



May 13, 2020

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REGULAR MEMBERS

CHAIR
CHERYL BROTHERS
CITY MEMBER

VICE CHAIR
DOUGLASS DAVERT
SPECIAL DISTRICT MEMBER

IMMEDIATE PAST CHAIR
DEREK J. MCGREGOR
PUBLIC MEMBER

LISA BARTLETT
COUNTY MEMBER

DR. ALLAN BERNSTEIN
CITY MEMBER

JAMES FISLER
SPECIAL DISTRICT MEMBER

DONALD P. WAGNER
COUNTY MEMBER

ALTERNATES

WENDY BUCKNUM
CITY MEMBER

KATHRYN FRESHLEY
SPECIAL DISTRICT MEMBER

LOU PENROSE
PUBLIC MEMBER

MICHELLE STEEL
COUNTY MEMBER

STAFF

CAROLYN EMERY
EXECUTIVE OFFICER

TO: Local Agency Formation Commission

FROM: Executive Officer

SUBJECT: Fiscal Year 2020-21 OC LAFCO Final Budget

DISCUSSION

On March 11, 2020, the Commission adopted the proposed Fiscal Year 2020-21 budget. Subsequently, the documents were distributed to each of the funding agencies for review and comment. Since the distribution of the proposed budget, the operations and finances of local governments have been significantly impacted due to the circumstances of the Coronavirus (COVID-19) pandemic. Given this current situation, staff is recommending that several adjustments be incorporated into the final budget. The recommended final OC LAFCO budget for Fiscal Year 2020-21 (*Attachment 1*) totals \$1,257,510, which reflects a \$53,420 or 4.1 percent reduction from the approved proposed budget. The following is a summary of the adjustments contained in the recommended final budget:

➤ ***Apportionment to Funding Agencies to Remain at Same Funding Level of FY 2019-20***

The recommended final budget maintains the total apportionment to the County, cities and special districts at \$1,124,500, which is the same funding level as the FY 2019-20 budget. The overall apportionment is equally divided amongst the County, cities and special districts. The proposed apportionment for the County is \$374,833.33. The apportionments for the individual cities and independent special districts were prepared by the County Auditor-Controller's Office using the formulas adopted by the City Selection Committee and the Independent Special District Selection Committee respectively. The revised apportionments for Fiscal Year 2020-21 for each city and special district are delineated in *Attachments 1B and 1C*.

➤ ***Salary Assumptions Reduced***

The recommended final budget reduces the salary appropriations by eliminating the 2.7 percent cost-of-living adjustment for three staff positions and reflects the related reductions in personnel taxes and benefits resulting in a savings of \$14,870.

➤ ***Professional Development and Travel/Conferences Allocations Reduced***

The recommended final budget eliminates the allocation for professional development for staff for a savings of \$22,000 and reduces the appropriation for Travel and Conferences for both Commissioners and staff by \$16,550.

➤ ***Drawdown on Unreserved Equity Reduced***

The recommended final budget reduces the drawdown on unreserved equity from the \$123,430 contained in the proposed budget to \$115,010, which constitutes a decrease of \$8,420. The funds resulting from this reduction will be added back into the agency's unreserved equity.

The OC LAFCO staff will continue to monitor additional potential impacts to the agency's budget due to COVID-19. This includes monitoring of areas such as health care, retirement and other operational line items, as the related impacts may affect the budgets of the funding agencies and OC LAFCO beyond Fiscal Year 2020-21. Any additional information gathered during the year regarding these impacts will be incorporated into the agency's quarterly reports and Executive Officer updates.

OC LAFCO THREE-YEAR BUDGET PROJECTIONS

Attachment 2 provides the Commission and the funding agencies with budget projections beyond a single fiscal year. As the impacts of COVID-19 to local governments are expected to extend beyond the coming fiscal year, the three-year projections reflect maintaining the agency apportionment at the FY 2019-20 level for both FY 2020-21 and FY 2021-22 with increases of 4.5 percent in the following two fiscal years. General operational expenditures are maintained at current levels or adjusted, if necessary, by factors such as current trends, contractual obligations, or the CPI. With the uncertainty of future budget impacts to OC LAFCO and our funding agencies, the three-year projections are subject to change and should be used for trending purposes only.

AGENCY COMMENTS

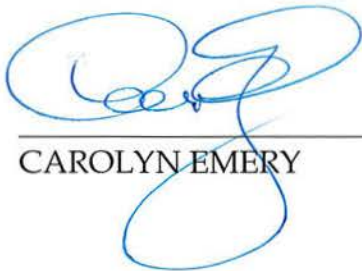
On March 11, 2020, the OC LAFCO proposed budget was distributed to the Board of Supervisors, County Executive Office, and each city and independent special district for review and comment. Although no comments had been received from this budget material distribution, on April 24, the Executive Officer, after consulting with the members of the Executive Committee, informed the funding agencies that the recommended final budget would contain adjustments that include reductions to the proposed budget previously distributed. Specifically, the agencies were informed that one of the adjustments will be to maintain the total apportionment paid by the funding agencies at the same level as the 2019-20 Fiscal Year. As of May 5, the day of the agenda mail-out, OC LAFCO had not received any written comments from any of the funding agencies.

RECOMMENDATION

Staff recommends that the Commission:

1. Adopt the OC LAFCO Final Budget for Fiscal Year 2020-21.

Respectfully submitted,



CAROLYN EMERY

Attachments:

1. *OC LAFCO Fiscal Year 2020-21 Final Budget*
 - A. *Budget Categories for Fiscal Year 2020-21*
 - B. *City Apportionments for Fiscal Year 2020-21*
 - C. *Special District Apportionments for Fiscal Year 2020-21*
2. *Three-year Budget Projections (FYs 2021-22 to 2023-24)*
3. *OC LAFCO Fiscal Year 2020-21 Proposed Budget Staff Report (March 11, 2020)*

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
FINAL BUDGET
Fiscal Year 2020/21

