

Orange County LAFCO Final Comprehensive Quarterly Report



Year-End Report
FY 2016-17

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INTRODUCTION

The Final Comprehensive Quarterly Report ("CQ Report") presents a summary of the Commission's 2016-17 work-plan accomplishments and an assessment of the agency's budget and investment portfolio performance for the year. This report also provides an introduction of the new LAFCO Alternate Public Member and a snapshot of the FY 2017-18 budget.

FY 2016-17 WORK PLAN WRAP-UP

This section highlights the progress the Commission has made toward completing the projects, programs and activities identified in the FY 2016-17 Work Plan. During the year, many key projects were completed, three projects were removed or placed on hold due to lack of progress, and the remaining will continue into FY 2017-18. The Work Plan, which is available on the agency's website at oclafco.org, groups the projects into three major categories: Mandated, Commission-initiated and Administrative.

FY 2016-17 Mandated Projects

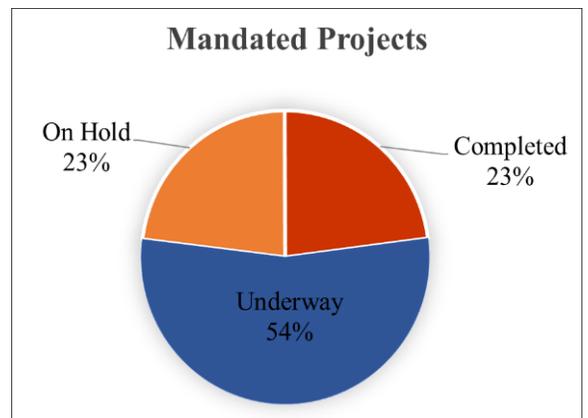
Of the 13 mandated projects identified in the 2016-17 Work Plan, three projects are on hold due to inactivity, and the remaining projects are either successfully completed or underway. The highlights of those projects include:

Completed:

- Annexation of Plano Trabuco to the City of Rancho Santa Margarita.
- The Preserve at San Juan project in concert with Riverside LAFCO.
- Updates to three LAFCO Policies and the Fee Schedule.

Underway:

- City of San Juan Capistrano focused Municipal Services Review for the potential transfer of the utility operations to another public agency.
- Fourth Cycle Municipal Service Review Stakeholder Input Process.
- City of Garden Grove reorganization of territory currently located in the City of Orange.
- Pre-application discussions with City of Newport, Orange County Sanitation District, and City of Orange on various pending projects.

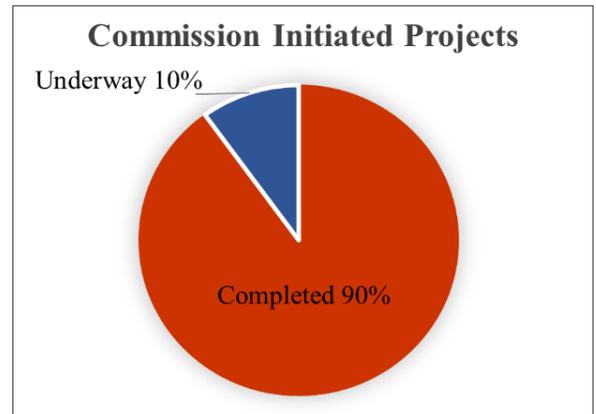


FY 2016-17 Commission-Initiated Projects

The 2016-17 Work Plan identified six long-term continuing Commission-initiated projects:

- County Unincorporated Areas
- South Orange County Future Governance
- Organizational Assessment and Professional Development
- Outreach and External Relations
- Legislative Affairs
- CALAFCO

The Commission has completed approximately 90% of the milestones identified for the Commission-initiated projects. One of the highlights is the progress achieved in the County Unincorporated Areas program. Over the past year, the agency completed fiscal profiles for the 33 unincorporated islands, performed a major overhaul of the Island Program webpage, and worked proactively with the County and cities of Fountain Valley, La Habra, and Santa Ana to explore annexation of small islands located in their spheres of influence.



