REGULAR MEETING AGENDA

Wednesday, April 10, 2019
8:15 a.m.

Planning Commission Hearing Room
Hall of Administration
333 W. Santa Ana Blvd
10 Civic Center Plaza, Santa Ana, CA 92701

Any member of the public may request to speak on any agenda item at the time that item is being considered by the Commission.

1. CALL THE MEETING TO ORDER

2. PLEDGE OF ALLEGIANCE – COMMISSIONER DEREK J. MCGREGOR

3. OATH OF OFFICE – COMMISSIONER WAGNER

4. ROLL CALL

5. ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATIONS
   (Received After Agenda Distribution)

6. APPROVAL OF MINUTES
   a.) March 13, 2019 – Annual Strategic Planning Workshop

7. PUBLIC COMMENT

   This is an opportunity for members of the public to address the Commission on items not on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on an off-agenda item(s) unless authorized by law.

8. CONSENT CALENDAR
   a.) 2019 Update to the Local Guidelines for Implementing the California Environmental Quality Act (CEQA)
       The Commission will consider adoption of the annual update to the local 2019 CEQA Guidelines.
b.) FY 2018-19 Comprehensive Quarterly Report – Second Quarter
The Commission will receive the second quarter comprehensive report for FY 2018-19.

9. PUBLIC HEARING

a.) Proposed Fiscal Year 2019-20 OC LAFCO Budget and Fee Schedule
The Commission will consider the adoption of the Proposed FY 2019-20 OC LAFCO Budget and the form of resolution for the updated fee schedule.

10. COMMISSION DISCUSSION AND ACTION

a.) 2019 Strategic Plan
The Commission will consider adoption of the 2019 Strategic Plan.

b.) Legislative Report – April 2019
The Commission will receive a report on legislation of LAFCO interest introduced during legislative session that began December 3, 2018 and consider adopting positions on proposed legislation.

11. COMMISSIONER COMMENTS

This is an opportunity for Commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission. No discussion or action may occur or be taken, except to place the item on a future agenda if approved by Commission majority.

12. EXECUTIVE OFFICER’S REPORT

Executive Officer’s report on upcoming events and activities of the Executive Officer since last meeting.

13. INFORMATIONAL ITEMS & ANNOUNCEMENTS

None

14. CLOSED SESSION

None

15. ADJOURNMENT OF REGULAR COMMISSION MEETING

NOTICE REGARDING ITEMS DISTRIBUTED TO THE COMMISSION LESS THAN 72 HOURS PRIOR TO THE LAFCO REGULAR MEETING:
Pursuant to Government Code Section 54957.5 public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be available to the public at Orange County LAFCO offices at 2677 North Main Street, Suite 1050, Santa Ana, CA 92705 during regular business hours. These records when possible will also be made available on the OC LAFCO website at http://www.oclafco.org.

NOTICE: State law requires that a participant in a LAFCO proceeding who has a financial interest in a decision and who has made a campaign contribution of more than $250 to any commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission’s staff before the hearing.

LAFCO Agendas and supporting documentation are available on the Internet at http://oclafco.org.
April 10, 2019

TO: Local Agency Formation Commission

FROM: Executive Officer
Commission Clerk

SUBJECT: Oath of Office for County Member Appointment

The Commission Clerk will issue the Oath of Office for the following Commissioner:

- Donald P. Wagner, Regular County Member. Appointed by the Board of Supervisors to complete the unexpired term of July 1, 2018 through June 30, 2022, previously held by former Regular County Member Todd Spitzer.

Respectfully submitted,

CAROLYN EMERY

CHERYL CARTER-BENJAMIN

ATTACHMENT A: Oath of Office
OATH OF OFFICE

LOCAL AGENCY FORMATION COMMISSION

I, Donald P. Wagner, do solemnly swear (or affirm) that I will support and defend the Constitution of the United States and the Constitution of the State of California against all enemies, foreign and domestic; that I will bear true faith and allegiance to the Constitution of the United States and the Constitution of the State of California; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the duties upon which I am about to enter.

________________________
Signature of Commissioner

Subscribed and sworn to before me this 10th day of April 2019.

Cheryl Carter-Benjamin
Office Manager/Commission Clerk
Local Agency Formation Commission
1. **CALL TO ORDER**

Chair Brothers called the annual strategic planning workshop of the Orange County Local Agency Formation Commission (OC LAFCO) to order at 8:20 a.m.

2. **PLEDGE OF ALLEGIANCE**

Commissioner Wilson led the Pledge of Allegiance.

3. **ROLL CALL**

The following Commissioners and Alternates were present:

- Chair Cheryl Brothers
- Vice Chair Douglass Davert
- Commissioner Lisa Bartlett
- Commissioner Allan Bernstein
- Commissioner Derek J. McGregor
- Commissioner Charley Wilson
- Alternate Commissioner Lou Penrose

The following Commissioners were delayed:

- Alternate Commissioner Wendy Bucknum (arrived at 8:25 a.m.)
- Alternate Commissioner James Fisler (arrived at 8:27 a.m.)

The following Commissioner was absent:
Alternate Commissioner Michelle Steel

The following OC LAFCO staff members were present:

- Executive Officer Carolyn Emery
- Assistant Executive Officer Debra Kurita
- Policy Analyst Luis Tapia
- Policy Analyst Gavin Centeno
- Commission Clerk Cheryl Carter-Benjamin
- Legal Counsel Scott Smith

4. APPROVAL OF MINUTES

4a. – February 13, 2019 - Regular Commission Meeting Minutes

The regular minutes were approved with no revisions.

MOTION: Approve the February 13, 2019 Regular Commission Meeting Minutes. (Allan Bernstein)
SECOND: Douglass Davert
FOR: Cheryl Brothers, Douglass Davert, Allan Bernstein, Derek J. McGregor, Charley Wilson
AGAINST: None
ABSTAIN: Lisa Bartlett

MOTION PASSED: 5-0

5. INTRODUCTION TO WORKSHOP

Chair Brothers opened the Strategic Planning Workshop by informing the Commission that the workshop would be facilitated by William (Bill) Chiat from the Alta Mesa Group, noting that it is designed to be interactive with opportunities for Commission and staff discussion and questions. She further noted that the public would have the opportunity to provide comments at the beginning of the session.

6. PUBLIC COMMENT

Chair Brothers invited members of the audience to provide public comments. Commission Clerk Cheryl Carter-Benjamin noted no speaker cards were received.

7. STRATEGIC PLANNING WORKSHOP

The workshop was turned over to the facilitator William Chiat. The discussion topics were as follows:
• How Does Orange LAFCO Want to be Known – Its Public Value
• Moving Forward: Commission Strategies
• LAFCO 18-Month Priorities
• Achievement of Strategies: Commission and staff expectations of each other

During the general discussion led by Bill Chiat on the above topics, the Commission identified agency strategies going forward and 18-month priorities. Executive Officer Emery summarized staff next steps, which would be to bring back a final strategic plan and priorities for approval by the Commission.

Chair Brothers added that it should be noted that the priorities are not in a particular order.

8. NOTICE OF ADJOURNMENT OF THE ANNUAL STRATEGIC PLANNING WORKSHOP

The Annual Strategic Planning Workshop was adjourned at 12:20 p.m. The next regular OC LAFCO meeting is scheduled for Wednesday, April 10, 2019 at 8:15 a.m. in the Hall of Administration, Planning Commission Hearing Room, 333 W. Santa Ana Blvd., 10 Civic Center Plaza, Santa Ana, CA 92701.

Cheryl Brothers, Chair
Orange County Local Agency Formation Commission

By: ________________________________
Cheryl Carter-Benjamin
Commission Clerk
April 10, 2019

TO: Local Agency Formation Commission

FROM: Executive Officer
Policy Analyst

SUBJECT: 2019 Update to the Local Guidelines for Implementing the California Environmental Quality Act (CEQA)

In accordance with Section 21082 of the California Public Resources Code (Environmental Quality), the Commission has adopted Local Guidelines for Implementing the California Environmental Quality Act ("Guidelines"). The Guidelines are annually updated as needed to reflect changes enacted by the Legislature. For most projects considered by the Commission, OC LAFCO is identified as a responsible agency under CEQA. However, OC LAFCO may also serve as lead agency for Commission initiated projects, such as district consolidations, dissolutions, formations and mergers. The complete 2019 CEQA Guidelines will be available on the OC LAFCO website following adoption by the Commission.

2019 CEQA Guideline Revisions

Attached to this staff report is a memorandum prepared by legal counsel, Best Best & Krieger, which provides a detailed summary of the substantive amendments to the local CEQA guidelines (Attachment A). The key revisions incorporated into the 2019 local guidelines are summarized as follows:

- **Time of Preparation (Section 1.10):** The revision emphasizes the need to consider an environmental document before granting approval of a project subject to CEQA.

- **Emergency Projects (Section 3.08):** The amendment clarifies the exemption for emergency repairs. The exemption includes repairs that require a reasonable amount of time for planning to address an anticipated emergency.

- **Categorical Exemptions (Section 3.22):** The revision clarifies that a Lead Agency has the ability to determine whether the type of
activity on an existing facility is subject to the categorical exemption.

- **Completion and Adoption of Negative Declaration (Section 4.03):** The revision provides the Commission with 180 days to complete a Negative Declaration and the option to request a one-time 90-day extension.

- **Preparation of Initial Study (Section 5.01):** The revision provides flexibility to the Lead Agency with various options for preparing an Initial Study.

- **Consultation with Water Agencies regarding Large Development Projects (Section 5.16):** The amendment provides that the Commission, in its role as a responsible agency, must be involved in consultations with the city or county when there is no public water system identified for the development project.

- **Climate Change and Greenhouse Gas Emissions (Section 5.19):** The revision seeks to assist lead agencies in determining whether a project’s greenhouse gas emissions will have a significant effect on the environment.

- **Consultation with Public Transit Agencies (Sections 6.04 & 7.03):** The amendment states that the Commission should consult with public transit agencies before circulating CEQA notices where (1) the public transit agency has facilities within one-half mile of the proposed project, and (2) the proposed project is one of statewide, regional, or areawide significance.

- **Consideration of Energy Impacts (Section 7.19):** The amendment requires further mitigation for significant environmental impacts due to wasteful, inefficient, or unnecessary use of energy or energy resources.

- **Analysis of Mitigation Measures (Section 7.22):** This revision provides that the analysis should identify mitigation measures for each significant environmental effect identified within an EIR.

- **Response to Comments on Draft EIR (Section 7.30):** The revision provides that the Commission may respond to a general comment with a general response. Additionally, the revision provides the flexibility to respond to comments in an electronic format.
RECOMMENDATION

Staff recommends that the Commission:

1. Approve the form of resolution adopting "Local Guidelines for Implementing the California Environmental Quality Act" (CP 19-06, Attachment B).

Respectfully submitted,

CAROLYN EMERY

GAVIN CENTENO

Attachments:

A. Memorandum of 2019 Summary of Changes to Local CEQA Guidelines, prepared by Best Best & Krieger

B. 2019 LAFCO CEQA Draft Form of Resolution
Memorandum

TO: Orange County Local Agency Formation Commission
FROM: Best Best & Krieger LLP
DATE: February 27, 2019
RE: 2019 Summary of Changes to Local CEQA Guidelines

On December 28, 2018, the Office of Administrative Law approved the first comprehensive update to the Guidelines for California Environmental Quality Act ("State CEQA Guidelines") in many years. The update to the State CEQA Guidelines entails changes to nearly thirty (30) different sections of the State CEQA Guidelines, the addition of new sections, and amendments to several appendices—including the widely used Appendix G Initial Study "Checklist."

The revisions to the State CEQA Guidelines have been incorporated into the 2019 Local Guidelines for Implementing the California Environmental Quality Act for Orange County Local Agency Formation Commission ("Local Guidelines"). The Local Guidelines, the related CEQA forms, and other important legal alerts may be accessed via the Best Best & Krieger LLP ("BB&K") CEQA client portal at www.bbklaw.net/CEQA. For technical support, please contact Tammy Ingram at tammy.ingram@bbklaw.com.

Public agencies must comply with the amendments to the State CEQA Guidelines no later than 120 days after the effective date of the guideline amendments—i.e., no later than April 29, 2019. We recommend that the Commission adopt the updated Local Guidelines within a month of receiving them from BB&K.

The amendments to the State CEQA Guidelines have no retroactive effect and apply only prospectively. Accordingly, new requirements in the Local Guidelines will apply only to steps in the CEQA process not yet undertaken at the time the Commission adopts the Local Guidelines. That said, the Commission may elect to implement any permissive or advisory elements of the amended Local Guidelines immediately.

This memorandum summarizes the substantive amendments to your Local Guidelines. These Local Guidelines and this memorandum are designed to help the Commission assess the environmental implications of a project prior to its approval, as mandated by CEQA. We still recommend, however, that you consult with an attorney when you have specific questions on major, controversial, or unusual projects or activities.
REVISIONS TO LOCAL GUIDELINES

Edits were made throughout the Local Guidelines and the related CEQA forms. This memorandum summarizes the most significant and noteworthy of those edits.

