

Orange County LAFCO Comprehensive Quarterly Report



2nd Quarter / FY 2016-17
(October– December 2016)

INSIDE LOOK:

Mandated Projects – Page 1

Commission Initiated Projects – Page 5

Administrative Activities – Page 6

Meetings and Outreach Efforts – Page 8

FY 2016-17 Budget Overview – Page 9

INTRODUCTION

This Comprehensive Quarterly Report presents an overview of the Commission's activities during the months of October, November and December 2016. This report provides an update on projects and activities, a summary of the outreach efforts and an assessment of the agency's current budget and investment portfolio performance for the second quarter.

MANDATED PROJECTS

During the second quarter, OC LAFCO participated in meetings and discussions regarding projects identified in the updated work plan. The filed and potential applications involved annexation of water services for a project that crosses two county boundaries, two potential reorganizations involving annexing territory currently within the City of Orange's boundaries to adjacent cities, and the potential transfer of water and sewer systems. The following section provides an update on project-related activities that occurred in the second quarter.

Pre-filing Meetings Summary

During the second quarter, OC LAFCO staff participated in a number of pre-filing meetings and discussions with developers of projects that will ultimately require Commission action. As part of the application process, applicants are required to participate in a pre-filing meeting to discuss LAFCO requirements. The following is a brief summary of three of those projects:

The Preserve at San Juan

In December, LAFCO staff held a preliminary filing meeting with a developer, together with staff from Riverside LAFCO, and Orange County Planning Department, to discuss an application for a project entitled "The Preserve at San Juan." The proposed gated residential community consists of 72 single family units on 650-acres in unincorporated Orange County. The proposed project will be situated on currently undeveloped private property in the Santa Ana Mountains, approximately 6.25 miles east of the City of Rancho Santa Margarita along the border between Orange and Riverside Counties.

The Preserve is remotely located and is not adjacent to an Orange County city or special district. However, its location is near the facilities and operations of the Elsinore Valley Municipal Water District and Western Municipal Water District, two

special districts in Riverside County. In order to receive water services, the project will need to be annexed to both districts. As there is no nearby wastewater infrastructure, the developer will be installing a septic system as a more feasible alternative. All other services, (police and fire protection, planning, and library) will be provided by Orange County. The developer is in the process of preparing the environmental documents for the project.

In 2014, the Commission approved a Memorandum of Understanding with Riverside LAFCO to address jurisdictional responsibilities for special district annexations that cross over the Orange/Riverside county line. Given the circumstances of this project, Riverside LAFCO is the appropriate agency to process the annexation and the sphere of influence amendment. At a future meeting, after a request from the applicant is received, the Commission will consider an action to delegate the authority to amend the spheres of influence to Riverside LAFCO.

The Garden Grove /Orange Project

Earlier this year, OC LAFCO staff received an inquiry regarding a possible reorganization involving a detachment of approximately .901 of an -acre from the City of Orange to the City of Garden Grove. The purpose of the reorganization is to facilitate a future development involving the subject territory and an adjacent property located in the City of Garden Grove for a proposed gated residential community with 70 single-family detached homes. At the request of the City of Garden Grove, OC LAFCO staff held a pre-filing meeting in the first quarter of this fiscal year with representatives of the developer, Shea Homes, and the current property owner, the Diocese of Orange County, together with staff from both cities, to review the requirements for an application and the reorganization process. During the second quarter, staff continued to work with the staff of the City of Garden Grove, by providing feedback on the environmental documents and answering questions about the annexation process. It is anticipated that LAFCO will receive an application for this project sometime in the summer.

The Anaheim/Orange Project

During the second quarter, LAFCO staff received an inquiry from the City of Anaheim on a potential reorganization of a property located within the City of Orange's boundary line. The location of the property is adjacent to Orangewood Avenue and the North Net Training Facility located in the City of Anaheim. The purpose of the potential reorganization is to facilitate future improvements to portions of Orangewood Avenue. In November, LAFCO staff discussed the requirements and fees associated with the submittal of an application with the staff from the City of Anaheim. This discussion was to generate an estimate of costs for the City to consider to include in the City's 2017-18 budget. Therefore, it is anticipated that a pre-filing meeting would be scheduled in the next fiscal year.