| | FY 19/20 Approved Budget | FY 20/21 Final Budget | \$ Budget Variance |
|--|---|--------------------------------------|-----------------------------------|
| <i>Apportionment Increase Factor (%)</i> | | <i>0.0%</i> | |
| REVENUES | | | |
| (Additions) / Uses of Unreserved Cash | \$ 116,150 | \$ 115,010 | \$ (1,140) |
| 4000 LAFCO Apportionment | 1,124,500 | 1,124,500 | - |
| 4200 Interest | 18,000 | 18,000 | - |
| REVENUES & USES / (ADDITIONS) TO CASH | 1,258,650 | 1,257,510 | (1,140) |
| EXPENDITURES | | | |
| Salaries & Benefits | | | |
| 5000 Salaries | 498,500 | 529,220 | 30,720 |
| 5010 Hourly Employees | 10,000 | 18,000 | 8,000 |
| 5106 Retirement | 176,900 | 190,920 | 14,020 |
| 5109 Retiree Health Benefits | 20,200 | 18,250 | (1,950) |
| 5108 Health Insurance | 56,700 | 56,520 | (180) |
| 5110 Dental Insurance | 5,600 | 5,710 | 110 |
| 5112 Life Insurance | 600 | 510 | (90) |
| 5102 Optional Benefit Plan | 18,500 | 18,500 | - |
| 5104 Deferred Compensation | 15,400 | 16,130 | 730 |
| 5116 Medicare | 7,400 | 8,210 | 810 |
| 5114 Worker's Compensation | 3,800 | 3,940 | 140 |
| 5120 Salary Continuance | 1,800 | 1,860 | 60 |
| 5122 Accidental Death Insurance | 150 | 130 | (20) |
| 5125 Executive Car Allowance | 7,200 | 7,200 | - |
| SubTotal: Salaries & Benefits | 822,750 | 875,100 | 52,350 |
| Office Operations | | | |
| 5150 Information Technology | 10,000 | 10,000 | - |
| 5151 Internet & Telephone | 16,200 | 15,760 | (440) |
| 5200 County Charges | 5,500 | 8,500 | 3,000 |
| 5250 Insurance | 16,000 | 9,800 | (6,200) |
| 5350 Membership/Subscriptions | 33,800 | 35,320 | 1,520 |
| 5450 Office Equipment/Supplies | 10,000 | 10,000 | - |
| Professional Services | | | |
| 5510 Legal | 60,000 | 60,000 | - |
| 5520 Audit/Accounting | 43,100 | 43,200 | 100 |
| 5530 Human Resources | 9,000 | 9,450 | 450 |
| 5540 Other Professional | 60,000 | 60,000 | - |
| Other Operations | | | |
| 5535 Mapping | 7,200 | 9,500 | 2,300 |
| 5550 Investment Admin Fees | 600 | 630 | 30 |
| 5600 Public Noticing / Communications | 2,000 | 5,400 | 3,400 |
| 5610 Unincorporated Areas Program | 6,000 | 6,000 | - |
| 5650 Rents/Maintenance | 79,800 | 51,100 | (28,700) |
| 5675 Equipment Leases & Maintenance | 7,200 | 7,860 | 660 |
| 5700 Commissioner/Staff Expenses | 7,000 | 7,000 | - |

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
FINAL BUDGET
Fiscal Year 2020/21

| | FY 19/20 Approved Budget | FY 20/21 Final Budget | \$ Budget Variance |
|---|---|--------------------------------------|-----------------------------------|
| 5710 Commission Stipends & Taxes/Fees | 16,200 | 16,350 | 150 |
| 5750 Professional Development | 22,000 | - | (22,000) |
| 5800 Registration/Travel | 18,300 | 10,540 | (7,760) |
| 5850 Commission Meeting Expenses | 6,000 | 6,000 | - |
| Subtotal: Office Operations & Services | 435,900 | 382,410 | (53,490) |
| TOTAL EXPENDITURES | 1,258,650 | 1,257,510 | (1,140) |
| NET BUDGET | \$ - | \$ - | |

| | FY 19/20 Approved Budget | FY 20/21 Final Budget | \$ Budget Variance |
|--|---|--------------------------------------|-----------------------------------|
| <u>PROJECTED RESERVES</u> | | | |
| 1 Contingency reserve | \$ 100,000 | \$ 100,000 | \$ - |
| 2 Reserve for litigation | 75,000 | 75,000 | - |
| 3 Unfunded liability reserve | 30,000 | 30,000 | - |
| 4 Reserve - 25% of Budgeted Expenditures | 314,663 | 314,377 | (285) |
| <u>UNRESERVED CASH</u> | | | |
| 6 Balance at the Beginning of FY | 727,037 | 817,502 ¹ | 90,465 |
| 7 Addition (Drawdown) to Unreserved Cash | (116,150) | (115,010) | 1,140 |
| 8 Projected unreserved cash at the End of FY | 610,887 | 702,492 | 91,605 |
| 9 Total Projected Cash Balances at End of FY | \$ 1,130,550 | \$ 1,221,870 | \$ 91,320 |

Footnote 1 - The final budget uses a projected beginning balance for Fiscal Year 2020/21. Fiscal Year 2019/20 projected year-end cash is expected to end higher than the approved budget.

OC LAFCO FY 2020-21 BUDGET CATEGORIES

REVENUES

The following summarizes the revenue categories of the 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 will be 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 the expenditure categories of the 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, life, accidental and disability 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 consultant for IT services.

5151 Internet and Telephone

This category includes costs for the usage, technical support, equipment purchasing, leasing and maintenance for office and mobile telephones, website hosting, and internet service.

OC LAFCO FY 2020-21 BUDGET CATEGORIES

5200 County Charges

This category includes costs incurred for payroll processing, records archiving and storage, and billing and collection services provided by the County of Orange.

5250 Insurance

This category includes costs incurred for insurance coverage. OC LAFCO contracts with the County and a joint powers authority for the following coverages for instances that occur during the general operation of the agency.

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

5350 Membership/Subscriptions

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

5450 Office Equipment and Supplies

This category includes costs incurred for the purchase of office supplies and equipment, computers, 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 services.
- ✓ **5520 Auditing/Accounting** – Bookkeeping, accounting and auditing services. OC LAFCO audited financial statements are prepared by an independent auditor.
- ✓ **5530 Human Resources** – Personnel services that may be provided by an independent consultant for assistance with recruitment, professional development and other human resource areas.
- ✓ **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 contentious projects that may include meeting facilitation, peer reviews, and preparation of Municipal Service Reviews, fiscal studies and other reports.

OC LAFCO FY 2020-21 BUDGET CATEGORIES

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.

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 and maintenance of OC LAFCO office space.

5675 Equipment Leases/Maintenance

This category includes costs for leasing and maintenance of the OC LAFCO copier and printers.

5700 Commissioner/Staff Expenses

This category includes costs incurred by Commissioners and staff to attend OC LAFCO and other related business meetings and activities.

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 employee professional development (e.g., college/university degree programs and courses, certificate programs, leadership seminars).

5800 Transportation/Travel/Registration

This category includes costs incurred for registration and travel expenses for commissioners and staff to attend the CALAFCO annual conference, staff workshop and board meetings.

5850 Commission Meeting Expenses

This category includes costs incurred for room rental, parking and miscellaneous supplies used for Commission meetings.

OC LAFCO FY 2020-21 BUDGET CATEGORIES

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 litigation not covered by application fees and deposits.

Unfunded Liability Reserve

Restricted funds used to offset anticipated agency liabilities (i.e., employee compensated absences).

OC LAFCO FY 2020-21 City Allocations

| City | FY 2020-21 City Allocation |
|------------------------|-------------------------------|
| Aliso Viejo | \$ 5,801.67 |
| Anaheim | 41,218.15 |
| Brea | 6,573.82 |
| Buena Park | 9,267.00 |
| Costa Mesa | 13,128.16 |
| Cypress | 5,601.89 |
| Dana Point | 4,346.20 |
| Fountain Valley | 6,735.75 |
| Fullerton | 16,896.74 |
| Garden Grove | 18,444.80 |
| Huntington Beach | 23,068.75 |
| Irvine | 38,326.32 |
| Laguna Beach | 4,011.46 |
| Laguna Hills | 4,132.54 |
| Laguna Niguel | 8,912.79 |
| Laguna Woods | 2,110.31 |
| La Habra | 6,929.55 |
| Lake Forest | 10,965.00 |
| La Palma | 1,701.37 |
| Los Alamitos | 1,919.15 |
| Mission Viejo | 12,078.26 |
| Newport Beach | 13,217.37 |
| Orange | 17,587.93 |
| Placentia | 5,802.80 |
| Rancho Santa Margarita | 7,023.26 |
| San Clemente | 9,628.34 |
| San Juan Capistrano | 6,390.16 |
| Santa Ana | 33,881.19 |
| Seal Beach | 4,842.10 |
| Stanton | 3,919.26 |
| Tustin | 9,227.27 |
| Villa Park | 971.94 |
| Westminster | 9,883.98 |
| Yorba Linda | 10,288.05 |
| TOTAL | \$ 374,833.33 |