Revised Sections

1. **SECTION 1.10  TIME OF PREPARATION**

   We added Section 1.10 to the Local Guidelines to reflect existing case law and revisions to the State CEQA Guidelines regarding when CEQA review must be completed. The revision emphasizes the need to complete CEQA review before project approval; it also addresses when CEQA review is necessary for activities preceding project approval.

2. **SECTION 3.08  EMERGENCY PROJECTS**

   Section 3.08 of the Local Guidelines has been amended to clarify the applicability of CEQA’s exemption for emergency projects. Among other things, the Section has been amended to explain that exempt emergency repairs may include those repairs that require a reasonable amount of planning to address an anticipated emergency.

3. **SECTION 3.19  EXEMPTION FOR INFILL PROJECTS IN TRANSIT PRIORITY AREAS**

   Section 3.19 has been amended to reflect the statutory exemption set forth in Public Resources Code section 21155.4 and State CEQA Guidelines section 15182. Section 3.19 exempts residential, mixed-use, and certain commercial projects from CEQA where the project is located within a transit priority area, is consistent with a specific plan, and is consistent with regional plans for reducing greenhouse gas emissions.

4. **SECTION 3.20  EXEMPTION FOR RESIDENTIAL PROJECTS UNDERTAKEN PURSUANT TO A SPECIFIC PLAN**

   Section 3.20 reflects the statutory exemption set forth in Government Code section 65457 and State CEQA Guidelines section 15182, which exempt certain residential projects consistent with a specific plan.

5. **SECTION 3.22  CATEGORICAL EXEMPTIONS**

   The Class 1 categorical exemption—set forth in Local Guidelines section 3.22—generally exempts, among other activities, minor alterations to existing facilities, provided the activity involves negligible or no expansion of use. The Class 1 exemption has been revised to clarify that a lead agency may determine whether an activity involves negligible or no expansion of use based on the facility’s “existing or former use,” not just the use existing at the time of the lead agency’s determination.

6. **SECTION 4.03  COMPLETION AND ADOPTION OF NEGATIVE DECLARATION**

   Section 4.03 has been amended to reflect revisions to the State CEQA Guidelines
regarding the time to complete a Negative Declaration. The revision provides that the Commission must generally complete a Negative Declaration within 180 days of accepting a complete application, but that a one-time 90-day extension is permissible with the project applicant’s consent.

7. **SECTION 5.01 PREPARATION OF INITIAL STUDY**

Section 5.01 has been amended to clarify the various arrangements the Commission, as Lead Agency, may use to prepare an Initial Study (e.g., preparing an Initial Study with the Commission’s own staff, contracting with another entity to prepare an Initial Study, etc.).

8. **SECTION 5.09 DETERMINING THE SIGNIFICANCE OF TRANSPORTATION IMPACTS**

One of the most significant revisions to the State CEQA Guidelines concerns a change in how transportation impacts must be analyzed under CEQA. A new section has been added to the State CEQA Guidelines, Section 15064.3, that provides that “vehicle miles traveled,” or VMT, shall be the most appropriate measure of transportation impacts. VMT refers to the amount and distance of automobile travel attributable to a project.

Under Section 15064.3, VMT shall replace a proposed project’s effect on automobile delay—generally measured by “level of service” or LOS—as the appropriate measure for transportation impacts. Moreover, a project’s effect on automobile delay shall no longer constitute a significant transportation environmental impact under CEQA. Accordingly, a project that makes congestion worse but will not result in significant VMT will not be considered to have a significant environmental impact, and a project with no effect on congestion but with a significant VMT impact will normally be considered to have a significant environmental impact under Section 15064.3. Section 15064.3, however, provides that its provisions will not go into effect until July 1, 2020, unless a lead agency elects to be governed by its provisions earlier.

We have added Section 5.09 to the Local Guidelines to acknowledge and address Section 15064.3. Section 5.09 makes clear that the Commission does not elect to be governed by the provisions of Section 15064.3 before July 1, 2020. Accordingly, the Commission may continue to engage in an LOS analysis to determine transportation impacts.

9. **SECTION 5.16 CONSULTATION WITH WATER AGENCIES REGARDING LARGE DEVELOPMENT PROJECTS**

Section 5.16 has been amended to reflect the addition of a new subdivision (f) to State CEQA Guidelines section 15155; the new subdivision and Section 5.16 describe the content requirements for a water supply analysis under CEQA.

10. **SECTION 5.19 CLIMATE CHANGE AND GREENHOUSE GAS EMISSIONS**

Section 5.19 has been revised to reflect a series of amendments to Section 15064.4 of the State CEQA Guidelines, which seeks to assist lead agencies in determining whether a project’s greenhouse gas emissions will have a significant effect on the environment. The Commission
should review Section 5.19 when analyzing the significance of a project’s greenhouse gas emissions.

11. **SECTIONS 6.04 & 7.03 CONSULTATION WITH PUBLIC TRANSIT AGENCIES**

Sections 6.04 and 7.03 have been supplemented with new language providing that the Commission should consult with public transit agencies before circulating a Notice of Intent to Adopt a Negative Declaration or Mitigated Negative Declaration or a Notice of Preparation of Draft Environmental Impact Report (EIR) where (1) the public transit agency has facilities within one-half mile of the proposed project, and (2) the proposed project is one of statewide, regional, or areawide significance.

12. **SECTION 7.19 CONSIDERATION OF ENERGY IMPACTS**

Section 7.19 has been supplemented with new language—added to State CEQA Guidelines section 15126.2—requiring analysis of a project’s energy impacts. The new language further requires mitigation for significant environmental impacts due to wasteful, inefficient, or unnecessary use of energy or energy resources.

13. **SECTION 7.20 ENVIRONMENTAL SETTING**

Section 7.20 is a new section that reflects revisions to State CEQA Guidelines section 15125 concerning an EIR’s description of the environmental baseline. The new language explains that while the environmental baseline should normally reflect conditions as they exist at the time the Notice of Preparation is published, a lead agency may define the environmental baseline by referencing historic or future conditions in certain circumstances. The new language additionally explains that lead agencies may not use a baseline based on hypothetical allowable conditions, such as those that might be allowed—but have never actually occurred—under existing permits or plans.

14. **SECTION 7.22 ANALYSIS OF MITIGATION MEASURES**

Section 7.22 has been revised, consistent with revisions to State CEQA Guidelines section 15126.4, to clarify that a lead agency may not defer identification of mitigation measures, but that deferral of specific details of mitigation until after project approval may be permissible under certain circumstances.

15. **SECTION 7.30 RESPONSE TO COMMENTS ON DRAFT EIR**

Section 7.30 has been revised to clarify the scope of a lead agency’s duty to respond to comments on a Draft EIR. In particular, the section has been revised to state that the Commission may respond to a general comment with a general response. The section has further been revised to provide that a lead agency may provide its proposed written response to a commenting public agency in an electronic format.
Changes to Local Guidelines Form “J”

The comprehensive update to the State CEQA Guidelines included substantial revisions to Appendix “G” – the Initial Study checklist form. In response, we have revised Form “J” of the Local Guidelines. The updated Form “J” should be used to determine whether a proposed project may have a significant environmental impact for which an EIR is required. The most significant revisions to Form “J” are summarized below.

1. SECTION VI. ENERGY

A new section regarding a project’s energy impacts has been added to Form “J.” As a result, the Commission must now consider a proposed project’s energy impacts at the Initial Study stage.

2. SECTION XVII, TRANSPORTATION

SUBDIVISION B.

As discussed above, Section 15064.3 of the State CEQA Guidelines now provides that VMT—not LOS—is the most appropriate measure of transportation impacts. To reflect this change, Appendix “G” of the State CEQA Guidelines has been revised to provide that a project may result in a potentially significant impact if the project conflicts or is inconsistent with Section 15064.3(b)—i.e., if the proposed project results in VMT exceeding an applicable threshold of significance.

Section 15064.3, however, does not apply until July 1, 2020, unless a public agency elects to be governed by its provisions earlier. Accordingly, we have revised the Transportation section of Form “J” to acknowledge Section 15064.3, but to explain that the Commission has not elected to be governed by its provisions and that a VMT analysis is thus not necessary to determine whether a proposed project will have a significant transportation impact. The Commission may continue to utilize the LOS analysis traditionally used to determine whether a project will have a significant transportation impact.

3. SECTION XIX. WILDFIRE

A new section regarding a project’s potential to result in or exacerbate wildfire impacts has been added to Form “J.” The Commission must analyze the questions posed within this section for any project “located in or near state responsibility areas or lands classified as very high fire hazard severity zones.”

Other Changes

Department of Fish and Wildlife. Effective January 1, 2019, the Department of Fish and Wildlife has increased its fees. For a Negative Declaration or a Mitigated Negative Declaration, the new filing fee is $2,354.75. For an EIR, the new filing fee is $3,271.00. For an environmental document pursuant to a Certified Regulatory Program, the filing fee has been increased to $1,112.00.
Conclusion

As always, CEQA remains complicated and, at times, challenging to apply. The only constant in this area of law is how quickly the rules change. Should you have questions about any of the provisions discussed above, or about the environmental review of any of the Commission’s projects, please contact a BB&K attorney for assistance.

BEST BEST & KRIEGER LLP
RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY AMENDING AND ADOPTING LOCAL GUIDELINES FOR IMPLEMENTING THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (PUB. RESOURCES CODE §§ 21000 ET SEQ.)

(CP 19-06)

April 10, 2019

On motion of Commissioner ____, duly seconded and carried, the following resolution was adopted.

WHEREAS, the California Legislature has amended the California Environmental Quality Act ("CEQA") (Pub. Resources Code §§ 21000 et seq.), the Natural Resources Agency has amended portions of the State CEQA Guidelines (Cal. Code Regs, tit. 14, §§ 15000 et seq.), and the California courts have interpreted specific provisions of CEQA and the State CEQA Guidelines; and

WHEREAS, Public Resources Code section 21082 requires all public agencies to adopt objectives, criteria and procedures for (1) the evaluation of public and private projects undertaken or approved by such public agencies, and (2) the preparation, if required, of environmental impact reports and negative declarations in connection with that evaluation; and

WHEREAS, the Local Agency Formation Commission of Orange County ("Orange County LAFCO") must revise its local guidelines for implementing CEQA to make them consistent with the current provisions and interpretations of CEQA and the State CEQA Guidelines.

NOW, THEREFORE, the Orange County LAFCO hereby resolves as follows:

SECTION 1. The Orange County LAFCO hereby adopts the "2019 Local Guidelines for Implementing the California Environmental Quality Act," a copy of which is on file at the offices of the Orange County LAFCO and is available for inspection by the public.
SECTION 2. All prior actions of the Orange County LAFCO enacting earlier guidelines are hereby repealed.

AYES:

NOES:

STATE OF CALIFORNIA  )
                     ) SS.
COUNTY OF ORANGE  )
I, CHERYL BROTHERS, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 10th day of April 2019.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of April 2019.

CHERYL BROTHERS
Chair of the Orange County
Local Agency Formation Commission

By: ____________________________
   CHERYL BROTHERS

ATTEST:

Cheryl Carter-Benjamin, Commission Clerk
Orange County LAFCO
April 10, 2019

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: FY 2018-19 Comprehensive Quarterly Report - Second Quarter

The attached Quarterly Report provides an overview of OC LAFCO projects currently underway, a budget report, and an investment report for the months of November through February of FY 2018-19. (Attachment A). Upon approval by the Commission, the report will be distributed to all of the funding agencies and posted on the OC LAFCO website.

RECOMMENDATION
Staff recommends that the Commission:


Respectfully submitted,

CAROLYN EMERY
DEBRA KURITA

ATTACHMENT:
A: FY 2018-19 Comprehensive Quarterly Report - Second Quarter
Orange County LAFCO
Comprehensive
Quarterly Report

Second Quarter / FY 2018-19
(November 2018 – February 2019)

INSIDE LOOK:
Mandated Projects – Page 2
Administrative Activities – Page 4
Meetings and Outreach Efforts – Page 6
FY 2018-19 Budget Overview – Page 8
INTRODUCTION

This Comprehensive Quarterly Report provides an update on projects and activities, a summary of the outreach efforts and an overview of the agency’s current budget and investment portfolio performance for the months of November 2018 through February 2019.

MANDATED PROJECTS

In this reporting period, OC LAFCO participated in meetings and discussions regarding projects identified in the agency’s work plan. This section provides an update on activities for many of those projects.

