



June 9, 2021

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CAROLYN EMERY
EXECUTIVE OFFICER

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Fiscal Year 2020-2021 Comprehensive Quarterly Report- Third Quarter


The attached Comprehensive Quarterly Report provides an overview of Orange LAFCO projects currently underway and a budget and investment report for the months of February through April of the Fiscal Year 2020-21 (**Attachment A**). Upon review by the Commission, the report will be distributed to the funding agencies and posted on the Orange LAFCO website.

RECOMMENDATION

Staff recommends that the Commission:

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

Respectfully submitted,



CAROLYN EMERY



RAYMOND BARRAGAN

ATTACHMENT

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

Orange LAFCO Comprehensive Quarterly Report



Third Quarter/Fiscal Year 2020-2021
(February - April 2021)

INSIDE LOOK:

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INTRODUCTION

This Comprehensive Quarterly Report provides an update on LAFCO projects and activities and an assessment of the agency's current budget and investment portfolio performance for February through April 30, 2021.

Quarterly reports are presented to the Commission during the months of October, February, and June. However, the schedule for this year's reports were adjusted slightly due to changes in the Commission's meeting calendar. Hence, this report covers February through April. A report on the wrap up of the work plan and a year-end budget report will be presented respectively in July and August. The August budget report will focus largely on the Commission's consideration of an option to pay down the agency's unfunded pension liability.

FISCAL YEAR 2020-21 WORK PLAN PROJECTS

During the third quarter, LAFCO staff participated in meetings and discussions involving active and anticipated project applications and continued the implementation of the agency's adopted Communications Plan. The following sections provide updates on the progress of the Commission's FY 2020-21 Work Plan achieved during this quarter.

ACTIVE AND ANTICIPATED PROJECT APPLICATIONS

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



Reorganization between the Cities of Anaheim and Orange

During the third quarter, staff continued processing the reorganization application submitted by the City of Anaheim in December 2020. The City's initial application included three areas located along the Santa Ana River. However, since the filing of the application, the City has adjusted the timeline for completing the application requirements and has decided to move forward with only the portion of the annexation area that includes the Angel Stadium parking lot. LAFCO

staff and general counsel provided assistance to the City on actions involving environmental, rezoning and other documents, and the City has submitted the revised application. There are still pending application requirements that include the map and legal and property tax agreements approved by the city councils of Anaheim and Orange.

Annexation of the City of San Juan Capistrano Water and Wastewater Systems to the Santa Margarita Water District (SMWD)



Over the recent months, staff continued to work closely with the City and SMWD on additional information needed involving the District’s plan for service, inter-agency agreements and the property tax exchange process. These are statutory requirements that must be completed in order for the annexation to be scheduled for consideration



by the Commission. Once these requirements are met, a certificate noting the application is deemed complete will be issued in accordance with the government code provisions and scheduled for consideration by the Commission.

Newport Beach Harbor Patrol Focused Municipal Services Review- Request for Proposals

In early Spring, staff began collaborating with the City of Newport Beach and County staff on the scope of work for a focused Municipal Services Review to analyze current and alternative options for the delivery of harbor patrol services within the Newport Harbor City and County Tidelands. A Request for Proposals (RFP) was released to interested parties on April 9, 2021, and two proposals have been submitted. Following consultant interviews and selection of a consulting firm, a recommendation will be presented to the Commission for the approval of an agreement with the consultant to prepare the focused MSR. Consideration of the agreement is scheduled for the July regular meeting.

Hamer Island Unincorporated Island Annexation



During the third quarter, staff continued to participate in monthly meetings with the representatives of the City of Placentia and the County to provide guidance on application requirements for the annexation of the Hamer island. The City staff is exploring options to inform the community of its interest in annexing the island, including a community meeting. The City staff anticipates filing an application with LAFCO in September.

OC LAFCO COMMUNICATION PLAN



During the third quarter, staff continued to work collaboratively with CV Strategies on the key milestones of the approved Communication Plan. Established as an 18-month effort, the plan is near completion and will result in resourceful tools that support enhancement of the agency’s communication with local agencies and communities. During the third quarter, the LAFCO Monthly Update (“the Hot Sheet”) was unveiled, the LAFCO brochure was developed, and refinement of the agency

logo is currently underway. Staff is also working on the integration of these new communication tools with the new website design, which is discussed in the next section of this report.

ADMINISTRATIVE PROJECTS

Orange LAFCO Website

The redesign of the agency’s website was established as a multi-year project and over the past quarter, staff and the LAFCO consultant, Planeteria Media continued to move the redesign forward. As the project nears completion, staff is currently developing the website content in part to one of the final stages. One other final stage includes beta-testing, and the new website is expected to “go live” in Summer 2021.



OC LAFCO Records and Archival Systems

The overhaul of LAFCO Records and Archival systems is identified as a multi-year project in the current work plan and is near completion. To date, LAFCO staff has archived and relocated over 174 boxes of files dating back to 1963 to the Commission’s electronic systems and physically to the Orange County Records Storage Center. The result of this significant effort includes the migration of the agency’s records to a modern and user-friendly electronic content management program known as “Laserfiche.” Staff has already experienced the value of this effort through the ability to retrieve documents and to respond more efficiently and timely to public requests of agency documents dating back to nearly 60 years ago.

COMMISSIONER APPOINTMENTS

On April 13, 2021, the Board of Supervisors appointed Katrina Foley to serve as the LAFCO Alternate County Member. In addition to LAFCO, Ms. Foley currently serves on First 5 Orange County, Children and Families Commission, Newport Bay Watershed Executive Committee, Orange County Mental Health Board, and Orange County Transportation Authority. Prior to joining the Board of Supervisors, Commissioner Foley served as the City of Costa Mesa’s first directly elected Mayor, 14 years on the city council, and is a practicing attorney and President of The Foley Group. Commissioner Foley’s current term as the LAFCO County Member is through June 2023.



