\$7,413,667	\$7,713,667	\$8,063,667	\$8,463,667
Transfer from FY Revenues	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000	\$450,000
Total Reserve Balance	\$7,163,667	\$7,413,667	\$7,713,667	\$8,063,667	\$8,463,667	\$8,913,667

Additional Statutory Requirements (Govt. Code §§ 56653 and 56824.12)

The proposed activation of park and recreation services for Three Arch Bay CSD will not result in any additional assessments to the residents, and there are no identified impacts to nonresidents. Additionally, no other public agencies have requested to provide park and recreation services to the District or have been designated as the service providers.

Environmental Review

On October 23, 2024, Three Arch Bay CSD, as the lead agency under the California Environmental Quality Act (CEQA), filed a Notice of Exemption with the Orange County Clerk-Recorder. As a responsible agency, the Commission will review the environmental documentation prepared by the District in its consideration of the proposed activation of the latent powers. A Notice of Exemption is included within this report for the Commission's review.

Protest Proceedings

An approval of the proposed activation of latent powers by OC LAFCO would require protest proceedings under Government Code Section 57000. In accordance with State law and following the expiration of the required 30-day reconsideration period, the Commission shall set a protest period of no less than 21 days or no more than 60 days, during which registered voters and landowners within the Three Arch Bay CSD may submit written protests against the proposed activation of latent powers. Given the nature of the proposed activation of latent powers, staff is recommending that the Commission set a 30-day protest period.

SUMMARY CONCLUSION

Three Arch Bay CSD has submitted a Plan for Service that supports the District's operational and financial capacity for the consideration of the proposed activation of latent powers. The proposed request for the provision of park and recreation services allows for these services to be provided at an enhanced level and will not have a fiscal impact on the residents of Three Arch Bay CSD or those in the surrounding areas. The Homeowners Association will continue to provide park and recreation services, including upkeep and replacement of infrastructure associated with recreational facilities, maintenance of trees, recreational activities, and other services not listed by Three Arch Bay CSD's request. Further, no alternative service providers have expressed interest in providing these services. If the proposed activation of latent powers is approved, Three Arch Bay CSD would assume the services at the start of Fiscal Year 2026-27.

RECOMMENDED ACTIONS

Staff recommends that the Commission take the following actions:

1. Approve the activation of the latent powers for the Three Arch Bay Community Services District to provide park and recreation services as delineated by the Community Services District Act, G.C. §§ 61000-61250.
2. As a responsible agency, direct the Executive Officer to file the Notice of Exemption (Attachment-2) for the "Activation of Latent Powers for the Three Arch Bay Community Services District (LP 25-02)" with the Orange County Clerk Recorder.
3. Adopt the LAFCO Resolution No. LP 25-02 (Attachment 3) approving the "Activation of Latent Powers for the Three Arch Bay Community Services District (LP 25-02)."
4. Authorize and direct the Executive Officer to conduct protest proceedings pursuant to Government Code Section 57000 et seq. and set a 30-day protest period following the 30-day reconsideration period that is required pursuant to Government Code Section 56895.

Respectfully Submitted,



Luis Tapia

Attachments:

1. G.C. § 56668 Factors Considered by the Commission
2. Notice of Exemption
3. OC LAFCO Resolution No. LP 25-02

FACTORS CONSIDERED IN THE REVIEW OF THE
Activation of Latent Powers for the Three Arch Bay Community Services District (LP 25-02)
(Government Code Section 56668)

I. Population and Population Density, Land Area and Land Use, and Assessed Valuation

- The population within the Three Arch Bay Community Services District (Three Arch Bay CSD) is approximately 1,004 residents.
- The land use designation within Three Arch Bay CSD's approximately 147.2 acres is identified as village low and medium density and local business.
- The subject area is generally located within the southern part of the City of Laguna Beach, bisected by Pacific Coast Highway.
- The subject area is located within Tax Rate Areas 5-029, 5-035, and 5-040.
- The total assessed valuation for the subject area is \$1,595,828,995.