OC LAFCO FY 2020-21 Special District Allocations

| District | ISDOC Formula Calculation FY 2020-21 |
|---|--|
| Silverado-Modjeska Rec. & Park | \$ 449.80 |
| Surfside Colony Stormwater | 449.80 |
| Rossmoor/Los Alamitos Area Sewer District | 449.80 |
| Surfside Colony CSD | 449.80 |
| Capistrano Bay CSD | 2,211.52 |
| Rossmoor CSD | 2,211.52 |
| Three Arch Bay CSD | 2,211.52 |
| Emerald Bay CSD | 2,211.52 |
| Buena Park Library District | 2,211.52 |
| Placentia Library District | 2,211.52 |
| Orange County Cemetery District | 3,373.50 |
| Orange County Vector Control District | 4,460.52 |
| Total Non-Enterprise Districts | \$ 22,902.32 |
| Sunset Beach Sanitary District | 4,460.52 |
| Serrano Water District | 13,381.55 |
| East Orange Co. Water District | 13,381.55 |
| Midway City Sanitary District | 17,804.58 |
| Trabuco Canyon Water District | 17,804.58 |
| Costa Mesa Sanitary District | 17,804.58 |
| El Toro Water District | 22,265.10 |
| Mesa Water District | 22,265.10 |
| Yorba Linda Water District | 22,265.10 |
| South Coast Water District | 26,725.62 |
| Moulton Niguel Water District | 31,186.13 |
| Santa Margarita Water District | 31,186.13 |
| Municipal Water District of O.C. | 35,646.65 |
| Orange County Water District | 35,646.65 |
| Irvine Ranch Water District | 40,107.17 |
| Total Enterprise Districts | \$ 351,931.01 |
| Total Special Districts | \$ 374,833.33 |

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
THREE-YEAR BUDGET PROJECTIONS
FY 2020/21 TO 2023/24

| | FY 20/21 Final Budget | FY 21/22 Projected Budget | FY 22/23 Projected Budget | FY 23/24 Projected Budget |
|---|--------------------------------------|--|--|--|
| <i>Apportionment Increase Factor (%)</i> | <i>0.0%</i> | <i>0.0%</i> | <i>4.5%</i> | <i>4.5%</i> |
| REVENUES | | | | |
| (Additions) / Uses of Unreserved Cash | \$ 115,010 | \$ 196,510 | \$ 177,900 | \$ 159,790 |
| 4000 LAFCO Apportionment | 1,124,500 | 1,124,500 | 1,175,100 | 1,228,000 |
| 4200 Interest | 18,000 | 18,000 | 18,000 | 18,000 |
| REVENUES & USES / (ADDITIONS) TO CASH | 1,257,510 | 1,339,010 | 1,371,000 | 1,405,790 |
| EXPENDITURES | | | | |
| Salaries & Benefits | | | | |
| 5000 Salaries | 529,220 | 529,220 | 543,510 | 558,190 |
| 5010 Hourly Employees | 18,000 | 10,000 | 10,000 | 10,000 |
| 5106 Retirement | 190,920 | 192,830 | 198,120 | 203,480 |
| 5109 Retiree Health Benefits | 18,250 | 19,350 | 20,520 | 21,760 |
| 5108 Health Insurance | 56,520 | 59,920 | 63,520 | 67,340 |
| 5110 Dental Insurance | 5,710 | 5,770 | 5,830 | 5,890 |
| 5112 Life Insurance | 510 | 530 | 550 | 570 |
| 5102 Optional Benefit Plan | 18,500 | 18,500 | 18,500 | 18,500 |
| 5104 Deferred Compensation | 16,130 | 16,130 | 16,570 | 17,020 |
| 5116 Medicare | 8,210 | 8,090 | 8,300 | 8,510 |
| 5114 Worker's Compensation | 3,940 | 3,940 | 4,050 | 4,160 |
| 5120 Salary Continuance | 1,860 | 1,860 | 1,910 | 1,960 |
| 5122 Accidental Death Insurance | 130 | 140 | 150 | 160 |
| 5125 Executive Car Allowance | 7,200 | 7,200 | 7,400 | 7,600 |
| SubTotal: Salaries & Benefits | 875,100 | 873,480 | 898,930 | 925,140 |
| Office Operations | | | | |
| 5150 Information Technology | 10,000 | 10,270 | 10,550 | 10,840 |
| 5151 Internet & Telephone | 15,760 | 16,190 | 16,630 | 17,080 |
| 5200 County Charges | 8,500 | 8,730 | 8,970 | 9,220 |
| 5250 Insurance | 9,800 | 7,040 | 7,400 | 7,770 |
| 5350 Membership/Subscriptions | 35,320 | 36,280 | 36,760 | 37,760 |
| 5450 Office Equipment/Supplies | 10,000 | 10,270 | 10,550 | 10,840 |
| Professional Services | | | | |
| 5510 Legal | 60,000 | 60,000 | 60,000 | 60,000 |
| 5520 Audit/Accounting | 43,200 | 44,370 | 45,570 | 46,810 |
| 5530 Human Resources | 9,450 | 9,510 | 9,770 | 10,040 |
| 5540 Other Professional | 60,000 | 60,000 | 60,000 | 60,000 |
| Other Operations | | | | |
| 5535 Mapping | 9,500 | 9,760 | 10,030 | 10,310 |
| 5550 Investment Admin Fees | 630 | 650 | 670 | 690 |
| 5600 Public Noticing / Communications | 5,400 | 5,700 | 3,800 | 3,800 |
| 5610 Unincorporated Areas Program | 6,000 | 6,000 | 6,000 | 6,000 |
| 5650 Rents/Maintenance | 51,100 | 100,520 | 104,080 | 107,120 |
| 5675 Equipment Leases & Maintenance | 7,860 | 8,080 | 8,300 | 8,530 |
| 5700 Commissioner/Staff Expenses | 7,000 | 7,190 | 7,390 | 7,590 |
| 5710 Commission Stipends & Taxes/Fees | 16,350 | 16,800 | 17,260 | 17,730 |
| 5750 Professional Development | - | 22,000 | 22,000 | 22,000 |
| 5800 Registration/Travel | 10,540 | 20,000 | 20,000 | 20,000 |
| 5850 Commission Meeting Expenses | 6,000 | 6,170 | 6,340 | 6,520 |
| Subtotal: Office Operations & Services | 382,410 | 465,530 | 472,070 | 480,650 |
| TOTAL EXPENDITURES | 1,257,510 | 1,339,010 | 1,371,000 | 1,405,790 |
| NET BUDGET | \$ - | \$ - | \$ 0 | \$ 0 |

