



March 11, 2020

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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*).

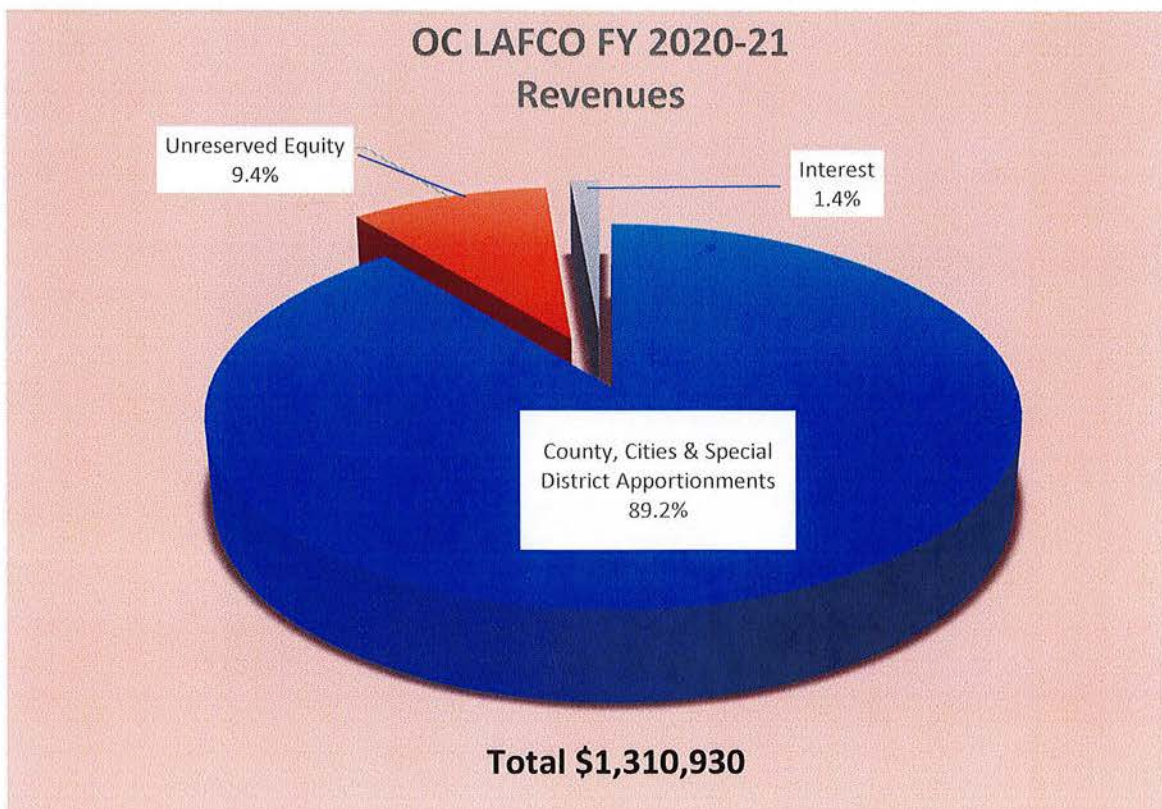
FY 2020-21 OC LAFCO PROPOSED BUDGET

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

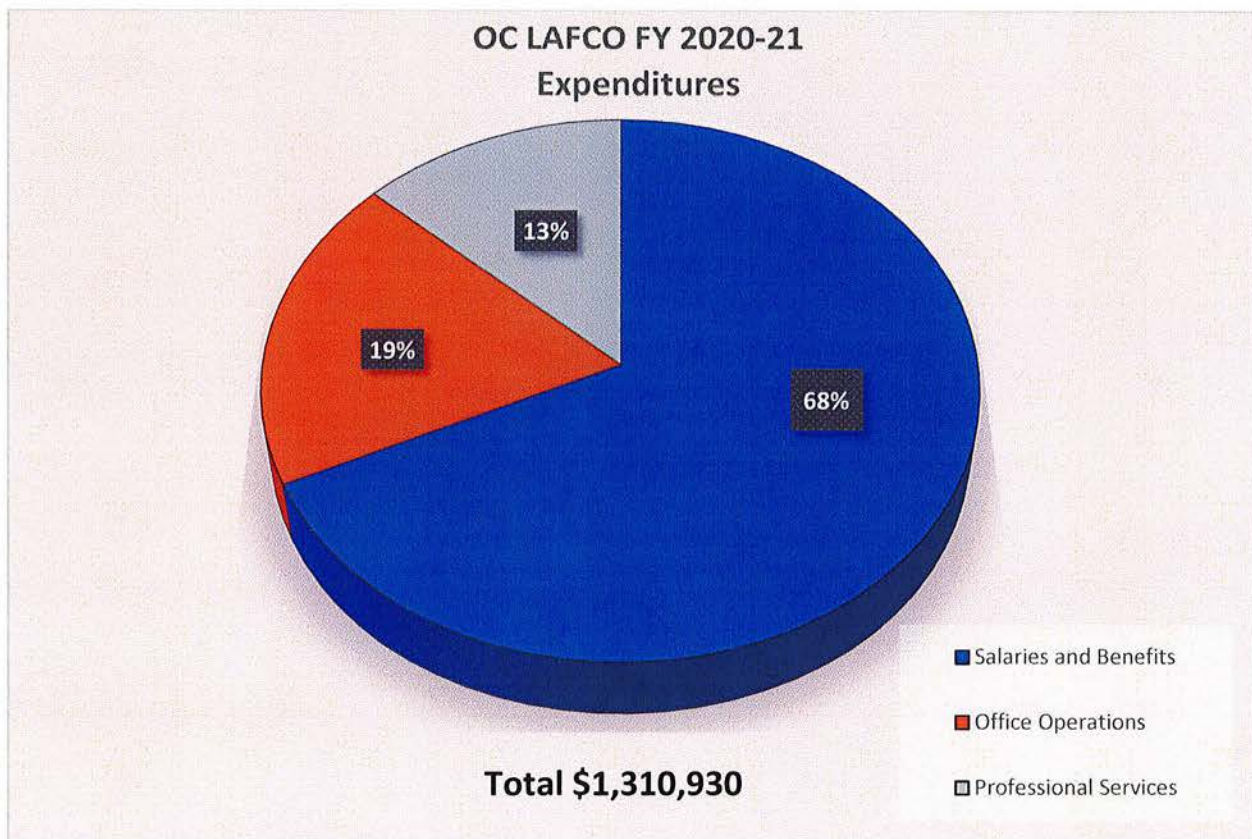
budget projections, it is anticipated that the reserve levels will remain within the Commission's approved policy at the beginning of FY 2024-25.

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



(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

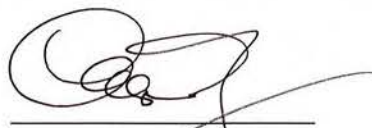
proposed budget as a baseline with personnel expenditures increased annually by the CPI of 2.7% and general operational expenditures adjusted annually by factors such as current trends, contractual obligations for office and equipment leases, or the CPI. The apportionment projections for FY 2021-22 through 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.

/ / /

/ / /

/ / /

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