



February 10, 2021

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STAFF

CAROLYN EMERY
EXECUTIVE OFFICER

TO: Local Agency Formation Commission

FROM: Executive Officer
Policy Analyst

SUBJECT: Fiscal Year 2020-2021 Comprehensive Quarterly
Report- Second Quarter

The attached Comprehensive Quarterly Report provides an overview of Orange LAFCO projects currently underway and a budget and investment report for the months of October through January of the Fiscal Year 2020-21 (**Attachment A**). Upon review by the Commission, the report will be distributed to the funding agencies and posted on the Orange LAFCO website.

RECOMMENDATION

Staff recommends that the Commission:

1. Receive and file the Fiscal Year 2020-21 Comprehensive Quarterly Report - Second Quarter.

Respectfully submitted,

CAROLYN EMERY

GAVIN CENTENO

ATTACHMENT

A: Fiscal Year 2020-2021 Comprehensive Quarterly Report - Second Quarter

Orange LAFCO Comprehensive Quarterly Report



Second Quarter/Fiscal Year 2020-2021
(October 2020 - January 2021)

INSIDE LOOK:

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INTRODUCTION

This Comprehensive Quarterly Report provides an update on Orange LAFCO projects and activities, a summary of recent outreach efforts and an assessment of the agency's current budget and investment portfolio performance for October 2020 through January 2021.

FISCAL YEAR 2020-21 WORK PLAN PROJECTS

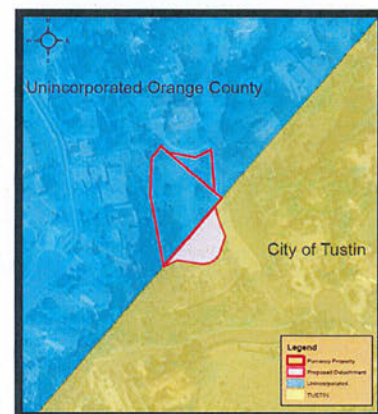
During the second quarter, OC LAFCO staff participated in meetings and discussions involving active and anticipated project applications and several administrative projects including the annual audit for fiscal year 2019-2020. The following sections provide updates on the progress of the Commission's FY 2020-21 Work Plan achieved during this quarter.

PROJECT APPLICATIONS

During the second quarter, five applications for changes of organization and reorganization and a municipal service review were filed with OC LAFCO. A brief summary of these projects and activities through the end of this quarter are highlighted below.

Reorganization involving the City of Tustin and County of Orange

Over the past several months, the staff has participated in discussions with a private landowner regarding the detachment of a parcel from the City of Tustin. The proposal involves the detachment of a vacant parcel of approximately .18 acre from the City of Tustin. If the annexation is approved, the entire property would be under one jurisdiction for the future development of a single-family residence. Past discussions led to the filing of the application in December, and the proposal is expected to be considered by the Commission in Spring 2021.



4th CYCLE OF SPHERE OF INFLUENCE AND MUNICIPAL SERVICE REVIEWS

At the end of last year, the City of Newport Beach filed an application requesting the preparation of a municipal service review to analyze the provision of harbor patrol services and potential alternative service delivery options within the Newport Beach Harbor. Currently, harbor patrol services are provided by the Orange County Sheriff Department. Funding of these services is currently provided and administered by the County's Harbors, Beaches, and Parks Department. It is anticipated that the MSR will be completed by early Summer.



OC LAFCO COMMUNICATIONS PLAN



Over the past six months, OC LAFCO staff and CV Strategies have developed resources and tools to enhance the Commission's communication with local agencies and the public. The agency has developed more effective ways to utilize social media platforms and communicating LAFCO's overarching mission and role through key messaging. Other key communication tools under development and anticipated for completion during the third and fourth quarters include the

agency media kit (newsletter, brochure, and CALAFCO handouts) and web-based resources.

ADMINISTRATIVE PROJECTS

Orange LAFCO Annual Audit

In December 2020, the Commission received a report on the agency's FY 2019-20 audited financial statements prepared by Davis Farr, an independent auditing firm. The auditor found OC LAFCO's financial reporting to be in compliance with the Generally Accepted Accounting Principles and issued an Unqualified Opinion, which is the highest level of opinion an entity can receive.



The annual audit for FY 2019-20 marks the end of a five-year professional services agreement with Davis Farr to perform auditing services. During the second quarter, Orange LAFCO jointly collaborated and conducted with four other Southern LAFCOs (Imperial, Los Angeles, Riverside, and San Bernardino) a competitive bidding process for the preparation of all five LAFCOs audited financial statements beginning with the fiscal year 2020-2021. The group unanimously selected Davis Farr to continue to provide the service over the next four years. In January, the Commission approved a professional services agreement with Davis Farr for auditing services through fiscal year 2024.

