



November 13, 2019

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**DONALD P. WAGNER**  
COUNTY MEMBER

**TO:** Local Agency Formation Commission

**FROM:** Executive Officer  
Assistant Executive Officer

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

The attached Quarterly Report provides an overview of OC LAFCO projects currently underway, a budget report, and an investment report for the months of July through October of Fiscal Year 2019-20 (*Attachment A*). Upon approval by the Commission, the report will be distributed to 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 – First Quarter.

ALTERNATES

**WENDY BUCKNUM**  
CITY MEMBER

**KATHRYN FRESHLEY**  
SPECIAL DISTRICT MEMBER

**LOU PENROSE**  
PUBLIC MEMBER

**MICHELLE STEEL**  
COUNTY MEMBER

Respectfully submitted,

  
CAROLYN EMERY  
DEBRA KURITASTAFF

**CAROLYN EMERY**  
EXECUTIVE OFFICER

ATTACHMENT

A: Fiscal Year 2019-20 Comprehensive Quarterly Report - First Quarter



# Orange County LAFCO Comprehensive Quarterly Report



First Quarter - FY 2019-20  
(July – October 2019)

## INSIDE LOOK:

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## INTRODUCTION

This Comprehensive Quarterly Report provides an update on OC LAFCO projects and activities, a summary of the outreach efforts and an assessment of the agency's current budget and investment portfolio performance for July through October 2019.

## FY 2019-20 WORK PLAN PROJECTS

During the first quarter, OC LAFCO staff participated in meetings and discussions involving active and anticipated project applications, began a key phase of the fourth round of municipal service reviews and sphere of influence updates and initiated the process of preparing a communications plan for the agency. Additionally, staff performed work on administrative projects including the annual audit and updating the shared services web program. The following sections provide updates on the progress of the Commission's FY 2019-20 Work Plan achieved during this quarter.

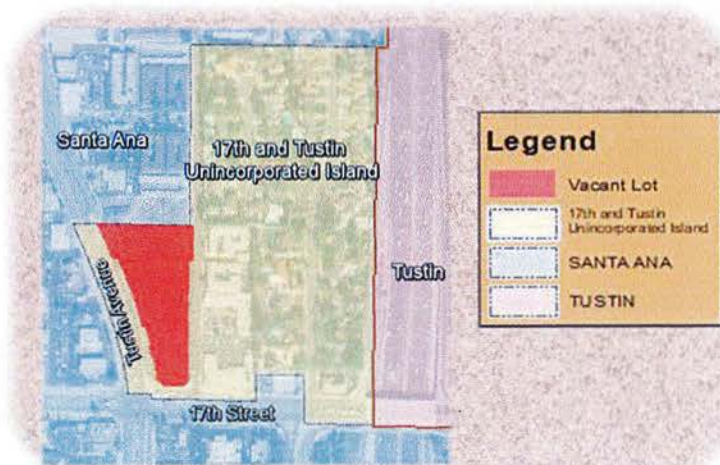
### ACTIVE AND ANTICIPATED PROJECT APPLICATIONS

During this review period, one of the eight anticipated project applications in the FY 2019-20 work plan was completed, two will be considered by the Commission for approval at the meeting in November, and the other five are underway. The following provides brief updates on these projects:

#### ***Orange County Sanitation District (OCSD) Annexation of Los Alisos Areas 1 and 2***

The purpose of this routine annexation was to align OCSD's service and jurisdictional boundaries and to amend its sphere of influence accordingly. During the first quarter of this fiscal year, the agency conducted the protest proceedings and completed the final recordation of this project that was approved by the Commission in June.

#### ***City of Santa Ana Annexation of 17<sup>th</sup> Street and Tustin Unincorporated Island***



This project falls under two of the Commission's strategic areas for FY 2019-20: processing applications and transitioning unincorporated areas. It is an annexation of a small unincorporated island (under 150 acres) within the City of Santa Ana's sphere of influence. OC LAFCO staff worked collaboratively with the staffs from the County and the Cities of Santa Ana and Tustin on this project over the course of the last three years. During the first quarter of this fiscal year, an annexation application was filed by the

