



July 8, 2020

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MIKE POSEY
CITY MEMBER

MICHELLE STEEL
COUNTY MEMBER

STAFF

CAROLYN EMERY
EXECUTIVE OFFICER

TO: Local Agency Formation Commission

FROM: Executive Officer
Policy Analyst

SUBJECT: Fiscal Year 2019-2020 Final Comprehensive Quarterly Report

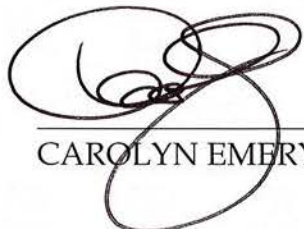
The attached Comprehensive Quarterly Report provides a year-end review of the FY 2019-20 Work Plan accomplishments and an assessment of the agency's budget and investment portfolio (Attachment A).

RECOMMENDATION

Staff recommends that the Commission:

1. Receive and file the Fiscal Year 2019-20 Final Comprehensive Quarterly Report.

Respectfully submitted,



CAROLYN EMERY



GAVIN CENTENO

ATTACHMENT A: Fiscal Year 2019-2020 Final Comprehensive Quarterly Report

Year-End Comprehensive Quarterly Report



Fiscal Year 2019-2020

INSIDE LOOK:

FY 2019-20 Work Plan Year-End Report– Page 1

Board Member Appointments – Page 6

External Relations and Outreach Efforts – Page 7

FY 2019-20 Budget Year-End Wrap Up – Page 7

FY 2020-21 Budget Snapshot – Page 10

INTRODUCTION

The Year-End Comprehensive Quarterly Report presents an overview of the Commission's FY 2019-20 Work Plan accomplishments and an assessment of the agency's budget and investment portfolio performance for the fiscal year. This report also provides a review of the board member appointments and a snapshot of the FY 2020-21 budget.

FY 2019-20 WORK PLAN YEAR-END REPORT

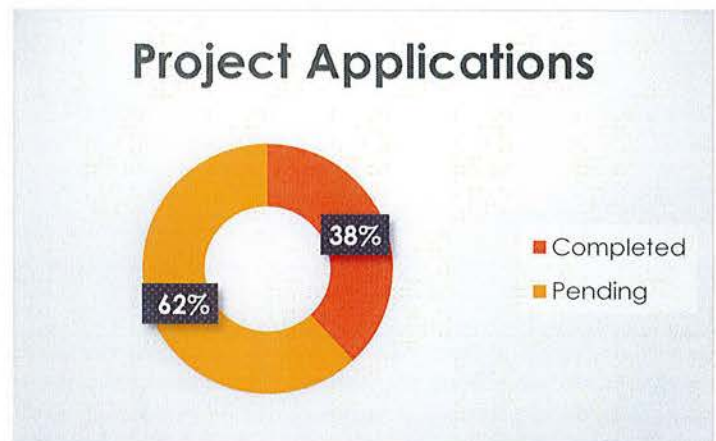
This section highlights the progress the Commission has made toward completing the milestones identified in the FY 2019-20 Work Plan. The Work Plan is divided into five strategic focus areas: (1) Project Applications; (2) the Fourth Cycle of Sphere of Influence (SOI) Reviews and Updates & Municipal Service Reviews (MSRs); (3) the OC LAFCO Unincorporated Areas Program; (4) South Orange County Future Governance and, (5) OC LAFCO Communications Plan.

Strategic Area One: Project Applications

Of the eight mandated projects identified in the FY 2019-20 Work Plan, three were approved by the Commission and five are currently pending due to outstanding application requirements. Additional details on this strategic area are provided below.

Completed:

- Annexation of the Portola Hills and Baker Ranch areas located in the City of Lake Forest to the Orange County Sanitation District.
- Annexation of the 17th Street and Tustin unincorporated island to the City of Santa Ana.
- Annexation of the Cielo Vista development to the City of Yorba Linda.



