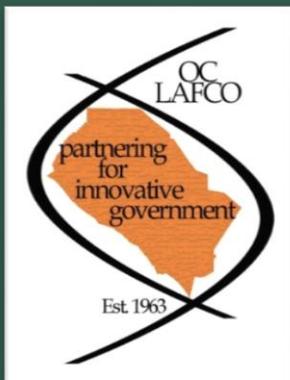


Orange County LAFCO Newsletter

1st Quarter / FY 2015-16
(July – September 2015)



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INTRODUCTION

The November Comprehensive Quarterly Report ("CQ Report") presents information for the first quarter of fiscal year 2015-16. This report provides the Commission an overview of the projects and meetings completed and underway in the months of July, August, and September 2015. An assessment of the agency's current budget and investment portfolio performance for the first quarter is also contained in this report.

MANDATED PROJECTS

During the first quarter, OC LAFCO participated in meetings and discussions regarding active applications and began the processing of routine and complex changes of organization. The filed and potential applications involved activation of latent powers, annexation and detachment to and from city boundaries, potential transfer of water and sewer systems, and sphere of influence amendments. The following section provides an update on activities involving boundary change applications and potential OC LAFCO proposals that occurred during the first quarter.

Potential Transfer of Water and Sewer Systems

At the May 13, 2015 regular OC LAFCO meeting, San Juan Capistrano city councilmember John Perry informed the Commission of the City's efforts to evaluate its water system for the potential transfer of service responsibilities to a successor agency. Since that time, the City has expanded its evaluation efforts to include the potential transfer of water, sewer and storm water protection services. Potential alternatives may include annexation to an existing agency, contractual agreements, or agency formation.

During the first quarter, OC LAFCO staff participated in meetings with San Juan City Council members, legal counsel, and staff and consulted with OC LAFCO legal counsel regarding the LAFCO process and application requirements. Staff has also responded to some affected and interested agencies on LAFCO's role in the potential transfer of the City's water and sewer systems. More recently, the city council on October 13 approved further pursuing of the following options: (1) the sale and transfer of the water and sewer infrastructure to a public entity, (2) creation of a new special district, and (3) contract service with a public entity.

City staff is expected to report back to the council on recommended next steps for undertaking the process to explore these options, including outreach to LAFCO. To date, LAFCO staff has not been contacted by the City. However, the project was formally added to the Commission's work plan on October 14, 2015 and will require significant staff and consulting resources. The associated costs will be borne by the City and/or other applicant(s).

Meyer Reorganization

During the first quarter, staff continued to work with the landowner and the affected Cities of Anaheim and Orange regarding the remaining actions necessary to complete the application and to schedule the proposed reorganization for consideration by the Commission. The application proposes the detachment of approximately 395 sq. ft. from the City of Orange and annexation of the same territory to the City of Anaheim. The purpose of the reorganization is to facilitate future development involving the subject territory and an adjacent property located in the City of Anaheim.

During the first quarter, the Cities of Anaheim and Orange took respective required actions that included pre-zoning of the reorganization territory and adoption of the required property tax exchange agreements. With final action anticipated to be completed by the County Board of Supervisors in early November, required noticing was published and the application was scheduled for the Commission's November 18 meeting. However, staff was recently informed that the City of Anaheim received an application for a multi-family residential project involving the reorganization territory and has begun the required environmental review.



As a responsible agency under the California Environmental Quality Act (CEQA), the Commission relies on the environmental documentation prepared by the City of Anaheim, as the lead agency. The additional environmental review required by the City has caused a delay in the Commission's consideration of the reorganization application project. Once the review is completed by the City, the application will be rescheduled for a future LAFCO regular meeting. A staff report on this project is included as a separate item on the November agenda.