In January, LAFCO staff joined with City of La Habra and County representatives in conducting a community workshop on the island annexation process. An application for the annexation of the six La Habra islands is anticipated by the end of the calendar year. Additionally, over the past several months, OC LAFCO staff has participated in a number of stakeholder meetings with the City of Santa Ana, the County, and representatives of the landowner and developer of a property within the unincorporated small island in that City to discuss the out-of-area service agreement and annexation processes.

Another key project identified in the 2016-17 Work Plan is to provide an overview of LAFCO activities to State Legislators representing Orange County. This project is aligned with the Commission's goal of fostering collaborative relationships with State and regional agencies. By the end of the fiscal year, OC LAFCO staff had visited with 10 of the 12 Orange County legislators. OC LAFCO's legislative outreach efforts provide an opportunity to inform public officials of current projects that may impact their constituents and to raise awareness of the Commission's legislative responsibilities.



Senator John Moorlach



Senate Republican Leader
Senator Patricia Bates



Assembly Member
Matt Harper

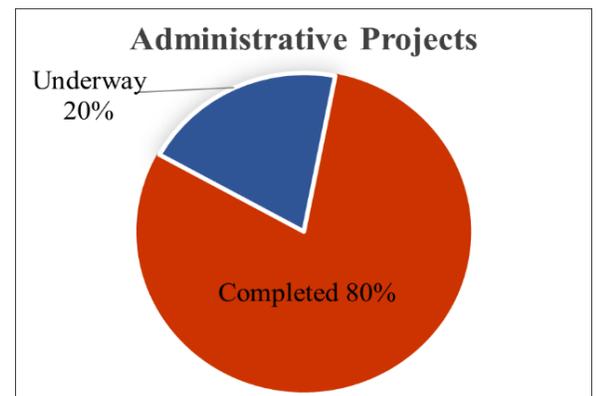


Assembly Member
Sharon Quirk-Silva

Complementing the agency's outreach to State Legislators, is the Legislative Affairs program which aligns with the Commission's organizational goal of Legislative Advocacy in support of legislation that enhances LAFCO authority and powers to perform its mandated duties. During the year, the Commission reviewed proposed legislation of interest to LAFCO and adopted positions on six bills. Further, staff continued to participate as a member of the CALAFCO Legislative Committee and the Executive Officer served on the CALAFCO working group that prepared materials and provided a response to concerns and questions posed by the Little Hoover Commission in its review of special districts and the role of LAFCOs.

FY 2016-17 Administrative Projects

The Commission's key administrative projects support maintaining internal efficiencies as well as fulfilling legislative requirements. During the 2016-17 fiscal year, approximately 80% of the administrative project milestones were completed; the remaining ones are underway and are incorporated into the FY 2017-18 Work Plan.



Highlights of the administrative projects completed in FY 2016-17 include:

- Completion of audit for FY 2015-16 with no material issues noted by the auditor;
- Continued education and communications efforts through the distribution of legislative and quarterly reports to funding and other agencies;
- Implementation of new legislative mandates regarding the collection and dissemination of agreements of local Joint Powers Authorities;
- Communication and information exchange with the State Water Resources Board and County Environmental Health Department on small public water systems; and
- Approval of 2017-18 Strategic Plan, Work Plan, and Budget.

FY 2016-17 BUDGET YEAR-END WRAP UP

The year-end budget review provides the Commission with a comprehensive overview of OC LAFCO revenues and expenditures for the 2016-17 fiscal year, (see Appendix A on page 8).¹ It is important to note that the figures provided in the overview are unaudited and subject to change. This report also provides a year-end update on the bank account and investment balances. The agency's independent auditor will begin the annual audit for the fiscal year ending June 30, 2017 in September.

Revenues

The total budget for FY 2016-17 is \$1,121,470. The majority of OC LAFCO's FY 2016-17 revenue is from the \$1,019,425 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. During the year, OC LAFCO accrued approximately \$9,810 in interest, which is well above the \$2,900 of interest earnings projected for fiscal year.