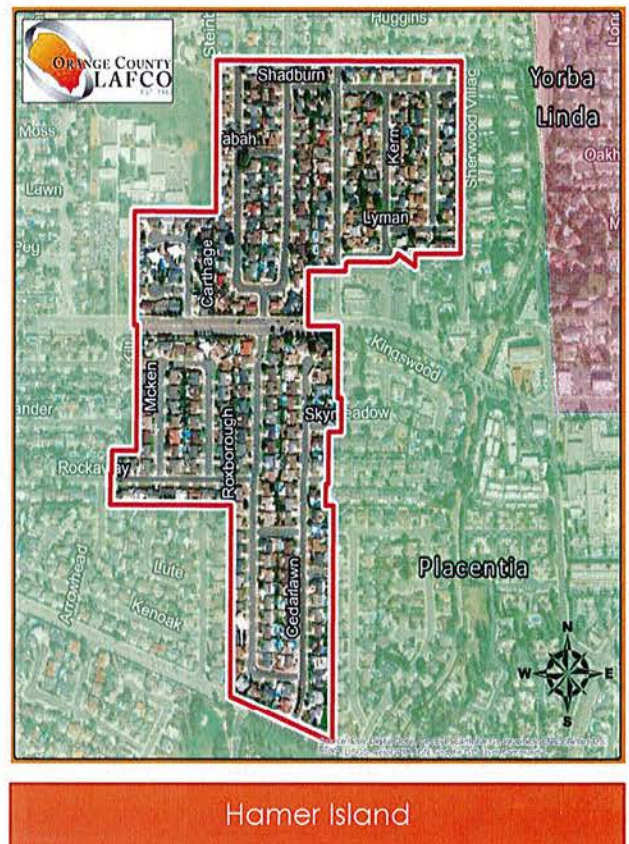
Pending:

- Annexation of non-contiguous areas located in the City of Newport Beach to the Costa Mesa Sanitary District.
- Reorganization of municipal boundaries involving the cities of Laguna Woods and Laguna Hills.
- Annexation of areas within the cities of Anaheim and Yorba Linda to the Orange County Sanitation District Annexation.
- Sphere of Influence Update and Annexation of City of San Juan Capistrano Water and Wastewater Utilities to Santa Margarita Water District.

As significant pre-application work has been completed for the pending projects and the filing of these applications are anticipated, the five applications have been incorporated into 2020-21 Work Plan.

Additionally, a new application filed in late June was added to the FY 2019-20 Work Plan and efficiently processed. When new projects are added subsequent to the approval of the work plan, they are processed in accordance with State law and take precedence over other agency activities and projects. During this quarter, staff participated in discussions with the City of Placentia and the County of Orange regarding annexation and the provision of fire protection and emergency medical services to an unincorporated area located within the City's sphere of influence. Subsequent to those discussions, the City filed an application seeking authorization to extend fire protection and emergency medical services to the island. The purpose of the application was to ensure that the residents of the area referred to as the "Hamer island" receive rapid response from the City for these critical services. In accordance

with State law and Commission policy, the agreement was reviewed and approved by the Executive Officer on June 29. This agreement is effective July 1, 2020 and also indicates the City's intention to file an application with OC LAFCO to annex the Hamer Island within one year.



Strategic Area Two: 4th Cycle of Sphere of Influence Updates and Municipal Service Reviews

The 2019-20 Work Plan identifies three components within this strategic area:

1) Development of MSR Dashboard, 2) Reactivate and complete enhancements to the Shared Services Web Program, and 3) Preparation of five regional MSRs. The MSR Dashboard and Shared Services Web Program have been completed and will be integrated with the OC LAFCO website redesign expected to unveil in the Winter. Additionally, the preparation of MSRs for two of the County's regional providers, the Municipal Water District of Orange County and Orange County Sanitation District, are underway. The final draft reports will be distributed to affected stakeholders and presented to the Commission in late Summer. MSRs for the South Orange County region and the County Service Areas will continue to the FY 2020-2021 Work Plan.

Strategic Area Three: County Unincorporated Areas Program

The Unincorporated Areas Program includes a proactive multi-year effort that focuses on unincorporated areas of high interest for potential annexation. During this past fiscal year, staff has collaborated with the County and cities on the preparation of analyses of service costs and the infrastructure for three County islands: Anaheim, Buena Park and Huntington Beach. Part of this collaborative effort has included discussions on the challenges of past annexation attempts and how to address issues in order to move annexations forward. The recent assessment of those challenges is indicated in the chart below.