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
THREE-YEAR BUDGET PROJECTIONS
FY 2020/21 TO 2023/24

| | FY 20/21 Final Budget | FY 21/22 Projected Budget | FY 22/23 Projected Budget | FY 23/24 Projected Budget |
|--|--------------------------------------|--|--|--|
| <u>PROJECTED RESERVES</u> | | | | |
| 1 Contingency reserve | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| 2 Reserve for litigation | 75,000 | 75,000 | 75,000 | 75,000 |
| 3 Unfunded liability reserve | 30,000 | 30,000 | 30,000 | 30,000 |
| 4 Reserve - 25% of Budgeted Expenditures | 314,377 | 334,753 | 342,750 | 351,448 |
| <u>UNRESERVED CASH</u> | | | | |
| 6 Balance at the Beginning of FY | 817,502 | 682,117 | 477,610 | 291,012 |
| 7 Addition (Drawdown) to Unreserved Cash | (115,010) | (196,510) | (177,900) | (159,790) |
| 8 Projected unreserved cash at the End of FY | 702,492 | 485,607 | 299,710 | 131,222 |
| 9 Total Projected Cash Balances at End of FY | \$ 1,221,870 | \$ 1,025,360 | 847,460 | 687,670 |



ATTACHMENT 3

LOCAL AGENCY FORMATION COMMISSION

ORANGE COUNTY

March 11, 2020

8a

REGULAR MEMBERS

CHAIR
CHERYL BROTHERS
CITY MEMBER

VICE CHAIR
DOUGLASS DAVERT
SPECIAL DISTRICT MEMBER

IMMEDIATE PAST CHAIR
DEREK J. MCGREGOR
PUBLIC MEMBER

LISA BARTLETT
COUNTY MEMBER

DR. ALLAN BERNSTEIN
CITY MEMBER

JAMES FISLER
SPECIAL DISTRICT MEMBER

DONALD P. WAGNER
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ALTERNATES

WENDY BUCKNUM
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KATHRYN FRESHLEY
SPECIAL DISTRICT MEMBER

LOU PENROSE
PUBLIC MEMBER

MICHELLE STEEL
COUNTY MEMBER

STAFF

CAROLYN EMERY
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer
Accountant

SUBJECT: Proposed Fiscal Year 2020-21 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 2020-21 budget is presented in line-item detail for the Commission's review and consideration (*Attachment 1*).

In January, 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 13, 2020 regular meeting.

The Commission's Fee Schedule, which was originally established in 1995, is structured to ensure that the agency is recovering the actual costs associated with processing an application. The Fee Schedule includes application processing fees and charges and reflects the current rates for staff and legal counsel direct costs. The recommended actions include adopting the Fee Schedule Resolution (*Attachment 3*).

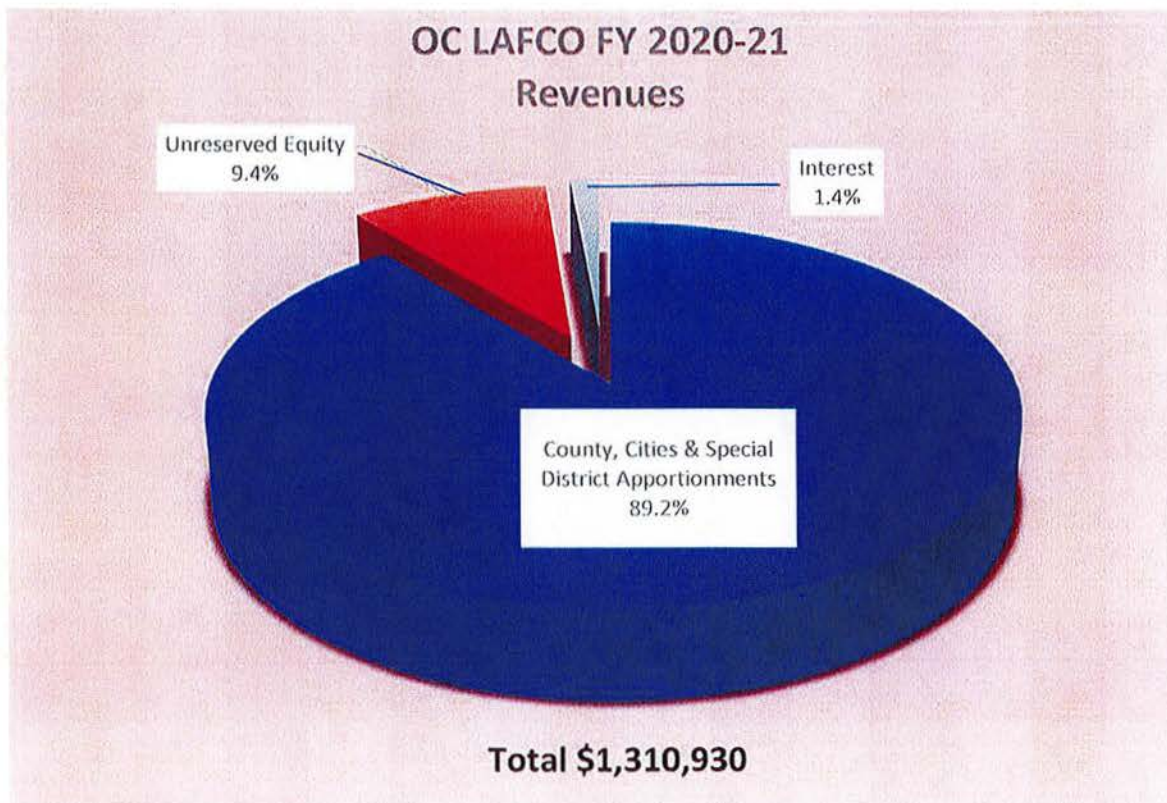
FY 2020-21 OC LAFCO PROPOSED BUDGET

The proposed FY 2020-21 budget is balanced; the expected expenditures are funded by the projected ongoing revenues together with a drawdown of unreserved equity. The proposed budget totals \$1,310,930 which represents an increase of 4.2 percent from the current budget. The following provides a description and discussion of the revenues, expenditures and reserves contained in the FY 2020-21 proposed budget.

REVENUES

The revenues in the proposed budget for FY 2020-21 total \$1,310,930. There are three categories of agency revenues: (1) County, Cities, and Special Districts Apportionments, (2) Interest, and (3) Unreserved equity. As depicted in Figure 1, the apportionments to the funding agencies constitute 89.2 percent of the revenues with the balance being contributed by unreserved equity and interest revenue.

Figure 1 – Proposed FY 2020-21 OC LAFCO Budget Revenues



(1) County, Cities, and Special Districts Apportionments

As previously mentioned, the apportionments from the funding agencies provide the largest revenue source for OC LAFCO. The total apportionment for FY 2020-21 of \$1,169,500 to be collected from the County, cities and special districts constitutes an overall increase of four percent from the FY 2019-20 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 projected individual apportionments for cities for FY 2020-21 are delineated in *Attachment 1B*. As the Independent Special District Selection Committee is currently reviewing the alternative formula for its apportionment, the special districts' individual apportionments will be prepared by the Auditor Controller after that process is complete. As this process does not involve OC LAFCO, it will not impact the statutory requirement involving the adoption of the proposed and final budgets.

(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, OC LAFCO staff, 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 2020-21 budget assumes that the interest accrued on the agency's investment accounts will generate \$18,000 or 1.4 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 2020-21, amounts to \$327,732.

