



October 14, 2020

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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- First 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 July through September 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:

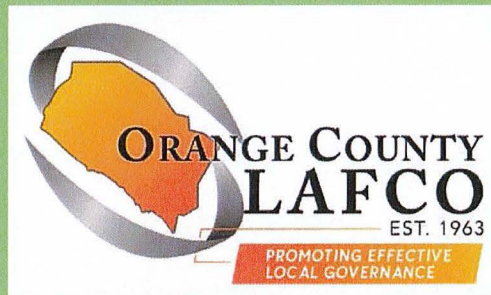
1. Receive and file the Fiscal Year 2020-21 Comprehensive Quarterly Report - First Quarter.

Respectfully submitted,


CAROLYN EMERY
GAVIN CENTENO**ATTACHMENT:**

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

Orange LAFCO Comprehensive Quarterly Report



First Quarter/Fiscal Year 2020-2021
(July - September 2020)

INSIDE LOOK:

FY 2020-2021 Work Plan Projects – Page 2

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FY 2020-21 Budget Overview – Page 6

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 July through September 2020.

FISCAL YEAR 2020-21 WORK PLAN PROJECTS

During the first quarter, OC LAFCO staff participated in meetings and discussions involving active and anticipated project applications, completed municipal service and sphere of influence reviews for the Municipal Water District of Orange County (MWDOC) and Orange County Sanitation District (OCSD), and began the implementation of the agency's adopted Communications Plan. The following sections provide updates on the progress of the Commission's FY 2020-21 Work Plan achieved during this quarter.

ACTIVE AND ANTICIPATED PROJECT APPLICATIONS

There are six mandated projects identified in the FY 2020-21 Work Plan that include active and anticipated applications for changes of organization and reorganization. During the first quarter, staff conducted meetings with applicants to provide assistance and discuss statutory requirements. Brief summaries of the activities are highlighted below.



Reorganization between the Cities of Anaheim and Orange

In July, staff met with representatives from the City of Anaheim regarding the potential reorganization of areas located within the City of Orange and adjacent to the city limits of Anaheim. The subject areas include a portion of the Angel Stadium parking lot, a portion of the North Net Fire Training Facility and recreational open space along the Santa Ana River. The purpose of the reorganization is to realign the boundaries between the cities to accommodate the inclusion of

the two properties within a single jurisdiction and facilitate the development of a park along the Santa Ana River. It is anticipated that an application will be submitted by the City early Fall.

Reorganization involving the City of Orange and County of Orange

In September, staff conducted a second pre-filing meeting with landowner representatives of a private property currently located within unincorporated Orange County and the City of Orange. The majority of the property is located within a large unincorporated area known as "Orange Park Acres," and a smaller portion of the property is located in the City. The location of the property within two jurisdictions is the result of the encroachment of the property into a property line within the City's boundary. The landowner is proposing the detachment of approximately 685 square feet from the City of Orange to correct the encroachment and properly align the boundaries of the property. If approved by the Commission, the entire property would be located within the County of Orange unincorporated territory. Representatives of the property owner have worked collaboratively over the past year with the County planning staff on the encroachment issues. It is anticipated that an application will be submitted by the landowner early Fall.

Sphere of Influence Update and Annexation of the City of San Juan Capistrano Water and Wastewater Systems to the Santa Margarita Water District

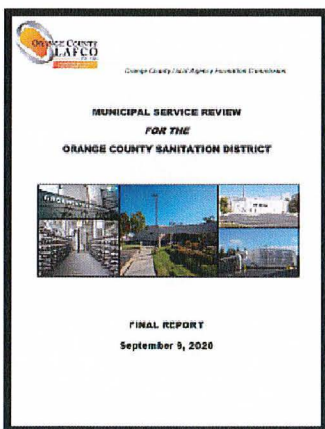
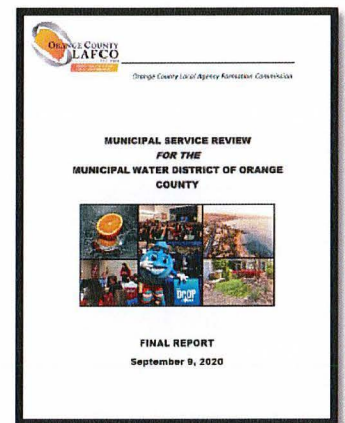