II. Organized Community Services, Present Cost and Adequacy, and Future Needs of Governmental Services, and Probable Effect of the Proposed Activation of Latent Powers

- Three Arch Bay Community Services District is located in the southern part of the City of Laguna Beach. South Coast Water District provides water and wastewater services to the residents within the District.
- If the Commission approves the proposed activation of latent powers for park and recreation services¹, the Three Arch Bay CSD would provide lifeguard services, maintenance to recreation facilities, and organization of community recreation programs within its jurisdictional boundary.

Table A – Activation of Latent Powers for the Three Arch Bay Community Services District (LP25-02)		
Services	Provider (Existing)	Provider (Upon Activation of Latent Powers)
Animal Control	City of Laguna Beach	City of Laguna Beach
Fire Protection	City of Laguna Beach	City of Laguna Beach
Library Service	County of Orange	County of Orange
Parks & Recreation	Three Arch Bay Homeowners Association	Three Arch Bay CSD/Three Arch Bay Homeowners Association
Planning	City of Laguna Beach	City of Laguna Beach
Police Service	City of Laguna Beach	City of Laguna Beach
Local Water/Wastewater	South Coast Water District	South Coast Water District
Wholesale Water	Municipal Water District of Orange County	Municipal Water District of Orange County
Regional Providers (No Change)		
Orange County Cemetery District (countywide public cemetery)		
South Orange County Water Authority (regional wastewater)		
Orange County Mosquito and Vector Control District (countywide vector control)		

¹ Community Services District Act, G.C. §§ 61000-61250: (a) acquire, construct, improve, maintain, and operate recreation facilities, including but not limited to, parks and open space; (b) organize, promote, conduct, and advertise programs of community recreation; (c) acquire, construct, improve, maintain, and operate community facilities.

- III. **Effect on Adjacent Areas, Mutual Social and Economic Interests, Local Government Structure**
 - The approval of the proposed activation of latent powers will not have an effect on adjacent areas, mutual social and economic interests, and local government structure.
- IV. **The Conformity of the Proposal and its Anticipated Effects with both the Adopted Commission Policies on Providing Planned, Orderly, Efficient Patterns of Urban Development, and the Policies and Priorities set forth in Government Code Section 56377**
 - The proposed activation of latent powers was processed in accordance with Commission policies and procedures and is consistent with priorities set forth in Government Code Section 56377.
- V. **Effect on Maintaining the Physical and Economic Integrity of Agricultural Lands**
 - No agricultural land is contained within or adjacent to the proposed subject territory.
- VI. **The Definiteness and Certainty of the Boundaries of the Territory, the Nonconformance of Proposed Boundaries with Lines of Assessment or ownership, the Creation of Islands or Corridors of Unincorporated Territory, and other Similar Matters Affecting the Proposed Boundaries**
 - The proposed activation of latent powers does not modify any lines of assessment and ownership within the subject territory and does not create any islands or corridors of unincorporated territory.
- VII. **Regional Transportation Plan (RTP) Adopted and Consistency with City or County General and Specific Plans**
 - The proposed activation of latent powers does not have an impact on the Regional Transportation Plan and Sustainable Communities Strategy that has been adopted for the region by the Southern California Association of Governments.
- VIII. **Sphere of Influence Local Agencies**
 - The proposed activation of latent powers does not modify Three Arch Bay CSD's sphere of influence.
 - The Three Arch Bay CSD is within the following local agencies' sphere of influence: City of Laguna Beach, Orange County Mosquito Vector Control District, and Orange County Cemetery District.
- IX. **The Proposal's consistency with city or county general and specific plans.**
 - Land use for the subject territory within the City of Laguna Beach's General Plan is identified as village low and medium-density and local business.
- X. **Comments from Affected Agencies and/or other Public Agencies**
 - All affected and public agencies were notified of the proposal, and no comments on the proposed activation of latent powers were received.