Pre-filing Meetings Summary

During this period, OC LAFCO staff participated in a number of pre-filing meetings and discussions with applicants on projects that will ultimately require Commission action. As part of the application process, potential applicants must participate in a pre-filing meeting to discuss the LAFCO process and requirements. The following are brief overviews of four of those projects:

Cielo Vista Project Annexation

The Cielo Vista Project is a County approved residential development currently located in an unincorporated area adjacent to the City of Yorba Linda and within the City’s sphere of influence. The project includes 80 single-family residential units on approximately 84.7 acres. During the second quarter of this fiscal year, OC LAFCO staff held meetings with the City of Yorba Linda, the County and the representative of the Cielo Vista Project to review the LAFCO annexation process. On November 20, 2018, the Yorba Linda City Council approved both the resolution to initiate annexation proceedings and the pre-zoning of the development site. It is expected that the City will file an application with OC LAFCO during the Spring of 2019.
**Orange County Sanitary District / Irvine Ranch Water District Project**

In May 2017, Orange County Sanitation District (OCSD) and Irvine Ranch Water District (IRWD) entered into an out-of-area agreement to accommodate the collection and treatment of wastewater generated in specified territories outside OCSD’s service area. The agreement was designed to be a temporary measure until a routine annexation could be processed through OC LAFCO. The application will involve the annexation by OCSD of 968.2 acres of territory located in the City of Lake Forest where IRWD currently provides local sewer and retail water. The proposed annexation areas are Portola Hills and Baker Ranch, which were previously part of the Los Alisos Water District and consolidated into IRWD in December 2000. The agencies worked with OC LAFCO staff to identify the components and timeframes for processing the annexation. It is anticipated that an application for this project will be submitted in April.

**Newport Beach/Costa Mesa Sanitary District Boundary Project**

In January, OC LAFCO staff met with representatives from the City of Newport Beach and the Costa Mesa Sanitary District (CMSD) regarding a proposed annexation of approximately 99 acres of territory, generally located in Upper Newport Bay, into the CMSD service area. The purpose of this annexation is to conform with a 1991 out-of-area service agreement and to provide a clear boundary for customers receiving sanitation services. OC LAFCO staff participated in a Community Workshop on March 25 conducted by the City and CMSD. Despite the public noticing of the event, no residents or landowners attended the workshop. The City is preparing to send out a second notice to each affected property notifying them of the proposed annexation. The representatives from the two agencies anticipate filing the annexation application with OC LAFCO in June.

**Laguna Woods/Laguna Hills Public Right-of-Way Project**

During this reporting period, representatives from the City of Laguna Woods met with staff to discuss a potential reorganization between the City of Laguna Woods and the City of Laguna Hills. The project involves an adjustment to the city boundaries that overlay the public right-of-way, including the road and sidewalk areas, of the following streets: Moulton Parkway from the intersection with Santa Maria Avenue to the intersection with Ridge Route Drive, a portion of the intersection of Paseo De Valencia and Laguna Hills Drive, and a portion of the intersection of Paseo De Valencia and El Toro Road. It is expected that the application for this reorganization will be submitted in June.
Election of OC LAFCO Officers

Each year, the Commission elects the officers of the Board. At the February meeting, the Commission elected Cheryl Brothers as Chair and Douglass Davert as Vice Chair. Chair Brothers is currently a councilmember in the City of Fountain Valley. She was first appointed to OC LAFCO by the City Selection Committee in 2013 and served as Vice Chair in 2018.

Vice Chair Davert is currently the Board President of East Orange County Water District. He was appointed to the Regular Special District seat by the Independent Special District Selection Committee in May 2018. Chair Brothers and Vice Chair Davert, together with the Immediate Past Chair, Derek McGregor, will also serve as the members of the agency’s Executive Committee for 2019.

OC LAFCO Website Updates

During this quarter, a number of enhancements were implemented on the OC LAFCO website to make the site more user friendly, informative and to improve the download speed. Major upgrades to the Unincorporated Islands and Joint Powers Authorities pages were completed, and a new Open Government page was added to the website. This page provides easier access to pertinent documents, such as the agency adopted budgets, audited financial statements, and staff compensation documents and information. The OC LAFCO website is available at oclafco.org.
Census Bureau Project

Every ten years the U.S. Census Bureau conducts a nationwide census to collect data about the population and economy. As part of the process to collect accurate data, the Census Bureau invited participants to review the statistical area boundaries and submit any proposed changes through a program called the 2020 Census Participant Statistical Areas Program (PSAP). OC LAFCO staff participated in this endeavor, in collaboration with the County and Center for Demographics Research, to provide recommendations to the U.S. Census Bureau on the County unincorporated areas. Through this process, three areas in the County were identified as Census Designated Places (CDP) for the 2020 Census. Those areas are: Silverado Modjeska Canyon, Foothill Trabuco Canyon, and the Rancho Mission Viejo development areas. The boundary lines of each of these CDPs are under final review by CDR and will be submitted to the Census Bureau by May 2019. Ultimately, the compilation of this census information will be useful to the Commission in reviewing the issue of future governance in south county and in identifying and addressing service issues in the canyons.
OC LAFCO External Relations and Outreach Efforts

During this reporting period, staff proactively supported projects identified in the work plan by participating in a number of external meetings and presentations to organizations. The chart on the following page references those efforts.

OC LAFCO Educational Presentations

In January, Executive Officer Emery made presentations at both the Association of California Cities of Orange County's (ACC-OC) educational session for new Mayors and City Council members and the Independent Special Districts of Orange County's (ISDOC) quarterly meeting. For both presentations, Ms. Emery provided background information on OC LAFCO's legislative mission, jurisdiction and role in the County. She also explained how OC LAFCO is funded and shared information on the Commission's current projects and activities. Additionally, for the ISDOC audience she provided an in-depth discussion of the history and evolution of the State Legislature's goals and requirements for Municipal Service Reviews.

Legislative Outreach

Each election cycle, staff performs outreach to Orange County's newly elected officials and their staffs to provide information regarding OC LAFCO. This effort is aligned with the Commission's goal of fostering collaborative relationships with State and regional agencies. During February and March, this outreach was focused on discussing OC LAFCO current projects and the Commission's legislative responsibilities and issues with State Legislators Chang, Diep, Petrie-Norris, and Umberg, as well as Orange County Supervisor Doug Chaffee.
### November Meetings
- Cities of Santa Ana and Tustin, and Landowner: Annexation of 17th and Tustin Unincorporated Island
- City of Yorba Linda, County, Landowner Representative: Annexation of Cielo Vista Development
- Newport Beach City Manager: OC LAFCO Strategic Plan, Work Plan and Budget
- Orange County City Manager Association Monthly Meeting
- Orange County Council of Governments Monthly Meeting
- El Toro Water District: Community Advisory Group Quarterly Meeting

### December Meetings
- Center for Demographic Research: Census 2020 Project
- City of Orange and a Resident: Potential Annexation of a Residential Property
- CALAFCO Legislative Committee

### January Meetings
- Costa Mesa and Orange County Sanitary District: Potential Annexation
- ACC-OC New Council Member Orientation
- California Special District Association: Update on CSDA Efforts and Initiatives
- Rancho Mission Viejo: Quarterly Update
- County Public Works: Census 2020 Project
- CALAFCO Southern Region Bi-annual Meeting
- CALAFCO Legislative Committee Monthly Meeting
- ISDOC Quarterly Meeting: Presentation on LAFCO
- City of Newport Beach and Costa Mesa Sanitary District: Potential Annexation
- Center for Demographic Research Technical Advisory Committee Meeting

### February Meetings
- Supervisor Chaffee and staff: Introduction and General Briefing
- Assembly Member Diep’s District Director: Introduction and General Briefing
- Assembly Member Petrie-Norris’s District Director: Introduction and General Briefing
- Management Oversight Committee for Center for Demographic Research Quarterly Meeting
- City of Laguna Woods: Potential Reorganization of Public Property with City of Laguna Hills
- City of Buena Park: Unincorporated Island Potential Annexation
- Orange County: Cielo Vista Potential Annexation
- CALAFCO Board of Directors
- CALAFCO Legislative Committee
- Southern Region GIS Group Meeting
FY 2018-19 BUDGET OVERVIEW

This report provides a budget update for the period of November 2018 through February 2019. During this reporting period, the agency continued its efforts to provide services and programs effectively and efficiently. The following budget review details the bank account balances and provides a comprehensive overview of OC LAFCO revenues and expenditures for the period ending February 28, 2019 (see page 11). The total budget approved by the Commission for FY 2018-19 is $1,139,860.

Revenues

By the end of November, the agency had received all of the apportionments from the funding agencies for a total of $1,091,077. In addition to the apportionments, OC LAFCO also earns interest from its investment portfolio. In the second period, OC LAFCO earned $11,061 in interest. To date, OC LAFCO has earned a total of $15,929 in interest which exceeds the projected interest earnings for fiscal year by approximately 10 percent.

Another source of OC LAFCO revenue is the application filing fees. These filing fees are not used for budgeting purposes and are shown in the quarterly overview as revenue within the Special Fund column. The Special Fund column in the chart on page 11 includes an accounting of application revenues and expenses incurred during the 2018-19 fiscal year.

Expenditures

The total General Fund expenditures as of the period ending February 28, 2019 are approximately 61 percent or $696,813 of the total budget of $1,139,860. The following table provides the comparison of the percentage of actual funds used and the target levels for the current fiscal year.

<table>
<thead>
<tr>
<th>Total FY 2018-19 Funds Used</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Period</td>
</tr>
<tr>
<td>Target</td>
</tr>
<tr>
<td>Actual</td>
</tr>
</tbody>
</table>

1 All financial statements contained in the CQ report are on an accrual accounting basis.
Although the agency’s total expenditures are below the straight-line projections for this reporting period, there are four budget categories that are trending higher than anticipated when the budget was approved. Two of these line items, deferred compensation and retirement, are personnel related, and the two others, rent and equipment leases, are operational expenditures.

The original budget projection assumptions did not include the two percent increase in deferred compensation contributions awarded by the Commission to the Executive Officer in July, after approval of the budget; therefore, it is anticipated that there will be an overage in this line item at the end of the year. Additionally, during the first six months of the fiscal year, the accountant performed an analysis, with the input and assistance of staff from both the County and OCERs, to identify the factors that resulted in an overage in the agency’s retirement allocation during the 2017-18 fiscal year. As a result of that analysis, the accountant determined that there was an error in the formula that had been used to calculate the agency’s contribution to the retirement system. This will be corrected for future budget projections; however, for FY 2018-19 it is anticipated that the retirement benefit expenditures will exceed the allocation by approximately 9.1 percent.

In terms of the operational expenditures, it is anticipated that there will be an overage of approximately 2 percent in the rent category due to increases effective January 1 in parking and common area charges that exceeded budget assumptions. Additionally, the expenditures related to the office copier may result in an overage of approximately 8 percent in the allocation for equipment leases.

The anticipated overages will be offset by savings expected to be experienced in several line items within the general categories of Office Operations and Professional Services. In those categories, the agency is expected to experience lower than anticipated expenditures in line items for public noticing, transportation and travel, professional development, general office equipment and supplies, and other professional services. As a result, the total expenditures for FY 2018-19 are projected to be within the budgeted allocations.

Balances and Investment Report

The following table illustrates the balance of OC LAFCO’s bank accounts as of February 28, 2019:

<table>
<thead>
<tr>
<th>As of 2/28/19</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>770-Payroll Account</td>
<td>$ 241,348</td>
</tr>
<tr>
<td>Wells Fargo Checking</td>
<td>126,264</td>
</tr>
<tr>
<td>Wells Fargo Savings</td>
<td>210,644</td>
</tr>
<tr>
<td>Total</td>
<td>$578,256</td>
</tr>
</tbody>
</table>
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 as of February 28, 2019:

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAIF</td>
<td>$514,807</td>
</tr>
<tr>
<td>OC Fund</td>
<td>$479,391</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$994,198</strong></td>
</tr>
</tbody>
</table>

Balance Sheet²:

This report includes a 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 February 28, 2019.