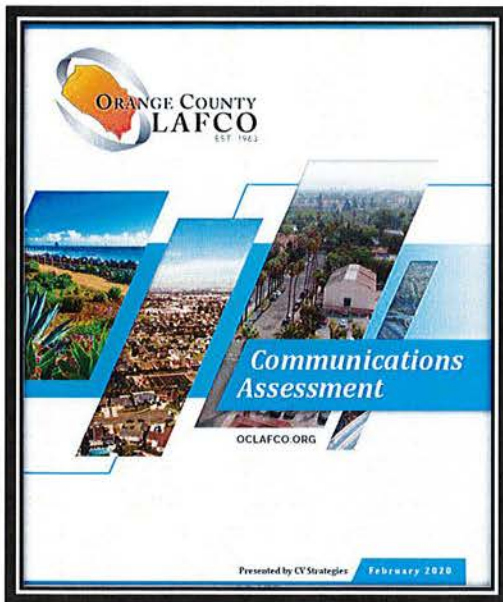
Table 1: FY 2019-2020 Unincorporated Areas of Interest		
AREA	CITY SPHERE	CHALLENGES
Southwest Anaheim Island (494 acres)	Anaheim	<ul style="list-style-type: none"> • Resident opposition • Variance between County and city regarding land use, code enforcement and fees • Short term rentals • Service infrastructure, delivery, and costs • Perception of loss of community identity
Andora/Fairhope Island (39 acres)	Buena Park	<ul style="list-style-type: none"> • Resident opposition • Service infrastructure, delivery, and costs
Bolsa Chica (1,484 acres)	Huntington Beach	<ul style="list-style-type: none"> • Liability and costs to assume responsibility for wetlands area • Existing lease and ownership within the area • Assuming responsibility for regional park (Harriet Weider)

The City of Buena Park has indicated that it is not interested in exploring annexation of the Andora/Fairhope Island at this time due to an internal assessment of the costs associated with assuming service responsibility for the area. Additionally, current local circumstances and changes in staffing may also affect future discussions and annexation timing for the Southwest Anaheim and Bolsa Chica unincorporated areas.

Strategic Area Four: South Orange County Unincorporated Communities (SOCUC)

During this fiscal year, staff participated in quarterly meetings with the Rancho Mission Viejo (RMV) development representatives. These ongoing meetings have been valuable and assist OC LAFCO with staying apprised of the status and build-out schedule of the development. Additionally, the outreach effort involving the SOCUC communities was initiated. While the effort was impacted by the pandemic, staff plans to reengage on this project in late-Summer, and this effort has been included in the 2020-2021 Work Plan.

Strategic Area Five: OC LAFCO Communication Plan



Strategic Area Five contains key milestones to meet the Communication Plan objectives: 1) selection of a professional consultant to assist staff on enhancing existing communication vehicles and identifying new ones; and, 2) implementation of new communication vehicles that support the enhancement of agency communication. The first milestone was completed through the hiring of CV Strategies to complete an assessment of the agency's communication resources. Over the past several months, the Executive Committee, staff and the consultant have met to complete the next milestone of preparing a communication plan and identifying implementation strategies. The plan and strategies will be presented to the Commission in August 2020. The Communications Assessment is available on the agency's website at www.oclafco.org.

Administrative Projects

The following administrative projects were completed during this fiscal year:

- Independent preparation of annual audited financial statements for FY 2018-2019, with no material issues noted.
- Continued participation on the CALAFCO Legislative and Advisory Committees and adopted positions on bills of LAFCO-interest.
- Update of the key agency policies and procedures:
 - Personnel Policies and Procedures
 - Accounting and Financial Policies
 - Policy for Inspection and Copying of Public Records
 - Records Retention and Destruction Policy
- Completed significant phases of the Archival and Digitizing Records multi-year project.