City of San Juan Capistrano Focused Municipal Services Review on Potential Transfer of Water and Sewer Systems

During the second quarter, LAFCO staff started convening the San Juan Capistrano Municipal Services Review (MSR) Working Group to initiate a collaborative review of the potential transfer of the operations and facilities of the City's water, recycled water, and wastewater systems to another public agency. Four public sector special districts: Irvine Ranch Water District, Moulton Niguel Water District, Santa Margarita Water District, and South Coast Water District, have been invited to participate in this process. The working group, comprised of executive and technical staff members from the City and the four special districts, have worked with LAFCO staff and a facilitator to collaboratively develop a scope of work for this MSR process. It is anticipated that a Request for Proposals for qualified consultants to perform a condition, operations and financial analysis for this project will be released in February. This MSR process is expected to be completed by the end of the calendar year.



COMMISSION INITIATED PROJECTS

Small Unincorporated Islands

During the past, several annual strategic planning sessions, the Commission identified the annexation of unincorporated islands as a top priority. At its 2016-17 session, the Commission directed staff to work proactively with the County and the cities of Fountain Valley, La Habra and Santa Ana to explore annexation of the small unincorporated islands located in their respective spheres of influence.



During the second quarter, considerable progress was made toward the potential annexation of the remaining six small islands within the sphere of influence of the City of La Habra. The collaborative efforts between the staffs of LAFCO, the City of La Habra and the County, resulted in the consideration and direction by the La Habra City Council to conduct a Community Workshop about the annexation process and benefits of joining the City.

The workshop, which was held on January 24, provided a forum for the residential and commercial landowners to learn about the annexation process, to ask questions about what changes with an annexation, and to provide feedback. In addition to LAFCO Executive Officer Carolyn Emery and Policy Analyst Luis Tapia, the La Habra City Manager Jim Sadro and the County Chief Executive Officer Frank Kim served

as the panel providing information and answering questions from the audience of approximately 200 people. Additionally, City staff from the Police, Public Works and Planning Departments were in attendance and responded to questions from the audience. It is anticipated that the La Habra City Council will consider formally filing an annexation application in March or April, which would potentially result in consideration by the Commission in June.



ADMINISTRATIVE ACTIVITIES

CALAFCO Awards and Appointments

OC LAFCO received two CALAFCO awards that were announced during the Annual Conference held in October in Santa Barbara. The Outstanding Clerk of the Year award was bestowed on the OC LAFCO Commission Clerk Cheryl Carter-Benjamin. This award recognizes a LAFCO Clerk for exemplary service. Cheryl has performed the duties as the Commission Clerk/Office Manager since March, 2011. This award is a recognition of the professionalism and outstanding public service she provides to the Commission, its staff, and Orange County residents.



Additionally, OC LAFCO, together with the other Southern California LAFCOs, received The Government Leadership Award. This award is presented to a decision-making body which has furthered good government efforts in California. Commissioner Brothers, who is the OC LAFCO representative to the Southern Region of CALAFCO, accepted the award on behalf of the Commission.

Further, at the Annual Conference, Commissioner Cheryl Brothers was re-elected to a seat on the CALAFCO Board and Executive Officer Carolyn Emery, was officially installed as a CALAFCO Deputy Executive Officer and will Chair the planning committee for the 2017 CALAFCO Annual Conference that will take place in San Diego..

Election of LAFCO Officers



Chair McGregor

Each year, the Commission elects a LAFCO Chair and Vice-Chair. At the January meeting, the Commission re-elected incumbents Derek J. McGregor, as LAFCO Chair and Dr. Allan Bernstein, as Vice-Chair for 2017. Chair McGregor serves as the LAFCO Public Member and Vice Chair Bernstein serves as the LAFCO City Member and is the current Mayor of Tustin.



Vice-Chair Bernstein

Legislative Committee

The CALAFCO Legislative Committee provides LAFCOs the ability to participate in discussions that shape legislation of LAFCO interest. The Legislature reconvened from its winter recess on January 4, 2017 for the 2017 legislative session. The beginning of the legislative session is off to a steady start as over 400 bills have been introduced.