Another source of OC LAFCO revenue includes application filing fees. Filing fees are not used for General Fund budgeting purposes, but are shown in the quarterly overview. This quarterly report includes a year-to-date accounting of application expenses for FY 2016-17. As detailed in the Year End Overview on page 8, the Commission collected \$36,131 in application fees and deposits and expended \$36,418 in FY 2016-17. Although the filing fees and expenditures do not directly affect the approved budget, this information is included within the quarterly report to inform the Commission of the cost recovery for fee-related projects.

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

Expenditures

The total expenditures at the end of the year are approximately 84 percent or \$942,155 of the total budget of \$1,121,470. The following table displays the actual funds used and the target levels for the 2016-17 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%	62%	84%

A combination of factors resulted in the agency expenditures being well below the total budget amount. A notable portion of the savings were experienced in two key categories of professional services: Accounting/Audit and Other Professional Services. At the time the FY 2016-17 budget was prepared, the estimate for the audit was \$10,000; however, the actual contract amount was \$6,800, resulting in a savings of \$3,200 in this line item. Further, the Commission experienced a savings of approximately \$8,500 in the amount budgeted for the accounting services. In order to improve efficiency and optimize the financial systems and processing, in June 2016, the Commission approved a contract with Platinum Consulting Group that added bookkeeping to the accounting services that the firm was already performing. This transition has resulted in operating efficiencies and an improved accounting system.

Additionally, the budgeted amount in the Other Professional Services line item included the anticipated expenditures for consultants to complete two of the projects identified in the Work Plan: the Organizational Assessment and the development of the Municipal Service Review Stakeholders Process. Both of these projects are underway; however, the projects were delayed and will continue into the 2017-18 fiscal year. The combined outstanding balance for these contracts accounts for \$48,200 of the difference between the budgeted amount and the expenditures. Since the funds were appropriated but not expended, the \$48,200 approved and budgeted for these projects will be reflected in the FY 2017-18 unreserved equity account. As this amount will be expended in the coming year and was not included in the 2017-18 budget, staff will monitor the expenditures in this line item and, if necessary, will recommend a budget adjustment for Commission consideration during the year.

Year-End Balances and Investment Report

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

As of 6/30/17	Balance
770-Payroll Account	\$141,561
Wells Fargo Checking	146,232
Wells Fargo Savings	210,539
Total	\$498,332

To maximize funds, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, the accountant instructs designated staff members to 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 fiscal year:

As of 6/30//17	Balance
OC Fund	\$469,836
LAIF	<u>183,236</u>
Total	\$653,072

Year-End Balance Sheet

The CQ report includes the year-end balance sheet to provide a better understanding of OC LAFCO's financial status. The financial document provided as Appendix B (pages 9-10) summarizes the agency's assets and liabilities as of June 30, 2017. Please note that the figures provided in this balance sheet are unaudited and subject to change.