Esperanza Hills Annexation

The proposed annexation of Esperanza Hills to the City of Yorba Linda is a multi-year project that may eventually transition the proposed development of 340 single-family residential units within the City of Yorba Linda's sphere of influence to the City. In October, OC LAFCO staff participated in a public hearing of the Orange County Subdivision Committee on the Esperanza Hills project. The purpose of the public hearing was to receive public comments on the proposed vesting tentative tract map for the project. The map will ultimately require approval by the Board of Supervisors, but will not proceed until resolution of the pending law suit (Protect Our Hills & Homes, et al. v. County of Orange) which is anticipated to be scheduled for hearing by the Orange County Superior Court in early 2016. OC LAFCO staff has contacted the City of Yorba Linda and expressed interest in reviewing the pre-annexation agreement that would facilitate the eventual annexation of the project to the City of Yorba Linda.

In October, staff also participated in a Planning Commission Study Session on the Cielo Vista proposed residential development project, located adjacent to the Esperanza Hills project and within the City of Yorba Linda's sphere of influence. The Planning Commission Study Session focused on a proposed alternative to the project that would substantially reduce the number of dwelling units from 112 to 83. The reduction would bring the proposed Cielo Vista development into conformity with the City's existing land-use designations for the area. With the County now moving forward with its environmental review of the proposed Cielo Vista residential development project, the item was recently added to the Commission's work plan in anticipation of an annexation application being filed. OC LAFCO staff will continue to monitor the projects and provide updates to the Commission, as needed.

Applications for Local Sewer Service & Focused MSR

Over the past year, significant staff resources have been devoted to the preparation of a municipal service review (MSR) to review the current and alternative sewer service providers to Orange County Sanitation District (OCSD) Service Area 7. The Focused MSR provides the technical foundation for the analysis of two competing applications submitted by the East Orange County Water District and the Irvine Ranch Water District. During the first quarter, staff continued to work with the stakeholders to finalize the Focused MSR that was approved by the Commission, along with adoption of the accompanying MSR statement of determinations on September 9, 2015.

During the September 9, 2015, regular LAFCO meeting the Commission directed staff to hold a community workshop in the community to: (1) inform the community of the two competing applications, (2) present OC LAFCO staff review of the applications and proposed recommendations, and (3) receive comments and address questions from the community. The community workshop was held on Wednesday, October 28, 2015 at Foothill High School. Over 175 people attended the workshop and included representatives from the affected agencies, members of the community, and representatives of other interested parties.

Currently, both applications are still deemed incomplete and require the adoption of property tax resolutions by the County Board of Supervisors. Additional details on these projects are provided in a separate report on the November agenda.



Annexation to the City of Rancho Santa Margarita

In August 2013, the Roman Catholic Bishop of Orange, owner of the Santa Margarita High School, submitted an application for annexation of an unincorporated portion of the school parking lot to bring the entire property and the adjacent street intersection (Plano Trabuco and Dove Canyon) under City jurisdiction. In 2014, the project stalled pending resolution of issues involving the annexation boundary and land use. Discussions between the landowner, the City and the County are ongoing.

During the first quarter, OC LAFCO staff continued discussions with the affected stakeholders to address remaining LAFCO application items. Once the final map and legal description is approved by the County Surveyor, the City and County can then take action on the required property tax agreements which, once approved, will complete the application. OC LAFCO approval of the annexation would place the entirety of the Santa Margarita High School within the City of Rancho Santa Margarita and provide a more logical boundary for this portion of the City. Staff anticipates the proposal will be presented to the Commission in early 2016.



FOSTERING PARTNERSHIPS

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

South Orange County Visioning Process

The South Orange County Visioning Process is the Commission's multi-year effort involving two South Orange County study areas to proactively explore future governance for the unincorporated developed and developing communities in the area. During the first quarter, staff participated in the final meeting of the Rancho Mission Viejo (RMV) stakeholder working group. At the meeting, the group finalized resource materials that the stakeholders will use to engage their respective councils, boards and communities in discussions about the Visioning Process and potential governance options they may consider. The group also asked OC LAFCO staff to participate in the presentation of the resource materials to each of the respective councils, boards and communities.



Over the past two months, staff has participated in presentations to the San Clemente City Council and the Ladera Ranch Civic Council. The stakeholder process and the feedback received from each of the agencies and communities will shape an informative report that supports interest in ongoing governance discussions and other issues affecting this region of the County. The current Visioning Process is expected to conclude with the presentation of a report to the Commission later this winter. Subsequently, OC LAFCO staff will continue to engage interested stakeholders in the South Orange County Study Areas to collaboratively develop timelines and milestones for implementation of governance options.