---

² Unaudited - Subject to Change
Orange County Local Agency Formation Commission
Period Overview
For the Four Months - November 1, 2018 - February 28, 2019

<table>
<thead>
<tr>
<th></th>
<th>1st Period</th>
<th>2nd Period</th>
<th>YTD General Fund</th>
<th>YTD Special Revenue Funds</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Fund</td>
<td>General Fund</td>
<td>General Fund</td>
<td>Special Revenue Funds</td>
<td>Budget</td>
</tr>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addition/(Use) of Unreserved Equity</td>
<td>$33,583</td>
<td>0.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LAFCO Apportionment</td>
<td>1,091,777</td>
<td>100.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filing Fees</td>
<td>-</td>
<td>-</td>
<td>21,172</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Misc Revenue</td>
<td>275</td>
<td>0.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest &amp; Dividends</td>
<td>14,500</td>
<td>109.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>1,139,860</td>
<td>97.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$440,800</td>
<td>67.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hourly Employees</td>
<td>10,000</td>
<td>34.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits &amp; Insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Optional Benefit Plan</td>
<td>18,500</td>
<td>100.0%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Deferred Compensation</td>
<td>9,300</td>
<td>91.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement Benefits</td>
<td>126,100</td>
<td>75.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Insurance</td>
<td>53,000</td>
<td>67.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiree Health Benefits</td>
<td>17,900</td>
<td>66.6%</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Dental Insurance</td>
<td>5,400</td>
<td>62.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Insurance</td>
<td>600</td>
<td>64.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>3,500</td>
<td>99.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare</td>
<td>6,500</td>
<td>70.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary Continuance</td>
<td>1,500</td>
<td>70.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accidental Death Insurance</td>
<td>230</td>
<td>60.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Car Allowance</td>
<td>7,200</td>
<td>75.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total - Benefits &amp; Insurance</strong></td>
<td>249,630</td>
<td>75.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td>10,000</td>
<td>63.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone &amp; Internet</td>
<td>15,100</td>
<td>64.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County of Orange</td>
<td>4,000</td>
<td>36.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Liability Insurance</td>
<td>15,600</td>
<td>62.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Memberships</td>
<td>32,400</td>
<td>70.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Equipment/Supplies</td>
<td>15,000</td>
<td>33.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td>60,000</td>
<td>58.0%</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Accounting/Audit</td>
<td>42,900</td>
<td>71.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td>8,000</td>
<td>25.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mapping/Archiving</td>
<td>7,200</td>
<td>32.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Professional Services</td>
<td>75,000</td>
<td>0.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total - Professional Services</strong></td>
<td>193,100</td>
<td>36.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Admin Fees</td>
<td>660</td>
<td>61.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking Fees</td>
<td>220</td>
<td>3.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Noticing</td>
<td>5,000</td>
<td>5.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rents/Maintenance</td>
<td>74,000</td>
<td>66.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Leases</td>
<td>5,100</td>
<td>76.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comm. &amp; Staff Expense</td>
<td>8,400</td>
<td>42.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comm. Stipends &amp; Taxes/Fees</td>
<td>16,200</td>
<td>41.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Development</td>
<td>20,000</td>
<td>12.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation/Travel</td>
<td>19,350</td>
<td>62.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission Meeting Expense</td>
<td>5,300</td>
<td>41.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>1,139,860</td>
<td>61.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Net Income (Loss):</strong></td>
<td>$737,822</td>
<td>$326,653</td>
<td>$411,169</td>
<td>$1,459</td>
<td>$-</td>
</tr>
</tbody>
</table>
OC Local Agency Formation Commission
Balance Sheet
As of February 28, 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Feb 28, 19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Checking/Savings</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and Investments</td>
<td></td>
</tr>
<tr>
<td>1000 · County Acct-Payroll</td>
<td>241,348</td>
</tr>
<tr>
<td>1925 · Wells Fargo Checking</td>
<td>125,264</td>
</tr>
<tr>
<td>1030 · Wells Fargo Savings</td>
<td>210,644</td>
</tr>
<tr>
<td>1040 · OC Fund</td>
<td>479,391</td>
</tr>
<tr>
<td>1050 · Investment Acct - LAIF</td>
<td>514,897</td>
</tr>
<tr>
<td>1059 · Fair Market Value Adjustments</td>
<td>(2,819)</td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td>1,569,635</td>
</tr>
<tr>
<td><strong>Other Current Assets</strong></td>
<td></td>
</tr>
<tr>
<td>1375 · Prepaid Expenses - Other</td>
<td>25,592</td>
</tr>
<tr>
<td>1376 · Retirement Prepaid Expense</td>
<td>35,375</td>
</tr>
<tr>
<td><strong>Total Other Current Assets</strong></td>
<td>60,967</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,630,602</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td>51,019</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>2,288,703</td>
</tr>
</tbody>
</table>

| LIABILITIES & EQUITY                        |           |
| **Liabilities**                             |           |
| **Current Liabilities**                     |           |
| 2000 · Accounts Payable                     | 14,993    |
| 2050 · Salaries Payable - OC (8059)         | 14,633    |
| 2300 · Compensated Absences                 | 34,296    |
| **Total Current Liabilities**               | 63,922    |
| **Long Term Liabilities**                   |           |
| 2164 · Deferred Inflows OPEB Related        | 4,412     |
| 2163 · Net OPEB Liability                   | 130,046   |
| 2161 · Net Pension Liability                | 1,269,133 |
| 2162 · Def. Inflows Pension Related         | 471,220   |
| 2170 · Deferred Lease Incentive             | 30,599    |
| **Total Long Term Liabilities**             | 1,904,410 |
| **Total Liabilities**                       | 1,968,332 |
| **Equity**                                  | (91,339)  |
| **Net Income**                              | 408,710   |
| **Total Equity**                            | 318,371   |
| **TOTAL LIABILITIES & EQUITY**              | 2,288,703 |
April 10, 2019

TO: Local Agency Formation Commission
FROM: Executive Officer
Assistant Executive Officer
Accountant

SUBJECT: Proposed Fiscal Year 2019-20 OC LAFCO Budget and Fee Schedule

BACKGROUND

The State Government Code Section 56381(a) requires the Commission to hold a public hearing to adopt a proposed annual budget. The proposed FY 2019-20 budget is presented in a line-item format for the Commission's review and consideration (Attachment 1).

In March, staff and the Commission's Executive Committee, comprised of Chair Cheryl Brothers, Vice Chair Douglass Davert and Immediate Past Chair Derek McGregor, met and reviewed the proposed budget. In accordance with the Commission's Bylaws, the Executive Committee reviews the preliminary agency budget and serves in an advisory role on this matter to the full Commission. If the proposed budget is approved by the Commission, it will be distributed for review and comment to the Board of Supervisors, the cities, and the independent special districts. Subsequently, the final budget, together with any submitted comments, will be considered by the Commission at a second public hearing during the May 8, 2019 regular meeting.

Fee Schedule Resolution

In 2017, the Commission approved changes to the fee structure and deposits required for processing project applications. These changes included an annual update of the Fee Schedule to reflect the current rates for direct charges for staff and legal counsel costs, as well as increases by the State for CEQA related fees. As State law requires public agencies to conduct a public hearing for the approval of amendments to fees, the recommended actions include adopting the updated Fee Schedule Resolution. (Attachment 2)
The proposed FY 2019-20 budget is balanced; the expected expenditures are funded by the projected ongoing revenues together with a drawdown of unreserved equity. The proposed budget totals $1,258,650, which represents an increase of 10.4 percent from the approved FY 2018-19 budget. The following provides a description and analysis of the revenues, expenditures and reserves contained in the FY 2019-20 proposed budget.

REVENUES

The revenues in the proposed budget for FY 2019-20 total $1,258,650. The agency revenues are grouped into four categories: (1) County, Cities, and Special Districts Apportionments, (2) Interest, (3) Unreserved equity, and (4) Miscellaneous Revenue. As depicted in Figure 1, the apportionments to the funding agencies constitute 89 percent of the revenues with the balance being contributed by unreserved equity and interest revenue.

Figure 1 - Proposed FY 2019-20 OC LAFCO Revenues

- County, Cities & Special District Apportionments: 89%
- Unreserved Equity: 9%
- Interest: 2%

Total $1,258,650
(1) County, Cities, and Special Districts Apportionments
The apportionments from the funding agencies provide the largest revenue source for OC LAFCO. The total apportionment for FY 2019-20 of $1,124,500 to be collected from the County, cities and special districts constitutes an overall increase of three percent from the FY 2018-19 budget. The apportionment is equally divided amongst the County, cities and independent special districts. The apportionments for the individual cities and independent special districts are calculated by the County Auditor-Controller using the formulas adopted by the City Selection Committee and the Independent Special District Selection Committee respectively. The individual apportionments for FY 2019-20 are delineated in Attachments 1B and 1C.

(2) Interest
This revenue category includes interest earned from the agency’s savings account, payroll account and two investment accounts - the Local Agency Investment Fund and the Orange County Fund. Since the Commission receives an influx of revenues in the beginning of each fiscal year from the funding agencies, the apportionments are deposited into the highest interest earning accounts. Throughout the fiscal year, designated OC LAFCO staff members, in consultation with the agency’s independent accountant, withdraw funds from the accounts to cover the agency’s operational expenses. Given the current trends in rates, the proposed FY 2019-20 budget assumes that the interest accrued on the agency’s investment accounts will generate $18,000 or approximately two percent of the annual revenue.

(3) Unreserved Equity
In its reserve policy, the Commission specifies minimum balances of $100,000 for contingency reserves, $75,000 for litigation reserves, and $30,000 for unfunded liability reserves. Additionally, the Commission’s policy mandates that three months of operational expenses be maintained in the reserve account which, for FY 2019-20, amounts to $314,663. Unreserved equity is any balance available above those minimums. The proposed FY 2019-20 budget revenue assumptions include $116,150 from the unreserved equity which represents approximately nine percent of the total revenues. Over the past several years, the use of unreserved equity as part of the revenue assumptions has helped to avoid large fluctuations in the annual apportionments to the funding agencies.

(4) Miscellaneous Revenue
The miscellaneous revenue account encompasses the “nonoperational” revenues. This includes revenue received from credit card rebates and other miscellaneous items. Since the miscellaneous revenues are nonoperational and are not guaranteed to materialize, the proposed budget does not include any projected revenues for this category and, therefore, is not included in the chart.
EXPENDITURES

The proposed budget expenditures reflect the resources necessary to support the agency’s operations and to effectively manage the mandated projects that are not supported by applicant fees, such as the efforts required for the fourth round of the updates of the Spheres of Influence and Municipal Service Reviews and the Unincorporated Islands Program.

Traditionally, the national CPI is used as the basis for adjustments to the expenditure categories. However, the proposed budget includes adjustments to specific budget categories based on past trending, actual expenditures or the budget instructions from the County regarding the benefit cost projections. For discussion purposes, Commission expenses are described in three categories: (1) Salaries and Benefits, (2) Office Operations and Supplies, and (3) Professional Services. The percentage of each category is depicted in Figure 2 and described briefly in the following sections.

**Figure 2 - Proposed FY 2019-20 OC LAFCO Expenditures**

![Expenditures Chart]

- **Salaries and Benefits**: 21%
- **Office and Operations**: 65%
- **Professional Services**: 14%

Total $1,258,650
(1) **Salaries & Benefits**

The proposed FY 2019-20 budget for salaries and benefits for the five full-time professional staff and any temporary or seasonal staff total $822,750, which is an increase of 17.5 percent from the budgeted amount in FY 2018-19. The budget salary assumptions reflect the implementation of the second year of the Comprehensive Organizational Assessment’s recommendation regarding the agency’s compensation structure. The two-year implementation plan approved by the Commission provides equity and cost-of-living adjustments for the OC LAFCO positions.

The assumptions for a number of the employee benefits are based on information from the County of Orange which, by contract, currently provides those benefits to the OC LAFCO employees. Additionally, the projection for the deferred compensation contributions reflects the benefit that provides matching contributions of up to two percent of salary for eligible OC LAFCO employees and a five percent of salary contribution for the Executive Officer. The deferred contribution benefit for OC LAFCO employees mirrors the benefits provided by the County to its employees and Executive Managers.

The assumptions for retirement costs are based on the figures provided by the Orange County Employees Retirement System (OCERS). Over the past year, the agency’s accountant worked with staff and representatives from OCERS and the County to better understand the agency’s retirement costs. As a result of those discussions, the FY 2019-20 budget estimates for retirement costs were calculated using a corrected and refined formula.

In accordance with best budgeting practices, the proposed budget provides for fully funding all staff positions. However, when personnel or other costs are associated with a project application, those costs are tracked in a special fund and reimbursed through the fees collected from the applicant. The fees are updated annually through the Fee Schedule *(Attachment 2)* to ensure that the applicants are compensating the agency for the actual staff costs associated with the project. An accounting of the fees collected, personnel or other costs applied, and balance remaining in these special funds associated with specific mandated projects are provided quarterly and annually to the Commission in the comprehensive report and the audited financial statements. Any savings in staff costs to the General Fund generated by the application of costs to a project special fund will effectively result in a reduction in the amount that will be drawn down from the unreserved equity at the end of the fiscal year.

(2) **Office Operations & Supplies**

Overall, the Commission operations demonstrate prudent management of agency expenses. The changes in the budget line items for FY 2019-20 include increases in
membership fees, professional development, and the OC LAFCO office lease. Additionally, a number of budget line items reflect decreases in appropriations, including office equipment and supplies, registration and travel, other professional services, and Commissioner and staff expenses. The following provides a brief discussion of the key areas that incorporate the proposed changes in appropriations for office operations and supplies:

- **Internet and Telephone (line item 5151)**
  
The proposed appropriation for this line item, which accounts for the leasing of telephone equipment, telephone technical support, website hosting, and the telephone and cell phone charges, represents an increase of $1,100 based on actual costs and trends.

- **Insurance (line item 5250)**
  
The agency contracts with the County to provide insurance through a third party for general liability, crime and property insurance, which is reflected in this line item. The figure for insurance is provided to the agency through the County’s budget instructions and represents an increase of $400 for the 2019-20 fiscal year. Currently, staff is performing an analysis to ensure these costs are competitive in the market.

- **County Charges (line item 5200)**
  
In this category, the charges the County assesses for processing payroll, archiving services, storing files and records, and processing the billing and collection of apportionments from the County, cities and special districts are recorded. The proposed budget projects an increase of $1,500 in this line item to accommodate the County Auditor Controller’s newly added function of calculating the annual apportionments for the cities and special districts, as well as an anticipated increase in the storage costs for the agency’s archived documents.