BOARD MEMBER APPOINTMENTS

During the final quarter of fiscal year 2019-2020, James Fisler was re-appointed by the Independent Special District Selection Committee to the Special District Regular Member seat. Commissioner Fisler was the only candidate nominated during the appointment process. He is a member of the Mesa Water District Board of Directors and the Immediate Past President of the Independent Special Districts of Orange County. This new term begins July 1.



Commissioner James Fisler



Commissioner Wendy Bucknum

On June 11, 2020, current Alternate City Member, Wendy Bucknum was appointed to the City Regular Member seat by the City Selection Committee. She has served as the City Alternate Member since 2015. Commissioner Bucknum is a council member of the City of Mission Viejo and currently serves as the Vice Chair of the Orange County Council of Governments and a member of the Southern California Association of Governments Governing Board. This new term begins July 1.

On June 11, 2020, Mike Posey was appointed to the Alternate City Member seat by the City Selection Committee. Commissioner Posey is a council member of the City of Huntington Beach. He previously served as the City's Mayor and on the Planning Commission. This new term begins July 1.



Commissioner Mike Posey

EXTERNAL RELATIONS AND OUTREACH EFFORTS

Throughout the fiscal year, staff participated in several outreach and external relations efforts. Additionally, staff has participated in multiple activities to support the ongoing operations of the agency relative and in response to the preventative measures of the COVID-19 pandemic.

Final Quarter FY 19-20 EXTERNAL RELATIONS & OUTREACH EFFORTS	
March 2020 through June 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	
El Toro Community Advisory Group	
California Special District Association	
CALAFCO Southern Region	
Southern Region LAFCO Executive Officers	
"Special Districts Communication and Meetings During a Crisis" Webinar	
"Brown Act Compliance During a Pandemic" Webinar	
"Staying Connected for Effective External Communication" Webinar	
"Using Zoom Webinar to Host a Public Meeting" Webinar	
"Transparency, Public Access and Trust" Webinar	
"Managing Human Resources During a Public Health Crisis" Webinar	
"Strategies for Managing Financial Implications" Webinar	
"Integrated Resources Plan" Webinar	
"Resetting the Local Economy after COVID-19" Webinar	

FY 2019-20 BUDGET YEAR-END WRAP UP

The year-end budget review provides the Commission with a comprehensive overview of OC LAFCO revenues and expenditures for the 2019-20 fiscal year, (see Appendix A on pages 11-12.¹) It is important to note that the figures provided in the overview are unaudited and subject to change. This report also provides a year-end update on the bank account and investment balances. The agency's independent auditor will begin the annual audit for the fiscal year ending June 30, 2020 in September.

Revenues

The total budget for FY 2019-20 was \$1,258,650. The majority of the revenue was from the \$1,124,500 collected in apportionments from the funding agencies during the first two quarters of the fiscal year. In addition to the apportionments, the agency earns interest from its investment portfolio. During the year, OC LAFCO accrued approximately \$28,549 in interest, which is 58.6 percent above the interest earnings projected for the fiscal year.

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

Another source of OC LAFCO revenue includes application filing fees. Filing fees are not used for General Fund budgeting purposes but are shown in the quarterly overview. This quarterly report includes a year-to-date accounting of application expenses for FY 2019-20. As detailed in the Year End Overview on pages 11-12, the Commission collected \$31,025 in application fee deposits and expended \$23,531 in FY 2019-20. Although the filing fees and expenditures do not directly affect the approved budget, this information is included within the quarterly report to inform the Commission of the cost recovery for fee-related projects.

Expenditures

The total expenditures projected for the end of the year are approximately 81.2 percent of the total budget of \$1,258,650. The following table displays the actual funds used and the target levels for the 2019-20 fiscal year:

Total Funds Used			
	1 st Period	2 nd Period	3 rd Period
Target	33%	66%	100%
Actual	26%	54%	81%

A combination of factors resulted in the agency expenditures being approximately 19 percent below the total budgeted amount. A significant portion of the savings were experienced in several line items within the categories of Office Operations and Professional Services. In Office Operations, the agency experienced lower than anticipated expenditures in transportation and travel, professional development, and costs related to Commissioner meetings. A reduction in these costs were due in large part to the impact of the preventative measures of the pandemic.

