



April 10, 2019

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CHARLEY WILSON  
SPECIAL DISTRICT MEMBER

**TO:** Local Agency Formation Commission

**FROM:** Executive Officer  
Assistant Executive Officer

**SUBJECT:** FY 2018-19 Comprehensive Quarterly Report -  
Second 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 November through February of FY 2018-19. (*Attachment A*). Upon approval 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 FY 2018-19 Comprehensive Quarterly Report - Second Quarter.

ALTERNATES

WENDY BUCKNUM  
CITY MEMBER

JAMES FISLER  
SPECIAL DISTRICT MEMBER

LOU PENROSE  
PUBLIC MEMBER

MICHELLE STEEL  
COUNTY MEMBER

Respectfully submitted,

  
CAROLYN EMERY  
DEBRA KURITASTAFF

CAROLYN EMERY  
Executive Officer

ATTACHMENT:

A: FY 2018-19 Comprehensive Quarterly Report - Second Quarter

# Orange County LAFCO Comprehensive Quarterly Report



Second Quarter / FY 2018-19  
(November 2018 – February 2019)

## INSIDE LOOK:

Mandated Projects – Page 2

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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 2018 through February 2019.

## MANDATED PROJECTS

In this reporting period, OC LAFCO participated in meetings and discussions regarding projects identified in the agency's work plan. This section provides an update on activities for many of those projects.

### Pre-filing Meetings Summary

During this period, OC LAFCO staff participated in a number of pre-filing meetings and discussions with applicants on projects that will ultimately require Commission action. As part of the application process, potential applicants must participate in a pre-filing meeting to discuss the LAFCO process and requirements. The following are brief overviews of four of those projects:

#### *Cielo Vista Project Annexation*

The Cielo Vista Project is a County approved residential development currently located in an unincorporated area adjacent to the City of Yorba Linda and within the City's sphere of Influence. The project includes 80 single-family residential units on approximately 84.7 acres. During the second quarter of this fiscal year, OC LAFCO staff held meetings with the City of Yorba Linda, the County and the representative of the Cielo Vista Project to review the LAFCO annexation process. On November 20, 2018, the Yorba Linda City Council approved both the resolution to initiate annexation proceedings and the pre-zoning of the development site. It is expected that the City will file an application with OC LAFCO during the Spring of 2019.





### *Orange County Sanitary District /Irvine Ranch Water District Project*

In May 2017, Orange County Sanitation District (OCSD) and Irvine Ranch Water District (IRWD) entered into an out-of-area agreement to accommodate the collection and treatment of wastewater generated in specified territories outside OCSD's service area. The agreement was designed to be a temporary measure until a routine annexation could be processed through OC LAFCO. The application will involve the annexation by OCSD of 968.2 acres of territory located in the City of Lake Forest where IRWD currently provides local sewer and retail water. The proposed annexation areas are Portola Hills and Baker Ranch, which were previously part of the Los Alisos Water District and consolidated into IRWD in December 2000. The agencies worked with OC LAFCO staff to identify the components and timeframes for processing the annexation. It is anticipated that an application for this project will be submitted in April.

### *Newport Beach/Costa Mesa Sanitary District Boundary Project*

In January, OC LAFCO staff met with representatives from the City of Newport Beach and the Costa Mesa Sanitary District (CMSD) regarding a proposed annexation of approximately 99 acres of territory, generally located in Upper Newport Bay, into 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 boundary for customers receiving sanitation services. OC LAFCO staff participated in a Community Workshop on March 25 conducted by the City and CMSD. Despite the public noticing of the event, no residents or landowners attended the workshop. The City is preparing to send out a second notice to each affected property notifying them of the proposed annexation. The representatives from the two agencies anticipate filing the annexation application with OC LAFCO in June.

### *Laguna Woods/Laguna Hills Public Right-of-Way Project*

During this reporting period, representatives from the City of Laguna Woods met with staff to discuss a potential reorganization between the City of Laguna Woods and the City of Laguna Hills. The project involves an adjustment to the city boundaries that overlay the public right-of-way, including the road and sidewalk areas, of the following streets: Moulton Parkway from the intersection with Santa Maria Avenue to the intersection with Ridge Route Drive, a portion of the intersection of Paseo De Valencia and Laguna Hills Drive, and a portion of the intersection of Paseo De Valencia and El Toro Road. It is expected that the application for this reorganization will be submitted in June.