Unreserved equity is any balance available above those minimums. The proposed FY 2020-21 budget revenue assumptions include \$123,430 from the unreserved equity which represents 9.4 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. The agency's projected reserves through FY 2023-24 are provided in *Attachment 3*. Based on these

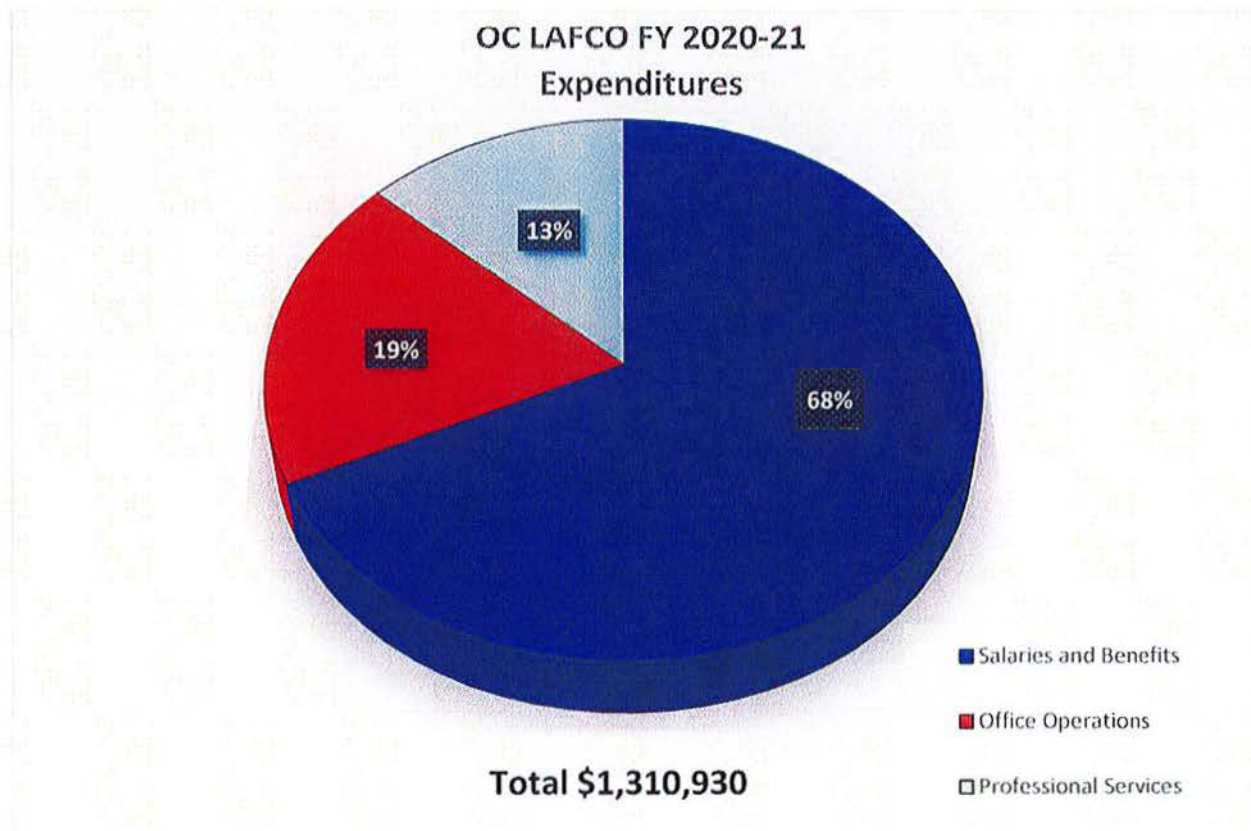
budget projections, it is anticipated that the reserve levels will remain within the Commission's approved policy at the beginning of FY 2024-25.

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 preparing updates of agencies' Spheres of Influence, conducting Municipal Service Reviews and the Unincorporated Areas Program.

The proposed budget includes adjustments to specific budget categories based on the national Consumer Price Index (CPI), past trending, actual expenditures and the budget instructions from the County regarding the benefit cost projections. The Commission expenses are described in three categories: (1) Salaries and Benefits, (2) Office Operations, 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 2020-21 OC LAFCO Expenditures



Fiscal Year 2020-21 Proposed Budget and Fee Schedule Resolution

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(1) Salaries & Benefits

The proposed FY 2020-21 budget for salaries and benefits for the five full-time professional staff and any temporary or seasonal staff total \$889,970, which is an increase of 8.2 percent from the budgeted amount in the current fiscal year. The projections in the proposed budget reflect equity adjustments to the annual salaries of two positions (Policy Analyst I and Policy Analyst II) that are currently below the first step of the range included in the salary schedule approved by the Commission in 2018 for these OC LAFCO positions. For the agency's other full-time positions, the proposed budget includes a cost-of-living adjustment of 2.7 percent, which is based on the current CPI.

The assumptions for the employee benefits (health, dental, life and disability insurance, and deferred compensation) are based on information provided by the County of Orange, which provides these benefits to OC LAFCO employees through a contractual agreement. The benefits for OC LAFCO employees mirror the benefits provided by the County to its employees and Executive Managers. Also, the proposed budget contains assumptions for retirement costs that are based on the figures provided by the Orange County Employees Retirement System (OCERs).

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. An accounting of the fees collected, personnel or other costs applied, and balance remaining in these special funds 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

Overall, the Commission operations demonstrate prudent management of agency expenses. The following provides a brief discussion of the key areas that incorporate proposed changes in appropriations for FY 2020-21:

➤ ***County Charges (line item 5200)***

This line item records 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. The proposed budget projects an increase of \$3,000 in this line item to accommodate the restructuring of the agency's archiving and records system.

➤ ***Insurance (line item 5250)***

As a result of a competitive process conducted during the 2019-20 fiscal year, the Commission approved changing providers for property, general liability and crime insurance to enhance the insurance coverage while lowering the annual premiums. The proposed appropriation for this line item reflects a \$6,200 decrease from the amount budgeted in the current fiscal year.

➤ ***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, Sphere of Influence Updates and compilation of data for the unincorporated areas. 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 2020-21 fiscal year is the beginning of a new three-year memorandum of agreement (MOU) with CDR. The proposed annual rate is \$17,000 per year, which represents an increase of \$1,000 above the annual rate in the previous MOU. The consideration of the new three-year MOU with CDR will be presented to the Commission at its meeting in May.

This budget line item also contains the membership dues for CALAFCO at the level that was approved by the CALAFCO Board in October 2019. The proposed annual allocation reflects the new formula and totals \$10,665.

➤ ***Mapping (line item 5535)***

This budget line item provides the allocation for the agency's Geographic Information System (GIS) and other mapping programs. The proposed budget includes an increase of \$2,300 for projected costs for purchasing data to update parcel information, aerial imagery and other specialized datasets that will be used for upgrading the GIS system and applied in preparing the Municipal Service Reviews and completing other projects.

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

This line item includes the costs for publishing legal notices and other communications that are statutorily required and not reimbursable through application fees. The publishing costs for public notices has increased significantly and is reflected in the proposed \$3,400 adjustment to this line item for FY 2020-21.

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

In November 2019, the Commission approved a ten-year lease extension for the OC LAFCO offices that contained a number of financial incentives that will be applied to the FY 2020-21 budget. As a result, the proposed appropriation for this line item is \$28,800 below the amount approved in the FY 2019-20 budget. However, as the rent abatement and other incentives will end during FY 2020-21, the budget projections for future fiscal years incorporate the complete rent and maintenance costs.