During the first quarter of the fiscal year, staff continued to participate in bi-weekly meetings with the City and SMWD to stay informed of the progress and to provide guidance on the preparation of the plan for services and other application requirements. To assist with the transition of the City's systems and employees, over the past several months, the City and District have worked collaboratively to develop several agreements that involve projects within the San Juan Basin Authority and South Orange County Wastewater Authority and personnel agreements. Staff and legal counsel have also reviewed and provided comments, as warranted, on the agreements. It is anticipated that SMWD will file an annexation application and plan for services this Fall.

4th CYCLE OF SPHERE OF INFLUENCE AND MUNICIPAL SERVICE REVIEWS

During the first quarter, the Commission adopted the determinations for the Municipal Service Reviews (MSR) and reaffirmed the Sphere of Influence for two countywide agencies, the Municipal Water District of Orange County (MWDOC) and Orange County Sanitation District (OCSD). The MSR process involved a collaborative effort with the participation of staff from both Districts through the providing of key documents, data and responses to the draft reports.

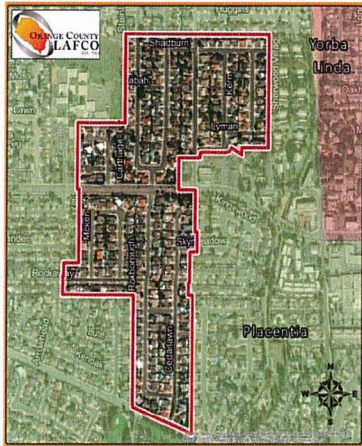
As the regional provider of imported water throughout Orange County, excepting within the boundaries of the Cities of Anaheim, Fullerton and Santa Ana, MWDOC's 2020 MSR report recognizes the efforts of the District to provide reliable imported water for the region and effective planning, efficiency and emergency preparedness within the District's service area. The 2020 MSR did not identify any issues relative to the municipal services delivered by the District.



OCSD's 2020 MSR report recognizes the efforts of the District to efficiently and cost-effectively provide wastewater collection, treatment, and disposal services to central, northwest, and a southern portion of Orange County. The report notes that the District's SOI and service boundaries need to be aligned through an application to Orange LAFCO for areas located within the Cities of Anaheim and Yorba Linda. Currently, the District provides regional wastewater service within these areas but is not receiving the required regional fees.

The final MSR reports were distributed to the Districts' member agencies and can be found on the Orange LAFCO website (www.oclafco.org).

Out-of-Area Agreement for Fire and Emergency Medical Services



Hamer Island

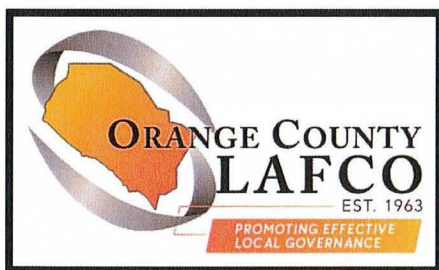
Since the publishing of the Commission's year-end report, staff participated in discussions with the City of Placentia and the County of Orange regarding the provision of fire protection and emergency medical services to the small unincorporated area referred to as the "Hamer Island." Subsequent to those discussions, on June 23, 2020, the County Board of Supervisors and the Placentia City Council entered into an Out-of-Area Service Agreement for the City to provide fire protection and emergency medical services to the Hamer Island beginning July 1, 2020. In accordance with State law, the City was required to receive LAFCO approval to provide the services as the Hamer island is not within the city limits of Placentia. Orange LAFCO policy allows for the review and approval by the Executive Officer to authorize the City to provide services outside of its boundary. On June 29, 2020, the Executive Officer authorized the City to provide fire protection and emergency medical services to the

island and required that the City file an application with Orange LAFCO to annex the Hamer Island within one year.

