

Orange County LAFCO Comprehensive Quarterly Report

3rd Quarter / FY 2015-16
(January - March 2016)



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INTRODUCTION

The Third Quarter Comprehensive Quarterly Report ("CQ Report") presents an overview of the Commission's activities during the months of January, February, and March 2016. This report provides an update on projects, a summary of the outreach efforts, and an assessment of the agency's current budget and investment portfolio performance for the third quarter.

MANDATED PROJECTS

During the third quarter, OC LAFCO staff continued to participate in meetings and discussions involving several active and anticipated routine and complex changes of organization included in this year's work plan. The filed and anticipated project applications involve the activation of latent powers, annexations to and detachments from city and special district boundaries, sphere of influence amendments, and the potential transfer of water and sewer systems. The following section provides an update on project related activities that occurred during the third quarter.

Applications for Sewer Service Transfer

Over the past months, staff continued to process the applications and analyze the plans for service submitted by the East Orange County Water District (EOCWD) and the Irvine Ranch Water District (IRWD) to assume local sewer service for Orange County Sanitation District (OCSD) Service Area 7.

At the December 2015 public hearing on the EOCWD's proposal the Commission voted to accept EOCWD's revised 100-year financial plan and continue the public hearing to a future meeting in order to consider that application alongside the competing one submitted by IRWD.

During this quarter, IRWD's application was deemed complete and the two competing applications were scheduled for public hearing on April 13, 2016. After receiving public comment, the Commission considered both applications and determined that the proposal from EOCWD was the most appropriate for the transfer. The approval of the final documents for this transfer are included under a separate report on the May agenda. After the statutorily required reconsideration and protest periods, the administrative actions necessary to finalize the Commission's action will be completed this summer.



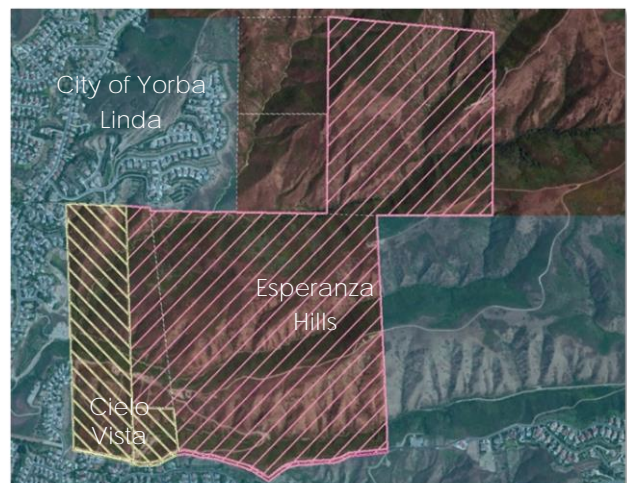
Meyer Reorganization

The proposed Meyer reorganization involves a minor boundary adjustment affecting the cities of Orange and Anaheim and the Municipal Water District of Orange County to facilitate efficient municipal service delivery to a proposed residential development. Originally scheduled for public hearing in November 2015, the proposal was continued to allow the City of Anaheim to complete the development approval and environmental review process for a proposed multi-family residential development project located within the proposed boundary adjustment area. During the third quarter the City of Anaheim Planning Commission certified the required environmental documentation completing the LAFCO application requirements. The proposal was rescheduled for public hearing in April and was approved by the Commission. After the required 30-day reconsideration period, staff will process the final documentation necessary to complete the Commission's action.

Cielo Vista and Esperanza Hills Annexations

LAFCO staff continues to monitor two proposed residential development projects currently unincorporated and within the City of Yorba Linda's sphere of influence. In the third quarter, the County Planning Commission reviewed and discussed the Environmental Impact Report (EIR) and related land use actions for the Cielo Vista project and recommended approval by the Board of Supervisors. The action of the Planning Commission included a reduction in the proposed number of single-family housing units from 120 to 83. The certification of the EIR, approval of the necessary zone change, and Area Plan are currently scheduled for consideration by the County Board of Supervisors on May 10, 2016. LAFCO staff will attend the County Board of Supervisors meeting to answer any questions related to the annexation process.

