



CITY COUNCIL AGENDA REPORT

MEETING DATE: February 17, 2004

ITEM NUMBER: IX-5

SUBJECT: ANNEXATION OF COUNTY ISLANDS

DATE: February 11, 2004

FROM: City Manager's Department

PRESENTATION BY: Allan L. Roeder, City Manager

FOR FURTHER INFORMATION CONTACT: Allan L. Roeder, City Manager (714) 754-5328

RECOMMENDATION:

1. Reiterate the City's support for Annexation of County Islands within the City's Sphere of Influence (Annexation #7).
2. Authorize the City Manager to enter into negotiations with the County Executive Office for implementation of a municipal service contract for unincorporated areas within the City's Sphere of Influence.

BACKGROUND:

For the past several years, the City has pursued the annexation of those County Unincorporated Islands within the City's Sphere of Influence (SOI) pursuant to Community Objective 98-D6. The California State Legislature, the County of Orange and the Local Agency Formation Commission (LAFCO) have consistently supported annexation of County Islands as a way to improve service delivery, reduce the cost of government and establish clear jurisdictional boundaries. To date, the City has successfully annexed all or most of six of the seven Area Annexation applications submitted to LAFCO (please see attachment A for a summary of the applications). The remaining islands include a portion of Area 5 containing 15 acres and 54 single-family parcels on East 22nd Street, Colleen Place, and Vista Baya were not annexed due to a lawsuit filed by one of the affected property owners, and Area 7.

Eastside Area 7, which includes the Santa Ana Country Club, West Santa Ana Heights and the largely residential area south of Mesa Drive between Santa Ana Avenue and Irvine Avenue, presently remains as the largest area (288 acres) within the City's SOI that has not been annexed (please see attachment B for an area map). At its meeting of September 16, 2002, LAFCO approved the City's request to annex Area 7 with the exception of West Santa Ana Heights. The West Santa Ana Heights issue was set aside by LAFCO pending a prezone application decision by the City of Newport Beach. The decision by LAFCO to approve annexation of Area 7 to Costa Mesa with the exclusion of West Santa Ana Heights triggered a protest vote by residents in the balance of Area 7. Because the balance of Area 7 approved for annexation to Costa Mesa exceeded 75 acres, the annexation was subject to a 45-day protest period. The protest vote was

overwhelmingly successful with 79% of the registered voters opposing LAFCO's decision. As a consequence, the City's annexation efforts for Area 7 were terminated.

Subsequent to the September 2002 LAFCO decision and protest vote, the City of Newport Beach started its own analysis of potential annexation of West Santa Ana Heights. Ultimately, Newport Beach initiated a prezone application as directed by LAFCO. A companion General Plan amendment was also filed. However, the applications included a much larger area than just West Santa Ana Heights. It also included the Santa Ana Country Club and the area south of Mesa Drive. The area south of Mesa Drive also includes two areas within the current Costa Mesa City limits: a 53-unit condominium at 345 University Drive and an 18-unit project on Alta Lane.

On October 20, 2003, Mayor Monahan sent a letter to the Newport Beach Planning Commission opposing the General Plan amendment and prezone applications as it applied to the Santa Ana Country Club, the area south of Mesa Drive and existing Costa Mesa neighborhoods (Please see attachment C). Although the applications were continued, the Newport Beach Planning Commission ultimately recommended approval of the applications to the Newport Beach City Council. On January 13, 2004, the Newport Beach City Council approved the applications as proposed. Final action on the applications is expected in early March 2004 before submission to LAFCO.

ANALYSIS:

City staff has worked cooperatively with both LAFCO and the City of Newport Beach in processing annexations involving both cities. The City has made various minor adjustments in annexing County Islands based on State law, efficient service delivery and logical, clean City boundaries. Although staff has raised objections on numerous occasions regarding efforts by the City of Newport Beach to annex areas with the Costa Mesa SOI, those annexation efforts continue and have, in fact, been expanded to include the detachment of existing Costa Mesa neighborhoods. It is staff's understanding that direction for the processing of the annexations is based on policy level direction from the Newport Beach City Council. Absent any supporting documentation as to the legal or technical basis for the annexation application, staff's understanding is that residents in Area 7 and members of the Santa Ana Country Club have sought the action by the Newport Beach City Council.

As referenced previously, the Newport Beach City Council is scheduled to take final action on the annexation of Area 7 in early March 2003. That action will then be forwarded to LAFCO for its consideration. It is the staff's opinion that it is important for the City Council to reiterate - for the benefit of the Newport Beach City Council and the Board of LAFCO - your position relative to the annexation of Area 7. Given the amount of time that has passed since the City Council's original application, LAFCO's approval of the application and the subsequent protest vote, it is staff's belief that the City Council should reiterate its commitment or otherwise acquiesce to Newport Beach in its desire to annex the subject unincorporated areas and existing Costa Mesa neighborhoods. A resolution (Please see attachment D) reiterating the City's position and the reasons therefore has been prepared for City Council's consideration.

In addition to reiterating the City's support for the annexation of Area 7, staff is requesting City Council authorization to enter into negotiations with the County of

Orange for a municipal service contract to begin service to the residents in the unincorporated island. The purpose of such a contract would be for the City to begin providing basic City services to the unincorporated neighborhoods, therefore relieving the County of Orange from this commitment. The Board of Supervisors has consistently expressed its desire to “get out of the business of providing municipal services and to focus on the County’s core, regional responsibilities.” Providing services to scattered, small County Islands is expensive, ineffective from a service delivery standpoint and can be sub-standard by comparison to traditional City services.