Since the launch of the City's Fire and Life Safety Department, the department has responded to hundreds of calls while reducing the response times within their service area. During the first month of its operation, the department responded to 400 calls, compared to 280 calls in the same month last year, with an average response time of less than 5.5 minutes. According to an article published by the Orange County Register, residents and stakeholders recognize the seamless transition to the City's new department and appreciate the services being provided.



OC LAFCO COMMUNICATION PLAN



During the first quarter of the current work plan cycle, the Commission approved the agency's Communication Plan. The Plan will serve as a roadmap for the implementation of outreach vehicles and strategies to strengthen the Commission's communication with local agencies and the public.

Over the past several months, the Executive Committee, staff and CV Strategies have met to develop the agency's key messaging, tagline, and development of the protocols and policy for this area are underway. An update on key deliverables of the Communication Plan will be provided to the Commission quarterly.

ADMINISTRATIVE PROJECTS

Orange LAFCO Website

In April 2020, the Commission approved a professional services agreement with Planeteria Media to upgrade the functionality of the agency's site, enhance agency transparency, and comply with any federal and state requirements for websites. During this quarter, staff has participated in several meetings with Planeteria and contributed on-hands direction and support to the redesign of the agency's key communications resource. The conceptual design phase has been completed and the development of the site's content is underway. The new website is expected to launch in early 2021.



OC LAFCO Records and Archival Systems

The overhaul of the OC LAFCO Records and Archival systems is a multi-year project that is near completion. To date, OC LAFCO staff has archived and relocated over 150 boxes to the Commission's electronic systems and physically to the Orange County Records Storage Center. This has included the migration of the agency's records to a modern and user-friendly electronic content management program known as "Laserfiche." During the first quarter, staff worked collaboratively with Laserfiche representatives on the framework development and completed software training. The result of this effort is improved efficiency involving records storage and retrieval of agency documents dating back to nearly 60 years ago.

Orange LAFCO Annual Audit

Annually, an independent auditor prepares OC LAFCO's audited financial statements. During this quarter, staff and the accountant prepared internal administrative and accounting documents to assist with the audit preparation.



The auditor will present the statements and findings to the Commission at the December regular meeting.

Additionally, Commission staff is working with four other Southern LAFCOs (Imperial, Los Angeles, Riverside and San Bernardino) on the joint Request for Proposals (RFP) process for the selection of an independent auditor beginning fiscal year 2020-2021. The contract with Davis Farr LLP, is currently in its final year, and in accordance with State law and Commission policy, the independent auditor must be changed after six years and a competitive process completed. It is expected that the process will be completed during the second quarter and a recommendation for a new professional services agreement for auditing services will be presented to the Commission in early 2021.

EXTERNAL RELATIONS AND OUTREACH EFFORTS

Throughout the first quarter of the fiscal year, staff participated in several outreach and external relations efforts. Additionally, staff has participated in activities that include webinars and other virtual meetings hosted by CALAFCO and other regional organizations to support the ongoing operations of the agency and stay informed relative to the COVID-19 pandemic.