COMMISSION WELCOMES A NEW MEMBER

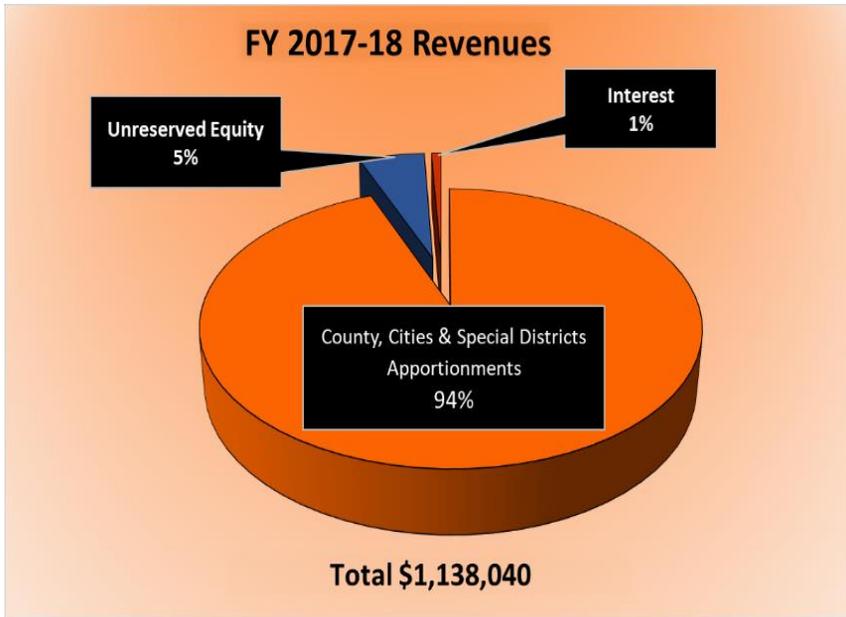
During the fourth quarter, OC LAFCO conducted the process for the Commission to solicit candidates interested in serving as the Alternate Public Member on the Board. State law establishes a four-year term for the LAFCO Alternate Public Member and that term expired on June 30, 2017.

LAFCO received four applications for the position and each candidate was interviewed by the Commission during the July regular meeting. At the conclusion of the process, the Commission unanimously selected Mr. Lou Penrose as the Alternate Public Member. Mr. Penrose is currently the Executive Director for Apartment Association of Orange County. Mr. Penrose's prior work experience includes serving as a senior staff member to former Congressman John Campbell, Congressman Edward Royce, and former Congresswoman Mary Bono. Mr. Penrose will be taking his oath of office at the Commission meeting in September.



Alternate Public Member
Commissioner Penrose

NEW FISCAL YEAR BUDGET SNAPSHOT

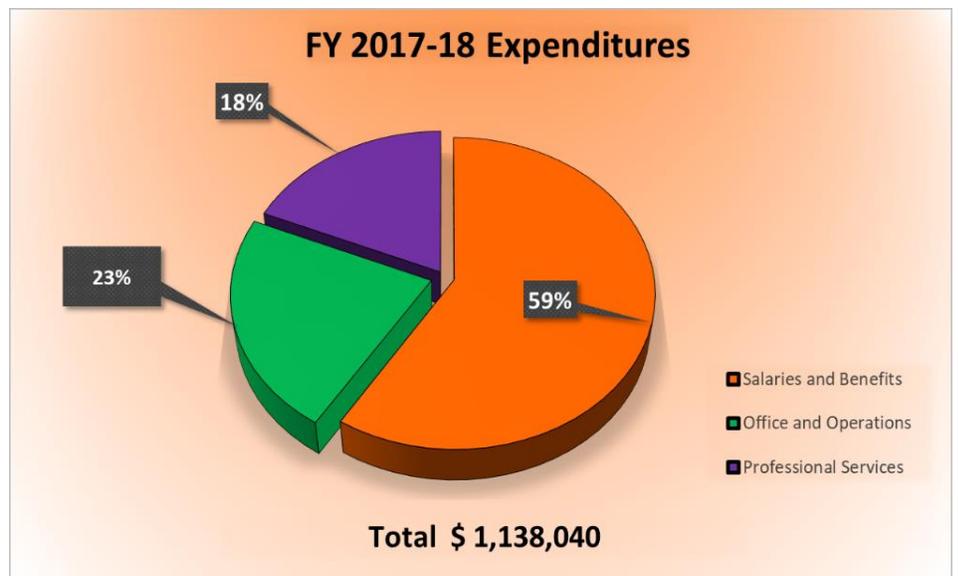


In May, the Commission approved the 2017-18 Work Plan that incorporates the project opportunities identified in the 2017 Strategic Plan. On June 14, 2017, the Commission adopted the final FY 2017-18 budget of \$1,138,040, which incorporates the resources necessary to support the Commission's operational expenditures and accomplish the projects identified in the annual work plan. The FY 2017-18 budget reflects the agency's continued efforts to

provide the services and projects in an effective and efficient manner. The total budget represents a slight increase of approximately one percent from the approved budget for FY 2016-17.