CALAFCO's Legislative Committee has been working collaboratively with the CALAFCO Board of Directors to plan for the upcoming legislative year. Recognizing the constraints on resources, CALAFCO's Board approved a limited legislative program for the current session. The Board's approach is to concentrate on legislative requirements that, if unfulfilled, could potentially place LAFCOs and CALAFCO at risk, preparing responses to reports by the Legislature that affect LAFCOs or the funding agencies' operations, and assisting LAFCOs throughout the state to meet mandates set by previously passed legislation. Following the Board's direction, CALAFCO has decided to co-sponsor the annual Omnibus Bill in collaboration with the Assembly Local Government Committee to only make technical revisions to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Legislation that has been introduced thus far during this session does not pose a direct impact on LAFCOs. However, it is anticipated that legislation impacting LAFCOs will be introduced as the session continues.

OC LAFCO MEETINGS AND OUTREACH EFFORTS

During the second quarter, staff proactively supported projects identified in the current work plan by participating in a number of meetings and special events.

Q2 FY 16-17 MEETINGS & OUTREACH EFFORTS
October Meetings
Commissioner Bartlett to discuss San Juan focused MSR
Policies and Procedures Ad Hoc Committee
Orange County City Managers Association Networking Lunch
ISDOC Executive Committee Meeting
Meeting with Dan Kelly and tour of Mission Viejo Ranch Project
CALAFCO Annual Conference
OCERS Financial Update Meeting
County Planning Department meeting on Esperanza Hills Project
OCCOG Monthly Meeting
Center for Demographic Research Open House
November Meetings
San Juan Capistrano Working Group Meeting
CALAFCO Legislative Committee
Santa Ana Watershed Project Authority
City of Anaheim to discuss potential reorganization
State Water Resources Board & Department of Water Resources Presentation on Governor’s Water Efficiency Project
County Planning Commission Hearing on Esperanza Project
Executive Committee Quarterly Meeting
Santa Margarita Water District Watershed Project Presentation
East Orange County Water District to discuss draft policy and guidelines
City of Anaheim to discuss Unincorporated Island
City of Fountain Valley to discuss Unincorporated Island
City of La Habra to discuss Unincorporated Islands
San Juan Basin Authority Board Meeting
Management Oversight Committee for Center for Demographics Research
December Meetings
San Juan Capistrano Working Group Meeting
Orange County Leadership Symposium Planning Group
CALAFCO Board of Directors Meeting and CALAFCO Staff Meeting
City of Santa Ana to discuss potential island annexation
County, developer, Riverside LAFCO to discuss San Juan Preserve Project
Policies and Procedures Ad Hoc Committee
Mesa Water District to discuss draft policy and guidelines
OCERS Financial Update Meeting
Board of Supervisors Meeting – Esperanza Project
Management Oversight Committee for Center for Demographics Research
OCERs Financial Update Meeting

FY 2016-17 BUDGET OVERVIEW

This CQ report includes the second quarterly budget update for fiscal year 2016-17. The following budget review provides the Commission with the second quarter bank account balances and a comprehensive overview of OC LAFCO revenues and expenditures from July 1, 2016 through December 31, 2016 (see page 11).¹ The total budget approved by the Commission for 2016-17 is \$1,121,470.

Revenues

By the end of November, the agency had received all of the apportionments from the funding agencies for a total of \$1,019,425. In addition to the apportionments, LAFCO also earns interest from its investment portfolio. In the second quarter, OC LAFCO earned approximately \$1,724 in interest.

Another source of OC LAFCO revenue is the application filing fees. These filing fees are not used for budgeting purposes, but are shown in the quarterly overview as revenue. Further, the quarterly report includes a year-to-date accounting of application revenues and expenses incurred during the second quarter.

Expenditures

The total expenditures at the end of the second quarter are approximately 40.4 percent or \$452,803 of the total budget of \$1,121,470. The following table provides the comparison of the percentage of 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	19%	40%	--	--

¹ All financial statements contained in the CQ 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 conclusion of the second quarter:

As of 12/31/16	Balance
770-Payroll Account	\$153,377
Wells Fargo Checking	144,639
Wells Fargo Savings	<u>210,508</u>
Total	<u>\$508,524</u>

To maximize funds, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, the accountant 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 second quarter:

As of 12/31/16	Balance
LAIF	\$600,924
OC Fund	<u>\$467,904</u>
Total	<u>\$1,068,828</u>

To date, OC LAFCO has earned approximately \$3,650 in interest which is approximately 126% of the projected interest earnings for fiscal year 2016-17.