First Quarter FY 20-21 EXTERNAL RELATIONS & OUTREACH EFFORTS July 2020 through October 2020
Independent Special Districts of Orange County Executive Committee
CALAFCO Legislative Committee
Center for Demographic Research Technical Advisory Committee
CALAFCO- Executive Officer and Clerks
Orange County Council of Governments
Orange County Business Council Infrastructure Committee
Orange County Employee Retirement System
Center for Demographic Research Management Oversight Committee
California Special District Association
CALAFCO Southern Region
Southern Region LAFCO Executive Officers
Metropolitan Water District of Southern California
Orange County Sanitation District Virtual Tour
"Internet & Managed Security" Webinar
"Adaptive Leadership in the New Normal" Webinar

FY 2020-21 BUDGET OVERVIEW

On May 13, 2020, the Commission adopted the FY 2020-21 final budget of \$1,257,510. The budget incorporates the resources necessary to support the Commission's operational expenditures and accomplish the projects identified in the annual work plan. The following budget review provides the bank account balances and a comprehensive overview of OC LAFCO revenues and expenditures for July through September 2020. (see page 9).¹

Revenues

The majority of OC LAFCO's revenues are from the \$1,124,500 collected in apportionments from the funding agencies. OC LAFCO also earns interest from its investment portfolio. In the period ending September 30, 2020, the agency earned \$3,375 in interest, which is 18.7% of the interest revenues 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 the 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 9 includes an accounting of application revenues and expenses incurred during the first period of the 2020-21 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 September 30, 2020, are \$216,748 or 17.2% of the total budget. The following table provides a comparison of the percentage of actual funds used and the target levels for the current fiscal year. Each period includes four months; however, the budget report for this quarterly report includes expenditures and revenues for three months (July through September) and is being presented earlier than usual as the Commission will be dark in November due to the Veteran's Holiday.

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

There are two-line items that exceed the targeted levels for the first period, General Liability Insurance and Public Noticing. The General Liability Insurance exceeds the target levels as the associated expenses were incurred at the beginning of the fiscal year. The expenses for the Public Noticing line item exceed the target level due to noticing required for the MWDOC and OCSD municipal service and sphere of influence reviews. It is expected that these line items will be within the approved budget levels at the fiscal year end.

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of September 30, 2020:

As of 9/30/20	Balance
770-Payroll Account	\$438,134
Wells Fargo Checking	\$133,190
Wells Fargo Savings	<u>\$210,820</u>
Total	<u>\$782,144</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 September 30, 2020.

As of 9/30/20	Balance
OC Fund	\$494,507
LAIF	<u>\$967,113</u>
Total	\$ 1,461,620

Balance Sheet and Reserves Balance Analysis

This report includes the balance sheet to provide an understanding of OC LAFCO's financial status. The financial document on page 10 summarizes the agency's assets and liabilities as of September 30, 2020. 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 11.