The County of Orange has demonstrated an interest in other areas of the County to enter into service contracts with municipalities to serve unincorporated areas within a City’s SOI. This basically involves discussions relative to specific services to be provided, the level of service to be delivered, calculation of the cost of service and negotiation on the pass through of property tax or other local revenue to compensate for the cost of the services to be provided. It should be noted that just as with existing residential areas within Costa Mesa, revenues generated from unincorporated residential neighborhoods are not typically sufficient to offset the cost of services. Should the City Council authorize negotiations, it should do so with this understanding.

Although extensive analysis has not been undertaken at this point in time, staff believes that service to the unincorporated neighborhoods within Area 7 and the balance of Area 5 can be accomplished with minimal additional cost and/or personnel. It should also be noted that the County and the City might not find it feasible to enter into negotiations for all City Services. Land use regulation, Building inspection and Code Enforcement, for example, are all areas where the County has adopted differing standards from those of the City of Costa Mesa. It may, therefore, choose to retain its authorities and enforcement in these areas. Similarly, the City would not likely be supportive of assuming obligations for Capital Improvements and major infrastructure repairs. Generally speaking, areas of common interest are most likely to be Police and Fire, Emergency Medical Service, Street Sweeping, typical Public Works Maintenance & Repairs, Recreation services and other, related activities.

Successful negotiation of a municipal service contract would address several interests:

- The County of Orange would be relieved of its obligations to continue to provide municipal services to the remaining County islands.
- Initiation of services by the City of Costa Mesa will substantially upgrade the level of service currently provided to the remaining County islands. Using street sweeping as but one example, the level of service would expect to be increased from the current twice per month sweeping to every week service. Beneficial byproducts of this level of service include improved water quality in terms of runoff to Upper Newport Bay.
- It is expected that the City’s own services will be more efficient in some areas. Because the remaining County islands are almost wholly surrounded by the City of Costa Mesa, it is a natural extension of services already being provided in the immediate area.
- Successful negotiation of a municipal service contract and initiation of services will demonstrate to LAFCO and the City of Newport Beach the City’s commitment

to annexing the remaining County islands. In the staff's opinion, it will remove any rational basis to grant further consideration to a change in the SOI.

- Execution of a contract will acquaint residents in the remaining County islands with the level of services provided by the City and the quality of the personnel involved in providing those services. Again, in staff's judgment, this will help future efforts to annex the remaining County islands by demonstrating to its residents the benefits of being part of the City of Costa Mesa.

Staff has made only very cursory contact with the County Executive Office (CEO) regarding this matter pending City Council authorization to formally enter into negotiations. Both the CEO and Second District Supervisor Jim Silva have received copies of this report.

ALTERNATIVES CONSIDERED:

Beyond the option of taking "No Action" at this time, staff has identified a few of alternatives for City Council consideration.

1. The City Council may choose to amend the proposed resolution reiterating support for the annexation of Area 7 but exclude West Santa Ana Heights. LAFCO has chosen to study annexation of West Santa Ana Heights separately due to linkages with East Santa Ana Heights and the fact that both areas are in the same redevelopment project area (which is not true for the balance of Area 7). The City has supported the concept of LAFCO evaluating the annexation of all of Santa Ana Heights.
2. The City Council may choose to take a position of supporting the annexation of Area 7 to the City of Newport Beach. While staff believes this is contrary to State law and the legislative intent supporting annexations to contiguous areas for efficient service delivery, this alternative acknowledges the petitioners who participated in the protest vote.
3. The City Council may choose to simply oppose any detachment of neighborhoods already within the Costa Mesa City limits yet support whatever determination LAFCO chooses for Area 7. This differs from the "No Action" alternative in that the City Council would take a specific position of opposing detachments. As the City Council is aware, there have been other such requests (most recently from a resident on the Masters Circle) for detachments in connection with annexations requested by Newport Beach.

FISCAL REVIEW:

There is no fiscal impact on this item. Should the City Council authorize entering into negotiations with the County of Orange for a municipal service contract, there will be an extensive fiscal analysis at such time as a contract is brought back to the City Council for review and approval.

LEGAL REVIEW:

There is no legal review required of this item. The attached resolution has been approved "As to Form" by the City Attorney's Office.

CONCLUSION:

In light of the protest vote by residents of Area 7 and the City of Newport Beach's action pertaining to the annexation of this area, failure by the City of Costa Mesa to take any action is tantamount to tacit acceptance of a change in the SOI. Previous City Councils have supported annexation of Area 7 although those efforts have been blunted by the protest vote. A reiteration of the City's continuing support for annexation of Area 7 – whether inclusive of West Santa Ana Heights or not – will apprise the City of Newport Beach and LAFCO of the current City Council's intentions.

ALLAN L. ROEDER
City Manager

DISTRIBUTION: Supervisor James Silva
County Executive Officer Jim Roth
City Manager Homer Bludau, Newport Beach
Executive Director Dana Smith, LAFCO
Department Directors
Planning & Redevelopment Manager
Deputy City Clerk

ATTACHMENTS: A [Eastside Annexation Status Report](#)
B [Eastside Annexation # 7 Map](#)
C [Letter Dated October 20, 2003](#)
D [Resolution](#)