- **Memberships (line item 5350)**
  
This line item contains the proposed appropriation for the membership fees paid to professional organizations. A significant element of the allocation is dedicated to the Center for Demographic Research (CDR) which develops Orange County population, employment, housing and other demographic projections that are used by OC LAFCO in preparing the Municipal Service Reviews and Sphere of Influence Updates. Additionally, CDR assists OC LAFCO with special projects and reports, including an annual annexation report that provides an updated boundary map and related demographic information. The 2019-20 fiscal year is the third year of a three-year agreement with CDR at the rate of $16,000 per year.
This budget line item also contains an increase in the membership for CALAFCO dues that was approved by the CALAFCO Board in February. The proposed allocation reflects a one-time 16.25 percent increase that was applied to all member LAFCOs for FY 2019-20 to cover the CALAFCO's current operational deficit. As a result, the proposed budget dues amount for CALAFCO was raised by $1,450 for a total annual membership of $10,376.

➤ **Office Equipment/Supplies (line item 5450)**

The appropriations for Office Equipment and Supplies fluctuates from year to year as the expenditures for computers and related technology are incorporated into this line item. Based on the equipment purchases scheduled for the 2019-20 fiscal year, this budget line item reflects a decrease of $5,000.

➤ **Public Noticing/Communications (line item 5600)**

This budget category covers expenditures for legal notices required for Commission public hearings. Additionally, communications related to Commission-initiated projects, such as municipal service reviews, that are not reimbursable through applications fees are charged to this line item. The proposed budgeted amount for this line item totals $2,000 for FY 2019-20.

➤ **Unincorporated Areas Program (line item 5610)**

Annually, the Commission provides a focus for the efforts related to the Unincorporated Areas Program by identifying a specific number of small unincorporated areas (less than 150 acres) that have a high potential for annexation. In accordance with a long-standing policy, the Commission does not collect project fees for processing the annexation of small unincorporated areas. This line item has been added to the annual budget to segregate the communication, public noticing, and other costs associated with the program. For FY 2019-20, the proposed budget allocates $6,000 for this line item. This amount represents a $2,200 increase over last year’s budgeted amount for this program, which in prior years was included in the Public Noticing/Communications line item. As outreach and other activities may vary for each unincorporated area, this line item may be adjusted annually based on the areas explored for the year.

➤ **Rents/Maintenance (line item 5650)**

This budget line item includes the leasing, maintenance and parking costs for the OC LAFCO offices. On January 4, 2015, the Commission commenced a 64-month lease with Mullrock Lincoln Town Center, LLC. The rent appropriation of $79,800
for FY 2019-20 represents a 7.8 percent increase, or $5,800, from the FY 2018-19 budgeted amount. The lease term ends in April 2020 and staff is currently exploring the options for the Commission to consider prior to expiration of the current lease agreement. The budget assumption for this line item incorporates the increases contained in the current lease plus a five percent increase for the months beyond the lease expiration.

➢ **Equipment Leases and Maintenance (line item 5675)**

This category includes the costs for the lease and maintenance of the copiers and printers for OC LAFCO office use. During the 2018-19 fiscal year, the equipment was upgraded to improve performance and enhance the quality of the documents generated by using the copiers. As a result, the projection for this line item increased by $2,100 for the year.

➢ **Professional Development (line item 5750)**

This category includes costs related to staff professional development activities (e.g., conferences, workshops, university courses, or other training classes). The proposed allocation reflects an increase of $2,000 for the 2019-20 fiscal year.

➢ **Registration and Travel (line item 5800)**

This line item allocates the funding for the participation by Commissioners and staff in the CALAFCO annual conference, board meetings, staff workshop and other conferences. The proposed budget amounts vary from year to year based on the location the anticipated participation in the events. The estimated costs for the annual staff workshop are maintained at the same level as the FY 2018-19 budget, as the location for FY 2019-20 has not yet been determined. As the next annual conference will take place in Sacramento, the budget amount for FY 2019-20 reflects a decrease of $1,050 from FY 2018-19.

(3) **Professional Services (line items 5510-5540)**

The Commission’s staff performs the majority of the administrative and project related work; however, the agency continues to utilize professional services for certain ongoing and project-related support. Ongoing administrative support expenses include the Commission’s accountant, legal counsel, auditor and human resources support. The FY 2019-20 proposed budget allocations for this category includes the following: legal services ($60,000); audit and accounting services ($43,100) and human resources ($9,000).

Project-related professional services include facilitation for complex and/or contentious projects, preparation of fiscal analyses and models, and other studies or reports. Projects that may require additional professional services in FY 2019-20 include Municipal
Services Reviews, South Orange County Governance and the Outreach and Communications Plan. The proposed allocation for that line item is $60,000 for the 2019-20 fiscal year.

RECOMMENDATIONS

Staff recommends that the Commission:

1. Adopt the Proposed FY 2019-20 Budget (Attachment 1) and direct the Executive Officer to distribute the document for review and comment to the Board of Supervisors, cities, and special districts.

2. Direct staff to schedule a public hearing, per Government Code Section 56381, for consideration and adoption of the Final FY 2019-20 OC LAFCO Budget at the May 8, 2019 regular meeting.

3. Adopt the form of resolution (Attachment 2) approving the updated OC LAFCO Fee Schedule.

Respectfully submitted,

CAROLYN EMERY
DEBRA KURITA
CINDY BYERRUM

Attachments:
1. Proposed FY 2019-20 OC LAFCO Budget
   A. FY 2019-20 Budget Categories
   B. Special District Apportionments for FY 2019-20 (prepared by County Auditor-Controller)
   C. City Apportionments for FY 2019-20 (prepared by County Auditor-Controller)

2. Updated OC LAFCO Fee Schedule Resolution
ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
PROPOSED BUDGET
Fiscal Year 2019-20

### Projected Apportionment % Increase Factor

(Additions)/Uses of Unreserved Equity

<table>
<thead>
<tr>
<th></th>
<th>A FY 18/19</th>
<th>B FY 19/20</th>
<th>C $</th>
<th>D %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4000 LAFCO Apportionment</td>
<td>$33,583</td>
<td>$116,150</td>
<td>$82,567</td>
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<tr>
<td>4200 Interest</td>
<td>$14,500</td>
<td>$18,000</td>
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<td>24.1%</td>
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<tr>
<td>4150 Miscellaneous Revenue</td>
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<td>-</td>
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<tr>
<td><strong>REVENUES &amp; USES / (ADDITIONS) TO CASH</strong></td>
<td>$1,139,860</td>
<td>$1,258,650</td>
<td>$118,790</td>
<td>10.4%</td>
</tr>
</tbody>
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### EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th>A FY 18/19</th>
<th>B FY 19/20</th>
<th>C $</th>
<th>D %</th>
</tr>
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<tbody>
<tr>
<td><strong>Salaries &amp; Benefits</strong></td>
<td></td>
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</tr>
<tr>
<td>5000 Salaries</td>
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<td>5010 Hourly Employees</td>
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<td>5109 Retiree Health Benefits</td>
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<td>5110 Dental Insurance</td>
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<td>5112 Life Insurance</td>
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<td>5102 Optional Benefit Plan</td>
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<td>5104 Deferred Compensation</td>
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<td>$15,400</td>
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<tr>
<td>5116 Medicare</td>
<td>$6,500</td>
<td>$7,400</td>
<td>$900</td>
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<tr>
<td>5114 Worker's Compensation</td>
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<td>$3,800</td>
<td>$300</td>
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<td>5120 Salary Continuance</td>
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<td>$1,800</td>
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<tr>
<td>5122 Accidental Death Insurance</td>
<td>$130</td>
<td>$150</td>
<td>$20</td>
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<tr>
<td>5125 Executive Car Allowance</td>
<td>$7,200</td>
<td>$7,200</td>
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<tr>
<td><strong>Total Salaries &amp; Benefits</strong></td>
<td>$700,430</td>
<td>$822,750</td>
<td>$122,320</td>
<td>17.5%</td>
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</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>A FY 18/19</th>
<th>B FY 19/20</th>
<th>C $</th>
<th>D %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office Operations &amp; Supplies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5150 Information Technology</td>
<td>$10,000</td>
<td>$10,000</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>5151 Internet &amp; Telephone</td>
<td>$15,100</td>
<td>$16,200</td>
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</tr>
<tr>
<td>5200 County Charges</td>
<td>$4,000</td>
<td>$5,500</td>
<td>$1,500</td>
<td>37.5%</td>
</tr>
<tr>
<td>5250 Insurance</td>
<td>$15,600</td>
<td>$16,000</td>
<td>$400</td>
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<tr>
<td>5350 Membership/Subscriptions</td>
<td>$32,400</td>
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<tr>
<td>5450 Office Equipment/Supplies</td>
<td>$15,000</td>
<td>$10,000</td>
<td>(5,000)</td>
<td>-33.3%</td>
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<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5510 Legal</td>
<td>$60,000</td>
<td>$60,000</td>
<td>-</td>
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</tr>
<tr>
<td>5520 Audit/Accounting</td>
<td>$42,900</td>
<td>$43,100</td>
<td>$200</td>
<td>0.5%</td>
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<tr>
<td>5530 Human Resources</td>
<td>$8,000</td>
<td>$9,000</td>
<td>$1,000</td>
<td>12.5%</td>
</tr>
<tr>
<td>5540 Other Professional</td>
<td>$75,000</td>
<td>$60,000</td>
<td>(15,000)</td>
<td>-20.0%</td>
</tr>
<tr>
<td><strong>Other Operations</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>5535 Mapping</td>
<td>$7,200</td>
<td>$7,200</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>5550 Investment Admin Fees</td>
<td>$660</td>
<td>$600</td>
<td>(60)</td>
<td>-9.1%</td>
</tr>
<tr>
<td>5560 Banking Fees</td>
<td>$220</td>
<td>-</td>
<td>(220)</td>
<td>0.0%</td>
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<tr>
<td>5600 Public Notice/Communications</td>
<td>$1,200</td>
<td>$2,000</td>
<td>$800</td>
<td>66.7%</td>
</tr>
<tr>
<td>5610 Unincorporated Areas Program</td>
<td>$3,800</td>
<td>$6,000</td>
<td>$2,200</td>
<td>57.9%</td>
</tr>
<tr>
<td>5650 Rents/Maintenance</td>
<td>$74,000</td>
<td>$79,800</td>
<td>$5,800</td>
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<tr>
<td>5675 Equipment Leases &amp; Maintenance</td>
<td>$5,100</td>
<td>$7,200</td>
<td>$2,100</td>
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<tr>
<td>5700 Commissioner/Staff Expenses</td>
<td>$8,400</td>
<td>$7,000</td>
<td>(1,400)</td>
<td>-16.7%</td>
</tr>
<tr>
<td>5710 Commission Stipends &amp; Taxes/Fees</td>
<td>$16,200</td>
<td>$16,200</td>
<td>-</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
## ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

### PROPOSED BUDGET

Fiscal Year 2019-20

<table>
<thead>
<tr>
<th>FY 18/19 Approved Budget</th>
<th>FY 19/20 Proposed Budget</th>
<th>Budget Variance</th>
<th>Budget Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>5750 Professional Development</td>
<td>20,000</td>
<td>22,000</td>
<td>2,000</td>
</tr>
<tr>
<td>5800 Registration/Travel</td>
<td>19,350</td>
<td>18,300</td>
<td>(1,050)</td>
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<tr>
<td>5850 Commission Meeting Expenses</td>
<td>5,300</td>
<td>6,000</td>
<td>700</td>
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<tr>
<td><strong>Subtotal: Operations, Supplies &amp; Services</strong></td>
<td><strong>439,430</strong></td>
<td><strong>435,900</strong></td>
<td><strong>(3,530)</strong></td>
</tr>
</tbody>
</table>

**TOTAL EXPENDITURES**

| **1,139,860** | **1,258,650** | **118,790** | **10.4%** |

**NET BUDGET**

<table>
<thead>
<tr>
<th>FY 18/19 Approved Budget</th>
<th>FY 19/20 Proposed Budget</th>
<th>Contingency reserve</th>
<th>Reserve for litigation</th>
<th>Unfunded liability reserve</th>
<th>Reserve - 25% of Budgeted Expenditures</th>
<th><strong>UNRESERVED CASH</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Contingency reserve</td>
<td>100,000</td>
<td>100,000</td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>Reserve for litigation</td>
<td>75,000</td>
<td>75,000</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Unfunded liability reserve</td>
<td>30,000</td>
<td>30,000</td>
<td></td>
<td></td>
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<tr>
<td>4</td>
<td>Reserve - 25% of Budgeted Expenditures</td>
<td>284,965</td>
<td>314,663</td>
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<td><strong>5</strong></td>
<td><strong>UNRESERVED CASH</strong></td>
<td>709,786</td>
<td>727,038</td>
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<td>6</td>
<td>Balance at the Beginning of FY</td>
<td>(33,583)</td>
<td>(116,150)</td>
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<tr>
<td>7</td>
<td>Addition (Drawdown) to Unreserved Cash</td>
<td>676,204</td>
<td>610,888</td>
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<tr>
<td>8</td>
<td>Projected unreserved cash at the End of FY</td>
<td>$1,166,169</td>
<td>$1,130,550</td>
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</tr>
<tr>
<td>9</td>
<td>Total Projected Cash Balances at End of FY</td>
<td>$1,166,169</td>
<td>$1,130,550</td>
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</tr>
</tbody>
</table>
REVENUES
The following summarizes what is included in each of the revenue categories used in the proposed FY 2019-20 OC LAFCO Budget:

4000 OC LAFCO Apportionment
These funds are provided by the County, independent special districts and cities. The County pays 1/3 of the total apportionment cost. The cost allocation formulas for the cities and special districts are in accordance with the alternative formulas adopted by the City Selection Committee and the Independent Special Districts Selection Committee respectively.