The Board of Supervisors will consider adopting an alternative procedure for approval of the Vesting Tentative Tract Map, similar to the action taken for the adjacent Esperanza Hills development. The alternative procedure requires the developers of Esperanza Hills and Cielo Vista to enter into pre-annexation agreements with the City of Yorba Linda as a condition of the approval of the Vesting Tentative Tract Map which is required for construction of the projects to proceed. State law prohibits the Commission from approving annexations that would create an unincorporated county island. To ensure that the final form of the pre-annexation agreement for Esperanza Hills adequately aligns with State law, OC LAFCO staff and legal counsel provided comments to the City in January 2016. Staff will also provide input for the pre-annexation agreement developed for the Cielo Vista project.



Potential Focused Municipal Service Review of Transfer of Water and Sewer Systems for City of San Juan Capistrano

In the Spring of 2015, OC LAFCO was informed that the City Council of the City of San Juan Capistrano was interested in exploring the potential transfer of its water, sewer and storm water infrastructure and service responsibilities to a successor agency. The project was formally added to the Commission's work plan on October 14, 2015. Over the past year, City staff, with the assistance of an outside consultant team and input from LAFCO staff, has undertaken a thorough analysis of this matter.

During the third quarter, OC LAFCO staff continued to provide information to the City's legal representatives, consultants and other interested parties regarding OC LAFCO's role and statutory processes. On April 5, 2016 the San Juan Capistrano City Council heard a presentation on the consultant's study and directed its staff to prepare an application to LAFCO for a Focused Municipal Service Review to evaluate and compare the status quo and alternative organizational options with other local public agencies. The Council also directed staff to convene one or more workshops with the public to develop specific criteria to guide the City in its consideration of this potential change. Once the application is received, this project is expected to be complex and to require significant staffing and, potentially, consultant resources. In accordance with the Commission's policies, the costs associated with this project will be borne by the City as the applicant.

ADMINISTRATIVE ACTIVITIES

20th Annual OC LAFCO Strategic Planning Session

On March 18, OC LAFCO Commissioners and staff gathered for the 20th Annual Strategic Planning Session. The annual meeting provides an opportunity for the Commission and staff to jointly reflect on the accomplishments of the past year and develop the work plan for the new fiscal year. During the



interactive session, the Commission discussed projects underway (mandated and Commission-initiated) and reviewed and updated the agency's organizational goals. This strategic planning session provides the framework for the development of the annual work plan and budget. The proposed work plan and the proposed budget for 2016-17 are included under separate agenda reports for the Commission's May 11 meeting.

Appointment of Commissioners



In the third quarter, Commissioner Charley Wilson was re-appointed to the Regular Special District member seat. The selection of a regular and alternate City Member will be completed by the City Selection Committee on May 12, 2016. Interested parties may contact OC LAFCO or County Clerk of the Board staff for additional information.

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 third quarter.

South Orange County Visioning Process

The Commission's multi-year effort to work with the stakeholders to collectively envision potential future governance options for the unincorporated communities in South Orange County formally concluded in August 2015. Since that time, LAFCO staff has continued to engage with the agencies and communities and solicit their feedback on future governance efforts. The feedback has been compiled in a report which concludes the current Visioning Process and sets the stage for ongoing governance discussions. The South Orange County Governance Visioning Process Final Report will be presented at the Commission meeting in June.



CALAFCO Legislative Committee

The CALAFCO Legislative Committee provides LAFCOs the ability to participate in discussions that shape legislation of LAFCO interest. The CALAFCO Legislative Committee, in collaboration with Los Angeles LAFCO, hosted a legislative information session at the annual CALAFCO Staff Workshop held from March 30-April 1, 2016. The Committee presented several bills that address and propose solutions to important statewide issues that are of interest to LAFCOs. For example, SB 1318, which has raised several concerns for a number of LAFCOs, proposes to amend current law involving municipal service reviews to disadvantaged unincorporated communities. During the third quarter, OC LAFCO Executive Officer and staff participated on the Legislative Committee's conference calls and strategy sessions and, together with the Chair, provided background information and details about LAFCO's position and concerns to Orange County's legislative representatives. The Legislative Quarterly Report, which will provide additional details on SB 1318 and other bills is included under a separate agenda report for the May 11 meeting.

