



March 11, 2020

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COUNTY MEMBER

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Fiscal Year 2019-20 Comprehensive Quarterly Report
– Second Quarter

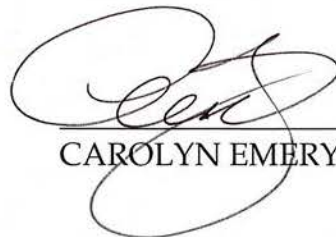
The attached Quarterly Report provides an overview of OC LAFCO current projects, a budget report, and an investment report for the months of November through February of Fiscal Year 2019-20. (*Attachment A*). Upon review by the Commission, the report will be distributed to all of the funding agencies and posted on the OC LAFCO website.

RECOMMENDATION

Staff recommends that the Commission:

1. Receive and file the Fiscal Year 2019-20 Comprehensive Quarterly Report – Second Quarter.

Respectfully submitted,



CAROLYN EMERY



DEBRA KURITA

ALTERNATES

WENDY BUCKNUM
CITY MEMBER

KATHRYN FRESHLEY
SPECIAL DISTRICT MEMBER

LOU PENROSE
PUBLIC MEMBER

MICHELLE STEEL
COUNTY MEMBER

STAFF

CAROLYN EMERY
EXECUTIVE OFFICER

ATTACHMENT:

A: Fiscal Year 2019-20 Comprehensive Quarterly Report – Second Quarter

Orange County LAFCO Comprehensive Quarterly Report



Second Quarter FY 2019-20
(November 2019 – February 2020)

INSIDE LOOK:

- Active and Anticipated Project Applications – Page 2
- Fourth Cycle of Sphere of Influence Updates and MSRs – Page 3
- South Orange County Unincorporated Areas Program – Page 3
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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 2019 through February 2020.

FY 2019-20 WORK PLAN PROJECTS

During the second quarter, OC LAFCO staff participated in meetings and discussions involving an anticipated project application, initiated the South Orange County Unincorporated Communities project, and participated in a number of CALAFCO activities. The following sections provide updates on the progress of the Commission's FY 2019-20 Work Plan achieved during this quarter.

ACTIVE AND ANTICIPATED PROJECT APPLICATIONS

Santa Margarita Water District Annexation of the City of San Juan Capistrano Water and Wastewater Utilities

In January, the governing boards of the Santa Margarita Water District (SMWD) and the City of San Juan Capistrano both approved an Annexation Agreement related to transfer of the water, recycled water and wastewater systems from the City to the District. In February, the SMWD Board approved a resolution to submit a formal application to OC LAFCO for the annexation of the utility systems. This application will represent a multi-year effort that involved coordination and ongoing discussions between the District, City and OC LAFCO. Once the application is received, OC LAFCO staff will prepare the analysis and process the application in conformance with the statutory requirements. It is anticipated that the proposal will be considered by the Commission in early Summer.



FOURTH CYCLE OF SPHERE OF INFLUENCE UPDATES AND MUNICIPAL SERVICE REVIEWS.

During this quarter, staff has focused on the review of data and other documents provided by Orange County Sanitation District and Municipal Water District of Orange County, the two regional agencies identified for MSRs in the 2019-20 work plan. Additional meetings and ongoing dialogue with the agencies will be required as part of the MSR preparation process. The remaining MSRs included in this year's project, which include the County service areas and the Southwest and Southeast MSR regions, have been delayed due to other Commission projects, such as the San Juan Capistrano utilities annexation to the Santa Margarita Water District. It is expected that activity related to these MSRs will be resumed during the third and fourth quarters.

Additionally, during this quarter significant progress was made in developing the MSR Dashboard, a dynamic and interactive web-based tool displaying demographic and other data on special districts, cities and other service providers in Orange County. The program is designed to provide a profile of each agency and incorporate an on-line tool that will allow the updating of demographic information regularly. The Dashboard and another technology tool, the Shared Services Program, are scheduled to be presented to the Commission in the Spring.

The purpose of revising a third web-based program, the Fiscal Trends Program, is to present a general depiction of the financial health of local agencies. This quarter, staff began an effort of updating the content and structure of the program, with completion anticipated this Summer.