COMMISSIONER APPOINTMENTS AND ELECTION OF OFFICERS



On January 14, 2021, the City Selection Committee appointed Mayor Peggy Huang of the City of Yorba Linda to serve as the LAFCO Alternate City Member. Mayor Huang has served on the city council since 2014. Additionally, she is employed with the Office of the Attorney General, Criminal Appeals, Trial, and Writs section as a Deputy Attorney General. Ms. Huang currently serves on multiple regional boards and committees that include the Southern California Associations of Governments and the Foothill/Eastern Transportation Corridor Agency.

Commissioner Peggy Huang

At the December regular meeting, the Commission elected the 2021 board officers. Commissioners Douglass Davert and Donald Wagner were nominated as Chair and Vice Chair, respectively, and Commissioner Derek J. McGregor continues his service as the Immediate Past Chair. During 2021, the three members will also serve as the Commission's Executive Committee, which functions in an advisory role to the Commission on matters that include the annual budget, workplan and the public member appointment process.



Douglass Davert
OC LAFCO Chair

EXTERNAL RELATIONS AND OUTREACH EFFORTS

Throughout the second quarter of the fiscal year, staff participated in several outreach and external relations efforts that included webinars and other virtual meetings hosted by CALAFCO, ISDOC, and other organizations. In January, staff also presented an introduction to LAFCO at the orientation of newly elected officials of Orange County, hosted by the Association of Cities-Orange County.

FY 2020-21 BUDGET OVERVIEW

This report provides a budget update for the period of October 2020 through January 2021. During this reporting period, the agency continued its efforts to provide services and programs effectively and efficiently. The following budget review provides the bank account balances and a comprehensive overview of OC LAFCO revenues and expenditures for the period ending January 31, 2021 (see page 6).¹ The total budget approved by the Commission for FY 2020-2021 is \$1,257,510.

Revenues

The majority of OC LAFCO's revenues are from the \$1,124,500 collected in apportionments from the funding agencies. At the end of this reporting period, all apportionments were received. OC LAFCO also earns interest from its investment portfolio. At the end of the second period, the agency's total interest earned was \$8,986, which is 49.9% of the total interest anticipated for the fiscal year.

Another source of OC LAFCO revenue is application filing fees. These filing fees are not used for budgeting purposes as they are used to offset the costs associated with processing of the respective applications. The filing fees are shown in the financial overview as revenue within the Special Fund column. The Special Fund column in the chart on page 6 includes an accounting of application revenues and expenses incurred through the second period.

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

Expenditures

The total General Fund expenditures as of the period ending January 31, 2021, are \$525,808 or approximately 42% of the total budget. The following table provides the comparison of the percentage of actual funds used and the target levels for the current fiscal year.

Total Funds Used			
	1 st Period	2 nd Period	3 rd Period
Target	33%	66%	100%
Actual	17%	42%	--

There are three-line items that are below the targeted levels for the second period, Salaries, Transportation and Travel, and Commission Meeting Expenses. Salaries and associated line items are below the target levels due to the staff position vacancy. The other areas are due to the conducting of meetings virtually.

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of January 31, 2021:

As of 1/31/21	Balance
770-Payroll Account	\$283,123
Wells Fargo Checking	\$126,791
Wells Fargo Savings	\$215,727
Total	<u>\$625,641</u>

To maximize the interest accrued on the agency's revenues, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, funds are transferred from the investment accounts to the bank accounts to cover the agency's operational expenses.

The following table illustrates the balance of OC LAFCO's investment portfolio as of January 31, 2021.