- XI. **Ability of Newly Formed or Receiving Entity to Provide Services to Proposal Area and Sufficiency of Revenues for those Services**
- The Three Arch Bay CSD has sufficient revenues and can provide the proposed activation of latent powers, which includes park and recreation services.
- XII. **Timely Availability of Water Supplies Adequate for Project Needs as Specified in Government Code Section 65352.5**
- The proposed activation of latent powers for park and recreation services will not interrupt or alter the current service provision and the availability of water supplies as specified in Government Code Section 65352.5. South Coast Water District is the current retail water provider within the affected territory.
- XIII. **Extent to which the Proposal will Affect a City(ies) and the County in Achieving their respective fair Shares of the Regional Housing Needs**
- There were no comments received from the City of Laguna Beach and the County of Orange regarding the extent to which the proposal will affect their respective allocation of the regional housing needs.
- XIV. **Information or Comments from Landowners, Voters, or Residents within Affected Territory**
- Pursuant to Government Code Section 56824.14, a public notice was published in the Orange County Register. As of the date of the agenda distribution on February 4, 2026, staff has not received comments.
- XV. **Information relating to Existing Land Use Designations**
- The land use designations within Three Arch Bay CSD, according to the City of Laguna's General Plan, are village low and medium density and local business
- XVI. **The Extent to which the Proposal will Promote Environmental Justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services.**
- If the proposed latent powers are approved, the area will receive the same level of municipal services currently provided within the Three Arch Bay CSD.
- XVII. **Information contained in a local hazard mitigation plan, information contained in safety elements of a general plan, and any maps that identify land as very high fire hazard zone pursuant to Section 51178 or maps that identify land determined to be in a state responsibility area pursuant to 4102 of the Public Resources Code.**
- The City of Laguna Beach adopted a Fire Hazard Severity Zones map included within their respective fire hazard mitigation plans. The Three Arch Bay CSD includes areas designated as very high, medium, and moderate fire hazard severity zones.

NOTICE OF EXEMPTION

TO:	FROM:	Local Agency Formation Commission of Orange County (Responsible Agency)
<input type="checkbox"/> Office of Planning and Research P. O. Box 3044, Room 113 Sacramento, CA 95812-3044	(Public Agency)	
<input checked="" type="checkbox"/> Clerk of the Board of Supervisors or County Clerk County of: Orange Address: 211 W. Santa Ana Blvd., Santa Ana, CA 92701	Address	2677 North Main Street, Suite 1050 Santa Ana, CA 92705

1.	Project Title:	“Activation of Latent Powers for Three Arch Bay Community Services District” (LP 25-02)
2.	Project Applicant:	Three Arch Bay Community Services District 5 Bay Drive, Laguna Beach, CA 92651
3.	Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15’ or 7 1/2’ topographical map identified by quadrangle name):	The project is located within the Three Arch Bay Community Services District jurisdictional boundary, located in the southern part of the City of Laguna Beach. (see map attached)
4.	(a) Project Location – City	City of Laguna Beach
	(b) Project Location – County	Orange
5.	Description of nature, purpose, and beneficiaries of Project:	The project involves activating the latent powers for the provision of parks and recreation, including (a) acquire, construct, improve, maintain, and operate recreation facilities, including but not limited to, parks and open space; (b) organize, promote, conduct, and advertise programs of community recreation; (c) acquire, construct, improve, maintain, and operate community facilities park and recreation services by the Three Arch Bay Community Services District.
6.	Name of Public Agency approving project:	Local Agency Formation Commission of Orange County