➤ ***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 and anticipated participation involving these events. The 2021 annual conference will take place in Monterey and the proposed budget amount reflects an increase of approximately \$7,000 from what was budgeted in FY 2019-20 for the conference that was held in Sacramento.

(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 2020-21 proposed budget allocations for this category includes the following: legal services (\$60,000); audit and accounting services (\$43,200) and human resources (\$9,450). Project-related professional services include the implementation of the Commission's communication plan, meeting facilitation involving South Orange County governance and unincorporated areas, and the preparation of fiscal analyses and models, and other studies or reports. The proposed allocation for that line item is \$60,000.

OC LAFCO THREE-YEAR BUDGET PROJECTIONS

The three-year budget projections are intended to anticipate future changes to the OC LAFCO budget. Additionally, the projections provide the funding agencies with budget projections beyond a single fiscal year. The three-year budgetary projections provided in ***Attachment 2*** indicate potential apportionment increases of four percent in FY 2021-22 and 4.5 percent in both FY 2022-23 and FY 2023-24. The projections use the FY 2020-21

Fiscal Year 2020-21 Proposed Budget and Fee Schedule Resolution

March 11, 2020

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proposed budget as a baseline with personnel expenditures increased annually by the CPI of 2.7% and general operational expenditures adjusted annually by factors such as current trends, contractual obligations for office and equipment leases, or the CPI. The apportionment projections for FY 2021-22 through FY 2023-24 are subject to change and should be used for trending purposes only.

RECOMMENDATIONS

Staff recommends that the Commission:

1. Adopt the Proposed FY 2020-21 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 2020-21 OC LAFCO Budget at the May 13, 2020 regular meeting.
3. Adopt the form of resolution (*Attachment 3*) approving the OC LAFCO Fee Schedule.

Respectfully submitted,


CAROLYN EMERY
DEBRA KURITA
CINDY BYERRUM

Attachments:

1. *Proposed FY 2020-21 OC LAFCO Budget*
 - A. *FY 2020-21 Budget Categories*
 - B. *City Apportionments for FY 2020-21 (prepared by County Auditor-Controller)*
2. *Three-year Budget Projections (FYs 2021-22 to 2023-24)*
3. *OC LAFCO Fee Schedule Resolution*

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

PROPOSED BUDGET

Fiscal Year 2020-21

| | | FY 19/20 Approved Budget | FY 20/21 Proposed Budget | \$ Budget Variance | % Budget Variance |
|--|--|--------------------------------|--------------------------------|--------------------------|-------------------------|
| | <i>Apportionment Increase Factor (%)</i> | | 4.0% | | |
| REVENUES | | | | | |
| | (Additions) / Uses of Unreserved Equity | \$ 116,150 | \$ 123,430 | \$ 7,280 | 6.3% |
| 4000 | LAFCO Apportionment | 1,124,500 | 1,169,500 | 45,000 | 4.0% |
| 4200 | Interest | 18,000 | 18,000 | - | 0.0% |
| REVENUES & USES / (ADDITIONS) TO CASH | | 1,258,650 | 1,310,930 | 52,280 | 4.2% |
| EXPENDITURES | | | | | |
| Salaries & Benefits | | | | | |
| 5000 | Salaries | 498,500 | 539,430 | 40,930 | 8.2% |
| 5010 | Hourly Employees | 10,000 | 18,000 | 8,000 | 80.0% |
| 5106 | Retirement | 176,900 | 194,690 | 17,790 | 10.1% |
| 5109 | Retiree Health Benefits | 20,200 | 18,600 | (1,600) | -7.9% |
| 5108 | Health Insurance | 56,700 | 56,520 | (180) | -0.3% |
| 5110 | Dental Insurance | 5,600 | 5,710 | 110 | 2.0% |
| 5112 | Life Insurance | 600 | 510 | (90) | -15.0% |
| 5102 | Optional Benefit Plan | 18,500 | 18,500 | - | 0.0% |
| 5104 | Deferred Compensation | 15,400 | 16,490 | 1,090 | 7.1% |
| 5116 | Medicare | 7,400 | 8,360 | 960 | 13.0% |
| 5114 | Worker's Compensation | 3,800 | 3,940 | 140 | 3.7% |
| 5120 | Salary Continuance | 1,800 | 1,890 | 90 | 5.0% |
| 5122 | Accidental Death Insurance | 150 | 130 | (20) | -13.3% |
| 5125 | Executive Car Allowance | 7,200 | 7,200 | - | 0.0% |
| SubTotal: Salaries & Benefits | | 822,750 | 889,970 | 67,220 | 8.2% |
| Office Operations | | | | | |
| 5150 | Information Technology | 10,000 | 10,000 | - | 0.0% |
| 5151 | Internet & Telephone | 16,200 | 15,760 | (440) | -2.7% |
| 5200 | County Charges | 5,500 | 8,500 | 3,000 | 54.5% |
| 5250 | Insurance | 16,000 | 9,800 | (6,200) | -38.8% |
| 5350 | Membership/Subscriptions | 33,800 | 35,320 | 1,520 | 4.5% |
| 5450 | Office Equipment/Supplies | 10,000 | 10,000 | - | 0.0% |
| Professional Services | | | | | |
| 5510 | Legal | 60,000 | 60,000 | - | 0.0% |
| 5520 | Audit/Accounting | 43,100 | 43,200 | 100 | 0.2% |
| 5530 | Human Resources | 9,000 | 9,450 | 450 | 5.0% |
| 5540 | Other Professional | 60,000 | 60,000 | - | 0.0% |
| Other Operations | | | | | |
| 5535 | Mapping | 7,200 | 9,500 | 2,300 | 31.9% |
| 5550 | Investment Admin Fees | 600 | 630 | 30 | 5.0% |
| 5600 | Public Noticing / Communications | 2,000 | 5,400 | 3,400 | 170.0% |
| 5610 | Unincorporated Areas Program | 6,000 | 6,000 | - | 0.0% |
| 5650 | Rents/Maintenance | 79,800 | 51,100 | (28,700) | -36.0% |
| 5675 | Equipment Leases & Maintenance | 7,200 | 7,860 | 660 | 9.2% |
| 5700 | Commissioner/Staff Expenses | 7,000 | 7,000 | - | 0.0% |
| 5710 | Commission Stipends & Taxes/Fees | 16,200 | 16,350 | 150 | 0.9% |
| 5750 | Professional Development | 22,000 | 22,000 | - | 0.0% |