4050 Filing Fees
These funds are provided by incoming project applications, including but not limited to annexations, reorganizations, incorporations, dissolutions, and consolidations. Filing fees vary with each project received and are not budgeted as revenue due to the uncertainty of when applications are filed. Filing fees are collected to offset OC LAFCO salaries, benefits and other expenditures associated with applications.

4200 Interest
These funds are the interest earned from the agency’s bank and County payroll accounts and investment portfolio, including the Local Agency Investment Fund (LAIF) and the Orange County Fund.

4150 Miscellaneous Revenue
These funds are incurred by nonoperational income including but not limited to reimbursements.

EXPENDITURES
The following summarizes what is included in each of the expenditure categories used in the proposed FY 2019-20 OC LAFCO Budget:

5000-5125 Salaries and Benefits
These categories include costs incurred for OC LAFCO employee (full-time and hourly) salaries and benefits, including retirement, unemployment insurance, health and dental insurance, workers’ compensation, and Medicare. OC LAFCO contracts with the County of Orange for payroll and benefit services.

5150 Information Technology
This category includes costs incurred for the technical support for regular maintenance and upgrades to the OC LAFCO computer systems and website. OC LAFCO contracts with an independent contractor for these IT services.

5151 Internet and Telephone Expense
This category includes telephone and mobile phone costs, leasing telephone equipment, telephone technical support, website hosting, and internet service.
**5200 County Charges**

This category includes costs incurred for payroll processing, archiving services, warehouse storage for OC LAFCO files and records, and billing and collection of County, city and special district allocations provided by the County of Orange.

**5250 Insurance**

This category includes costs incurred for insurance coverage. OC LAFCO contracts with the County of Orange Risk Management Division for the following coverages for instances that occur during the general operation of the agency.

- General Liability (SLIP) – Includes coverage for personal injury (including bodily injury and property damage), non-owned auto liability, public officials’ errors and omissions and employment practices liability.
- Workers’ Compensation – State mandated coverage for OC LAFCO employees for work related injuries.
- Crime – Includes coverage for employee or non-employee theft, burglary, forgery or alteration, computer fraud, funds transfer fraud.
- Property (SPIP) - Includes per occurrence, all perils coverage for damage to property including personal property and business interruption coverage.

**5350 Membership/Subscriptions**

This category includes memberships and subscriptions fees to CALAFCO, CSDA, OCBC, CDR and other applicable memberships.

**5450 Office Equipment/Supplies**

This category includes costs incurred for the purchase of computer and office supplies/equipment, postage, and software that support the efficient operations of the agency.

**5500 Professional Services**

This category includes costs incurred for professional services provided to OC LAFCO. The following are subcategories for professional services:

- **5510 Legal** – OC LAFCO legal counsel expenditures.
- **5520 Auditing/Accounting** – Bookkeeping and accounting services. This category also includes costs incurred for a certified public accounting firm to conduct mandated audits of OC LAFCO’s financial statements and consultant assistance.
- **5530 Human Resources** – Personnel costs that may include recruitment, professional development and human resource publications.
- **5535 Mapping** – OC LAFCO’s Geographic Information System (GIS) and other mapping programs.
- **5540 Other Professional Services** – Outside consulting and professional services used for complex and/or contentious projects that may include meeting facilitation, peer reviews, and preparation of Municipal Service Reviews, fiscal studies and other reports.
5550 Investment Admin Fees
This category includes costs incurred for administrative fees charged by the County of Orange for financial services related to the OC Fund investment portfolio.

5560 Banking Fees
This category includes costs incurred for administrative fees charged by Wells Fargo for management of the OC LAFCO checking and savings accounts.

5600 Public Noticing/Communications
This category includes costs incurred for required legal notices and other communications for Commission-initiated and other projects (e.g., spheres of influence reviews and updates, municipal service reviews, and annual budget adoption) that are not reimbursable through application fees.

5610 Unincorporated Areas Program
This category includes costs incurred for the processing of applications under the Commission’s Unincorporated Areas Program.

5650 Rents/Maintenance
This category includes costs for leasing of OC LAFCO office space.

5675 Equipment Leases/Maintenance
This category includes costs for leasing and maintenance of the copier and printers, for OC LAFCO office use.

5700 Commissioner/Staff Expenses
This category includes costs incurred for Commissioner parking, mileage reimbursement, and staff meeting and educational reimbursement expenses.

5710 Commissioner Stipends & Taxes/Fees
This category includes Commissioner meeting stipends and related employment taxes and fees.

5750 Professional Development
This category includes costs related to professional development (e.g., conferences, workshops, university courses, or other training classes).

5800 Transportation/Travel/Registration
This category includes costs incurred for registration and travel expenses for commissioners and staff to attend the CALAFCO annual conference and board meetings, staff workshop and other conferences.

5850 Commission Meeting Expenses
This category includes costs incurred for room rental, parking and miscellaneous supplies used for Commission meetings.
Contingency Reserve
Restricted funds used to cover any unforeseen future agency loss and/or urgency (i.e., property or equipment damage, loss or theft).

Reserve for Litigation
Restricted funds used for costs related to agency legal challenges.

Unfunded Liability Reserve
Restricted funds used to offset anticipated agency liabilities (i.e., employee vacation payouts).
## OC LAFCO FY 2019-20 Special District Allocations

<table>
<thead>
<tr>
<th>District</th>
<th>ISDOC Formula Calculation FY 19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rossmoor/Los Alamitos Sewer</td>
<td>$500.00</td>
</tr>
<tr>
<td>Silverado-Modjeska Rec. &amp; Park</td>
<td>500.00</td>
</tr>
<tr>
<td>Surfside Colony Stormwater</td>
<td>500.00</td>
</tr>
<tr>
<td>Surfside Colony CSD</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Buena Park Library District</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Capistrano Bay CSD</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Orange County Cemetery District</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Orange County Vector Control</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Placentia Library District</td>
<td>2,000.00</td>
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<tr>
<td>Rossmoor CSD</td>
<td>2,000.00</td>
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<tr>
<td>Three Arch Bay CSD</td>
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<tr>
<td><strong>Total Non-Enterprise Districts</strong></td>
<td><strong>$16,500.00</strong></td>
</tr>
<tr>
<td>Emerald Bay CSD</td>
<td>$10,033.33</td>
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<tr>
<td>Sunset Beach Sanitary District</td>
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<tr>
<td>East Orange Co. Water District</td>
<td>15,408.34</td>
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<tr>
<td>Serrano Water District</td>
<td>15,408.34</td>
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<tr>
<td>Costa Mesa Sanitary District</td>
<td>20,783.34</td>
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<tr>
<td>Midway City Sanitary District</td>
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<tr>
<td>Trabuco Canyon Water District</td>
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<tr>
<td>El Toro Water District</td>
<td>27,233.33</td>
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<tr>
<td>Irvine Ranch Water District</td>
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<tr>
<td>Mesa Water District</td>
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<tr>
<td>Moulton Niguel Water District</td>
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<tr>
<td>Municipal Water District of O.C.</td>
<td>27,233.33</td>
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<tr>
<td>Orange County Water District</td>
<td>27,233.33</td>
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<tr>
<td>Santa Margarita Water District</td>
<td>27,233.33</td>
</tr>
<tr>
<td>South Coast Water District</td>
<td>27,233.33</td>
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<tr>
<td>Yorba Linda Water District</td>
<td>27,233.33</td>
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<td><strong>Total Enterprise Districts</strong></td>
<td><strong>$358,333.33</strong></td>
</tr>
<tr>
<td><strong>Total Special Districts</strong></td>
<td><strong>$374,833.33</strong></td>
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## OC LAFCO FY 2019-20 City Allocations

<table>
<thead>
<tr>
<th>City</th>
<th>FY 19-20 City Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aliso Viejo</td>
<td>$5,851.89</td>
</tr>
<tr>
<td>Anaheim</td>
<td>41,042.37</td>
</tr>
<tr>
<td>Brea</td>
<td>6,523.60</td>
</tr>
<tr>
<td>Buena Park</td>
<td>9,317.23</td>
</tr>
<tr>
<td>Costa Mesa</td>
<td>13,103.05</td>
</tr>
<tr>
<td>Cypress</td>
<td>5,627.00</td>
</tr>
<tr>
<td>Dana Point</td>
<td>4,321.08</td>
</tr>
<tr>
<td>Fountain Valley</td>
<td>6,760.87</td>
</tr>
<tr>
<td>Fullerton</td>
<td>16,997.20</td>
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<tr>
<td>Garden Grove</td>
<td>18,595.48</td>
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<td>Huntington Beach</td>
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<td>Irvine</td>
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<td>Laguna Beach</td>
<td>3,986.35</td>
</tr>
<tr>
<td>Laguna Hills</td>
<td>4,157.65</td>
</tr>
<tr>
<td>Laguna Niguel</td>
<td>8,787.22</td>
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<tr>
<td>Laguna Woods</td>
<td>2,135.43</td>
</tr>
<tr>
<td>La Habra</td>
<td>6,879.32</td>
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<tr>
<td>Lake Forest</td>
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<tr>
<td>La Palma</td>
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<tr>
<td>Los Alamitos</td>
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<tr>
<td>Mission Viejo</td>
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<td>Newport Beach</td>
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<td>Orange</td>
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<td>Placentia</td>
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<td>Rancho Santa Margarita</td>
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<td>San Clemente</td>
<td>9,653.45</td>
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<td>San Juan Capistrano</td>
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<tr>
<td>Santa Ana</td>
<td>33,931.41</td>
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<tr>
<td>Seal Beach</td>
<td>4,917.44</td>
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<tr>
<td>Stanton</td>
<td>3,944.37</td>
</tr>
<tr>
<td>Tustin</td>
<td>9,302.61</td>
</tr>
<tr>
<td>Villa Park</td>
<td>971.94</td>
</tr>
<tr>
<td>Westminster</td>
<td>10,059.77</td>
</tr>
<tr>
<td>Yorba Linda</td>
<td>10,313.54</td>
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</table>

**TOTAL**  $374,833.33
RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY, CALIFORNIA
UPDATING THE OC LAFCO FEE SCHEDULE

April 10, 2019

On motion of ___________________________ duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56383 allows for a Local Agency Formation Commission to establish a schedule of fees for the costs of proceedings; and

WHEREAS, it is the Commission’s policy that fees should be based on actual processing costs plus the costs of necessary indirect and administrative functions; and

WHEREAS, the Executive Officer gave notice of this matter in the manner required by law; and

WHEREAS, the Commission complied with the requirements of Government Code Section 66016, and

WHEREAS, the Commission discussed and considered all oral and written testimony for and against this matter including, but not limited to, the staff report and recommendations from the Executive Officer;
NOW, THEREFORE, the Local Agency Formation Commission of Orange County based on the findings, discussion, and conclusions set forth in the staff report, which is incorporated herein by this reference, DOES HEREBY RESOLVE, DETERMINE and ORDER as follows:

1. The fee schedule set forth in Exhibit A attached hereto is hereby adopted, to become effective on July 1, 2019.

2. The fees set forth in Exhibit A attached hereto do not exceed the estimated reasonable costs of providing the services for which the fees are charged and are necessary to pay the costs of operations related to filing and processing applications to the Orange Local Agency Formation Commission.

AYES:
NOES:

STATE OF CALIFORNIA )

)SS.

COUNTY OF ORANGE )

I, Cheryl Brothers, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the ___ day of ___ 2019.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of ___ 2019.
CHERYL BROTHERS
Chair of the Orange County
Local Agency Formation Commission

By: ___________________________

Cheryl Brothers
EXHIBIT A

ORANGE COUNTY LOCAL AGENCY FORMATION
COMMISSION SCHEDULE OF FILING AND PROCESSING FEES

Effective 7/1/2019

FEE SCHEDULE OVERVIEW

In accordance with Government Code Section 56383, the Commission may establish a schedule of fees and a schedule of service charges for Local Agency Formation Commission (LAFCO) proceedings. The submission of an application to the Orange County (LAFCO) is not officially accepted for processing until the filing fee deposits have been received by the agency. The fees associated with an application or petition are calculated on a time and materials schedule as detailed in the Fee Schedule.