7.	Name of Person or Agency undertaking the project, including any person undertaking an activity that receives financial assistance from the Public Agency as part of the activity or the person receiving a lease, permit, license, certificate, or other entitlement of use from the Public Agency as part of the activity:	Three Arch Bay Community Services District
8.	Exempt status: (check one)	
(a)	<input type="checkbox"/> Ministerial project.	(Pub. Res. Code § 21080(b)(1); State CEQA Guidelines § 15268)
(b)	<input type="checkbox"/> Not a project.	
(c)	<input type="checkbox"/> Emergency Project.	(Pub. Res. Code § 21080(b)(4); State CEQA Guidelines § 15269(b),(c))
(d)	<input checked="" type="checkbox"/> Categorical Exemption. State type and section number:	Changes in Organization of Local Agencies Class 20 § 15320
(e)	<input type="checkbox"/> Declared Emergency.	(Pub. Res. Code § 21080(b)(3); State CEQA Guidelines § 15269(a))
(f)	<input type="checkbox"/> Statutory Exemption. State Code section number:	CEQA Guidelines §15262 (Feasibility and Planning Studies)
(g)	<input type="checkbox"/> Other. Explanation:	
9.	Reason why project was exempt:	The change in the organization of a local governmental agency does not change the geographical area.
10.	Lead Agency Contact Person:	Jeremmy Pipp
	Telephone:	(949) 499-4567
11.	If filed by applicant: Attach Preliminary Exemption Assessment (Form "A") before filing.	
12.	Has a Notice of Exemption been filed by the public agency approving the project? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
13.	Was a public hearing held by the Lead Agency to consider the exemption? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If yes, the date of the public hearing was: October 23, 2024	

Signature: _____ Date: _____ Title: Executive Officer

Name:

☒ Signed by Responsible Agency ☐ Signed by Applicant

Date Received for Filing: _____

(Clerk Stamp Here)

LP 25-02

**RESOLUTION OF THE LOCAL AGENCY
FORMATION COMMISSION OF ORANGE COUNTY, CALIFORNIA
MAKING RESPONSIBLE AGENCY FINDINGS UNDER THE CALIFORNIA ENVIRONMENTAL
QUALITY ACT AND APPROVING THE “ACTIVATION OF LATENT POWERS FOR THREE ARCH BAY
COMMUNITY SERVICES DISTRICT (LP 25-02)”**

FEBRUARY 11, 2026

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, the change of organization, designated as “Activation of Latent Powers for Three Arch Bay Community Services District (LP 25-02),” proposed in Resolution No. 2024-01 of the District (attached hereto as Exhibit “A”) was hereto filed with and accepted for filing on January 30, 2025, by the Executive Officer of the Local Agency Formation Commission of Orange County (“LAFCO”) pursuant to Title 5, Division 3, commencing with Section 56000 et seq. of the Government Code; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56658 set February 11, 2026, as the hearing date of this proposal; and

WHEREAS, as the Executive Officer, pursuant to Government Code Section 56665 has reviewed this proposal and prepared a report including his recommendation therein and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposed activation of latent powers consists of park and recreation services, including (a) acquire, construct, improve, maintain, and operate recreation facilities, including but not limited to, parks and open space; (b) organize, promote, conduct, and advertise programs of community recreation; (c) acquire, construct, improve, maintain, and operate community facilities, (park and recreation services) included in the Community Services District Act, G.C. Sections 61000-61250 with the District focusing on providing lifeguard services,

Resolution (LP 25-02)

maintenance of recreation facilities, and organization of recreation programs within the Three Arch Bay Community Service District (Three Arch Bay CSD) 148-acre community; and

WHEREAS, Three Arch Bay CSD as the lead agency for the environmental review, analysis, and approval pursuant to the requirements of the (Public Resources Code Section 21000 et seq.) and the State CEQA Guidelines (14 Cal. Code Regs., §15000 et seq.) (“CEQA”); and

WHEREAS, pursuant to CEQA, on October 23, 2024, the Three Arch Bay Community Services District adopted a Notice of Exemption (“NOE”), as the lead agency; and

WHEREAS, the LAFCO has been asked to approve the proposed “Activation of Latent Powers for Three Arch Bay Community Services District (LP 25-02)”; and

WHEREAS, LAFCO is thus a “responsible agency” for the proposed change of organization under CEQA ; and

WHEREAS, LAFCO, at its agendized public meeting on February 11, 2026, independently reviewed and considered the NOE and other related documents in the record before it; and

WHEREAS, as contained herein, LAFCO has endeavored in good faith to set forth the basis for its decision; and

WHEREAS, this Commission called for and held a public meeting on the proposal on February 11, 2026, and at the meeting, this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, all of the findings and conclusions made by LAFCO pursuant to this Resolution are based upon the oral and written evidence presented to it as a whole and not based solely on the information provided in this Resolution; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, the LAFCO does hereby resolve as follows:

Section 1. LAFCO Findings.