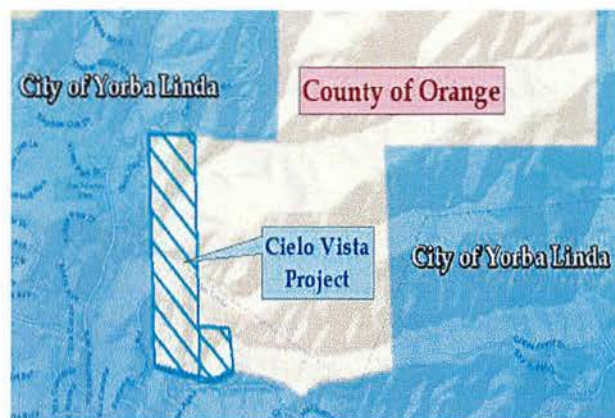
City of Santa Ana and OC LAFCO staff assisted the affected agencies in preparing the



annexation requirements. The annexation will be considered by the Commission at its meeting in November.

### ***City of Yorba Linda Annexation of the Cielo Vista Development***

This project also involves the Commission's strategic areas of processing applications and transitioning unincorporated areas. The Cielo Vista Project is a County approved residential development that is currently unincorporated and within the City of Yorba Linda's sphere of influence. The project, which is adjacent to the City's boundary, includes 80 single-family residential units on approximately 84 acres. During the first quarter of this fiscal year, the City submitted an annexation application and staff



worked with the representatives from the City, County and Cielo Vista Project to ensure that the documents necessary to complete the application were prepared and submitted. The annexation will be considered by the Commission at its meeting in November.

### ***Costa Mesa Sanitation District (CMSD) Annexation of Territory in Newport Beach***

This project is a proposed annexation of approximately 99 acres of territory, generally located in the Upper Newport Bay, to the CMSD service area. The purpose of this annexation is to conform with a 1991 out-of-area service agreement and to provide a clear and logical boundary for customers receiving sanitation services. During this review period, staff worked with the representatives from both agencies to identify and review the documents necessary to submit a completed application. The agencies anticipate that the annexation application will be submitted to OC LAFCO in January 2020.

### ***Santa Margarita Water District (SMWD) Annexation of the City of San Juan Capistrano Water and Wastewater Utilities***



During the first quarter of this fiscal year, staff continued ongoing discussions with the City and SMWD to stay informed of the progress of the annexation and to provide guidance on the preparation of the plan for services and other application requirements. It is anticipated that SMWD will file an annexation application before the end of this calendar year.

### ***City of Laguna Woods Reorganization with the City of Laguna Hills***

The purpose of this proposed reorganization is to align boundaries along common right-of-ways in several small areas between the cities of Laguna Woods and Laguna Hills. During this review period, staff participated in meetings with the staff from the City of Laguna Woods to discuss the project and identify the steps necessary to complete the annexation. The filing of an application for this project is anticipated before the end of this calendar year.

### ***Orange County Sanitation District Annexation of Territory in the Cities of Anaheim and Yorba Linda***

These are two separate potential annexation applications by OCSD for properties located in the City of Anaheim and the City of Yorba Linda. The subject properties are currently connected to the OCSD sewer system but not within the District's boundary. During the first quarter of FY 2019-20, OC LAFCO staff continued to participate in discussions with the district on annexation boundaries and requirements. Currently, the District is conducting an internal review of the projects and timeline for filing the application.

## ***FOURTH CYCLE OF SPHERE OF INFLUENCE UPDATES AND MUNICIPAL SERVICE REVIEWS***

One of the key strategic areas identified in the Commission's current strategic plan is the completion of the fourth cycle of the sphere of influence updates and municipal service reviews that respectively provide long-range planning for local boundaries and serve as repositories of information for affected agencies and communities. During this quarter, the next phase of the project began with data collection and stakeholder meetings with the agencies identified for review in the 2019-20 Work Plan. These agencies include two regional special districts, three county services areas, and the cities and special districts in the Southwest and Southeast MSR regions. A detailed listing of all of the agencies being reviewed in FY 2019-20 is provided on Page 5.

Collecting documents and other information that will assist in the preparation of the reviews is a major component of the process, which will culminate in the presentation of the draft MSRs to the Commission in the Summer of 2020.



