

Orange County LAFCO Comprehensive Quarterly Report

FY 2013-2014

(July – September)



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Introduction

The November Comprehensive Quarterly Report (CQ report) includes information on the first quarter for fiscal year 2013-2014. This report provides the Commission an overview of the projects and meetings completed in the months of July, August and September. An assessment of the agency's current budget and investment portfolio performance for the same quarter is also covered in this edition of the CQ report.

The next CQ report is scheduled for February 2014.

Proposed Changes of Organization

During the first quarter, OC LAFCO continued collaboration with the County, multiple cities and special districts, and landowners on proposed boundary changes to enhance municipal service delivery within subject areas. The following section provides an update on activities involving LAFCO proposals that occurred during the first quarter.

Mission Viejo Dog Park Reorganization

For the past two years, staff has proactively worked with the County of Orange and the cities of Mission Viejo and Rancho Santa Margarita and County of Orange on a reorganization proposal to transition the proposed dog park development to Mission Viejo's jurisdiction. Through the collaboration of all stakeholders, the Commission during the October meeting successfully annexed the subject territory. As a result, the future development will receive efficient municipal service delivery from the City of Mission Viejo.

Annexation to the Midway City Sanitary District

The property owner of a proposed residential development of 80 detached single-family homes has submitted an application to annex to the Midway City Sanitary District. The District currently provides services to the City of Westminster and areas adjacent to the development and annexation will allow the future service provision of sewer and solid waste by the District. During the first quarter, staff held meetings and participated in discussions with the landowner and District regarding the annexation. The proposal is expected to be considered by the Commission before the end of the year.

City/District Annexations to the Orange County Water District

Over the past several years, staff has monitored the potential annexation of territories within the boundaries of the City of Anaheim, Irvine Ranch Water District, and Yorba Linda Water District to the Orange County Water District. During the first quarter, staff held a pre-filing meeting with OCWD to discuss the LAFCO process and application requirements. Subsequently, the OCWD Board unanimously approved the required environmental documentation and agreements with the City of Anaheim, Irvine Ranch Water District, and the Yorba Linda Water District placing conditions on

each of the agencies subject to LAFCO's approval of the annexations. The OCWD has indicated its intent to file the annexation application by early November.

Annexation to the City of Rancho Santa Margarita

The property owner of the Santa Margarita Catholic High School has filed for the annexation of an adjacent parking to the City of Rancho Santa Margarita. The purpose of the proposal is to adjust the boundary so that the entire high school property would be solely under the jurisdiction of the City. During the first quarter, LAFCO staff participated in meetings involving the landowner, County of Orange and the City to discuss the annexation process, address issues and align all stakeholder interests. The application is expected to be heard by the Commission early 2014.

Santa Ana/Colleen Island Annexation

The City of Costa Mesa has expressed interest in annexing the Santa Ana/Colleen island. The area is one of the City's remaining small islands within its sphere of influence and includes 50 single-family homes with a population of approximately 146 residents. On October 23, Executive Officer Carolyn Emery gave a presentation on the annexation process to residents of the island at a community workshop hosted by the City of Costa Mesa. There were approximately 25 residents present that provided feedback on the potential annexation.

Fostering Partnerships

The Commission continues to foster partnerships and enhance communication with local government agencies and communities through LAFCO projects and activities. The following section provides an update on LAFCO communication and outreach efforts conducted during the first quarter.

CALAFCO Government Leadership Award - OC LAFCO Community Islands Task Force

This year marks the 50th year of LAFCO's existence and during the 2013 CALAFCO Annual Conference, the many accomplishments of LAFCOs were highlighted. One of the key events of the annual conference was the recognizing of successful and unique efforts of individual LAFCOs. This year, OC LAFCO was recognized for its great leadership in the Community Islands Task Force effort. As this was a partnership with the County of Orange and the cities of La Habra, Placentia, Newport Beach and Stanton, staff has scheduled city council presentations to these cities to share this outstanding statewide recognition.