The Three Arch Bay CSD is located in the southern part of the City of Laguna Beach and encompasses approximately 1,004 residents within a service boundary of approximately 0.23 square miles. The activation of latent powers for park and recreation services for Three Arch Bay Community Services District is assigned the following distinctive short-form designation, "Activation of Latent Powers for Three Arch Bay Community Service District (LP 25-02)." (Vicinity Map attached as Exhibit B)

Section 2. Compliance with the Environmental Quality Act.

As the decision-making body for LAFCO, and in LAFCO's limited role as a responsible agency under CEQA, the Commission has reviewed and considered the information contained in the NOE, and all supporting documentation, copies of which are on file at LAFCO's office and are incorporated by reference as though set forth fully herein. Based on this review, the Commission concurs with the Three Arch Bay Community Services District's conclusion that the proposal is exempt from CEQA, as set forth in greater detail in the District's NOE, which was filed with the Orange County Clerk-Recorder on October 23, 2024. Specifically, the Commission finds that the Project is categorically exempt from CEQA under the Class 20 exemption set forth in State CEQA Guidelines section 15320 concerning changes in organization of local agencies. The Commission additionally finds that the Project is exempt from CEQA under the common sense exemption set forth in State CEQA Guidelines section 15061, subdivision (b)(3) as it can be seen with certainty that there is no possibility that the change of organization may have a significant effect on the environment. Rather, the Project is comprised of administrative action (i.e., government reorganization and administrative boundary changes) that would not result in either a direct, or reasonably foreseeable indirect, physical change in the environment.

Section 3. The proposal is approved subject to the following terms and conditions.

- a) Payment by the applicant of Notice of Protest for registered voters and landowners within the Three Arch Bay CSD, County Clerk-Recorder, and State

Board of Equalization fees.

- b) Three Arch Bay Community Services District agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers, and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this Proposal or any action relating to or arising out of such approval.
- c) The effective date shall be the date of recordation of the OC LAFCO Certificate of Completion.

Section 4. Notice of Exemption.

The Commission directs staff to file a Notice of Exemption with the Orange County Clerk-Recorder within five working days of the adoption of this Resolution.

Section 5. Conducting Authority Proceedings.

The Commission authorizes and directs the Executive Officer to conduct protest proceedings pursuant to Government Code Sections 57000et seq. and set a 30-day protest period to begin after the 30-day reconsideration period by Government Code Section 56895.

Section 6. Mail Copy of Resolution

The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 562882 of the Government Code Section.

Section 7. Custodian of Records.

The documents and materials that constitute the record of proceedings on which this Resolution and the above findings have been based are located at the offices of LAFCO. The custodian for these records is the Local Agency Formation Commission of Orange County, 2677 North Main Street, Suite 1050, Santa Ana, California 92705.

AYES:

NOES:

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

I, Wendy Bucknum, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 11th day of February 2026.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of February 2026.

Wendy Bucknum,
Chair of the Local Agency Formation
of Orange County

By: _____
WENDY BUCKNUM

RESOLUTION NO. 2024-01

**A RESOLUTION OF APPLICATION BY THE THREE ARCH
BAY COMMUNITY SERVICES DISTRICT REQUESTING
THE ORANGE COUNTY LOCAL AGENCY FORMATION
COMMISSION TO TAKE PROCEEDINGS FOR THE
ACTIVATION OF LATENT POWERS**

WHEREAS, the Three Arch Bay Community Services District (the “District”) desires to initiate proceedings pursuant to the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000 (California Government Code § 56000, *et seq.*), for the purpose of approving the exercise of certain latent powers vested in but not currently exercised by the District; and