OC LAFCO MEETINGS AND OUTREACH EFFORTS

Meetings and presentations conducted during the third 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.

MEETINGS & OUTREACH EFFORTS (Third Quarter FY 15-16)
January Meetings
Executive Committee – EO Evaluation Process and Strategic Plan
Emerald Bay CSD General Manager – Proposed Budget and Upcoming MSR Cycle
Mission Viejo City Manager – Proposed Budget and Upcoming MSR Cycle
Laguna Niguel City Manager – Meet and Greet
OCBC CEO – Meet and Greet
CALAFCO Southern Region Annual Summit
Women Leading Government Meeting
OC Auditor-Controller – Upgrades to County Financial & HR Reporting System
Center for Demographic Research – Technical Advisory Committee
Orange County Council of Governments
February Meetings
LAFCO Chair Meeting – Review February Agenda
LAFCO Executive Committee Meeting – Strategic Plan
El Toro Water District General Manager – Proposed Budget and Upcoming MSR Cycle
Leading Change Panel – California State University Fullerton Extension
CALAFCO Legislative Committee Meeting
Orange County City Manager’s Meeting
Orange County Council of Governments
Center for Demographic Research – Management Oversight Committee
CALAFCO Southern Region – Geographic Information System User Group Meeting
March Meetings
LAFCO Chair – Review March Agenda
LAFCO Executive Committee Meeting - Proposed Budget and Work Plan, EO Evaluation Process
ACC-OC Executive Director – Meet and Greet; Orange County Leadership Symposium
Interim Executive Director of Orange County Council of Governments- Meet and Greet
Rancho Mission Viejo Representative – South Orange County Governance
Orange County Council of Governments
CALAFCO Staff Workshop
County Planning Commission – Cielo Vista Project

FY 2015-16 BUDGET OVERVIEW

The third quarter budget review provides the Commission with a comprehensive overview of OC LAFCO revenues and expenditures from January 1, 2016 through March 31, 2016 (see page 9).¹ The total amended budget for FY 2015-16 is \$1,016,330. Additionally, this report provides an update on the bank account and investment balances for the third quarter.

Revenues

The majority of OC LAFCO's FY 2015-16 revenue is from the \$926,682 collected in apportionments from the funding agencies during the first quarter (July– September). In addition to the apportionments, LAFCO also earns interest from its investment portfolio. In the third quarter, OC LAFCO earned approximately \$1,751 in interest.

Another source of OC LAFCO revenue includes application filing fees adopted by the Commission in 2005. Filing fees are not used for budgeting purposes, but are shown in the quarterly overview. This quarterly report includes a year-to-date accounting of application expenses for FY 2015-16. While the filing fees and expenditures do not directly impact the approved budget, including this information within the quarterly report is intended to inform the Commission of the cost recovery for fee-related projects.

Expenditures

The total expenditures at the end of the third quarter are approximately 57 percent or \$577,304 of the total adjusted budget of \$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%	39%	57%	--

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

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts at the end of the third quarter:

As of 3/31/16	Balance
770-Payroll Account	121,917
Wells Fargo Checking	145,767
Wells Fargo Savings	<u>210,460</u>
Total	<u>\$ 452,130</u>

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 third quarter:

As of 3/31/16	Balance
OC Fund	644,880
LAIF	<u>184,446</u>
Total	\$ 855,340

To date, OC LAFCO has earned approximately \$4,759 in interest which is approximately 164% of the projected interest earnings for fiscal year 2015-16.