The revenues for FY 2016-17 include a total apportionment of \$1,070,400, divided equally amongst the County, cities and special districts. The apportionments for the individual cities and independent special districts are calculated using formulas adopted by the City Selection Committee and the Independent Special District Selection Committee respectively.

OC LAFCO operates on a fiscal year basis and provides a comprehensive overview of the status of the budget revenues and expenditures on a quarterly basis through the Comprehensive Quarterly Reports. The Strategic Plan, Work Plan, Budget and Quarterly Reports are available on the OC LAFCO website.



APPENDIX A
OC LAFCO - Year End Budget Overview²
July 1, 2016 – June 30, 2017

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	YTD	YTD	TOTAL	General
	General Fund	Filing Fees	FY 16/17 Budget	Fund %				
Revenue								
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,170.00	0.0%
LAFCO Apportionment	998,553	20,872	-	-	1,019,425	-	1,019,400	100.0%
Filing Fees	-	-	-	-	-	36,131	-	0.0%
Misc Revenue	498	-	110	60	668	-	-	0.0%
Interest & Dividends	1,926	1,724	2,615	3,545	9,810	-	2,900	338.3%
Total Revenue	\$ 1,000,978	\$ 22,596	\$ 2,725	\$ 3,605	\$ 1,029,903	\$ 36,131	\$ 1,121,470	91.8%
Expenditures								
Salaries	\$ 87,110	\$ 93,270	\$ 95,534	\$ 103,094	\$ 379,007	\$ 17,877	\$ 424,500	93.5%
Hourly Employees	3,191	2,415	1,575	891	8,072	-	10,000	80.7%
Benefits & Insurance								
Optional Benefit Plan	-	292	18,000	-	18,292	-	18,500	98.9%
Deferred Compensation	884	1,126	1,126	965	4,100	-	9,100	45.1%
Retirement Benefits	27,174	33,101	34,331	29,259	123,865	-	131,800	94.0%
Health Insurance	10,275	11,760	14,254	11,983	48,272	-	52,400	92.1%
Retiree Health Benefits	3,193	3,976	4,180	3,548	14,897	-	14,500	102.7%
Dental Insurance	1,055	1,335	1,618	1,387	5,395	-	5,700	94.7%
Life Insurance	106	135	151	129	521	-	600	86.9%
Workers Compensation	-	1,768	-	-	1,768	-	2,000	88.4%
Medicare	1,179	1,435	1,733	1,242	5,589	-	6,900	81.0%
Salary Continuance	273	342	357	306	1,278	-	1,500	85.2%
Accidental Death Insurance	21	27	31	26	105	-	100	105.4%
Executive Car Allowance	1,800	1,800	2,400	1,200	7,200	-	7,200	100.0%
Total - Benefits & Insurance	45,961	57,096	78,180	50,046	231,283	-	250,300	92.4%
Information Technology	1,752	1,752	1,872	4,096	9,472	-	10,000	94.7%
Telephone	1,946	2,718	2,736	3,516	10,916	-	12,000	91.0%
County of Orange	77	62	1,683	1,663	3,486	-	3,600	96.8%
General Liability Insurance	3,984	3,639	3,417	3,417	14,456	-	15,500	93.3%
Maintenance-Building	-	475	-	-	475	-	510	93.1%
Memberships	7,451	7,366	7,469	7,385	29,670	-	29,700	99.9%
Office Equipment/Supplies	2,634	1,748	2,763	4,832	11,978	-	18,000	66.5%
Application Expenses	-	-	-	-	-	-	-	0.0%
Professional Services								
Legal	11,196	21,079	17,351	8,402	58,028	300	60,000	96.7%
Accounting/Audit	8,464	11,503	6,118	8,103	34,186	-	46,000	74.3%
Human Resources	674	1,141	1,138	6,288	9,240	-	10,000	92.4%
Mapping/Archiving	-	-	2,652	884	3,536	-	6,400	55.3%
Other Professional Services	5,436	1,380	275	14,210	21,301	14,939	75,000	28.4%
Total - Professional Services	25,770	35,102	27,533	37,886	126,291	15,239	197,400	64.0%
Investment Admin Fees	162	134	96	90	483	-	640	75.5%
Banking Fees	50	65	47	14	175	-	920	19.0%
CEQA Filings	-	-	-	-	-	50	-	0.0%
Public Noticing	-	-	235	632	867	1,107	10,400	8.3%
Postage	59	78	49	-	186	7	2,900	6.4%
Rents/Maintenance	16,896	17,080	16,994	17,287	68,257	-	68,600	99.5%
Equipment Leases	1,551	1,916	1,515	1,126	6,109	-	8,300	73.6%
Comm. & Staff Expense	1,033	1,698	1,817	1,399	5,948	27	8,400	70.8%
Comm. Stipends & Taxes/Fees	2,518	2,147	2,708	3,364	10,738	-	15,600	68.8%
Professional Development	2,197	1,520	1,074	135	4,926	-	5,000	98.5%
Registration/Travel	5,291	5,295	2,662	4,515	17,762	-	26,600	66.8%
Commission Meeting Expense	-	37	1,255	305	1,597	-	2,600	61.4%
Refund of Deposits	-	-	-	-	-	2,111	-	0.0%
Total Expenditures	\$ 209,634	\$ 235,612	\$ 251,215	\$ 245,694	\$ 942,155	\$ 36,418	1,121,470	84.0%
Total Net Income (Loss)	\$ 791,344	\$ (213,016)	\$ (248,491)	\$ (242,090)	\$ 87,748	\$ (287)	\$ -	