WHEREAS, the District is a Community Services District organized and operating pursuant to the Community Services District Law (Cal. Gov’t Code §§ 61000-61250) (the “CSDL”); and

WHEREAS, the CSDL requires the District to do the following before exercising a latent power: (a) receive approval from the Orange County Local Agency Formation Commission; and (b) after receiving approval from the Orange County Local Agency Formation Commission, enact an ordinance ordering the exercise of the latent power (Cal. Gov’t Code § 61106); and

WHEREAS, the CSDL authorizes the District to (a) “[a]cquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law, Chapter 4 (commencing with Section 5780) of Division 5 of the Public Resources Code;[]” (b) “[o]rganize, promote, conduct, and advertise programs of community recreation, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law, Chapter 4 (commencing with Section 5780) of Division 5 of the Public Resources Code []” (Cal. Gov’t Code § 61100(f)); (Cal. Gov’t Code § 61100(e)); and (c) [a]cquire, construct, improve, maintain, and operate community facilities, including, but not limited to, community centers, libraries, theaters, museums, cultural facilities, and child care facilities (collectively, the “Latent Powers”); and

WHEREAS, the District requests approval and activation of the Latent Powers because the District desires to enhance the recreational opportunities available to its residents; and

WHEREAS, the District requests that approval and activation of the Latent Powers not be subject to any conditions:

WHEREAS, the District held a duly noticed public hearing on September 25, 2024, regarding the adoption of this Resolution; and

WHEREAS, the District requests that its exercise of the Latent Powers be approved and activated with respect to the entire territory within the District’s jurisdictional boundaries, a map of which is attached hereto as Exhibit “A” and incorporated herein by reference; and

WHEREAS, the District has duly considered and adopted the Notice of Exemption attached hereto as Exhibit “B” and incorporated herein by reference; and

WHEREAS, this proposal is consistent with the adopted sphere of influence for any affected city and any affected district.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE THREE ARCH BAY COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The above recitals are true, correct and a substantive part of this Resolution of Application.

SECTION 2. This Resolution of Application is hereby approved and adopted by the Board of Directors of the Three Arch Bay Community Services District.

SECTION 3. The Local Agency Formation Commission of Orange County is hereby requested to take proceedings for the approval and activation of the Three Arch Bay Community Services District's Latent Powers (as defined above) according to the terms and conditions stated above and in the manner provided by the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000.

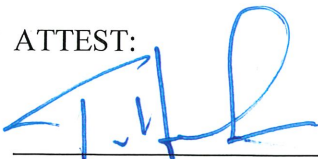
SECTION 4. The General Manager of the Three Arch Bay Community Services District, or any individual acting in the capacity of interim General Manager, is hereby authorized and directed to prepare and execute any and all application(s) required by the Local Agency Formation Commission of Orange County and is authorized and directed to transmit a certified copy of this Resolution of Application and any required application(s) to the Local Agency Formation Commission of Orange County. The General Manager of the Three Arch Bay Community Services District, or any individual acting in the capacity of interim General Manager, is further authorized and directed to prepare and execute any additional document(s) required by law or by the Local Agency Formation Commission of Orange County, which includes, without limitation, a plan for providing services as required by Section 56653 of the California Government Code, in order to carry out the purpose and intent of this Resolution of Application.

ADOPTED, SIGNED AND APPROVED this 23 day of October, 2024.



President of the Board of Directors of
Three Arch Bay Community Services District

ATTEST:



Secretary of the Board of Directors of
Three Arch Bay Community Services District

STATE OF CALIFORNIA)
) ss.
 COUNTY OF ORANGE)

I, Tim Hamchuk, Secretary of the Board of Directors of the Three Arch Bay Community Services District, do hereby certify that the foregoing resolution was duly adopted by the Board of Directors of said District at a regular meeting held on the 23 day of October, 2024, and that it was so adopted by the following vote:

AYES: 4 DIRECTORS: Rubel, Dorr, Hamchuk, Barker

NOES: 0 DIRECTORS:

ABSENT: 1 DIRECTORS: Yorke

ABSTAIN: 0 DIRECTORS:

 Secretary of the Board of Directors of
 Three Arch Bay Community Services District

STATE OF CALIFORNIA)
) ss.
 COUNTY OF ORANGE)

I, Tim Hamchuk, Secretary of the Board of Directors of the Three Arch Bay Community Services District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2024-01, of said Board, and that the same has not been amended or repealed.