Coalition of California LAFCOs

The Coalition of California LAFCOs (CCL) comprised of all southern LAFCOs (Imperial, Los Angeles, Orange, Riverside, San Bernardino, and San Diego) continues to meet quarterly to discuss both regional and individual issues. As a spin-off of the CCL board, subgroups to discuss GIS and clerking opportunities were formed and have continued to meet over the past three years. During the first quarter, the GIS subgroup met to discuss the potential benefits and cost-savings of future web-based GIS collaborations and CCL clerks met to review protest proceedings and noticing requirements. Upcoming meetings of the board and subgroups will take place in November 2013 and February 2014, respectively. At its upcoming meeting, the CCL board will discuss CALAFCO member services and future conference hosting, joint agreement for audit services provided by White Nelson Diehl Evans LLP, and receive a presentation from the GIS and Clerks subgroups.

Governance Restructuring Committee

LAFCO staff continues to move forward with the Commission's Governance Restructuring Committee (GRC) Work Plan. At the August 14, 2013 Strategic Planning Session, the Commission approved the white paper, a component of the work plan that outlines the various management and restructuring options available to public agencies. The document titled, "**Transforming Local Governments - An Introductory Guide to Municipal Restructuring,**" has been distributed to local agencies and is now available on the OC LAFCO website.

During the first quarter, LAFCO staff hosted the first meeting with the GRC Advisory Group, another component of the GRC work plan. The advisory group, which consists of local government experts from around the State, was formed to discuss potential legislative changes to the existing disincorporation process found in the Cortese-Knox-Hertzberg Act. The advisory group will continue to work together and align its efforts with the CALAFCO Legislative Subcommittee to address needed amendments to the disincorporation law and process.

South Orange County Governance

During the first quarter, staff continued discussions with South Orange County stakeholders on the revived future governance effort. During the September and October regular meetings, the Commission approved the South Orange County Visioning Process and a consultant contract to proactively move the effort forward. Over the next several months, staff will work with the consultant and County staff on fiscal modeling and accountability for South Orange County. The financial data is a critical component of this effort as we move on to the next step of stakeholder

discussions on potential viable governance options for the area. Stakeholder discussions are expected to begin mid-January 2014.

Legislative Update

Each quarter, the Commission receives an update on legislation of interest to LAFCO and Orange County agencies. During the first quarter, staff monitored legislation identified by the Commission as the legislative session approached “wrap-up.” At the September meeting, the Commission received an interim report on legislation that experienced movement during the final weeks. A final report for the current legislative session is included in the November 2013 agenda.

New Version of OC LAFCO Application - Now Available On-line!

During the first quarter, OC LAFCO unveiled the new-and-improved LAFCO application. Applicants can now complete and print the LAFCO application online through a user-friendly and convenient format. To access the application, please visit www.oclafco.org.

OC LAFCO Meetings and Outreach Efforts

The table below depicts meetings and outreach efforts that occurred during the first quarter.

FIRST QUARTER MEETINGS & OUTREACH EFFORTS
July Meetings
ISDOC Executive Committee
Orange County Sanitation District to discuss the potential detachment
Staff/legal counsel review of LAFCO/County office lease
OCCOG Monthly Meeting
Orange County Business Council (OCBC) Infrastructure Committee
CALAFCO Legislative Committee
GRC Subcommittee
San Juan Capistrano City Manager to discuss South OC Governance effort
Brea City Manager to discuss Commission presentation
County CFO regarding South OC Governance effort
Shared Services Program Presentation to City of Santa Ana
Staff/legal counsel review of LAFCO/County office lease
August Meetings
MNWD General Manager to update on LAFCO projects
LAFCO consultant regarding the focused Yorba Linda stakeholder process
ISDOC Executive Committee
3 rd Supervisorial staff & North Tustin residents to discuss water service
Brea City Manager to discuss Commission presentation
OCERS Plan Sponsor Meeting
Fiscal Trends Program presentation to the City of Santa Ana Finance and Economic Development Committee
Commissioner McGregor to discuss GRC White Paper
CCL Clerks Quarterly Meeting