## ADMINISTRATIVE ACTIVITIES

### Election of OC LAFCO Officers



Chair Brothers

Each year, the Commission elects the officers of the Board. At the February meeting, the Commission elected Cheryl Brothers as Chair and Douglass Davert as Vice Chair. Chair Brothers is currently a councilmember in the City of Fountain Valley. She was first appointed to OC LAFCO by the City Selection Committee in 2013 and served as Vice Chair in 2018.

Vice Chair Davert is currently the Board President of East Orange County Water District. He was appointed to the Regular Special District seat by the Independent Special District Selection Committee in May 2018. Chair Brothers and Vice Chair Davert, together with the Immediate Past Chair, Derek McGregor, will also serve as the members of the agency's Executive Committee for 2019.



Vice Chair  
Davert

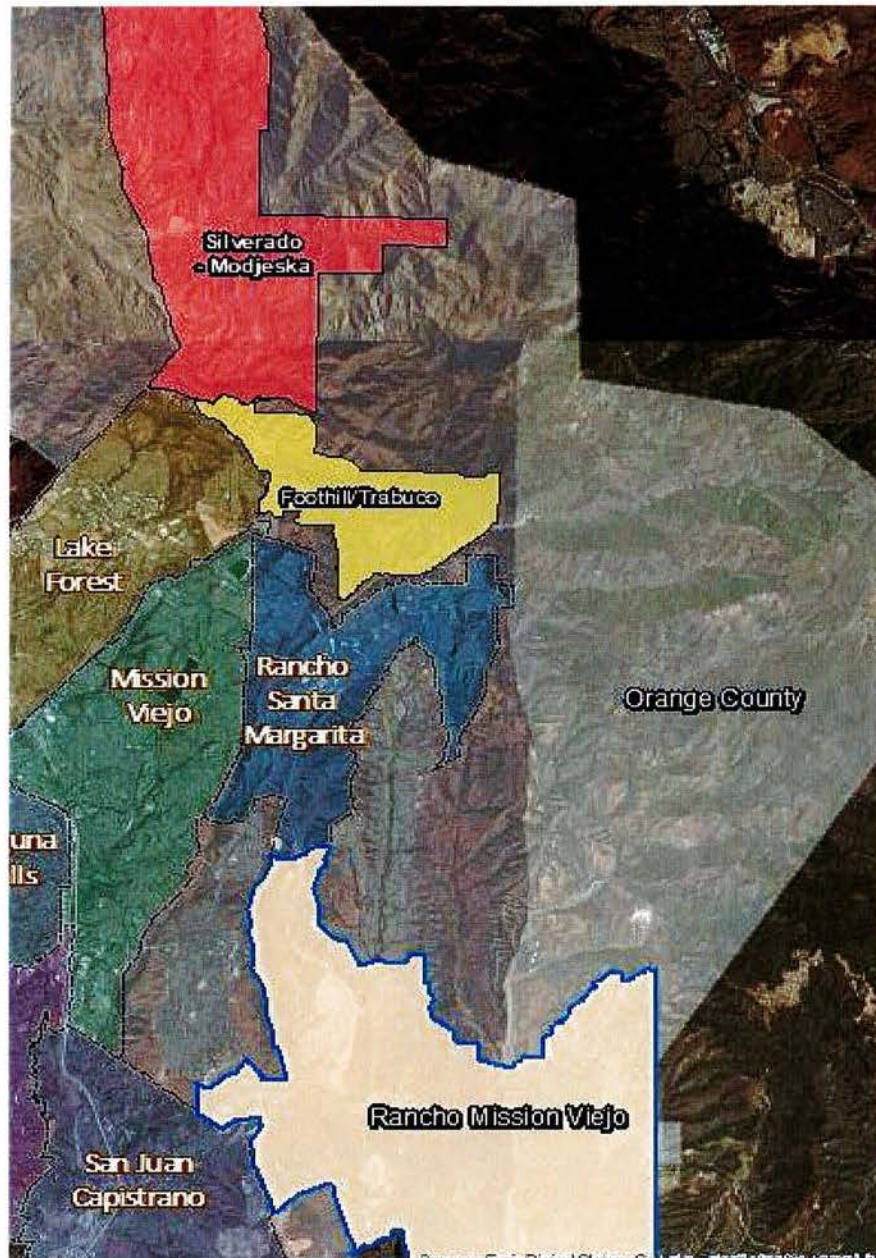
### OC LAFCO Website Updates

During this quarter, a number of enhancements were implemented on the OC LAFCO website to make the site more user friendly, informative and to improve the download speed. Major upgrades to the Unincorporated Islands and Joint Powers Authorities pages were completed, and a new Open Government page was added to the website. This page provides easier access to pertinent documents, such as the agency adopted budgets, audited financial statements, and staff compensation documents and information. The OC LAFCO website is available at [oclafco.org](http://oclafco.org).