Balance Sheet²

The CQ report includes the second 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 December 31, 2016,

² Unaudited – Subject to Change

Orange County Local Agency Formation Commission
Quarterly Overview
July 1 - December 31, 2016

	1st Qtr.	2nd Qtr.	YTD	YTD	TOTAL	General Fund	General Fund
	General Fund	General Fund	General Fund	Filing Fees	FY 16/17	Funds Use	Fund Variance
					Budget	(%)	(\$) Revenues (Under)/Over budget
Revenue							
Transfer In from Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ 99,170	0.0%	\$ (99,170)
4000 - LAFCO Apportionment	998,553	20,872	1,019,425	-	1,019,400	100.0%	25
4050 - Filing Fees	-	-	-	28,231	-	0.0%	N/A
4150 - Misc Revenue	498	-	498	-	-	0.0%	498
4200 - Interest & Dividends	1,926	1,724	3,650	-	2,900	125.9%	750
Total Revenue	\$ 1,000,978	\$ 22,596	\$ 1,023,573	\$ 28,231	\$ 1,121,470	91.3%	\$ (97,897)
	1,000,978	22,596	1,023,573	28,231	1,121,470	91.3%	(97,897)
							Expense (Under)/Over
Expenditures							
5000 - Salaries	\$ 89,354	\$ 96,678	\$ 186,032	\$ 8,083	\$ 424,500	43.8%	(230,384)
5010 - Hourly Employees	3,191	2,415	5,606	-	10,000	56.1%	(4,394)
5100 - Benefits & Insurance							
5102 - Optional Benefit Plan	-	-	-	-	18,500	0.0%	(18,500)
5104 - Deferred Compensation	884	1,126	2,010	-	9,100	22.1%	(7,090)
5106 - Retirement Benefits	27,174	33,101	60,275	-	131,800	45.7%	(71,525)
5108 - Health Insurance	10,275	11,760	22,035	-	52,400	42.1%	(30,365)
5109 - Retiree Health Benefits	3,193	3,976	7,169	-	14,500	49.4%	(7,331)
5110 - Dental Insurance	1,055	1,335	2,390	-	5,700	41.9%	(3,310)
5112 - Life Insurance	106	135	241	-	600	40.1%	(359)
5114 - Workers Compensation	-	1,768	1,768	-	2,000	88.4%	(232)
5116 - Medicare	1,179	1,435	2,614	-	6,900	37.9%	(4,286)
5120 - Salary Continuance	273	342	615	-	1,500	41.0%	(885)
5122 - Accidental Death Insurance	21	27	49	-	100	48.7%	(51)
5125 - Executive Employee Car Allowance	1,800	1,800	3,600	-	7,200	50.0%	(3,600)
Total 5100 - Benefits & Insurance	45,961	56,804	102,765	-	250,300	41.1%	(147,535)
5150 - Information Technology	1,803	1,803	3,606	-	10,000	36.1%	(6,394)
5151 - Telephone	2,619	2,667	5,287	-	12,000	44.1%	(6,713)
5200 - County of Orange	77	62	140	-	3,600	3.9%	(3,460)
5250 - General Liability Insurance	3,984	3,639	7,622	-	15,500	49.2%	(7,878)
5300 - Maintenance-Building	-	475	475	-	510	93.1%	(35)
5350 - Memberships	7,451	7,366	14,817	-	29,700	49.9%	(14,884)
5450 - Office Equipment/Supplies	2,693	1,826	4,519	-	18,000	25.1%	(13,481)
5451 - Application Expenses	-	-	-	-	-	0.0%	N/A
5500 - Professional Services							
5510 - Legal	11,196	21,079	32,275	300	60,000	53.8%	(27,425)
5520 - Accounting/Audit	8,464	11,503	19,966	-	46,000	43.4%	(26,034)
5530 - Human Resources	674	1,141	1,815	-	10,000	18.1%	(8,185)
5535 - Mapping/Archiving	-	-	-	-	6,400	0.0%	(6,400)
5540 - Other Professional Services	5,436	1,380	6,816	8,140	75,000	9.1%	(60,044)
Total 5500 - Professional Services	25,770	35,102	60,872	8,440	197,400	30.8%	(128,088)
5550 - Investment Admin Fees	162	134	297	-	640	46.3%	(343)
5560 - Banking Fees	50	65	115	-	920	12.4%	(806)
5575 - CEQA Filings	-	-	-	50	-	0.0%	N/A
5600 - Public Noticing	869	-	869	646	10,400	8.4%	(8,885)
5625 - Postage	-	-	-	7	2,900	0.0%	(2,893)
5650 - Office Lease	16,896	17,080	33,976	-	68,600	49.5%	(34,624)
5675 - Equipment Leases/Maintenance	1,551	1,916	3,468	-	8,300	41.8%	(4,832)
5700 - Commission & Staff Expense	1,033	1,698	2,731	3	8,400	32.5%	(5,666)
5710 - Commission Stipends & Taxes/Fees	2,518	2,147	4,665	-	15,600	29.9%	(10,935)
5750 - Staff Training	2,197	1,520	3,717	-	5,000	74.3%	(1,283)
5800 - Transportation/Travel	5,291	5,898	11,188	-	26,600	42.1%	(15,412)
5850 - Commission Meeting Exp	-	37	37	-	2,600	1.4%	(2,563)
5998 - Refund of Deposits	-	-	-	74	-	0.0%	N/A
Total Expenditures	\$ 213,471	\$ 239,332	\$ 452,803	\$ 17,304	\$ 1,121,470	40.4%	\$ (651,364)
Total Net Income (Loss)	\$ 787,507	\$ (216,736)	\$ 570,771	\$ 10,927	\$ -		\$ 581,698