FIRST QUARTER MEETINGS & OUTREACH EFFORTS
August Meetings (Continued)
Training Partners Quarterly Meeting
Center for Demographic Management Oversight Committee
Robert Ennis to discuss the ISDOC
CCL GIS Quarterly Meeting
Meet and Greet with San Clemente City Manager and Councilmember
OC LAFCO Regular Commission Meeting
“Engage Your Community” Webinar
GRC Advisory Group to discuss current disincorporation law
LA Times interview to discuss OC LAFCO projects
City of Garden Grove to discuss Carmel/Lampson Island annexation
OCERS Plan Sponsor Meeting
EOCWD General Manager to discuss potential change of reorganization
Pre-filing meetings with County and landowner re: potential annexation to the City of RSM
CALAFCO Annual Conference
September Meetings
ISDOC Executive Committee
South County Governance presentation to San Juan Capistrano City Council
Meeting with auditors to discuss the annual audit
ICMA Webinar on California Municipal Fiscal Health Diagnostic
Meeting with legal counsel to discuss a potential project
Meeting with auditors to discuss the annual audit
Orange County Business Council (OCBC) Infrastructure Committee
Capistrano Bay CSD regarding potential sphere amendment and boundary change
OC LAFCO Regular Commission Meeting
LAFCO consultant to discuss South OC Visioning Process
OC Legislative Coordinators
OCWD to discuss annexation proposal
County CFO regarding fiscal accountability for South OC Visioning Process
ADA Title II Presentation & Training
OCBC to update on LAFCO projects
Pre-filing meeting with Laguna Woods City Manager and staff regarding proposed annexation
Council meeting of City of Stanton to present Gov’t Leadership Award
LAFCO Exit Interview with Consultant, Creative Revolution
County of Orange to discuss office lease renewal

“Tis the Season” -- LAFCO Holiday Gathering

The annual OC LAFCO holiday gathering will take place immediately following the December 11 regular meeting in the Hall of Administration, Room 169.

FY 2012-2013 Budget Overview

This CQ report includes the first quarterly budget update for Fiscal Year 2013-2014. The following budget review provides the Commission with the first quarter bank account balances and a comprehensive overview of the LAFCO revenue and expenditures from July 1st, 2013 through September 30th, 2013 on pages 8-9.

Revenues

The majority of LAFCO's revenue is from the funding agencies' apportionments. All apportionments were received for FY 2013-2014 during the first quarter. In addition to the apportionments, LAFCO also earns interest from its investment portfolio. In the first quarter, LAFCO earned approximately \$584 in interest.

As of 09/30/13	Balance
Wells Fargo Checking	\$ 100,370
Wells Fargo Savings	\$ 210,395
770-Payroll Account	\$ <u>985,213</u>
Total	<u>\$1,295,978</u>

Financial Statements

The CQ report includes additional financial statements to better understand LAFCO's financial status throughout the fiscal year. The following two financial statements provide a snapshot of LAFCO's performance and details on the agency's assets, liabilities, and equity.

Balance Sheet¹

This financial document (see page 11) summarizes the agency's assets and liabilities during the month of September on an accrual basis, or when earnings and expenses are incurred.

Cash Flow Statement

This financial document (see page 1 provides information on the cash inflow and outflow the agency endured during the first quarter (July - September).

Expenditures

The total expenditures at the end of the first quarter are approximately seventeen percent (17%) or \$169,629 of the total balance (\$1,015,965). The following table shows the funds used for the first quarter and the target for future quarters.

Total funds used by Quarter				
	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.
Target	25%	50%	75%	100%
Actual	17%	TBD	TBD	TBD

¹ Unaudited – Subject to Change

Investment Report

To maximize funds, LAFCO deposits apportionment fees received in August-November in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, the bookkeeper and designated staff members withdraw from the accounts to cover the agency's operational expenses.

The following table illustrates the balance of LAFCO's investment portfolio at the end of the first quarter:

As of 9/30/13	Balance
LAIF	\$ 978
OC Fund	<u>\$208,979</u>
Total	<u>\$209,957</u>

During the first quarter, LAFCO earned approximately \$584 in interest, which is approximately twenty-three percent (23%) of the projected interest earnings for current fiscal year.