## Census Bureau Project

Every ten years the U.S. Census Bureau conducts a nationwide census to collect data about the population and economy. As part of the process to collect accurate data, the Census Bureau invited participants to review the statistical area boundaries and submit any proposed changes through a program called the 2020 Census Participant Statistical Areas Program (PSAP). OC LAFCO staff participated in this endeavor, in collaboration with the County and Center for Demographics Research, to provide recommendations to the U.S. Census Bureau on the County unincorporated areas. Through this process, three areas in the County were identified as Census Designated Places (CDP) for the 2020 Census. Those areas are: Silverado Modjeska Canyon, Foothill Trabuco Canyon, and the Rancho Mission Viejo development areas. The boundary lines of each of these CDPs are under final review by CDR and will be submitted to the Census Bureau by May 2019. Ultimately, the compilation of this census information will be useful to the Commission in reviewing the issue of future governance in south county and in identifying and addressing service issues in the canyons.





# OC LAFCO EXTERNAL RELATIONS AND OUTREACH EFFORTS

During this reporting period, staff proactively supported projects identified in the work plan by participating in a number of external meetings and presentations to organizations. The chart on the following page references those efforts.

## OC LAFCO Educational Presentations



Executive Officer Emery at  
ISDOC Quarterly Meeting

In January, Executive Officer Emery made presentations at both the Association of California Cities of Orange County's (ACC-OC) educational session for new Mayors and City Council members and the Independent Special Districts of Orange County's (ISDOC) quarterly meeting. For both presentations, Ms. Emery provided background information on OC LAFCO's legislative mission, jurisdiction and role in the County. She also explained how OC LAFCO is funded and shared information on the Commission's current projects and activities. Additionally, for the ISDOC audience she provided an in-depth discussion of the history and evolution of the State Legislature's goals and requirements for Municipal Service Reviews.

## Legislative Outreach

Each election cycle, staff performs outreach to Orange County's newly elected officials and their staffs to provide information regarding OC LAFCO. This effort is aligned with the Commission's goal of fostering collaborative relationships with State and regional agencies. During February and March, this outreach was focused on discussing OC LAFCO current projects and the Commission's legislative responsibilities and issues with State Legislators Chang, Diep, Petrie-Norris, and Umberg, as well as Orange County Supervisor Doug Chaffee.

## Second Quarter FY 18-19 EXTERNAL RELATIONS & OUTREACH EFFORTS

### November Meetings

Cities of Santa Ana and Tustin, and Landowner: Annexation of 17th and Tustin Unincorporated Island

City of Yorba Linda, County, Landowner Representative: Annexation of Cielo Vista Development

Newport Beach City Manager: OC LAFCO Strategic Plan, Work Plan and Budget

Orange County City Manager Association Monthly Meeting

Orange County Council of Governments Monthly Meeting

El Toro Water District: Community Advisory Group Quarterly Meeting

### December Meetings

Center for Demographic Research: Census 2020 Project

City of Orange and a Resident: Potential Annexation of a Residential Property

CALAFCO Legislative Committee

### January Meetings

Costa Mesa and Orange County Sanitary District: Potential Annexation

ACC-OC New Council Member Orientation

California Special District Association: Update on CSDA Efforts and Initiatives

Rancho Mission Viejo: Quarterly Update

County Public Works: Census 2020 Project

CALAFCO Southern Region Bi-annual Meeting

CALAFCO Legislative Committee Monthly Meeting

ISDOC Quarterly Meeting: Presentation on LAFCO

City of Newport Beach and Costa Mesa Sanitary District: Potential Annexation

Center for Demographic Research Technical Advisory Committee Meeting

### February Meetings

Supervisor Chaffee and staff: Introduction and General Briefing

Assembly Member Diep's District Director: Introduction and General Briefing

Assembly Member Petrie-Norris's District Director: Introduction and General Briefing

Management Oversight Committee for Center for Demographic Research Quarterly Meeting

City of Laguna Woods: Potential Reorganization of Public Property with City of Laguna Hills

City of Buena Park: Unincorporated Island Potential Annexation

Orange County: Cielo Vista Potential Annexation

CALAFCO Board of Directors

CALAFCO Legislative Committee

Southern Region GIS Group Meeting



## FY 2018-19 BUDGET OVERVIEW

This report provides a budget update for the period of November 2018 through February 2019. 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 28, 2019 (see page 11).<sup>1</sup> The total budget approved by the Commission for FY 2018-19 is \$1,139,860.