² The figures in this chart are unaudited and subject to change

APPENDIX B
OC LAFCO BALANCE SHEET
June 30, 2017

ASSETS	
Current Assets	
Checking/Savings	
Cash and Investments	
1000 · County Acct-Payroll	141,561
1025 · Wells Fargo Checking	146,232
1030 · Wells Fargo Savings	210,539
1040 · OC Fund	469,836
1050 · Investment Acct - LAIF	183,236
Total Cash and Investments	<u>1,151,404</u>
Total Checking/Savings	<u>1,151,404</u>
Other Current Assets	
Other Current Asset	
1300 · Interest Receivable - Other	1,095
1375 · Prepaid Expenses - Other	24,611
1376 · Retirement Prepaid Expense	29,253
Total Other Current Asset	<u>54,959</u>
Total Other Current Assets	<u>54,959</u>
Total Current Assets	<u>1,206,363</u>
Other Assets	
Other Assets	
1575 · Pension Deposit	103,940
1600 · Security Deposit	6,082
Total Other Assets	<u>110,022</u>
Total Other Assets	<u>110,022</u>
TOTAL ASSETS	<u>1,316,385</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	
2000 · Accounts Payable	23,379
Total Accounts Payable	<u>23,379</u>
Total Accounts Payable	23,379
Other Current Liabilities	
Current Liabilities	
2001 · Accrued Liability	7,120
2050 · Salaries Payable	27,885
2150 · Deferred Revenue	1,324
Total Current Liabilities	<u>36,328</u>
Total Other Current Liabilities	<u>36,328</u>
Total Current Liabilities	<u>59,707</u>
Total Liabilities	59,707

Equity	
3000 · Unrestricted Net Assets	672,302
3050 · Restricted Net Assets	
3950 · Reserve for Contingency	100,000
3960 · Reserve for Litigation	75,000
3970 · Reserve for Unfunded Liability	30,000
3980 · Reserve for Special Projects	5,782
Total 3050 · Restricted Net Assets	<u>210,782</u>
3900 · Retained Earnings	284,607
Net Income	88,988
Total Equity	<u>1,256,678</u>
TOTAL LIABILITIES & EQUITY	<u>1,316,385</u>