In the Professional Services category, there were savings in the appropriations for legal, mapping, and other professional services line items. Legal costs were lower than the budget amount due to costs being applied to deposits received for applications and the mapping savings is relative to software that was not purchased. The remaining savings experienced in the Professional Services category include anticipated expenditures for consultants to assist with the completion of the fourth round of Municipal Service Reviews and Sphere Updates and the Fiscal Indicators Web-based Program. These two projects are currently underway and will continue into the next fiscal cycle.

Although the total FY 2019-20 projected expenditures are below the budgeted amounts, there were two budget categories that exceeded their allocations. These line items include Office Equipment and Supplies and Public Noticing. For each of these areas, unanticipated expenses to meet ergonomic standards within the office and the increased costs for publishing of legally required notices resulted in exceeding the budgeted amounts for these areas.

Year-End Balances and Investment Report

The following table illustrates the estimated balance of OC LAFCO's bank accounts at the end of the fiscal year:

As of 6/30/20	Balance
770-Payroll Account	\$286,588
Wells Fargo Checking	\$121,863
Wells Fargo Savings	\$210,716
Total	<u>\$619,167</u>

To maximize funds, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, the accountant instructs designated staff members to withdraw from the accounts to cover the agency's operational expenses. The following table illustrates the estimated balance of OC LAFCO's investment portfolio at the end of the fiscal year:

As of 6/30/20	Balance
OC Fund	\$492,657
LAIF	<u>\$265,885</u>
Total	<u>\$ 758,542</u>

Year-End Balance Sheet and Reserves Balance Analysis

To provide a better understanding of OC LAFCO's financial status, this report includes the year-end balance sheet (Appendix B on pages 13-14). This financial document summarizes the agency's assets and liabilities estimated as of June 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 15.

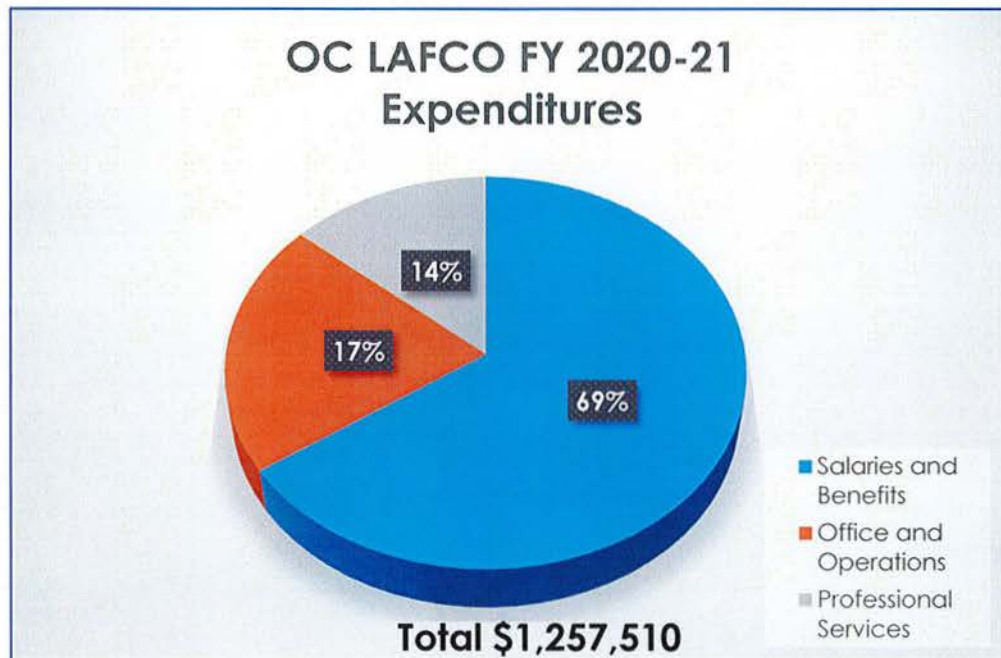
BUDGET SNAPSHOT FOR FISCAL YEAR 2020-2021

On May 13, 2020, the Commission adopted the final budget for fiscal year 2020-21. In light of the impacts of COVID-19 to OC LAFCO's funding agencies, the total budget of \$1,257,510 maintains the total apportionment paid by the County, cities and special districts at the same level of funding as the FY 2019-2020 budget. The final budget also includes modest reductions to other agency expenditures.