### Revenues

By the end of November, the agency had received all of the apportionments from the funding agencies for a total of \$1,091,077. In addition to the apportionments, OC LAFCO also earns interest from its investment portfolio. In the second period, OC LAFCO earned \$11,061 in interest. To date, OC LAFCO has earned a total of \$15,929 in interest which exceeds the projected interest earnings for fiscal year by approximately 10 percent.

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 11 includes an accounting of application revenues and expenses incurred during the 2018-19 fiscal year.

### Expenditures

The total General Fund expenditures as of the period ending February 28, 2019 are approximately 61 percent or \$696,813 of the total budget of \$1,139,860. The following table provides the comparison of the percentage of actual funds used and the target levels for the current fiscal year.

Total FY 2018-19 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>	31%	61%	--

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

Although the agency's total expenditures are below the straight-line projections for this reporting period, there are four budget categories that are trending higher than anticipated when the budget was approved. Two of these line items, deferred compensation and retirement, are personnel related, and the two others, rent and equipment leases, are operational expenditures.

The original budget projection assumptions did not include the two percent increase in deferred compensation contributions awarded by the Commission to the Executive Officer in July, after approval of the budget; therefore, it is anticipated that there will be an overage in this line item at the end of the year. Additionally, during the first six months of the fiscal year, the accountant performed an analysis, with the input and assistance of staff from both the County and OCERs, to identify the factors that resulted in an overage in the agency's retirement allocation during the 2017-18 fiscal year. As a result of that analysis, the accountant determined that there was an error in the formula that had been used to calculate the agency's contribution to the retirement system. This will be corrected for future budget projections; however, for FY 2018-19 it is anticipated that the retirement benefit expenditures will exceed the allocation by approximately 9.1 percent.

In terms of the operational expenditures, it is anticipated that there will be an overage of approximately 2 percent in the rent category due to increases effective January 1 in parking and common area charges that exceeded budget assumptions. Additionally, the expenditures related to the office copier may result in an overage of approximately 8 percent in the allocation for equipment leases.

The anticipated overages will be offset by savings expected to be experienced in several line items within the general categories of Office Operations and Professional Services. In those categories, the agency is expected to experience lower than anticipated expenditures in line items for public noticing, transportation and travel, professional development, general office equipment and supplies, and other professional services. As a result, the total expenditures for FY 2018-19 are projected to be within the budgeted allocations.

## Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of February 28, 2019:

As of 2/28/19	Balance
<b>770-Payroll Account</b>	\$ 241,348
<b>Wells Fargo Checking</b>	126,264
<b>Wells Fargo Savings</b>	210,644
<b>Total</b>	<b>\$578,256</b>



To maximize funds, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, the accountant and designated staff members withdraw from the accounts to cover the agency's operational expenses.

The following table illustrates the balance of OC LAFCO's investment portfolio as of February 28, 2019:

As of 2/28/19	Balance
LAIF	\$ 514,807
OC Fund	\$ 479,391
Total	<u>\$ 994,198</u>

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

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 28, 2019.

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

Orange County Local Agency Formation Commission  
Period Overview  
For the Four Months - November 1, 2018 - February 28, 2019