Shared Services Program Updates

During the adoption of the current fiscal year work plan, the Commission focused on increasing the awareness of the Shared Services Program. Over the summer, staff worked closely with the OC LAFCO IT consultant to redesign the program to increase use by local agencies by improving the user experience. During the first quarter, the redesign of the Shared Service website was completed and staff began an outreach program to collect information from Orange County local agencies that are interested in participating in the Program. The outreach program includes the distribution of a brief online survey on shared services and determining interest in personal demonstrations of the program. At the beginning of next year, staff will proactively work with the interested agencies and will unveil the upgrades to the Shared Services program.



OC LAFCO Website Facelift

The Commission's website was last updated in 2011 as part of the initial development of the Shared Services and Fiscal Trends programs. Since that time, the technology supporting the website has evolved dramatically leaving the Commission's website outdated and susceptible to security breaches. To improve the aesthetics, navigation and security of the OC LAFCO website, the Commission included the overhaul of the agency website in the current budget and work plan.

Before beginning the Request for Proposals process for the website overhaul, staff reached out to the other southern LAFCOs (Imperial, Los Angeles, Riverside, San Bernardino, and San Diego) seeking interest in a joint effort to realize potential cost savings. Joint RFPs have been used by southern LAFCOs in the past to streamline the RFP process and realize efficiency in project and administrative costs. During the first quarter, staff from Orange County and Riverside County LAFCOs collaborated on a joint Request for Proposal (RFP) for website development services. Three finalists have been selected and were interviewed on November 4 by staff from both LAFCOs. In the coming weeks, a candidate will be selected and the contract for website development will be scheduled for consideration by the Commission in early winter.

CALAFCO Legislative Committee

The CALAFCO Legislative Committee provides LAFCOs the ability to participate in discussions that shape legislation of OC LAFCO interest.



During the first quarter, the Legislature returned from summer

recess in mid-August and continued to review and consider legislation through the conclusion of the session on September 11. During this period of high activity, the CALAFCO Legislative Committee continued to engage in discussions with key stakeholders, legislative staff and legislators regarding several bills. Key bills of LAFCO interest included a third attempt to restore vehicle license fee funding, updating the city disincorporation process and extending service beyond agency boundaries. During the first quarter, OC LAFCO staff continued to participate in the CALAFCO Legislative Committee meetings and monitoring of rapidly moving and constantly changing legislation. The Legislative Quarterly Report, which includes a complete review of 2015 legislation of LAFCO interest, is under a separate report and will be presented to the Commission at the November 18 meeting.

Coalition of California LAFCOs

The Coalition of California LAFCOs ("CCL"), comprised of Commissioners and staff of all southern LAFCOs (Imperial, Los Angeles, Orange, Riverside, San Bernardino, and San Diego), provides opportunities to collaborate on regional and local issues. During the first quarter, CCL met on July 27, 2015 and received an update on the development of the 2016 Regional Transportation Plan and Sustainable Communities Strategy by the Southern California Association of Governments. The Board also met during the CALAFCO Annual Conference to vote for CALAFCO Board Member positions for special district and county members to represent the southern region. Commissioners Jim Curatalo, San Bernardino LAFCO Special District member and Michael Kelley, Imperial LAFCO County member were reelected to continue serving on the CALAFCO Board of Directors. The next meeting of CCL is the Annual Summit which will take place on January 25, 2016 at the MET headquarters in Los Angeles.

OC LAFCO MEETINGS AND OUTREACH EFFORTS

During the first quarter, meetings and efforts involved proactive efforts by staff to support both mandated and Commission-initiated projects identified in the current work plan. Meetings and presentations conducted during the first quarter provided the opportunity for staff to work with County, city, special district representatives and other OC LAFCO stakeholders on key Commission events and projects.