Dated: October 23, 2024

 Secretary of the Board of Directors of
 Three Arch Bay Community Services District

Three Arch Bay Community Service District

EXHIBIT A



Pacific Ocean

Pacific Coast Highway



Legend

- Three Arch Bay CSD SOI
- Three Arch Bay CSD Boundary

Sources: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

NOTICE OF EXEMPTION

To: Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

From: Three Arch Bay Community Services District
5 Bay Drive
Laguna Beach, CA

☒ County Clerk-Recorder
County of Orange
601 N. Ross Street
Santa Ana, CA 92701

☐ \$50 Filing Fee Attached

☒ No Fee – Public Agency exempt from filing fee

Project Title: Three Arch Bay Community Services District Activation of Latent Powers.

Project Location: Three Arch Bay Community Services District is located in the southern portion of the City of Laguna Beach

Project Location – City: Laguna Beach

Project Location – County: Orange

Description of Nature, Purpose, and Beneficiaries of Project:

The District desires to (a) “[a]cquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law, Chapter 4 (commencing with Section 5780) of Division 5 of the Public Resources Code; []” (b) “[o]rganize, promote, conduct, and advertise programs of community recreation, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law, Chapter 4 (commencing with Section 5780) of Division 5 of the Public Resources Code []” (Cal. Gov’t Code § 61100(f)); (Cal. Gov’t Code § 61100(e)); and (c) [a]cquire, construct, improve, maintain, and operate community facilities, including, but not limited to, community centers, libraries, theaters, museums, cultural facilities, and child care facilities (collectively, the “Latent Powers”), in order to enhance the recreational opportunities available to its residents.

Name of Public Agency Approving Project:

Three Arch Bay Community Services District conducted a noticed public hearing on October 23, 2024 at 5:00 p.m. at the community center located at 5 Bay Drive, Laguna Beach, California. Additional information is available on Three Arch Bay Community Services District's website: <https://www.threearchbaycsd.org/>

Name & Address Person/ Agency Carrying Out Project:

Orange County LAFCO
2677 North Main St., Suite 1050, Santa Ana, CA 92705

Exempt Status: (Check One)

- ☐ Ministerial (Sec. 21080(b)(1); 15268);
- ☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));
- ☐ Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- ☒ Categorical Exemption. State type and section numbers
- ☐ Statutory Exemptions. State code number:

Reasons why project is exempt:

The application to activate latent powers is categorically exempt under Class 20, Section 15320 and qualifies for a general rule exemption under Section 15061(b)(3). There is no possibility that the activation of latent powers will have a significant

The application to activate latent

effect on the environment because there are no land use changes associated with the activation of latent powers. Therefore, the activation of latent powers is found to be exempt from CEQA pursuant to section 15061(b)(3) and section 15320 of the State Guidelines. Three Arch Bay Community Services District will file this Notice of Exemption upon approval of the Resolution of Application by its Board of Directors

powers is

Lead Agency Contact Person: Jeremy Pipp, General Manager **Phone:** 949 499 4567

If filed by applicant: _____

Signature :