## FY 2019-20 Work Plan Spheres of Influence and Municipal Service Reviews

<b><u>Southwest Region</u></b>	
<u>Special Districts</u>	<u>Cities</u>
Capistrano Bay Community Services District Emerald Bay Community Services District El Toro Water District Laguna Beach County Water District Moulton Niguel Water District South Coast Water District Three Arch Bay Community Services District South Orange County Wastewater Authority	City of Aliso Viejo City of Dana Point City of Laguna Beach City of Laguna Hills City of Laguna Niguel City of Laguna Woods
<b><u>Southeast Region</u></b>	
<u>Special Districts</u>	<u>Cities</u>
El Toro Water District Irvine Ranch Water District Moulton Niguel Water District Santa Margarita Water District South Coast Water District Trabuco Canyon Water District South Orange County Wastewater Authority	City Lake Forest City of Mission Viejo City of Rancho of Santa Margarita City of San Clemente City of San Juan Capistrano
<b><u>Regional Agencies</u></b>	
Municipal Water District of Orange County Orange County Sanitation District	
<b><u>County Service Areas</u></b>	
CSA 13 (Buena Park) CSA 22 (East Yorba Linda) CSA 26 (OC Parks)	

### *OC LAFCO COMMUNICATIONS PLAN*

A key strategic area identified in the 2019 Strategic Plan is the development of a program that enhances communication with local agencies and communities. To begin this project, a competitive process was conducted to select a firm to assist in the preparation and implementation of a communications plan for the agency. At the October regular





meeting, the Commission selected CV Strategies to prepare an assessment of the agency's existing communication resources and tools and develop a communications plan. CV Strategies is a comprehensive public engagement consulting firm that was established in 2007. The firm specializes in this area and has prepared strategic communication plans for more than 250 public agencies.

## *ADMINISTRATIVE ACTIVITIES*

### **Oaths of Office for New and Reappointed Commissioners**

During the August Commission meeting, the oath of office was administered to Commissioners Bartlett, Fisler and Freshley. Commissioner Bartlett was reappointed by the Board of Supervisors to begin a new four-year term. Commissioners Fisler and Freshley were appointed to unexpired terms that end in 2020 and 2022 respectively.



Commissioners Freshley, Bartlett, and Fisler taking their oaths of office.

### **OC LAFCO's Audited Financial Statements**

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 auditing firm, Davis Farr LLP, has prepared OC LAFCO's FY 2018-19 audited financial statements.

The auditors found that there were no material issues relating to OC LAFCO's accounting procedures and policies, internal financial controls, or office procedures, and issued an Unqualified Opinion, which is the highest level of opinion an entity can receive. The auditor will present the findings to the Commission at the meeting in November. The agency's audited financial statements for the past four fiscal years are available on the OC LAFCO website.



## Update to the OC LAFCO's Shared Services Web Program

The Commission's web-based Shared Services Program was first introduced in 2010 and is designed as a resource for special districts and cities within Orange County to explore the opportunities for sharing facilities and services. The program also serves as a platform for highlighting successful stories of partnerships between agencies. During the first quarter of FY 2019-20, staff completed program improvements to make it more accessible and user-friendly to the end users. The program was reintroduced at the special districts' General Managers meeting in October and there are plans to present to the City Managers prior to the relaunch of the program in early 2020.



## EXTERNAL RELATIONS AND OUTREACH EFFORTS

External relations outreach efforts conducted during the first 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 on page 8.

### OC LAFCO Presentation to the Orange County Business Council's Infrastructure Committee

In July, Executive Officer Carolyn Emery made a presentation to the Orange County Business Council Infrastructure Committee regarding OC LAFCO's role in the county and the key projects on the agency's work plan for FY 2019-20. A highlight of the presentation included an overview of the Commission's effort on preparing agency MSRs and OC LAFCO's long-standing and successful unincorporated islands program. The Infrastructure Committee is comprised of both private sector and public agency representatives.



Executive Officer Emery and Members of the Orange County Business Council's Infrastructure Committee



## OUTREACH AND EXTERNAL RELATIONS

### First Quarter FY 19-20

#### July Meetings

Association of California Water Agencies Region 10 Program  
 South Orange County Quarterly  
 Orange County Business Council Infrastructure Committee Monthly  
 Orange County City Managers Association Monthly  
 Orange County Council of Governments Monthly  
 Center for Demographic Research Technical Advisory Committee  
 Independent Special Districts of Orange County Quarterly  
 CALAFCO Legislative Committee  
 4th Cycle MSR Stakeholders Meeting