As of 1/31/21	Balance
OC Fund	\$496,349
LAIF	<u>\$757,882</u>
Total	\$ 1,254,231

APPENDIX A
OC LAFCO - Period Budget Overview²
October 1, 2020 – January 31, 2021

	1st Period General Fund	2nd Period General Fund	YTD General Fund	YTD Special Revenue Funds	TOTAL FY 20/21 Budget	General Fund %
Revenue:						
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ 115,010	0.0%
LAFCO Apportionment	1,123,600	900	1,124,500	-	1,124,500	100.0%
Filing Fees	-	-	-	39,834	-	0.0%
Misc Revenue	353	-	353	-	-	0.0%
Interest & Dividends	4,190	4,797	8,986	-	18,000	49.9%
Total Revenue	\$ 1,128,143	\$ 5,696	\$ 1,133,839	\$ 39,834	\$ 1,257,510	90.2%
Expenditures:						
Salaries	\$ 103,585	\$ 135,350	\$ 238,935	\$ 5,015	\$ 529,220	45.1%
Hourly Employees	1,058	3,726	4,784	-	18,000	26.6%
Benefits & Insurance						
Optional Benefit Plan	-	15,000	15,000	-	18,500	81.1%
Deferred Compensation	3,288	4,245	7,533	-	16,130	46.7%
Retirement Benefits	42,778	55,048	97,826	-	190,920	51.2%
Health Insurance	11,069	15,762	26,830	-	56,520	47.5%
Retiree Health Benefits	3,700	4,737	8,437	-	18,250	46.2%
Dental Insurance	1,087	1,244	2,331	-	5,710	40.8%
Life Insurance	78	108	186	-	510	36.5%
Workers Compensation	-	3,938	3,938	-	3,940	99.9%
Medicare	1,546	2,218	3,764	-	8,210	45.8%
Salary Continuance	170	179	349	-	1,860	18.8%
Accidental Death Insurance	19	26	46	-	130	35.1%
Executive Car Allowance	2,400	1,800	4,200	-	7,200	58.3%
Total - Benefits & Insurance	66,135	104,305	170,440	-	327,880	52.0%
Information Technology	2,767	2,312	5,079	-	10,000	50.8%
Telephone & Internet	3,225	4,382	7,607	-	15,760	48.3%
County of Orange	1,231	245	1,476	-	8,500	17.4%
General Liability Insurance	4,790	2,247	7,037	-	9,800	71.8%
Memberships	4,462	14,469	18,931	-	35,320	53.6%
Office Equipment/Supplies	1,513	1,431	2,944	-	10,000	29.4%
Professional Services:						
Legal	5,054	4,073	9,127	395	60,000	15.2%
Accounting/Audit	9,000	14,500	23,500	-	43,200	54.4%
Human Resources	2,080	-	2,080	-	9,450	22.0%
Mapping/Archiving	850	1,133	1,983	-	9,500	20.9%
Other Professional Services	225	-	225	-	60,000	0.4%
Total - Professional Services	17,208	19,707	36,915	395	182,150	20.3%
Investment Admin Fees	198	189	388	-	630	61.5%
Public Noticing	1,850	-	1,850	-	5,400	34.3%
Unincorporated Areas Program	-	-	-	-	6,000	0.0%
Rents/Maintenance	9,227	8,538	17,765	-	51,100	34.8%
Equipment Leases	1,450	2,063	3,513	-	7,860	44.7%
Comm. & Staff Expense	670	198	868	-	7,000	12.4%
Comm. Stipends & Taxes/Fees	3,389	3,550	6,939	-	16,350	42.4%
Transportation/Travel	-	-	-	-	10,540	0.0%
Commission Meeting Expense	165	171	336	-	6,000	5.6%
Refund of Deposit	-	-	-	872	-	0.0%
Total Expenditures	222,924	302,884	525,808	6,281	1,257,510	41.8%
Total Net Income (Loss)	\$ 905,219	\$ (297,188)	\$ 608,032	\$ 33,553	\$ -	

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

Balance Sheet and Reserves Balance Analysis

The balance sheet provides an understanding of OC LAFCO's financial status and summarizes the agency's assets and liabilities as of January 31, 2021. Please note that the figures provided in this balance sheet are unaudited and subject to change. Additionally, an analysis of the agency's reserve balances is provided on page 8.

APPENDIX B OC LAFCO BALANCE SHEET As of January 31, 2021

	Jan. 31, 21
ASSETS	
Current Assets	
Cash and Investments	
County Acct-Payroll	\$ 283,123
Wells Fargo Checking	126,791
Wells Fargo Savings	215,727
OC Fund	496,349
Investment Acct - LAIF	757,882
Fair Market Value Adjustments	5,451
Total Cash and Investments	1,885,323
Other Current Assets	
Interest Receivable - Other	1,741
Prepaid Expenses - Other	14,164
Retirement Prepaid Expense	117,073
Total Other Current Asset	132,978
Total Current Assets	2,018,301
Fixed Assets	10,990
Other Assets	
Def. Outflows Pension Related	358,226
Pension Deposit	180,287
Deferred OPEB Contributions	9,771
Deferred Outflows OPEB Related	2,079
Security Deposit	10,235
Total Other Assets	560,598
TOTAL ASSETS	2,589,889
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accrued Liability	25,032
Salaries Payable	18,955
Compensated Absenses	36,161
Total Current Liabilities	80,148
Long Term Liabilities	
Deferred Inflows OPEB Related	14,009
Net OPEB Liability	110,973
Net Pension Liability	1,489,642
Def. Inflows Pension Related	295,378
Deferred Lease Incentive	17,075
Total Long Term Liabilities	1,927,077
Total Liabilities	2,007,225
Equity	582,664
TOTAL LIABILITIES & EQUITY	\$ 2,589,889

OC Local Agency Formation Commission Reserves Balance Analysis

Cash & Investments Description	Jan. 31, 2021 Balance	Commission Approved Balances	Balance Excess / (Deficiency)
County Payroll	\$ 283,123	\$ 218,775 ¹	\$ 64,348
Checking - Wells Fargo	126,791	95,603 ¹	31,188
Savings - Wells Fargo	215,727	205,000 ¹	10,727
OC Fund Investment	496,349	-	496,349
LAIF Investment	757,882	-	757,882
Total	\$ 1,879,872	\$ 519,378	\$ 1,360,494 ²

Footnotes:

1 - Per the Cash and Cash Management Policy, the Commission must maintain \$519,378 during fiscal year 2020/21 in order to cover three months of payroll costs (County Payroll), 3 months of operational expenses (Checking - Wells Fargo) and a minimum of \$205,000 (Savings - Wells Fargo) to cover contingency, litigation and unfunded liabilities.

2 - Remaining Available Cash to fund Operations and Reserves.