Balance Sheet

The CQ report includes the third quarter balance sheet to provide a better understanding of OC LAFCO's financial status. This financial document summarizes the agency's assets and liabilities as of March 31, 2016.

LOCAL AGENCY FORMATION COMMISSION ORANGE COUNTY

Quarterly Overview

January 1, 2016 – March 31, 2016

	1st Qtr	2nd Qtr	3rd Qtr	YTD	YTD	TOTAL	Funds Used	Funds
	General Fund	General Fund	General Fund Jan-March	General Fund	Filing Fees	FY 15/16 Amended Budget	(%)	Variance
								(\$)
								Revenue
								(-) means funds over expected
Revenue								
Transfer In from Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,730	0.0%	\$ (86,730)
4000 - LAFCO Apportionment	926,682	-	-	926,682	-	926,700	100.0%	(18.00)
4050 - Filing Fees	-	-	-	-	50,000	-	N/A	N/A
4150 - Misc Revenue	358	-	109	467	-	-	N/A	467
4200 - Interest & Dividends	1,497	1,511	1,751	4,759	-	2,900	164.1%	1,859
Total Revenue	\$ 928,538	\$ 1,511	\$ 1,860	\$ 931,908	\$ 50,000	\$ 1,016,330	91.7%	\$ (84,422)
Expenditures								Expense
								(-) underbudgete
5000 - Salaries	\$ 80,518	\$ 26,401	\$ 82,567	\$ 189,486	\$ 48,794	\$ 363,700	65.5%	\$ 125,420
5010 - Hourly Employees	-	-	1,328	1,328	-	8,200	16.2%	6,873
5100 - Benefits & Insurance	-	-	14,417	14,417	-	18,500	77.9%	4,083
5102 - Optional Benefit Plan	-	-	928	2,892	-	5,700	50.7%	2,808
5104 - Executive Deferred Comp	881	1,082	28,889	79,360	-	116,100	68.4%	36,740
5106 - Retirement Benefits	22,713	27,758	10,205	33,097	-	47,600	69.5%	14,503
5108 - Health Care Insurance	10,985	11,907	2,671	7,418	-	11,600	63.9%	4,182
5109 - Retiree Health Benefits	2,369	2,378	861	2,723	-	4,900	55.6%	2,177
5110 - Dental Insurance	949	914	88	264	-	500	52.8%	236
5112 - Life Insurance	95	80	-	-	-	2,400	0.0%	2,400
5114 - Workers Compensation	-	-	1,311	3,238	-	5,300	61.1%	2,062
5116 - Medicare	964	963	268	733	-	1,200	61.1%	467
5120 - Salary Continuance	226	238	18	55	-	100	55.2%	45
5122 - Accidental Death Insurance	19	18	1,800	5,400	-	7,200	75.0%	1,800
5125 - Executive Employee Car Allowance	1,800	1,800						
Total 5100 - Benefits & Insurance	41,002	47,138	61,456	149,597	-	221,100	67.7%	71,503
5150 - Information Technology	3,750	10,702	1,936	16,389	-	27,300	60.0%	10,911
5151 - Telephone	3,004	3,263	3,359	9,626	-	11,000	87.5%	1,374
5200 - County of Orange	489	84	251	824	-	5,600	14.7%	4,776
5250 - General Liability Insurance	4,092	3,504	5,482	13,078	-	15,400	84.9%	2,322
5300 - Maintenance-Building	-	-	-	-	-	500	0.0%	500
5350 - Membership	5,785	6,000	7,291	19,075	-	29,000	65.8%	9,925
5450 - Office Equipment/Supplies	543	1,742	5,136	7,420	-	25,300	29.3%	17,880
5451 - Application Expenses	-	-	-	-	10,665	-	N/A	N/A
5500 - Professional Services	-	-	-	-	-	-	-	-
5510 - Legal	12,888	8,557	7,619	29,064	-	51,100	56.9%	22,036
5520 - Accounting/Audit	16,075	5,372	11,520	32,967	-	42,000	78.5%	9,033
5530 - Human Resources	-	1,668	3,225	4,893	-	5,000	97.9%	108
5535 - Mapping/Archiving	-	-	2,652	2,652	-	8,200	32.3%	5,548
5540 - Other Professional Services	5,547	11,149	6,341	23,037	-	65,000	35.4%	41,963
Total 5500 - Professional Services	34,510	26,746	31,357	92,613	-	171,300	54.1%	78,687
5550 - Investment Admin Fees	169	164	130	464	-	630	73.6%	166
5560 - Banking Fees	57	108	54	219	-	900	N/A	681
5600 - Public Noticing	-	330	-	330	-	10,200	3.2%	9,870
5625 - Postage	72	316	12	400	-	2,800	14.3%	2,400
5650 - Office Lease	10,811	16,058	17,193	44,062	-	65,500	67.3%	21,438
5675 - Equipment Leases/Maintenance	1,353	1,430	1,783	4,566	-	5,500	83.0%	934
5700 - Commission & Staff Expense	966	694	1,715	3,374	-	8,200	41.1%	4,826
5710 - Commission Stipends & Taxes/Fees	3,308	3,557	2,787	9,652	-	15,800	61.1%	6,148
5750 - Staff Training	-	75	165	240	-	3,600	6.7%	3,360
5800 - Transportation/Travel	10,520	939	1,711	13,171	-	23,400	56.3%	10,229
5850 - Commission Meeting Exp	-	454	936	1,390	-	1,400	99.3%	10
5998 - Refund of Deposits	-	-	-	-	2,024	-	N/A	N/A
Total Expenditures	\$ 200,950	149,705	226,649	577,304	61,483	\$ 1,016,330	56.8%	\$ 439,026
Total Net Income (Loss)	\$ 727,588	\$(148,194)	\$(224,789)	\$ 354,604	\$ (11,483)	\$ -		