LOCAL AGENCY FORMATION COMMISSION ORANGE COUNTY

Balance Sheet

Dec 31, 16

ASSETS

Current Assets

Checking/Savings

Cash and Investments

1000 - County Acct-Payroll	153,377.19
1025 - Wells Fargo Checking	144,638.51
1030 - Wells Fargo Savings	210,507.64
1040 - OC Fund	467,903.59
1050 - Investment Acct - LAIF	600,923.91

Total Cash and Investments	1,577,350.84
----------------------------	--------------

Total Checking/Savings	1,577,350.84
------------------------	--------------

Other Current Assets

Other Current Asset

1375 - Prepaid Expenses - Other	20,790.69
1376 - Retirement Prepaid Expense	82,619.31

Total Other Current Asset	103,410.00
---------------------------	------------

Total Other Current Assets	103,410.00
----------------------------	------------

Total Current Assets	1,680,760.84
----------------------	--------------

Other Assets

Other Assets

1575 - Pension Deposit	103,940.25
1600 - Security Deposit	6,081.66

Total Other Assets	110,021.91
--------------------	------------

Total Other Assets	110,021.91
--------------------	------------

TOTAL ASSETS	1,790,782.75
---------------------	---------------------

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable

2000 - Accounts Payable	12,681.45
-------------------------	-----------

Total Accounts Payable	12,681.45
------------------------	-----------

Total Accounts Payable	12,681.45
------------------------	-----------

Dec 31, 16

Other Current Liabilities	
Current Liabilities	
2001 - Accrued Liability	10,362.13
2050 - Salaries Payable - OC (9050)	
2051 - Salaries Clearing	-9,817.95
2050 - Salaries Payable - OC (9050) - Other	24,734.56
Total 2050 - Salaries Payable - OC (9050)	<u>14,916.61</u>
2150 - Deferred Revenue	1,840.80
Total Current Liabilities	<u>27,119.54</u>
Total Other Current Liabilities	<u>27,119.54</u>
Total Current Liabilities	<u>39,800.99</u>
Total Liabilities	<u>39,800.99</u>
Equity	
3000 - Unrestricted Net Assets	672,302.40
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	5,781.61
Total 3050 - Restricted Net Assets	<u>210,781.61</u>
3900 - Retained Earnings	286,199.89
Net Income	<u>581,697.86</u>
Total Equity	<u>1,750,981.76</u>
TOTAL LIABILITIES & EQUITY	<u>1,790,782.75</u>