PROVISIONS

1. Additional Deposits:

   a. The Executive Officer may require an additional deposit from applicants to cover actual costs for review and processing of any application if the Executive Officer determines the project is extraordinary in scope. For example, the Executive Officer may determine that the processing of the proposal will require advice and counsel from LAFCO’s General Counsel beyond routine review of the Executive Officer’s report, Commission resolutions, and agenda materials. Further, LAFCO reserves the right to require reimbursement for additional expenses not listed in the fee schedule but incurred as a result of processing an application.

   b. If the actual charges exceed the amount of the deposit, the applicant or petitioner shall be notified and shall pay the excess within 15 days of receipt of a statement from LAFCO. Failure to pay may be cause for delay and/or denial of the application/petition, and no proceeding or application shall be completed until all fees due have been paid in full.

2. Indemnification Agreement Requirement

As a condition of approval of any change of organization or reorganization, out-of-agency service agreement, sphere of influence or municipal service review by LAFCO, the applicant(s) and real party(ies) in interest are required to defend, indemnify, hold harmless, and release LAFCO and its agents, officers, attorneys, and employees from any claim, action, or proceeding against LAFCO, and its agents, officers, attorneys, and employees to attack, set aside, void, or annul the approval

Resolution CP 19-05
of LAFCO concerning the proposal or any action relating to, or arising out of, such approval. In accordance with the Commission's Policy for Indemnification of LAFCO by Applicants (adopted March 8, 2000), the applicant(s) and real party (ies) in interest are required to submit a signed indemnification agreement as part of the application.

ORANGE COUNTY LAFCO FEE SCHEDULE

LAFCO PROCESSING FEES

<table>
<thead>
<tr>
<th>TYPE OF ACTION</th>
<th>COST SCHEDULE</th>
<th>INITIAL DEPOSIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Change of Organization (e.g. annexation or detachment)</td>
<td>Time and Materials</td>
<td>$4,600</td>
</tr>
<tr>
<td>One Change of Organization with Sphere of Influence Change</td>
<td>Time and Materials</td>
<td>$5,600</td>
</tr>
<tr>
<td>Reorganizations (request for 2 or more changes of organization)</td>
<td>Time and Materials</td>
<td>$7,900</td>
</tr>
<tr>
<td>District Formations or Consolidations</td>
<td>Time and Materials</td>
<td>$10,000</td>
</tr>
<tr>
<td>District Dissolutions, Mergers, or Establishment of a Subsidiary District</td>
<td>Time and Materials</td>
<td>$7,900</td>
</tr>
<tr>
<td>City Incorporations/Dis-incorporations (See additional project completion deposits below.)</td>
<td>Time and Materials</td>
<td>$10,000</td>
</tr>
<tr>
<td>Activation of Latent Powers</td>
<td>Time and Materials</td>
<td>$7,900</td>
</tr>
<tr>
<td>Request for Municipal Service Review and/or Sphere of Influence Review/Update</td>
<td>Time and Materials</td>
<td>$7,900</td>
</tr>
<tr>
<td>Out-of-Agency Service Agreement</td>
<td>Time and Materials</td>
<td>$4,600</td>
</tr>
<tr>
<td>Request for Reconsideration</td>
<td>Time and Materials</td>
<td>$3,200</td>
</tr>
<tr>
<td>Request for Extension of Time to Complete Proceedings</td>
<td>Time and Materials</td>
<td>$1,000</td>
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</table>

LAFCO STAFF/LEGAL COUNSEL BILLING RATES

<table>
<thead>
<tr>
<th>LAFCO Staff Rate</th>
<th>Fully Burdened Hourly Rate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAFCO Legal Counsel</td>
<td>Actual Costs*</td>
</tr>
</tbody>
</table>

*See Attachment A for current rates.
# PROJECT COMPLETION FEES AND CHARGES

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Noticing and Publication Costs</td>
<td>Actual Costs (Based on noticing required by Government Code Section 56661)</td>
</tr>
<tr>
<td>State Board of Equalization Fees</td>
<td>Actual Costs (Payable to the State Board of Equalization and based on their latest fee schedule)</td>
</tr>
<tr>
<td>Compliance with California Environmental Quality Act (CEQA)</td>
<td>Actual Costs (May include LAFCO staff time to prepare environmental documentation, actual consultant costs, and appropriate filing fees. Department of Fish and Wildlife filing fees are required to be paid at the time LAFCO files the Notice of Determination with the Clerk of the Board. The fees listed below include the county's $50 filing fee and are current as of January 1, 2019)</td>
</tr>
<tr>
<td>Comprehensive Fiscal Analysis for Incorporation or Disincorporation Proposals</td>
<td>Actual Costs (A $50,000 deposit is required at the time the application is submitted. All excess costs will be the responsibility of the project proponent; any balance will be refunded at the conclusion of the project.)</td>
</tr>
<tr>
<td>State Controller's Fiscal Review for Incorporations</td>
<td>Actual Costs (A $25,000 deposit is required at the time a Request for State Controller Review is submitted. All excess costs will be the responsibility of the project proponent; any balance will be refunded at the conclusion of the project.)</td>
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<tr>
<td>Registrar of Voters – Verification of Signatures</td>
<td>Actual Costs</td>
</tr>
<tr>
<td>Special Legal Counsel Costs</td>
<td>Actual Costs</td>
</tr>
<tr>
<td>Consultants</td>
<td>Actual Costs</td>
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</table>

## MATERIALS CHARGES

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual Costs</th>
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<tbody>
<tr>
<td>Reproduction and Faxing Costs</td>
<td>Actual Costs*</td>
</tr>
<tr>
<td>Postage or Overnight Service</td>
<td>Actual Costs</td>
</tr>
<tr>
<td>Agenda Packet (Specific Meeting)</td>
<td>Actual cost of reproductions *</td>
</tr>
<tr>
<td>Agenda Packet (subscription)</td>
<td>$250/year (hard copy)</td>
</tr>
</tbody>
</table>

*See Attachment A for current rates.
ATTACHMENT A

ORANGE COUNTY LAFCO FEE SCHEDULE

ACTUAL COST RATES
Updated 7/1/2019

1. Fully burdened staff hourly rates:

<table>
<thead>
<tr>
<th>Position</th>
<th>Hourly Rate</th>
</tr>
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<tbody>
<tr>
<td>Executive Officer</td>
<td>$ 147</td>
</tr>
<tr>
<td>Assistant Executive Officer</td>
<td>$ 93</td>
</tr>
<tr>
<td>Policy Analyst*</td>
<td>$ 45-53</td>
</tr>
<tr>
<td>Commission Clerk</td>
<td>$ 53</td>
</tr>
</tbody>
</table>

*Depends on analyst's Analyst I and Analyst II Class Series

2. Legal Counsel Hourly Rates - $260 for LAFCO-initiated services
   $517.50 for project applicant-initiated services

3. Reproduction Cost - 0.25 per page

4. Audio Tape Reproduction Cost - $15.00
April 10, 2019

TO: Local Agency Formation Commission

FROM: Executive Officer

SUBJECT: 2019 Strategic Plan

BACKGROUND
On March 13, the Commission held its 23rd Strategic Planning Workshop that was facilitated by Bill Chiat of Alta Mesa Group. The Commission discussed its purpose and long-term opportunities for the agency. The Commission also identified key strategies and priorities to align with OC LAFCO’s purpose.

The Commission strategies and priorities identified during the workshop are outlined in the attached 2019 Strategic Plan (Attachment A). The Plan is ordered by each strategy and the relative priorities identified by the Commission. As noted in the Plan, the priorities are not arranged in order of importance, except for Strategic Area One, the legislative processing of applications.

DISCUSSION
The Plan is attached for further discussion and final review by the Commission. Once adopted, the Plan will serve as the foundation for conducting and completing OC LAFCO’s activities and projects over the next 18 months. In accordance with Commission policy, annual work plans are adopted and include specific projects and identified timeframes for established priorities. Upon approval of the 2019 Strategic Plan, it is recommended that the Commission direct staff to present the 2019-2020 Work Plan for consideration at the May 8, 2019 regular meeting.
RECOMMENDATION
1. Discuss and adopt the 2019 Strategic Plan.

2. Direct staff to present the 2019-2020 Work Plan for consideration at the May 8 regular meeting.

Respectfully submitted,

CAROLYN EMERY

Attachment:
A. 2019 Strategic Plan
LAFCO serves the citizens of Orange County by facilitating constructive changes in governmental structure and boundaries through special studies, programs, and actions that resolve intergovernmental issues, by fostering orderly development and governance, and by promoting the efficient delivery of services. LAFCO also serves as a resource for local governments and citizens by providing a structure for sharing information among stakeholders in Orange County.
2019-2020 Commission Strategies and Priorities\(^1\)

*Vital strategic focus areas and OC LAFCO priorities for July 2019 through December 2020.*

---

**Strategic Area One**

Prioritize and process applications for changes of organization and reorganization, sphere of influence reviews, updates and municipal service reviews.

**Priority:**

1. Process applications filed with the Commission for a change of organization or reorganization, SOI review or update, or preparation of an MSR. The processing of these applications takes precedence over non-application projects.

**Strategic Area Two**

Complete fourth cycle of Sphere of Influence (SOI) Reviews and Updates and prepare Municipal Service Reviews (MSRs) that serve as repositories of information for affected agencies and communities.

**Priorities:**

1. Prepare agency SOIs and MSRs for the six MSR regions (Southeast, Southwest, Central, West, North and Coastal) and Orange County’s eight regional service providers (County Service Areas, 13, 22, and 26, Municipal Water District of Orange County, Orange County Cemetery District, Orange County Sanitation District, Orange County Mosquito and Vector Control District, and Orange County Water District) by Year 2022.

2. Identify shared services opportunities in MSRs and assist local agencies on these efforts through discussions with executive staff members.

3. Identify and highlight opportunities in MSRs that support the efficiency and sustainability of affected agencies.

---

\(^1\) With the exception of **Strategic Area One**, the Commission’s strategic areas and priorities are not arranged in order of importance or priority. Anticipated dates of completion for related projects are outlined in the Commission’s FY 2019-2020 Work Plan.
4. Publish successful efforts of shared services agreements and partnerships as a resource to local agencies.

5. Provide interim reports to the Commission for discussion of MSRs that may involve significant issues.

6. Develop criteria for analyzing services and preparing an MSR through a streamlined process.

**Strategic Area Three**

Provide leadership on effort to transition unincorporated areas of high interest for the County and adjacent cities through the OC LAFCO Unincorporated Areas Program.

**Priority:**

1. Identify unincorporated areas of high interest for annexation through collaboration and discussions with the County and cities containing unincorporated areas within their respective spheres.

**Strategic Area Four**

Engage the South Orange County Unincorporated Communities (SOCUC) to assist with pathway to future governance.

**Priority:**

1. Conduct focused effort involving SOCUC and affected agencies on future governance in the region.

**Strategic Area Five**

Develop a program that enhances communication with local agencies and communities.

**Priority:**

1. Enhance existing vehicles and create new ones that promote communication with local agencies and key audiences.
2. Develop general talking points for Commissioners on the agency’s current strategies and priorities.
April 10, 2019

TO: Local Agency Formation Commission

FROM: Executive Officer
Policy Analyst

SUBJECT: Legislative Report (April 2019)

Since the new legislative session began on December 3, 2018, a total of 2,576 bills have been introduced in the Legislature. Many of these bills are expected to experience amendments to further define their purpose and focus. However, there are other bills that are moving swiftly through legislative committees.

Through the participation as a member of the California Association of LAFCOs (CALAFCO) Legislative Committee, staff has identified several bills of LAFCO-interest. This legislative report provides a review of those bills and the recommended positions for the Commission to consider. The next legislative report is scheduled for June 10, 2019. Should any items occur that require Commission review or action prior to the next scheduled update, staff will provide an interim report to the Commission.

PROPOSED BILLS OF LAFCO INTEREST

ASSEMBLY BILLS

AB 1822 (Assembly Local Government Omnibus Bill)
The Omnibus Bill is the annual bill used by CALAFCO to introduce technical and non-substantive changes to the Cortese-Knox-Hertzberg Reorganization Act of 2000 ("CKH Act"). The modifications assist in clarifying and providing consistency in how the CKH Act is applied throughout the State. The following are the proposed amendments:

- Modify Definition of “Service”: Currently Government Code Section 56074 defines “service” as a “specific governmental activity established within, and as a part of, a general function of the special district as provided by regulations adopted by the commission.” The
definition does not reference services provided by cities or counties. Consequently, the proposed amendment would reference a “local agency” to clarify that the definition of service applies to cities, counties, and special districts. The proposed amended definition would be “a specific governmental activity established within, and as a part of, a function of a local agency.”

- **Define Service Review:** Currently the CKH Act does not provide a definition for the term “service review”. The proposed amendment would define service review as “a review conducted pursuant to Government Code Section 56430.”

- **Extended Service:** Currently Government Code Section 56133 (c) specifies what the Commission may do in the case of a city’s or district’s request to extend services outside its jurisdictional boundary and sphere of influence to respond to an existing or impending threat to the health or safety of the public. The amendment proposes to remove “if consistent with adopted policy” from this section to eliminate confusion as to what the Commission must do regarding the implementation of this section.

- **Change of Organization:** Currently Government Code Section 57077 specifies that a city incorporation or city disincorporation are subject to voter approval. The amendment would also require that a “consolidation of two or more cities” be subject to voter approval.