SOUTH ORANGE COUNTY UNINCORPORATED COMMUNITIES

One of the strategic areas identified by the Commission for the FY 2019-20 Work Plan was to engage the South Orange County Unincorporated Communities (SOCUC) to assist with identifying a pathway to future governance. During this quarter, OC LAFCO staff began meeting with the communities to encourage participation in this effort and to receive preliminary feedback on



Presentation to the
Cota de Caza Planning Advisory Committee

potential areas of mutual interest or challenges for the unincorporated communities in the region. The communities of Coto de Caza, Ladera Ranch, Las Flores, Stonecliffe and Wagon Wheel will be invited to participate in a joint meeting to be held this Spring.

Relatedly, staff continued to conduct quarterly meetings with the representatives of Rancho Mission Viejo to discuss the timeline for the development of its properties.



A visit with the Ladera Ranch Civic Council

ADMINISTRATIVE ACTIVITIES

Election of OC LAFCO Officers for 2020

Each year, the Commission elects the officers of the Board. At the January meeting, the Commission re-elected Cheryl Brothers as Chair and Douglass Davert as Vice Chair. Chair Brothers is currently the Mayor of the City of Fountain Valley and has served as a LAFCO City Member since 2013. Vice Chair Davert is currently the Board President of East Orange County Water District and has served as a LAFCO Special District Member since 2018. Chair Brothers and Vice Chair Davert, together with Immediate Past Chair, Derek McGregor, will serve as the members of the agency's Executive Committee for 2020.

CALAFCO Activities and Awards

The CALAFCO Annual Conference was held in Sacramento on October 30 through November 1, 2019. The OC LAFCO staff participated in the planning process for the conference and served as coordinators and panelists for several sessions. The conference featured sessions on LAFCO's role involving facilitating responses to local catastrophes and issues related to the lack of housing, and the independence of LAFCO.



A session on "Preparing Complex MSRs"

Each year, during the annual conference, CALAFCO recognizes outstanding achievements by LAFCOs and individuals throughout the state. This year, OC LAFCO was awarded the Project of the Year which recognizes an organization for a project-specific program that involved complex analysis, community involvement, and an outstanding solution. The award recognized the leadership and effort of the Commission and staff for the City of San Juan Capistrano Water and Wastewater Utilities Municipal Service Review. In announcing the award, CALAFCO noted that this MSR resulted in a solution that ultimately will improve the efficient delivery of water and wastewater, two vital and highly regulated municipal services, to the City's communities. The award presenter also emphasized that the outcome of this project serves as a model of the importance of MSRs, which is a key mandate for all LAFCOs.



OC LAFCO receives CALAFCO "Project of the Year"

During the second quarter, staff also actively participated in the planning for the CALAFCO 2020 Staff Workshop. This year, the workshop will be co-hosted by Orange and Imperial LAFCOs and held in Newport Beach, March 24 - 26, 2020. OC LAFCO staff has worked collaboratively with the City of Newport Beach on the development of a mobile workshop that will highlight projects within the Newport Harbor. The workshop will also include panel consisting of representatives from the County, City, and South Coast Water District who will share their experiences on delivering services to coastal residents and activities that require multi-agency collaboration.

EXTERNAL RELATIONS AND OUTREACH EFFORTS

External relations efforts conducted during this quarter provided the opportunity for staff to make educational presentations and to work with representatives from the County, cities, and special districts, and other OC LAFCO stakeholders on key Commission projects. A listing of those efforts is provided in the chart below.

OC LAFCO Presentation to State-wide Property Tax Managers

In February, Executive Officer Carolyn Emery made a presentation to approximately 150 people attending the Property Tax Managers' Sub-Committee of the California State Association of County Auditors conference in Orange County. Ms. Emery provided background on LAFCO's legislative mission and highlighted the relationships between LAFCOs and the County Auditors. The session was very interactive, with the audience seeking additional information on LAFCO processes, statutory requirements and the Revenue and Taxation Code.