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

PROPOSED BUDGET

Fiscal Year 2020-21

| | | FY 19/20 Approved Budget | FY 20/21 Proposed Budget | \$ Budget Variance | % Budget Variance |
|--|-----------------------------|--------------------------------|--------------------------------|--------------------------|-------------------------|
| 5800 | Registration/Travel | 18,300 | 27,090 | 8,790 | 48.0% |
| 5850 | Commission Meeting Expenses | 6,000 | 6,000 | - | 0.0% |
| Subtotal: Office Operations & Services | | 435,900 | 420,960 | (14,940) | -3.4% |
| TOTAL EXPENDITURES | | 1,258,650 | 1,310,930 | 52,280 | 4.2% |
| NET BUDGET | | \$ - | \$ 0 | | |

| | | FY 19/20 Approved Budget | FY 20/21 Proposed Budget |
|----------------------------------|---|--------------------------------|--------------------------------|
| <u>PROJECTED RESERVES</u> | | | |
| 1 | Contingency reserve | \$ 100,000 | \$ 100,000 |
| 2 | Reserve for litigation | 75,000 | 75,000 |
| 3 | Unfunded liability reserve | 30,000 | 30,000 |
| 4 | Reserve - 25% of Budgeted Expenditures | 314,663 | 327,732 |
| <u>UNRESERVED CASH</u> | | | |
| 6 | Balance at the Beginning of FY | 727,037 | 804,147 ¹ |
| 7 | Addition (Drawdown) to Unreserved Cash | (116,150) | (123,430) |
| 8 | Projected unreserved cash at the End of FY | 610,887 | 680,717 |
| 9 | Total Projected Cash Balances at End of FY | \$ 1,130,550 | \$ 1,213,450 |

Footnote 1 - The proposed budget uses a projected beginning balance for FY 20-21 because the projected year-end unreserved cash balance for FY 19-20 is expected to be above the balance in the approved budget.

OC LAFCO FY 2020-21 BUDGET CATEGORIES

REVENUES

The following summarizes the revenue categories of the 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 will be 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 the expenditure categories of the 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, life, accidental and disability 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 consultant for IT services.

5151 Internet and Telephone

This category includes costs for the usage, technical support, equipment purchasing, leasing and maintenance for office and mobile telephones, website hosting, and internet service.

OC LAFCO FY 2020-21 BUDGET CATEGORIES

5200 County Charges

This category includes costs incurred for payroll processing, records archiving and storage, and billing and collection services provided by the County of Orange.

5250 Insurance

This category includes costs incurred for insurance coverage. OC LAFCO contracts with the County and a joint powers authority for the following coverages for instances that occur during the general operation of the agency.

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

5350 Membership/Subscriptions

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

5450 Office Equipment and Supplies

This category includes costs incurred for the purchase of office supplies and equipment, computers, 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 services.
- ✓ **5520 Auditing/Accounting** – Bookkeeping, accounting and auditing services. OC LAFCO audited financial statements are prepared by an independent auditor.
- ✓ **5530 Human Resources** – Personnel services that may be provided by an independent consultant for assistance with recruitment, professional development and other human resource areas.
- ✓ **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 contentious projects that may include meeting facilitation, peer reviews, and preparation of Municipal Service Reviews, fiscal studies and other reports.

OC LAFCO FY 2020-21 BUDGET CATEGORIES

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.

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 and maintenance of OC LAFCO office space.

5675 Equipment Leases/Maintenance

This category includes costs for leasing and maintenance of the OC LAFCO copier and printers.

5700 Commissioner/Staff Expenses

This category includes costs incurred by Commissioners and staff to attend OC LAFCO and other related business meetings and activities.

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 employee professional development (e.g., college/university degree programs and courses, certificate programs, leadership seminars).

5800 Transportation/Travel/Registration

This category includes costs incurred for registration and travel expenses for commissioners and staff to attend the CALAFCO annual conference, staff workshop and board meetings.

5850 Commission Meeting Expenses

This category includes costs incurred for room rental, parking and miscellaneous supplies used for Commission meetings.

OC LAFCO FY 2020-21 BUDGET CATEGORIES

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 litigation not covered by application fees and deposits.

Unfunded Liability Reserve

Restricted funds used to offset anticipated agency liabilities (i.e., employee compensated absences).

OC LAFCO FY 2020-21 City Allocations

| City | FY 2020-21 City Allocation |
|------------------------|-------------------------------|
| Aliso Viejo | \$ 6,033.84 |
| Anaheim | 42,867.63 |
| Brea | 6,836.90 |
| Buena Park | 9,637.84 |
| Costa Mesa | 13,653.52 |
| Cypress | 5,826.06 |
| Dana Point | 4,520.12 |
| Fountain Valley | 7,005.31 |
| Fullerton | 17,572.91 |
| Garden Grove | 19,182.92 |
| Huntington Beach | 23,991.90 |
| Irvine | 39,860.07 |
| Laguna Beach | 4,171.99 |
| Laguna Hills | 4,297.91 |
| Laguna Niguel | 9,269.46 |
| Laguna Woods | 2,194.76 |
| La Habra | 7,206.85 |
| Lake Forest | 11,403.79 |
| La Palma | 1,769.46 |
| Los Alamitos | 1,995.95 |
| Mission Viejo | 12,561.60 |
| Newport Beach | 13,746.30 |
| Orange | 18,291.76 |
| Placentia | 6,035.01 |
| Rancho Santa Margarita | 7,304.31 |
| San Clemente | 10,013.64 |
| San Juan Capistrano | 6,645.88 |
| Santa Ana | 35,237.04 |
| Seal Beach | 5,035.87 |
| Stanton | 4,076.10 |
| Tustin | 9,596.52 |
| Villa Park | 1,010.85 |
| Westminster | 10,279.51 |
| Yorba Linda | 10,699.75 |
| TOTAL | \$ 389,833.33 |