Orange County Local Agency Formation Commission					
Quarterly Overview					
July 1, 2013 through September 30, 2013					
		1st Qtr	TOTAL	Funds Used	Funds
		Jul-Sep	FY 13-14 Budget	(%)	Comparison
					(\$)
Ordinary Income/Expense					
Income					
Revenue					
4000 - LAFCO Apportionment		\$926,682.00	\$926,683.00	100.0%	<u>Revenue over expected</u>
4050 - Filing Fees		\$9,200.00	\$0.00		
4150 - Misc Revenue		\$1,054.00	\$0.00		
4200 - Interest & Dividends		\$584.00	\$2,500.00	23.4%	\$1,916.00
Total Revenue		\$937,520.00	\$929,183.00	100.9%	-\$8,337.00
Total Income		\$937,520.00	\$929,183.00	100.9%	-\$8,337.00
Expense					
Expenditures					
5000 - Salaries		\$75,376.00	\$405,400.00	18.6%	\$330,024.00
5100 - Benefits & Insurance					\$0.00
5102 - Optional Benefit Plan		\$500.00	\$18,500.00	2.7%	\$18,000.00
5104 - Executive Deferred Comp		\$869.00	\$6,900.00	12.6%	\$6,031.00
5106 - Retirement Benefits		\$24,654.00	\$116,400.00	21.2%	\$91,746.00
5108 - Health Care Insurance		\$10,836.00	\$46,800.00	23.2%	\$35,964.00
5109 - Retiree Health Benefits		\$0.00	\$13,000.00	0.0%	\$13,000.00
5110 - Dental Insurance		\$1,073.00	\$5,800.00	18.5%	\$4,727.00
5112 - Life Insurance		\$216.00	\$1,200.00	18.0%	\$984.00
5114 - Workers Compensation		\$0.00	\$2,100.00	0.0%	\$2,100.00
5116 - Medicare		\$904.00	\$5,900.00	15.3%	\$4,996.00
5118 - Unemployment Insur		-\$31.00	\$1,100.00	-2.8%	\$1,131.00
5120 - Salary Continuance		\$221.00	\$1,400.00	15.8%	\$1,179.00
5122 - Accidental Death Insur		\$21.00	\$120.00	17.5%	\$99.00
5125 - Executive Employee Insur		\$1,800.00	\$7,200.00	25.0%	\$5,400.00
Total 5100 - Benefits & Insurance		\$41,063.00	\$226,420.00	18.1%	\$185,357.00
5150 - Information Technology		\$1,424.00	\$8,000.00	17.8%	\$6,576.00
5151 - Telephone		\$170.00	\$8,000.00	2.1%	\$7,830.00
5200 - County of Orange		\$239.00	\$5,625.00	4.2%	\$5,386.00
5250 - General Liability Insur		\$3,169.00	\$14,000.00	22.6%	\$10,831.00
5300 - Maintenance-Building		\$0.00	\$510.00	0.0%	\$510.00

5350 - Membership	\$3,347.00	\$29,000.00	11.5%	\$25,653.00
5450 - Office Equipment/Supplies	\$1,141.00	\$15,000.00	7.6%	\$13,859.00
5490 - Office Contract Labor	\$0.00	\$8,200.00	0.0%	\$8,200.00
5500 - Professional Services				
5510 - Legal	\$3,821.00	\$56,100.00	6.8%	\$52,279.00
5520 - Accounting/Audit	\$7,710.00	\$37,200.00	20.7%	\$29,490.00
5530 - Human Resource	\$0.00	\$1,000.00	0.0%	\$1,000.00
5535 - Mapping/Archiving	\$3,536.00	\$8,000.00	44.2%	\$4,464.00
5540 - Other Professional Service	\$5,290.00	\$75,000.00	7.1%	\$69,710.00
Total 5500 - Professional Services	\$20,357.00	\$177,300.00	11.5%	\$156,943.00
5550 - Investment Admin Fees	\$149.00	\$610.00	24.4%	\$461.00
5580 - SBE	\$0.00	\$0.00		\$0.00
5600 - Public Noticing	\$452.00	\$10,000.00	4.5%	\$9,548.00
5625 - Postage	\$490.00	\$3,200.00	15.3%	\$2,710.00
5650 - Office Lease	\$9,889.00	\$40,100.00	24.7%	\$30,211.00
5675 - Equipment Leases/Maint	\$1,037.00	\$7,800.00	13.3%	\$6,763.00
5700 - Commission & Staff Expense	\$667.00	\$8,000.00	8.3%	\$7,333.00
5710 - Commission Stipends & Taxes/Fees	\$3,049.00	\$16,000.00	19.1%	\$12,951.00
5750 - Staff Training	\$0.00	\$5,300.00	0.0%	\$5,300.00
5800 - Transportation/Travel	\$7,610.00	\$25,000.00	30.4%	\$17,390.00
5850 - Commission Meeting Exp	\$0.00	\$2,500.00	0.0%	\$2,500.00
Total Expenditures	\$169,629.00	\$1,015,965.00	16.7%	\$846,336.00