California State Association of County Auditors

OUTREACH AND EXTERNAL RELATIONS Second Quarter FY 19-20	
November Meetings	
Coto de Caza Planning Area Committee	
4th Cycle MSR Stakeholders	
Independent Special Districts of Orange County Executive Committee	
Center for Demographic Research Management Oversight Committee	
Orange County Council of Governments	
Orange County Business Council Infrastructure Committee	
Community Advisory Group- El Toro Water District	
CALAFCO Legislative Committee	
December Meetings	
Independent Special Districts of Orange County Executive Committee	
Orange County Business Council Infrastructure Committee	
Orange County Council of Governments	
CALAFCO Legislative Committee	
CALAFCO Southern Region Executive Officers	
Newly Appointed City Manager of Huntington Beach	
Newly Appointed General Manager of Trabuco Canyon	

January Meetings
Independent Special Districts of Orange County Executive Committee and Quarterly
CALAFCO Southern Region
CALAFCO Legislative Committee
Orange County Council of Governments
Center for Demographic Research Technical Advisory Committee
February Meetings
Ladera Ranch Civic Council
Rancho Mission Viejo Quarterly Update
California State Association of County Auditors Property Tax Managers' Sub-Committee
Newly Appointed City Manager of Costa Mesa
Independent Special Districts of Orange County Executive Committee
Center for Demographic Research Management Oversight Committee
CALAFCO Legislative Committee
El Toro Water District- Community Advisory Group

FY 2019-20 BUDGET OVERVIEW

This report provides a budget update for the period of November 2019 through February 2020. 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 29, 2020 (see page 9).¹ The total budget approved by the Commission for FY 2019-20 is \$1,258,650.

Revenues

By the first of November, the agency had received all of the apportionments from the funding agencies for a total of \$1,124,500. OC LAFCO also earns interest from its investment portfolio. To date, OC LAFCO has earned a total of \$19,507 in interest which is 108.4% of the amount anticipated for the year.

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 9 includes an accounting of application revenues and expenses incurred during this fiscal year.

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 February 29, 2020 are \$683,776 or approximately 54 percent 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 FY 2019-20 Funds Used			
	1 st Period	2 nd Period	3 rd Period
Target	33%	66%	100%
Actual	26%	54%	--

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of February 29, 2020:

As of 2/29/20	Balance
770-Payroll Account	\$343,749
Wells Fargo Checking	138,282
Wells Fargo Savings	210,703
Total	\$692,734

To maximize funds, 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 February 29, 2020:

As of 2/29/20	Balance
LAIF	\$ 512,911
OC Fund	\$ 488,596
Total	\$1,001,507

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 29, 2020.

² Unaudited – Subject to Change

Orange County Local Agency Formation Commission
Period Budget Overview
July 1, 2019 - February 29, 2020