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

THREE-YEAR BUDGET PROJECTIONS

FY 2021/22 to 2023/24

| | FY 20/21 Proposed Budget | FY 21/22 Projected Budget | FY 22/23 Projected Budget | FY 23/24 Projected Budget |
|---|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <i>Apportionment Increase Factor (%)</i> | <i>4.0%</i> | <i>4.0%</i> | <i>4.5%</i> | <i>4.5%</i> |
| REVENUES | | | | |
| (Additions) / Uses of Unreserved Equity | \$ 123,430 | \$ 155,570 | \$ 137,200 | \$ 118,830 |
| 4000 LAFCO Apportionment | 1,169,500 | 1,216,300 | 1,271,000 | 1,328,200 |
| 4200 Interest | 18,000 | 18,000 | 18,000 | 18,000 |
| REVENUES & USES / (ADDITIONS) TO CASH | 1,310,930 | 1,389,870 | 1,426,200 | 1,465,030 |
| EXPENDITURES | | | | |
| Salaries & Benefits | | | | |
| 5000 Salaries | 539,430 | 554,000 | 569,000 | 584,400 |
| 5010 Hourly Employees | 18,000 | 18,500 | 19,000 | 19,500 |
| 5106 Retirement | 194,690 | 199,900 | 205,300 | 210,900 |
| 5109 Retiree Health Benefits | 18,600 | 19,700 | 20,900 | 22,200 |
| 5108 Health Insurance | 56,520 | 59,900 | 63,500 | 67,300 |
| 5110 Dental Insurance | 5,710 | 5,800 | 5,900 | 6,000 |
| 5112 Life Insurance | 510 | 530 | 550 | 570 |
| 5102 Optional Benefit Plan | 18,500 | 18,500 | 18,500 | 18,500 |
| 5104 Deferred Compensation | 16,490 | 16,900 | 17,400 | 17,900 |
| 5116 Medicare | 8,360 | 8,600 | 8,800 | 9,000 |
| 5114 Worker's Compensation | 3,940 | 4,000 | 4,100 | 4,200 |
| 5120 Salary Continuance | 1,890 | 1,900 | 2,000 | 2,000 |
| 5122 Accidental Death Insurance | 130 | 140 | 150 | 160 |
| 5125 Executive Car Allowance | 7,200 | 7,200 | 7,400 | 7,600 |
| SubTotal: Salaries & Benefits | 889,970 | 915,570 | 942,500 | 970,230 |
| Office Operations | | | | |
| 5150 Information Technology | 10,000 | 10,300 | 10,600 | 10,900 |
| 5151 Internet & Telephone | 15,760 | 16,200 | 16,600 | 17,000 |
| 5200 County Charges | 8,500 | 8,700 | 8,900 | 9,100 |
| 5250 Insurance | 9,800 | 7,000 | 7,400 | 7,800 |
| 5350 Membership/Subscriptions | 35,320 | 35,800 | 36,300 | 37,300 |
| 5450 Office Equipment/Supplies | 10,000 | 10,300 | 10,600 | 10,900 |
| Professional Services | | | | |
| 5510 Legal | 60,000 | 61,600 | 63,300 | 65,000 |
| 5520 Audit/Accounting | 43,200 | 44,400 | 45,600 | 46,800 |
| 5530 Human Resources | 9,450 | 9,500 | 9,800 | 10,100 |
| 5540 Other Professional | 60,000 | 60,000 | 60,000 | 60,000 |
| Other Operations | | | | |
| 5535 Mapping | 9,500 | 9,800 | 10,100 | 10,400 |
| 5550 Investment Admin Fees | 630 | 600 | 600 | 600 |
| 5600 Public Noticing / Communications | 5,400 | 5,500 | 3,800 | 3,900 |
| 5610 Unincorporated Areas Program | 6,000 | 6,000 | 6,000 | 6,000 |
| 5650 Rents/Maintenance | 51,100 | 100,500 | 104,100 | 107,100 |
| 5675 Equipment Leases & Maintenance | 7,860 | 8,100 | 8,300 | 8,500 |
| 5700 Commissioner/Staff Expenses | 7,000 | 7,200 | 7,400 | 7,600 |
| 5710 Commission Stipends & Taxes/Fees | 16,350 | 16,800 | 17,300 | 17,800 |
| 5750 Professional Development | 22,000 | 22,000 | 22,000 | 22,000 |
| 5800 Registration/Travel | 27,090 | 27,800 | 28,600 | 29,400 |
| 5850 Commission Meeting Expenses | 6,000 | 6,200 | 6,400 | 6,600 |
| Subtotal: Office Operations & Services | 420,960 | 474,300 | 483,700 | 494,800 |
| TOTAL EXPENDITURES | 1,310,930 | 1,389,870 | 1,426,200 | 1,465,030 |
| NET BUDGET | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
THREE-YEAR BUDGET PROJECTIONS
FY 2020/21 to 2023/24

| | FY 20/21 Proposed Budget | FY 21/22 Projected Budget | FY 22/23 Projected Budget | FY 23/24 Projected Budget |
|---|---|--|--|--|
| <u>PROJECTED RESERVES</u> | | | | |
| 1 Contingency reserve | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| 2 Reserve for litigation | 75,000 | 75,000 | 75,000 | 75,000 |
| 3 Unfunded liability reserve | 30,000 | 30,000 | 30,000 | 30,000 |
| 4 Reserve - 25% of Budgeted Expenditures | 327,732 | 347,468 | 356,550 | 366,258 |
| <u>UNRESERVED CASH</u> | | | | |
| 6 Balance at the Beginning of FY | 804,147 | 680,717 | 525,147 | 387,947 |
| 7 Addition (Drawdown) to Unreserved Cash | (123,430) | (155,570) | (137,200) | (118,830) |
| 8 Projected unreserved cash at the End of FY | 680,717 | 525,147 | 387,947 | 269,117 |
| 9 Total Projected Cash Balances at End of FY | \$ 1,213,450 | \$ 1,077,615 | 949,497 | 840,375 |

CP 20-02

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

March 11, 2020

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, 2020.
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 11th day of March 2020.

/ / /

/ / /

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IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of March
2020.

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 7/1/2020

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 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**

| TYPE OF ACTION | COST SCHEDULE | INITIAL DEPOSIT |
|--|--------------------|-----------------|
| Change of Organization (e.g. annexation or detachment) | Time and Materials | \$4,600 |
| Change of Organization with Sphere of Influence Change | Time and Materials | \$5,600 |
| Reorganization (two or more changes of organization/sphere of influence change) | Time and Materials | \$7,900 |
| District Formations or Consolidations | Time and Materials | \$10,000 |
| District Dissolutions, Mergers, or Establishment of a Subsidiary District | Time and Materials | \$7,900 |
| City Incorporations/Dis-incorporations (Also see additional project completion fees.) | Time and Materials | \$10,000 |
| Activation of Latent Powers | Time and Materials | \$7,900 |
| Request for Municipal Service Review and/or Sphere of Influence Review/Update | Time and Materials | \$7,900 |
| Out-of-Agency Service Agreement | Time and Materials | \$4,600 |
| Request for Reconsideration | Time and Materials | \$3,200 |
| Request for Extension of Time to Complete Proceedings | Time and Materials | \$1,000 |

LAFCO STAFF/LEGAL COUNSEL BILLING RATES

| | |
|---------------------|-----------------------------|
| LAFCO Staff Rate | Fully Burdened Hourly Rate* |
| LAFCO Legal Counsel | Actual Costs* |

*See Exhibit B.

PROJECT COMPLETION FEES AND CHARGES

| | |
|---|--|
| Public Noticing and Publication Costs | Actual Costs <i>(Based on noticing required by Government Code Section 56661)</i> |
| State Board of Equalization Fees | Actual Costs <i>(Payable to the State Board of Equalization and based on their latest fee schedule)</i> |
| Compliance with California Environmental Quality Act (CEQA) | Actual Costs <i>(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, 2020)</i> <div style="margin-left: 40px;"> a. Negative Declaration \$2,456.75 b. Environmental Impact Report \$3,393.25 </div> |
| Comprehensive Fiscal Analysis for Incorporation or Disincorporation Proposals | Actual Costs <i>(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.)</i> |
| State Controller's Fiscal Review for Incorporations | Actual Costs <i>(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.)</i> |
| Registrar of Voters – Verification of Signatures | Actual Costs |
| Special Legal Counsel Costs | Actual Costs |
| Consultants | Actual Costs |

MATERIALS CHARGES

| | |
|----------------------------------|--------------------------------|
| Reproduction and Faxing Costs | Actual Costs* |
| Postage or Overnight Service | Actual Costs |
| Agenda Packet (Specific Meeting) | Actual cost of reproductions * |
| Agenda Packet (subscription) | \$250/year (hard copy) |

*See Exhibit B.

EXHIBIT B**ORANGE COUNTY LAFCO FEE SCHEDULE
DIRECT COSTS***Effective 7/1/2020*

1. Fully burdened staff hourly rates:

| Position | Hourly Rate |
|-----------------------------|--------------------|
| Executive Officer | \$ 152 |
| Assistant Executive Officer | \$ 99 |
| Policy Analyst* | \$ 54-61 |
| Commission Clerk | \$ 53 |

*Analyst I and Analyst II Class Series

2. Legal Counsel Hourly Rates - \$ 268 for LAFCO-initiated services
\$ 580 for project applicant-initiated services
3. Reproduction Cost - 0.25 per page
4. Audio Disc Reproduction Cost - \$15.00