☒ Signed by Lead Agency

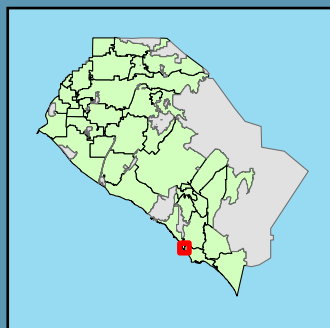
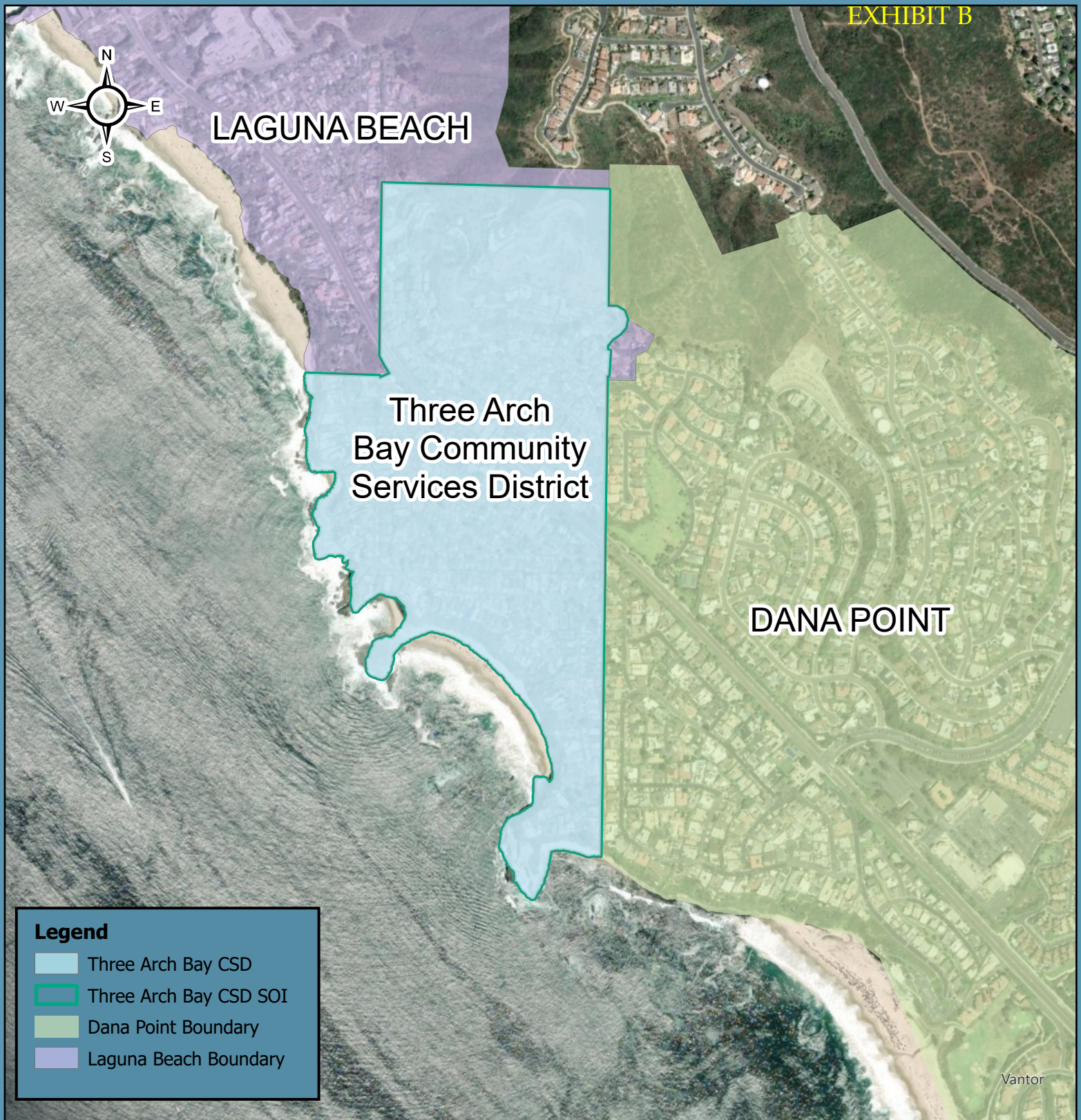
Date: October 25, 2024 Jeremy Pipp, General Manager.

Date received for filing at OPR:

☐ Signed by Applicant

Filed with the County Clerk: ☒ Yes ☐ No

Date Filed: _____



Three Arch Bay CSD Vicinity Map

0 0.13 0.25 0.5 Miles