The revenues for FY 2020-21 include \$1,124,500 in apportionments and approximately \$133,000 from the agency's unreserved equity and expected interest earnings for a total budget of \$1,257,510.

OC LAFCO operates on a fiscal year basis and to provide transparency of the agency's financial operations, an overview and status of the budget revenues and expenditures are provided on a quarterly basis through the Comprehensive Quarterly Reports. The Strategic Plan, Work Plan, Budget and Quarterly Reports are available on the OC LAFCO website.



APPENDIX A
OC LAFCO - Year End Budget Overview²
July 1, 2019 – June 30, 2020

	1st Period	2nd Period	3rd Period	YTD	YTD	TOTAL	General Fund
	General Fund	General Fund	General Fund	General Fund	Special Revenue Funds	FY 19/20 Budget	%
Revenue:							
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,150	0.0%
LAFCO Apportionment	1,124,500	-	-	1,124,500	-	1,124,500	100.0%
Filing Fees	-	-	-	-	31,025	-	0.0%
Misc Revenue	156	-	-	156	-	-	0.0%
Interest & Dividends	7,197	14,600	6,753	28,549	-	18,000	158.6%
Total Revenue	\$ 1,131,853	\$ 14,600	\$ 6,753	\$ 1,153,205	\$ 31,025	\$ 1,258,650	91.6%
Expenditures:							
Salaries	\$ 162,962	\$ 168,878	\$ 143,872	\$ 475,712	\$ 10,646	\$ 498,500	95.4%
Hourly Employees	5,221	4,002	3,515	12,738	-	10,000	127.4%
Benefits & Insurance	-	-	-	-	-	-	-
Optional Benefit Plan	-	18,500	-	18,500	-	18,500	100.0%
Deferred Compensation	4,753	4,896	4,225	13,874	-	15,400	90.1%
Retirement Benefits	57,254	58,845	50,545	166,644	-	176,900	94.2%
Health Insurance	18,177	18,731	16,236	53,143	-	56,700	93.7%
Retiree Health Benefits	6,631	6,613	5,005	18,249	-	20,200	90.3%
Dental Insurance	1,849	1,867	1,588	5,304	-	5,600	94.7%
Life Insurance	194	160	113	467	-	600	77.9%
Workers Compensation	-	3,756	-	3,756	-	3,800	98.8%
Medicare	2,464	2,772	2,219	7,456	-	7,400	100.8%
Salary Continuance	585	603	507	1,694	-	1,800	94.1%
Accidental Death Insurance	39	36	28	102	-	150	68.3%
Executive Car Allowance	3,000	2,400	1,800	7,200	-	7,200	100.0%
Total - Benefits & Insurance	94,947	119,179	82,265	296,391	-	314,250	94.3%
Information Technology	2,838	2,861	2,576	8,275	-	10,000	82.7%
Telephone & Internet	5,068	3,429	3,884	12,381	-	16,200	76.4%
County of Orange	1,153	761	1,924	3,839	-	5,500	69.8%
General Liability Insurance	4,684	5,163	4,885	14,732	-	16,000	92.1%
Memberships	13,875	9,967	5,898	29,740	-	33,800	88.0%
Office Equipment/Supplies	2,001	4,712	5,306	12,019	-	10,000	120.2%
Professional Services:	-	-	-	-	-	-	-
Legal	6,516	3,347	6,836	16,699	1,271	60,000	27.8%
Accounting/Audit	10,735	16,416	6,445	33,596	-	43,100	77.9%
Human Resources	-	-	7,000	7,000	-	9,000	77.8%
Mapping/Archiving	1,133	1,133	1,133	3,400	-	7,200	47.2%
Other Professional Services	-	-	5,000	5,000	-	60,000	8.3%
Total - Professional Services	18,384	20,896	26,415	65,695	1,271	179,300	36.6%