**LOCAL AGENCY FORMATION COMMISSION ORANGE COUNTY
BALANCE SHEET
SEPTEMBER 30, 2013**

✓ **Sep 30, 13**

ASSETS	
Current Assets	
Checking/Savings	
Cash and Investments	
1000 · County Acct-Payroll	985,212.47
1025 · Wells Fargo Checking	100,370.24
1030 · Wells Fargo Savings	210,395.18
1040 · OC Fund	208,979.44
1050 · Investment Acct - LAIF	977.71
Total Cash and Investments	<u>1,505,935.04</u>
Total Checking/Savings	1,505,935.04
Accounts Receivable	
Accounts Receivable	
1200 · Accounts Receivable	0.01
Total Accounts Receivable	<u>0.01</u>
Total Accounts Receivable	0.01
Other Current Assets	
Other Current Asset	
1375 · Prepaid Expenses - Other	14,904.89
1376 · Retirement Prepaid Expense	127,667.11
1550 · Due from Other Governments	0.10
Total Other Current Asset	<u>142,572.10</u>
Total Other Current Assets	142,572.10
Total Current Assets	<u>1,648,507.15</u>
TOTAL ASSETS	<u><u>1,648,507.15</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Current Liabilities	
2050 · Salaries Payable - OC (9050)	12,302.36
Total Current Liabilities	<u>12,302.36</u>
Total Other Current Liabilities	<u>12,302.36</u>
Total Current Liabilities	<u>12,302.36</u>
Total Liabilities	12,302.36
Equity	
3000 · Unrestricted Net Assets	754,809.01
3050 · Restricted Net Assets	
3950 · Reserve for Contingency	100,000.00
3960 · Reserve for Litigation	75,000.00
3970 · Reserve for Unfunded Liability	30,000.00
3980 · Reserve for Special Projects	31,503.00
Total 3050 · Restricted Net Assets	<u>236,503.00</u>
3900 · Retained Earnings	-122,998.26
Net Income	767,891.04
Total Equity	<u>1,636,204.79</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,648,507.15</u></u>

**LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY
STATEMENT OF CASH FLOWS
JULY THROUGH SEPTEMBER 30, 2013**

	Jul - Sep 13
OPERATING ACTIVITIES	
Net Income	767,891.04
Adjustments to reconcile Net Income	
to net cash provided by operations:	
Other Current Asset:1300 · Interest Receivable - Other	133.61
Other Current Asset:1375 · Prepaid Expenses - Other	-877.75
Other Current Asset:1301 · Interest Receivable - OC (8250)	37.24
Other Current Asset:1376 · Retirement Prepaid Expense	-98,361.46
Accounts Payable:2000 · Accounts Payable	-24,787.60
Current Liabilities:2050 · Salaries Payable - OC (9050)	-6,094.28
Current Liabilities:2100 · Due to the County of Orange	-8.98
Net cash provided by Operating Activities	637,931.82
 INVESTING ACTIVITIES	
Other Assets:1575 · Pension Deposit	107,935.78
Net cash provided by Investing Activities	107,935.78
 Net cash increase for period	 745,867.60
 Cash at beginning of period	 760,067.44
Cash at end of period	1,505,935.04