	1st Period General Fund	2nd Period General Fund	YTD General Fund	YTD Special Revenue Funds	TOTAL FY 19/20 Budget	General Fund %
Revenue:						
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ 116,150	0.0%
LAFCO Apportionment	1,124,500	-	1,124,500	-	1,124,500	100.0%
Filing Fees	-	-	-	17,425	-	0.0%
Misc Revenue	156	-	156	-	-	0.0%
Interest & Dividends	7,197	12,310	19,507	-	18,000	108.4%
Total Revenue	\$ 1,131,853	\$ 12,310	\$ 1,144,163	\$ 17,425	\$ 1,258,650	90.9%
Expenditures:						
Salaries	\$ 162,962	\$ 151,983	\$ 314,945	\$ 5,138	\$ 498,500	63.2%
Hourly Employees	5,221	2,990	8,211	-	10,000	82.1%
Benefits & Insurance						
Optional Benefit Plan	-	18,500	18,500	-	18,500	100.0%
Deferred Compensation	4,753	4,343	9,097	-	15,400	59.1%
Retirement Benefits	57,254	52,160	109,414	-	176,900	61.9%
Health Insurance	18,177	16,600	34,777	-	56,700	61.3%
Retiree Health Benefits	6,631	6,016	12,647	-	20,200	62.6%
Dental Insurance	1,849	1,658	3,507	-	5,600	62.6%
Life Insurance	194	146	340	-	600	56.6%
Workers Compensation	-	3,756	3,756	-	3,800	98.8%
Medicare	2,464	2,487	4,951	-	7,400	66.9%
Salary Continuance	585	536	1,120	-	1,800	62.2%
Accidental Death Insurance	39	32	71	-	150	47.5%
Executive Car Allowance	3,000	1,200	4,200	-	7,200	58.3%
Total - Benefits & Insurance	94,947	107,434	202,381	-	314,250	64.4%
Information Technology	2,838	2,217	5,055	-	10,000	50.5%
Telephone & Internet	5,068	3,109	8,177	-	16,200	50.5%
County of Orange	1,153	446	1,599	-	5,500	29.1%
General Liability Insurance	4,684	5,163	9,847	-	16,000	61.5%
Memberships	13,875	9,967	23,842	-	33,800	70.5%
Office Equipment/Supplies	2,001	4,321	6,322	-	10,000	63.2%
Professional Services:						
Legal	6,516	2,431	8,947	673	60,000	14.9%
Accounting/Audit	10,735	10,314	21,049	-	43,100	48.8%
Human Resources	-	-	-	-	9,000	0.0%
Mapping/Archiving	1,133	1,133	2,267	-	7,200	31.5%
Other Professional Services	-	-	-	-	60,000	0.0%
Total - Professional Services	18,384	13,878	32,263	673	179,300	18.0%
Investment Admin Fees	242	104	346	-	600	57.6%
State Board of Equalization	-	-	-	6,000	-	-
Public Noticing	-	-	-	5,614	2,000	0.0%
Unincorporated Areas Program	-	1,856	1,856	-	6,000	30.9%
Rents/Maintenance	25,970	8,082	34,052	-	79,800	42.7%
Equipment Leases	2,129	1,879	4,008	-	7,200	55.7%
Comm. & Staff Expense	1,825	2,866	4,691	-	7,000	67.0%
Comm. Stipends & Taxes/Fees	2,141	1,871	4,012	-	16,200	24.8%
Professional Development	6,817	50	6,867	-	22,000	31.2%
Transportation/Travel	9,182	4,774	13,956	-	18,300	76.3%
Commission Meeting Expense	919	428	1,347	-	6,000	22.5%
Total Expenditures	360,357	323,419	683,776	17,425	1,258,650	54.3%
Total Net Income (Loss)	\$ 771,495	\$ (311,109)	\$ 460,387	\$ -	\$ -	

OC Local Agency Formation Commission
Balance Sheet
As of February 28, 2019

	<u>Feb 29, 20</u>
ASSETS	
Current Assets	
Checking/Savings	
County Acct-Payroll	343,749
Wells Fargo Checking	138,282
Wells Fargo Savings	210,703
OC Fund	488,596
Investment Acct - LAIF	512,911
Fair Market Value Adjustments	513
Total Checking/Savings	<u>1,694,754</u>
Other Current Assets	
Prepaid Expenses - Other	26,569
Retirement Prepaid Expense	68,929
Total Other Current Assets	<u>95,498</u>
Total Current Assets	<u>1,790,252</u>
Fixed Assets	31,640
Other Assets	
Pension Deposit	179,912
Def. Outflows Pension Related	469,088
Deferred OPEB Contributions	10,852
Deferred Outflows OPEB Related	3,274
Security Deposit	10,235
Total Other Assets	<u>673,361</u>
TOTAL ASSETS	<u><u>2,495,253</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Current Liabilities	
Accrued Liability	61,705
Compensated Absenses	40,857
Salaries Payable	16,369
Total Current Liabilities	<u>118,931</u>
Long Term Liabilities	
Deferred Inflows OPEB Related	6,546
Net OPEB Liability	126,448
Net Pension Liability	1,582,703
Def. Inflows Pension Related	259,339
Deferred Lease Incentive	13,909
Total Long Term Liabilities	<u>1,988,945</u>
Total Liabilities	<u>2,107,876</u>
Equity	<u>387,377</u>
TOTAL LIABILITIES & EQUITY	<u><u>2,495,253</u></u>