LOCAL AGENCY FORMATION COMMISSION ORANGE COUNTY
BALANCE SHEET
March 31, 2016

ASSETS	
Current Assets	
Checking/Savings	
Cash and Investments	
1000 - County Acct-Payroll	121,916.59
1025 - Wells Fargo Checking	145,767.05
1030 - Wells Fargo Savings	210,460.06
1040 - OC Fund	644,879.53
1050 - Investment Acct - LAIF	184,445.88
Total Cash and Investments	<u>1,307,469.11</u>
Total Checking/Savings	1,307,469.11
Other Current Assets	
Other Current Asset	
1300 - Interest Receivable - Other	378.26
1375 - Prepaid Expenses - Other	11,576.64
1376 - Retirement Prepaid Expense	51,388.72
1550 - Due from Other Governments	0.10
Total Other Current Asset	<u>63,343.72</u>
Total Other Current Assets	<u>63,343.72</u>
Total Current Assets	1,370,812.83
Other Assets	
Other Assets	
1575 - Pension Deposit	120,528.45
1600 - Security Deposit	6,081.66
Total Other Assets	<u>126,610.11</u>
Total Other Assets	<u>126,610.11</u>
TOTAL ASSETS	<u>1,497,422.94</u>

LOCAL AGENCY FORMATION COMMISSION ORANGE COUNTY
BALANCE SHEET
March 31, 2016

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable

2000 - Accounts Payable 10,448.31

Total Accounts Payable 10,448.31

Total Accounts Payable 10,448.31

Other Current Liabilities

Current Liabilities

2001 - Accrued Liability 1,755.00

2050 - Salaries Payable - OC (9050) 28,597.87

Total Current Liabilities 30,352.87

Total Other Current Liabilities 30,352.87

Total Current Liabilities 40,801.18

Total Liabilities 40,801.18

Equity

3000 - Unrestricted Net Assets 642,663.66

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 25,292.39

Total 3050 - Restricted Net Assets 230,292.39

3900 - Retained Earnings 240,544.52

Net Income 343,121.19

Total Equity 1,456,621.76

TOTAL LIABILITIES & EQUITY 1,497,422.94