Q1 FY 15-16 MEETINGS & OUTREACH EFFORTS
July Meetings
County Legislative Affairs Director and staff
LAFCO Chair, EOCWD Board Member to discuss the District's application
LAFCO HR Consultant to discuss EO Evaluation Process and staff development
LAFCO legal counsel to discuss personnel policy
Rossmoor Committee to discuss latent powers
Tour of IRWD Operations Center
Santa Ana Regional Water Quality Control Board staff to discuss regulatory compliance
OCERS staff to discuss OCERS GASB 68 valuation
LAFCO IT Consultant to discuss Shared Services Program upgrades
Center for Demographic Research Technical Advisory Committee
CALAFCO Meeting to discuss LAFCO 101 panel presentation
CCL Quarterly Meeting
August Meetings
Chair McGregor to discuss Grand Jury report and response
Commissioner Do to discuss Grand Jury report and response
City of San Juan Capistrano to discuss water and sewer transfer
MNWD General Manager to discuss LAFCO presentation to District Board
Rossmoor CSD General Manager to discuss general timeline for LAFCO application process
LAFCO Consultant to discuss audit of LAFCO Handbook
ISDOC Executive Committee
Teleconference with consultant regarding South Orange County Governance
South Orange County Governance - RMV SWG Meeting #7
LAFCO HR Consultant to discuss staff development
Orange County Council of Governments
Commissioner Spitzer to discuss Focused MSR for OCSD Service Area 7
September Meetings
LAFCO Executive Committee to discuss mid-year budget adjustment and staffing
City of San Juan Capistrano legal counsel to discuss LAFCO proceedings
City of San Clemente City Council presentation on South Orange County Visioning Process
Teleconference with legal counsel regarding out-of-area service provision
Legal counsel to discuss extension of services outside agency boundaries
IRWD staff to discuss application and FPPC requirements
LAFCO Consultant to discuss South County Governance presentations
OCERS training on new web-based reporting system

FY 2015-16 BUDGET OVERVIEW

This CQ report includes the first quarterly budget update for fiscal year 2015-16. The following budget review of this report provides the Commission with the first quarter bank account balances (see table below) and a comprehensive overview of OC LAFCO revenues and expenditures from July 1, 2015 through September 30, 2015 (see page 11).¹ The following budget overview includes the mid-year budget adjustment that was approved by the Commission on October 14, 2015. The Commission's FY 2015-16 budget was originally approved at \$953,700 and was adjusted by the Commission in October to fund the Assistant Executive Officer position for the remainder of FY 2015-16. The adjusted budget for FY 2015-16 is \$1,016,330.

As of 9/30/15	Balance
Wells Fargo Checking	\$ 77,747
Wells Fargo Savings	210,428
770-Payroll Account	<u>174,916</u>
Total	<u>\$ 463,091</u>

Revenues

The majority of OC LAFCO's first quarter revenues (\$928,253) is from the funding agencies' apportionments. All apportionments were received in the first quarter. In addition to the apportionments, LAFCO also earns interest from its investment portfolio. In the first quarter, OC LAFCO earned approximately \$1,213 in interest. As a note, filing fees are not used for budgeting purposes, but are shown in the quarterly overview as revenue.

Financial Statements

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

*Balance Sheet*²

This financial document (see pages 12-13) summarizes the agency's assets and liabilities as of September 30, 2015 on an accrual basis, or when earnings and expenses are incurred.

Cash Flow Statement

This financial document (see page 14) provides information on the cash inflow and outflow the agency endured during the first quarter (July - September).

¹ All financial statements contained in the CQ report are on an accrual accounting basis.

² Unaudited – Subject to Change

Expenditures

The total expenditures at the end of the first quarter are approximately twenty percent (20%) or \$203,997 of the total adjusted budget (\$1,016,330). The following table shows the actual funds used and the target levels for the current fiscal year.

Total Funds Used by Quarter				
	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.
Target	25%	50%	75%	100%
Actual	20%	--	--	--

Investment Report

To maximize funds, apportionment fees are deposited 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 OC LAFCO's investment portfolio at the end of the first quarter:

As of 6/30/15	Balance
LAIF	\$648,939
OC Fund	\$642,960
Total	<u>\$1,219,899</u>

To date, OC LAFCO has earned approximately \$1,213 in interest which is approximately forty-two (42%) of the projected interest earnings for fiscal year 2015-16.