- **Health Care District:** Currently Government Code Section 57103 mandates that a dissolution of a Health Care District be subject to confirmation by registered voters. The proposed amendment would reference Government Code Section 57077.1(c) to provide clarification regarding the Commission’s authority to dissolve health care districts.

**RECOMMENDED OC LAFCO POSITION:** Adopt “Support” position for AB 1822.

**POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS:**
**Support:** None Received.

**Oppose:** None Received.

**BILL LOCATION/STATUS:** Assembly Local Government Committee.
AB 213 (Reyes) - Vehicle License Fee Adjustment
This bill is the continued effort by the League of California Cities to restore funding for future annexations of inhabited areas that was previously introduced during the 2017-18 legislative session through AB 2268. Unfortunately, the bill was not successful as it failed to be introduced in the Assembly. AB 213 proposes to restore financial funding that was originally removed by SB 89, one of the budget bills of 2011. The bill seeks to restore funding for approximately 140 cities that annexed inhabited territory in reliance on previous financial incentives and offer the same incentives to future annexations of inhabited territory. In Orange County, the cities of Fullerton, La Habra, Newport Beach, and San Clemente were affected by the passage of SB 89.

RECOMMENDED OC LAFCO POSITION: Adopt “Support” position for AB 213.

POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS:
Support: CALAFCO.
Oppose: None Received.

BILL LOCATION/STATUS: Assembly Local Government Committee.

AB 818 (Cooley) Local Government Finance: Vehicle License Fee Adjustment
This bill is the continued effort by the League of California Cities to restore funding for future city incorporations that was previously introduced during the 2017-18 legislative session through AB 2491. AB 818 seeks to restore financial funding that was originally removed by SB 89 in 2011. The bill seeks to restore the same financial support that was approved in 2017 by the Legislature through SB 130 to four cities in Riverside County: City of Wildomar, City of Menifee, City of Eastvale, and City of Jurupa Valley.

RECOMMENDED OC LAFCO POSITION: Adopt “Support” position for AB 818.

POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS:
Support: City of San Luis Obispo, League of California Cities.
Oppose: None Received.

BILL LOCATION/STATUS: Assembly Local Government Committee.
AB 1253 (Rivas) - Local Agency Formation Commission - Grant Funding

This bill is a follow-up to the 2017-18 legislative effort of CALAFCO’s sponsorship of AB 2258 (Caballero), which proposed a one-time funding grant allocation of two million dollars to be administered by the Strategic Growth Council. AB 2258 was vetoed by the Governor due to its lack of funding request during the approval of the State’s budget. AB 1253 proposes the same provisions as previously specified by AB 2258 with the modified request that the funding be included in the State’s annual Budget.

AB 1253 proposes the following:

- Establish a one-time grant funding program, administered by the Strategic Growth Council, for a five-year pilot program to sunset on December 31, 2025 that would:
  
  ➢ Provide funding for LAFCOs to address known service and governance concerns in disadvantaged communities through the study and analysis of potential changes of organization of local government agencies that may result in improved efficiencies in service delivery.

  ➢ Provide financial reimbursement to LAFCOs for the unfunded mandate to dissolve inactive districts as identified by the State Controller’s Office. An inactive district is identified by the following requirements: 1) the district does not have any financial transactions, 2) the district does not have assets or equity, 3) and the district does not have outstanding liabilities.

  ➢ Change the protest threshold to mirror existing California Election Code: if there are less than 1,000 registered voters, the protest threshold is thirty percent; if there are less than 10,000 but at least 1,000 registered voters, the protest threshold is twenty-five percent; if there are less than 50,000 but at least 10,000 registered voters, the protest threshold is twenty percent; if there are 100,000 or more registered voters, the protest threshold is ten percent.

- Request that the proposed grant program be subject to an appropriation in the State’s annual Budget.

- Require that LAFCOs have a Municipal Service Review on file with determinations indicating efficiencies that can be gained to the identified disadvantaged community by a change of organization or reorganization.

Currently, there are seven disadvantaged communities in the County of Orange located in unincorporated areas within the spheres of influence of the cities of Anaheim, Stanton,
and Westminster. The Commission previously adopted a support position on AB 2258 during the 2017-18 legislative session.

**RECOMMENDED OC LAFCO POSITION:** Adopt "Support" position for AB 1253.

**POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS:**
**Support:** CALAFCO.

**Oppose:** None Received.

**BILL LOCATION/STATUS:** Assembly Appropriations Committee.

**ASSEMBLY BILLS**

**SB 646 (Morrell) – Extension of Utility Services**
Government Code Section 56133 requires that the Commission in each county review and approve or disapprove proposals to provide new or extended services by contract or agreement outside an agency’s jurisdictional boundary, but within its sphere of influence. Additionally, the code section also specifies that the new or extended service can only be approved if there is an anticipation of a later change of organization. SB 646 proposes to amend Government Code Section 56133 by prohibiting that an approved extension of sewer service connection or water service connection as described above have a different imposed charge or fee as those service connections that are within the agency’s jurisdictional boundary.

CALAFCO, in collaboration with LAFCOs, have expressed concerns that the proposed amendment does not take into consideration the additional fees that an agency may sustain to provide the services outside its jurisdictional boundary. Currently, AB 646 is undergoing amendments to address the concerns provided to the author by CALAFCO.

**RECOMMENDED OC LAFCO POSITION:**
No position recommended at this time due to expected amendments to the bill.

**SB 379, SB 380, SB 381 (Committee on Governance Finance) – Validating Acts of 2019**
Over the past 80 years, the Legislature has adopted annual Validating Acts to cure public officials’ minor procedural errors or omissions. Authored by the Senate Governance and Finance Committee, the annual bill affects the state government, cities, counties, special districts, and LAFCOs. The Validating Acts are meant to retroactively fix typographical, grammatical, and procedural errors that might invalidate boundary changes or bond issues. The Acts do not protect against fraud, corruption, or unconstitutional actions.
RECOMMENDED OC LAFCO POSITION: Adopt "Support" position for SB 379, SB 380, SB 381.

POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS:
Support: California State Association of Counties, East Bay Municipal Utility District, Rural County Representatives of California.

Oppose: None Received.

BILL LOCATION/STATUS: Senate.

RECOMMENDATIONS
Staff recommends that the Commission:

1. Receive and file the April 10, 2019 Legislative Report.

2. Adopt recommended positions on the following bills:
   A. AB 213 (Support)
   B. AB 818 (Support)
   C. AB 1253 (Support)
   D. SB 379, SB 380, SB 381 (Support)
   E. AB 1822 (Support)

3. Direct staff to submit letters of support (Attachments A-E).

Respectfully Submitted,

CAROLYN EMERY

LUIS TAPIA
April 10, 2019

Assembly Member Eloise Gomez Reyes  
California State Assembly  
State Capitol, Room 2175  
Sacramento, CA 95814

RE: Support – AB 213: Vehicle License Fee Adjustments

Dear Assembly Member Reyes:

The Orange County Local Agency Formation Commission ("OC LAFCO") supports Assembly Bill 213. This bill would restore funding to approximately 140 cities that annexed inhabited territory in reliance on previous financial incentives, then suffered significant fiscal harm when those funds were eliminated due to the passage of SB 89 (2011). AB 213 also offers similar incentives to support future annexations of inhabited territory to improve services to affected residents consistent with state and local LAFCO policies.

The VLF gap created by SB 89, one of the 2011 budget bills, created a financial disincentive for future city incorporations and annexations of inhabited territory. Further, it created severe fiscal penalties for those cities which chose to annex inhabited territories, particularly unincorporated islands. In several previous legislative acts, the Legislature has directed LAFCOs to work with cities to annex unincorporated inhabited islands. However, the loss of financial incentive to assist in this effort has made it difficult for LAFCOs to follow this legislative directive.

Reinstating revenues for annexations is consistent with statewide LAFCO legislative policies of providing communities with local governance and efficient service delivery options, including the ability to annex. The inability to do so generates a tremendous detriment to the creation of logical development boundaries. AB 213 reinstates a critical funding component for cities that intend to annex inhabited territory in the future, and Orange LAFCO supports this bill.
We appreciate your effort in carrying this important legislation.

Respectfully,

Cheryl Brothers
Chair

cc: Pamela Miller, Executive Director, CALAFCO
    Dan Carrigg, Deputy Executive and Legislative Director, League of Ca Cities
April 10, 2019

Assembly Member Ken Cooley
California State Assembly
State Capitol Room 3013
Sacramento, CA 95814

RE: Support - AB 818: Local Government Finance

Dear Assembly Member Cooley:

The Orange County Local Agency Formation Commission ("OC LAFCO") is pleased to support Assembly Bill 818. AB 818 would restore the financial funding for city incorporations that was removed by SB 89 in 2011. This bill would allow communities considering incorporation to have the same opportunity to incorporate as other California cities had in the past. Given the growing population in our state and the need for orderly growth and adequate service provision, restoring financial funding can assist with future city incorporations.

In 2017, the Legislature addressed the financial harm caused by SB 89 to four recently incorporated cities in Riverside County via the passage of SB 130. SB 130 provides the Legislature a template to address the fiscal viability of future incorporations. AB 818 adopts the template provided by SB 130 and reinstates a critical funding component to cities that incorporated after 2017.

We appreciate your effort in carrying this important legislation.

Respectfully,

Cheryl Brothers
Chair

cc: Pamela Miller, Executive Director, CALAFCO
April 10, 2019

The Honorable Robert Rivas
California State Assembly
State Capitol, Room 5158
Sacramento, CA 95814

RE: Support - AB 1253: Local Agency Formation Commission - Grant Funding

Dear Assembly Member Rivas:

The Orange County Local Agency Formation Commission ("OC LAFCO") supports Assembly Bill 1253. This bill establishes a five-year pilot program to provide grants to LAFCOs to address known service and governance concerns in disadvantaged communities. This program provides grants to LAFCOs for conducting special in-depth studies and analyses of local government agencies and services for the purposes of creating efficiencies in the delivery of local government services and completing the dissolution of inactive special districts. The grant program would be administered by the Strategic Growth Council and would sunset on December 31, 2025.

The Legislature established LAFCOs in 1963 to encourage the orderly formation of local government agencies. Since that time, the regulatory role and responsibilities of LAFCOs has substantially increased without additional funding. Operating in all 58 California counties, LAFCOs are responsible for meeting important statutory directives to maintain orderly boundaries and seek greater efficiencies in delivering local services, and yet these directives, at times, cannot be met under current funding mechanisms.

In August 2017, the Little Hoover Commission published a report on special districts and their oversight by LAFCOs, which contained several recommendations directly related to LAFCO. One recommendation was for the Legislature to provide one-time grant funding to pay for specified LAFCO activities, particularly to incentivize LAFCOs or smaller special districts to develop and
implement dissolution or consolidation plans with timelines for expected outcomes. By establishing this one-time grant funding, AB 1253 provides an additional tool for LAFCOs to address known service and governance concerns in disadvantaged communities by conducting detailed studies and potentially implementing greater efficiencies in delivering local services based on local circumstances and conditions. For these reasons, OC LAFCO supports AB 1253.

We appreciate your effort in carrying this important legislation.

Respectfully,

Cheryl Brothers
Chair

cc: Senator Robert Hertzberg, Co-Author
    Senator Ana Caballero, Co-Author
    Pamela Miller, Executive Director, CALAFCO
April 10, 2019

Honorable Mike McGuire, Chair
Senate Governance and Finance Committee
State Capitol, Room 408
Sacramento, CA 95814


Dear Chair McGuire:

The Orange County Local Agency Formation Commission ("OC LAFCO") is pleased to support SB 379, SB 380, and SB 381, authored by the Senate Governance and Finance Committee. Known as the "Validating Acts of 2019", these bills help all public agencies because they protect investors from minor errors that might otherwise threaten our boundary changes, bonds, and other official acts. As in past years, the passage of the Validating Acts of 2019 will ensure that municipal bonds receive the highest possible rating, resulting in the lowest possible borrowing costs, which help insure the taxpayers receive low-cost quality municipal services.

We appreciate your efforts in carrying this important legislation.

Respectfully

Cheryl Brothers
Chair

cc: Pamela Miller, Executive Director, CALAFCO
April 10, 2019

Honorable Cecilia Aguiar-Curry, Chair
Assembly Local Government Committee
California State Assembly
State Capitol, Room 5144
Sacramento, CA 95814

RE: Support - AB 1822: Committee on Local Government Omnibus Bill

Dear Chair Aguiar-Curry:

The Orange County Local Agency Formation Commission ("OC LAFCO") is pleased to support the Assembly Committee on Local Government Omnibus Bill AB 1288, which makes technical, non-substantive changes to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("the Act"). These changes promote greater clarity and efficiency in LAFCO's ability to fulfill its role in facilitating and encouraging the efficient delivery of municipal services.

AB 1288 helps to ensure that the Act remains a vital and practical law that is consistently applied throughout the State. We appreciate your Committee's authorship of this bill and support of LAFCO's mission.

Respectfully,

Cheryl Brothers
Chair

cc: Pamela Miller, Executive Director, CALAFCO