#### August Meetings

Orange County Waste and Recycling Organic Waste Management Workshop  
 Southern California Association of Governments Workshop on Regional Housing Needs Assessment  
 Center for Demographic Research Management Oversight Committee  
 El Toro Water District Community Advisory Group Quarterly  
 Orange County Business Council Infrastructure Committee Monthly  
 Orange County Council of Governments Monthly  
 Southern Region Analysts Meeting  
 4th Cycle MSR Stakeholders Meeting

#### September Meetings

Orange County City Managers Association Monthly  
 Independent Special Districts of Orange County Executive Committee Monthly  
 4th Cycle MSR Stakeholders Meeting

#### October Meetings

Orange County Business Council Workforce Development Conference  
 Independent Special Districts of Orange County Executive Committee and Quarterly  
 CALAFCO Annual Conference  
 CALAFCO Legislative Committee  
 4th Cycle MSR Stakeholders Meeting



## FY 2019-20 BUDGET OVERVIEW

On May 8, the Commission adopted the FY 2019-20 final budget of \$1,258,650. This 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 the period ending October 31, 2019. (see page 11).<sup>1</sup>

### 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 October 31, 2019, the agency earned \$4,840 in interest which is 27% 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 and are shown in the financial overview as revenue within the Special Fund column. The Special Fund column in the chart on page 11 includes an accounting of application revenues and expenses incurred during the first period of the 2019-20 fiscal year.

### Expenditures

The total General Fund expenditures as of October 31, 2019 are \$322,402 or 26% 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 19-20 Funds Used			
	1 <sup>st</sup> Period	2 <sup>nd</sup> Period	3 <sup>rd</sup> Period
<b>Target</b>	33%	66%	100%
<b>Actual</b>	26%	--	--

There are two projects, the Communications Plan and the website technology upgrades for the fourth cycle of the Municipal Service Reviews/Sphere of Influence updates, that were budgeted in the 2018-19 fiscal year, but the work was not performed during that fiscal year and the projects were carried over into FY 2019-20. The combined budgeted balance for these services at the end of the FY 2018-19 was \$67,900. As these funds were appropriated but not expended during FY 2018-19, the budgeted amounts for these projects are now reflected in the unreserved equity account for the current fiscal year. It is anticipated that these funds will be expended during the FY 2019-20 fiscal year. An agreement with Respond Tech for \$7,900 to provide the programming services to update and improve the webpages dedicated to the Shared Services, Fiscal Trends and MSR Dashboard was initiated in

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



August. In October, the Commission approved an agreement not to exceed \$12,100 with CV Strategies to prepare a Communications Assessment and Plan. The work on both of these projects has begun and the status of these agreements will be included in the next Quarterly Report. This will allow the Commission and staff to monitor the impact of the expenditures associated with these two continuing projects in order to determine if a budget adjustment will be necessary during the year.

## Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of October 31, 2019:

As of 10/31/19	Balance
<b>770-Payroll Account</b>	\$346,785
<b>Wells Fargo Checking</b>	122,538
<b>Wells Fargo Savings</b>	210,681
<b>Total</b>	<b>\$680,004</b>

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 October 31, 2019.

As of 10/31/18	Balance
<b>LAIF</b>	\$962,480
<b>OC Fund</b>	485,398
<b>Total</b>	<b>\$1,447,878</b>

## Balance Sheet<sup>2</sup>

This report includes the balance sheet to provide an understanding of OC LAFCO's financial status. This financial document on page 10 summarizes the agency's assets and liabilities as of October 31, 2019.

<sup>2</sup> Unaudited – Subject to Change



Orange County Local Agency Formation Commission  
Period Budget Overview  
July 1, 2019 - October 31, 2019