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

APPENDIX A
OC LAFCO - Year End Budget Overview³ (Continued)
July 1, 2019 – June 30, 2020

	1st Period General Fund	2nd Period General Fund	3rd Period General Fund	YTD General Fund	YTD Special Revenue Funds	TOTAL FY 19/20 Budget	General Fund %
Investment Admin Fees	242	171	120	534	-	600	88.9%
State Board of Equalization	-	-	-	-	6,000	-	-
Public Noticing	-	1,856	1,856	3,712	5,614	2,000	185.6%
Unincorporated Areas Program	-	1,856	-	1,856	-	6,000	30.9%
Rents/Maintenance	25,970	8,126	6,788	40,883	-	79,800	51.2%
Equipment Leases	2,129	2,349	1,409	5,887	-	7,200	81.8%
Comm. & Staff Expense	1,825	2,969	833	5,627	-	7,000	80.4%
Comm. Stipends & Taxes/Fees	2,141	1,871	4,095	8,107	-	16,200	50.0%
Professional Development	6,817	50	-	6,867	-	22,000	31.2%
Transportation/Travel	9,182	4,946	286	14,413	-	18,300	78.8%
Commission Meeting Expense	919	504	839	2,262	-	6,000	37.7%
Total Expenditures	360,357	364,547	296,767	1,021,671	23,531	1,258,650	81.2%
Total Net Income (Loss)	\$ 771,495	\$ (349,947)	\$ (290,014)	\$ 131,534	\$ 7,494	\$ -	

³ The figures in this chart are unaudited and subject to change

APPENDIX B
OC LAFCO BALANCE SHEET
June 30, 2020

ASSETS

Current Assets

Cash and Investments

County Acct-Payroll	\$ 286,588
Wells Fargo Checking	121,863
Wells Fargo Savings	210,716
OC Fund	492,657
Investment Acct - LAIF	265,885
Fair Market Value Adjustments	513

Total Cash and Investments	1,378,224
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Other Current Asset

Prepaid Expenses - Other	19,349
Retirement Prepaid Expense	17,752

Total Other Current Asset	37,101
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Total Current Assets	1,415,325
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Fixed Assets	31,640
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Other Assets

Pension Deposit	179,912
Def. Outflows Pension Related	469,088
Deferred OPEB Contributions	10,852
Deferred Outflows OPEB Related	3,274
Security Deposit	10,235

Total Other Assets	673,361
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TOTAL ASSETS	2,120,326
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APPENDIX B
OC LAFCO BALANCE SHEET (Continued)
June 30, 2020

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accrued Liability	25,706
Salaries Payable - OC	16,369
Compensated Absences	38,443

Total Current Liabilities	80,517
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Long Term Liabilities

Deferred Inflows OPEB Related	6,546
Net OPEB Liability	126,448
Net Pension Liability	1,582,703
Def. Inflows Pension Related	259,339
Deferred Lease Incentive	13,909

Total Long Term Liabilities	1,988,945
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Total Liabilities	2,069,462
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Equity	50,864
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TOTAL LIABILITIES & EQUITY	\$ 2,120,326
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*Financial data was prepared in advance of June 30, 2020. Figures are subject to change as they have been projected through June 30, 2020 and represent pre-audited amounts.

OC Local Agency Formation Commission Reserves Balance Analysis

Cash & Investments Description	Jun 18, 20 Balance	Commission Approved Balances	Balance Excess / (Deficiency)
County Payroll	\$ 286,588	\$ 205,688 ¹	\$ 80,900
Checking - Wells Fargo	121,863	108,975 ¹	12,888
Savings - Wells Fargo	210,716	205,000 ¹	5,716
OC Fund Investment	492,657	-	492,657
LAIF Investment	265,885	-	265,885
Total	\$ 1,377,710	\$ 519,663	\$ 858,047 ²

Footnotes:

1 - Per the Cash and Cash Management Policy, the Commission must maintain \$519,663 during fiscal year 2019/20 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.