	1st Period General Fund	2nd Period General Fund	YTD General Fund	YTD Special Revenue Funds	TOTAL FY 18/19 Budget	General Fund %
<b>Revenue:</b>						
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ 33,583	0.0%
LAFCO Apportionment	1,085,155	6,623	1,091,777	-	1,091,777	100.0%
Filing Fees	-	-	-	21,172	-	0.0%
Misc Revenue	250	26	275	-	-	0.0%
Interest & Dividends	4,869	11,061	15,929	-	14,500	109.9%
<b>Total Revenue</b>	<b>\$ 1,090,273</b>	<b>\$ 17,709</b>	<b>\$ 1,107,982</b>	<b>\$ 21,172</b>	<b>\$ 1,139,860</b>	<b>97.2%</b>
<b>Expenditures:</b>						
Salaries	\$ 143,660	\$ 154,773	\$ 298,434	\$ 1,593	\$ 440,800	67.7%
Hourly Employees	2,452	1,008	3,460	-	10,000	34.6%
<b>Benefits &amp; Insurance</b>						
Optional Benefit Plan	-	18,500	18,500	-	18,500	100.0%
Deferred Compensation	3,082	5,458	8,540	-	9,300	91.8%
Retirement Benefits	46,571	48,722	95,292	-	126,100	75.6%
Health Insurance	17,877	18,043	35,920	-	53,000	67.8%
Retiree Health Benefits	5,804	6,124	11,928	-	17,900	66.6%
Dental Insurance	1,634	1,754	3,388	-	5,400	62.7%
Life Insurance	194	194	388	-	600	64.7%
Workers Compensation	-	3,487	3,487	-	3,500	99.6%
Medicare	2,105	2,470	4,575	-	6,500	70.4%
Salary Continuance	509	541	1,050	-	1,500	70.0%
Accidental Death Insurance	39	39	78	-	130	60.4%
Executive Car Allowance	3,000	2,400	5,400	-	7,200	75.0%
<b>Total - Benefits &amp; Insurance</b>	<b>80,815</b>	<b>107,732</b>	<b>188,547</b>	<b>-</b>	<b>249,630</b>	<b>75.5%</b>
Information Technology	2,336	4,022	6,358	-	10,000	63.6%
Telephone & Internet	4,888	4,896	9,784	-	15,100	64.8%
County of Orange	706	759	1,465	-	4,000	36.6%
General Liability Insurance	4,691	5,040	9,730	-	15,600	62.4%
Memberships	13,364	9,462	22,826	-	32,400	70.5%
Office Equipment/Supplies	2,748	2,338	5,086	-	15,000	33.9%
<b>Professional Services:</b>						
Legal	27,192	7,580	34,771	893	60,000	58.0%
Accounting/Audit	20,430	10,049	30,479	-	42,900	71.0%
Human Resources	2,000	-	2,000	-	8,000	25.0%
Mapping/Archiving	1,177	1,177	2,354	-	7,200	32.7%
Other Professional Services	300	-	300	19,420	75,000	0.4%
<b>Total - Professional Services</b>	<b>51,099</b>	<b>18,806</b>	<b>69,905</b>	<b>20,313</b>	<b>193,100</b>	<b>36.2%</b>
Investment Admin Fees	232	171	404	-	660	61.2%
Banking Fees	-	1	1	-	220	0.3%
Public Noticing	282	-	282	726	5,000	5.6%
Rents/Maintenance	23,811	25,684	49,495	-	74,000	66.9%
Equipment Leases	2,187	1,693	3,880	-	5,100	76.1%
Comm. & Staff Expense	2,526	1,036	3,562	-	8,400	42.4%
Comm. Stipends & Taxes/Fees	4,291	2,481	6,772	-	16,200	41.8%
Professional Development	-	2,500	2,500	-	20,000	12.5%
Transportation/Travel	11,144	962	12,106	-	19,350	62.6%
Commission Meeting Expense	1,218	998	2,216	-	5,300	41.8%
<b>Total Expenditures</b>	<b>352,451</b>	<b>344,362</b>	<b>696,813</b>	<b>22,631</b>	<b>1,139,860</b>	<b>61.1%</b>
<b>Total Net Income (Loss)</b>	<b>\$ 737,822</b>	<b>\$ (326,653)</b>	<b>\$ 411,169</b>	<b>\$ (1,459)</b>	<b>\$ -</b>	



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

	Feb 28, 19
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Cash and Investments	
1000 · County Acct-Payroll	241,348
1025 · Wells Fargo Checking	126,264
1030 · Wells Fargo Savings	210,644
1040 · OC Fund	479,391
1050 · Investment Acct - LAIF	514,807
1059 · Fair Market Value Adjustments	(2,819)
Total Cash and Investments	1,569,635
Other Current Assets	
1375 · Prepaid Expenses - Other	25,592
1376 · Retirement Prepaid Expense	35,375
Total Other Current Asset	60,967
Total Current Assets	1,630,602
Total Fixed Assets	51,019
Other Assets	
1575 · Pension Deposit	145,852
1580 · Def. Outflows Pension Related	444,543
1581 · Deferred OPEB Contributions	8,605
1600 · Security Deposit	6,082
Total Other Assets	605,082
Total Other Assets	605,082
<b>TOTAL ASSETS</b>	<b>2,286,703</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
2000 · Accounts Payable	14,993
2050 · Salaries Payable - OC (9050)	14,633
2300 · Compensated Absences	34,296
Total Current Liabilities	63,922
Long Term Liabilities	
2164 · Deferred Inflows OPEB Related	4,412
2163 · Net OPEB Liability	130,046
2161 · Net Pension Liability	1,268,133
2162 · Def. Inflows Pension Related	471,220
2170 · Deferred Lease Incentive	30,599
Total Long Term Liabilities	1,904,410
Total Liabilities	1,968,332
Equity	(91,339)
Net Income	409,710
Total Equity	318,371
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,286,703</b>