APPENDIX A
OC LAFCO - Period Budget Overview²
July 1, 2020 – September 30, 2020

	1st 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	1,092,414	1,092,414	-	1,124,500	97.1%
Filing Fees	-	-	10,534	-	0.0%
Misc Revenue	353	353	-	-	0.0%
Interest & Dividends	3,375	3,375	-	18,000	18.7%
Total Revenue	\$ 1,096,142	\$ 1,096,142	\$ 10,534	\$ 1,257,510	87.2%
Expenditures:					
Salaries	\$ 103,808	\$ 103,808	\$ 2,614	\$ 529,220	19.6%
Hourly Employees	1,541	1,541	-	18,000	8.6%
Benefits & Insurance					
Optional Benefit Plan	-	-	-	18,500	0.0%
Deferred Compensation	3,288	3,288	-	16,130	20.4%
Retirement Benefits	43,199	43,199	-	190,920	22.6%
Health Insurance	11,069	11,069	-	56,520	19.6%
Retiree Health Benefits	3,680	3,680	-	18,250	20.2%
Dental Insurance	1,087	1,087	-	5,710	19.0%
Life Insurance	78	78	-	510	15.3%
Workers Compensation	-	-	-	3,940	0.0%
Medicare	1,544	1,544	-	8,210	18.8%
Salary Continuance	170	170	-	1,860	9.2%
Accidental Death Insurance	19	19	-	130	14.8%
Executive Car Allowance	1,800	1,800	-	7,200	25.0%
Total - Benefits & Insurance	65,934	65,934	-	327,880	20.1%
Information Technology	1,933	1,933	-	10,000	19.3%
Telephone & Internet	3,025	3,025	-	15,760	19.2%
County of Orange	587	587	-	8,500	6.9%
General Liability Insurance	4,790	4,790	-	9,800	48.9%
Memberships	4,462	4,462	-	35,320	12.6%
Office Equipment/Supplies	1,393	1,393	-	10,000	13.9%
Professional Services:					
Legal	3,776	3,776	-	60,000	6.3%
Accounting/Audit	6,000	6,000	-	43,200	13.9%
Human Resources	1,825	1,825	-	9,450	19.3%
Mapping/Archiving	850	850	-	9,500	8.9%
Other Professional Services	225	225	-	60,000	0.4%
Total - Professional Services	12,675	12,675	-	182,150	7.0%
Investment Admin Fees	102	102	-	630	16.2%
Public Noticing	1,850	1,850	-	5,400	34.3%
Unincorporated Areas Program	-	-	-	6,000	0.0%
Rents/Maintenance	9,227	9,227	-	51,100	18.1%
Equipment Leases	1,450	1,450	-	7,860	18.4%
Comm. & Staff Expense	471	471	-	7,000	6.7%
Comm. Stipends & Taxes/Fees	3,389	3,389	-	16,350	20.7%
Transportation/Travel	-	-	-	10,540	0.0%
Commission Meeting Expense	110	110	-	6,000	1.8%
Total Expenditures	216,748	216,748	2,614	1,257,510	17.2%
Total Net Income (Loss)	\$ 879,394	\$ 879,394	\$ 7,920	\$ -	

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

APPENDIX B
OC LAFCO BALANCE SHEET
As of September 30, 2020

	<u>Sept 30, 20</u>
ASSETS	
Current Assets	
Cash and Investments	
County Acct-Payroll	\$ 438,134
Wells Fargo Checking	133,190
Wells Fargo Savings	210,820
OC Fund	494,507
Investment Acct - LAIF	967,113
Fair Market Value Adjustments	1,348
Total Cash and Investments	<u>2,245,112</u>
Other Current Assets	
Interest Receivable - Other	1,741
Prepaid Expenses - Other	17,312
Retirement Prepaid Expense	168,662
Total Other Current Asset	<u>187,715</u>
Total Current Assets	<u>2,432,827</u>
Fixed Assets	10,990
Other Assets	
Def. Outflows Pension Related	407,604
Deferred OPEB Contributions	10,852
Deferred Outflows OPEB Related	3,274
Security Deposit	10,235
Total Other Assets	<u>431,965</u>
TOTAL ASSETS	<u><u>2,875,782</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accrued Liability	25,137
Salaries Payable	18,955
Compensated Absenses	36,161
Total Current Liabilities	<u>80,253</u>
Long Term Liabilities	
Deferred Inflows OPEB Related	6,546
Net OPEB Liability	126,448
Net Pension Liability	1,489,642
Def. Inflows Pension Related	344,756
Deferred Lease Incentive	17,075
Total Long Term Liabilities	<u>1,984,467</u>
Total Liabilities	<u>2,064,720</u>
Equity	811,062
TOTAL LIABILITIES & EQUITY	<u><u>\$ 2,875,782</u></u>

OC Local Agency Formation Commission Reserves Balance Analysis

Cash & Investments Description	Sept 30, 20 Balance	Commission Approved Balances	Balance Excess / (Deficiency)
County Payroll	\$ 438,134	\$ 218,775 ¹	\$ 219,359
Checking - Wells Fargo	133,190	95,603 ¹	37,587
Savings - Wells Fargo	210,820	205,000 ¹	5,820
OC Fund Investment	494,507	-	494,507
LAIF Investment	967,113	-	967,113
Total	\$ 2,243,764	\$ 519,378	\$ 1,724,386 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.