	1st Period General Fund	YTD Special Revenue Funds	TOTAL FY 19/20 Budget	General Fund %
<b>Revenue:</b>				
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ 116,150	0.0%
LAFCO Apportionment	1,124,500	-	1,124,500	100.0%
Filing Fees	-	14,885	-	0.0%
Misc Revenue	156	-	-	0.0%
Interest & Dividends	4,840	-	18,000	26.9%
<b>Total Revenue</b>	<b>\$ 1,129,496</b>	<b>\$ 14,885</b>	<b>\$ 1,258,650</b>	<b>89.7%</b>
<b>Expenditures:</b>				
Salaries	\$ 145,846	\$ 2,488	\$ 498,500	29.3%
Hourly Employees	4,623	-	10,000	46.2%
<b>Benefits &amp; Insurance</b>				
Optional Benefit Plan	-	-	18,500	0.0%
Deferred Compensation	4,223	-	15,400	27.4%
Retirement Benefits	50,727	-	176,900	28.7%
Health Insurance	16,157	-	56,700	28.5%
Retiree Health Benefits	5,879	-	20,200	29.1%
Dental Insurance	1,644	-	5,600	29.4%
Life Insurance	173	-	600	28.8%
Workers Compensation	-	-	3,800	0.0%
Medicare	2,184	-	7,400	29.5%
Salary Continuance	519	-	1,800	28.8%
Accidental Death Insurance	35	-	150	23.3%
Executive Car Allowance	2,400	-	7,200	33.3%
<b>Total - Benefits &amp; Insurance</b>	<b>83,940</b>	<b>-</b>	<b>314,250</b>	<b>26.7%</b>
Information Technology	1,550	-	10,000	15.5%
Telephone & Internet	4,095	-	16,200	25.3%
County of Orange	875	-	5,500	15.9%
General Liability Insurance	3,649	-	16,000	22.8%
Memberships	13,875	-	33,800	41.1%
Office Equipment/Supplies	1,725	-	10,000	17.2%
<b>Professional Services:</b>				
Legal	5,164	-	60,000	8.6%
Accounting/Audit	7,854	-	43,100	18.2%
Human Resources	-	-	9,000	0.0%
Mapping/Archiving	1,133	-	7,200	15.7%
Other Professional Services	-	-	60,000	0.0%
<b>Total - Professional Services</b>	<b>14,152</b>	<b>-</b>	<b>179,300</b>	<b>7.9%</b>
Investment Admin Fees	176	-	600	29.3%
State Board of Equalization	-	4,500	-	0.0%
Public Noticing	-	5,614	2,000	0.0%
Unincorporated Areas Program	-	-	6,000	0.0%
Rents/Maintenance	25,970	-	79,800	32.5%
Equipment Leases	2,129	-	7,200	29.6%
Comm. & Staff Expense	1,764	-	7,000	25.2%
Comm. Stipends & Taxes/Fees	2,141	-	16,200	13.2%
Professional Development	6,817	-	22,000	31.0%
Transportation/Travel	8,577	-	18,300	46.9%
Commission Meeting Expense	499	-	6,000	8.3%
<b>Total Expenditures</b>	<b>322,402</b>	<b>12,602</b>	<b>1,258,650</b>	<b>25.6%</b>
<b>Total Net Income (Loss)</b>	<b>\$ 807,094</b>	<b>\$ 2,284</b>	<b>\$ -</b>	



# OC Local Agency Formation Commission

## Balance Sheet

As of October 31, 2019

	<u>Oct 31, 19</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
Cash and Investments	
1000 · County Acct-Payroll	346,785
1025 · Wells Fargo Checking	122,538
1030 · Wells Fargo Savings	210,681
1040 · OC Fund	485,398
1050 · Investment Acct - LAIF	962,480
1059 · Fair Market Value Adjustments	513
<b>Total Cash and Investments</b>	<u>2,128,395</u>
Other Current Assets	
1300 · Interest Receivable - Other	439
1375 · Prepaid Expenses - Other	22,445
1376 · Retirement Prepaid Expense	112,983
<b>Total Other Current Asset</b>	<u>135,868</u>
<b>Total Current Assets</b>	<u>2,264,263</u>
Fixed Assets	31,640
Other Assets	
1580 · Def. Outflows Pension Related	469,088
1581 · Deferred OPEB Contributions	10,852
1582 · Deferred Outflows OPEB Related	3,274
1600 · Security Deposit	6,082
<b>Total Other Assets</b>	<u>489,296</u>
<b>TOTAL ASSETS</b>	<u><b>2,785,199</b></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
2050 · Salaries Payable	16,369
2300 · Compensated Absenses	40,857
<b>Total Current Liabilities</b>	<u>57,226</u>
<b>Long Term Liabilities</b>	
2164 · Deferred Inflows OPEB Related	6,546
2163 · Net OPEB Liability	126,448
2161 · Net Pension Liability	1,582,703
2162 · Def. Inflows Pension Related	259,339
2170 · Deferred Lease Incentive	13,909
<b>Total Long Term Liabilities</b>	<u>1,988,945</u>
<b>Total Liabilities</b>	<u>2,046,171</u>
Equity	(70,349)
Net Income	809,377
<b>Total Equity</b>	<u>739,028</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>2,785,199</b></u>