Commissioner Katrina Foley

FY 2020-21 BUDGET OVERVIEW

This report provides a budget update for the period of February through April 30, 2021. During this reporting period, the agency continued its efforts to provide services and programs effectively and efficiently. The following budget review provides the bank account balances and a comprehensive overview of LAFCO revenues and expenditures. (see page 7).¹ The total budget approved by the Commission for FY 2020-2021 is \$1,257,510.

Revenues

The majority of LAFCO's revenues are from the \$1,124,500 collected in apportionments from the funding agencies. This revenue source was at 100% at the beginning of the third period. LAFCO also earns interest from its investment portfolio. At the end of the third period, the agency earned \$13,856 in interest, which is 77% of the interest revenues anticipated for the fiscal year.

Another source of LAFCO revenue is application filing fees. These filing fees are not used for budgeting purposes as they are used to offset the costs associated with the processing of the respective applications. The filing fees are shown in the financial overview as revenue within the Special Fund column. The Special Fund column in the chart on page 7 includes an accounting of application revenues and expenses incurred during the third period of the 2020-21 fiscal year.

Expenditures

The total General Fund expenditures as of April 30, 2021, are \$767,225 or 61% of the total budget. The following table provides a comparison of the percentage of actual funds used and the target levels for the current fiscal year. ²

Total Funds Used			
	1 st Period	2 nd Period	3 rd Period
Target	33%	66%	100%
Actual	17%	42%	61%

Due to the pandemic, the Transportation/Travel and Commission Meeting expense line items remain lower than the approved budgeted amounts. Conversely, the Public Noticing line item exceeds the budgeted level by the third period due to a continued increase in legal noticing requirements.

Balances and Investment Report

The following table illustrates the balance of LAFCO's bank accounts as of April 30, 2021:

As of 4/30/21	Balance
770-Payroll Account	\$251,719
Wells Fargo Checking	\$96,039
Wells Fargo Savings	<u>\$213,236</u>
Total	<u>\$560,994</u>

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

² Actual expenditures for the third period are partial due to the timing of the report (through April 30th).

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 LAFCO's investment portfolio as of April 30, 2021.

As of 4/30/21	Balance
OC Fund	\$497,639
LAIF	<u>\$580,224</u>
Total	\$ 1,077,863

APPENDIX A
OC LAFCO - Period Budget Overview³
July 1, 2020 – April 30, 2021

	1st Period General Fund	2nd Period General Fund	3rd Period General Fund	YTD General Fund	YTD Special Revenue Funds	TOTAL FY 20/21 Budget	General Fund %
Revenue:							
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,010	0.0%
LAFCO Apportionment	1,123,600	900	-	1,124,500	-	1,124,500	100.0%
Filing Fees	-	-	-	-	63,684	-	0.0%
Misc Revenue	353	-	-	353	-	-	0.0%
Interest & Dividends	4,190	7,092	2,574	13,856	-	18,000	77.0%
Total Revenue	\$ 1,128,143	\$ 7,992	\$ 2,574	\$ 1,138,709	\$ 63,684	\$ 1,257,510	90.6%
Expenditures:							
Salaries	\$ 103,585	\$ 132,893	\$ 89,825	\$ 326,303	\$ 24,425	\$ 529,220	61.7%
Hourly Employees	1,058	3,680	1,725	6,463	-	18,000	35.9%
Benefits & Insurance	-	-	-	-	-	-	-
Optional Benefit Plan	-	15,000	-	15,000	-	18,500	81.1%
Deferred Compensation	3,288	4,245	2,830	10,363	-	16,130	64.2%
Retirement Benefits	42,778	55,093	41,262	139,133	-	190,920	72.9%
Health Insurance	11,069	15,762	11,313	38,143	-	56,520	67.5%
Retiree Health Benefits	3,700	4,758	3,671	12,129	-	18,250	66.5%
Dental Insurance	1,087	1,244	481	2,812	-	5,710	49.2%
Life Insurance	78	108	72	258	-	510	50.6%
Workers Compensation	-	3,938	-	3,938	-	3,940	99.9%
Medicare	1,546	2,225	1,542	5,313	-	8,210	64.7%
Salary Continuance	170	179	139	488	-	1,860	26.2%
Accidental Death Insurance	19	26	18	63	-	130	48.7%
Executive Car Allowance	2,400	2,400	1,200	6,000	-	7,200	83.3%
Total - Benefits & Insurance	66,135	104,978	62,528	233,641	-	327,880	71.3%
Information Technology	2,767	3,051	1,953	7,771	-	10,000	77.7%
Telephone & Internet	3,225	5,434	3,344	12,003	-	15,760	76.2%
County of Orange	1,231	749	319	2,299	50	8,500	27.0%
General Liability Insurance	4,790	2,247	1,732	8,769	-	9,800	89.5%
Memberships	4,462	18,876	4,421	27,759	-	35,320	78.6%
Office Equipment/Supplies	1,513	2,401	2,709	6,622	-	10,000	66.2%
Professional Services:	-	-	-	-	-	-	-
Legal	5,054	6,785	2,874	14,713	17,124	60,000	24.5%
Accounting/Audit	9,000	17,500	10,700	37,200	-	43,200	86.1%
Human Resources	2,080	-	367	2,446	-	9,450	25.9%
Mapping/Archiving	850	1,133	850	2,833	-	9,500	29.8%
Other Professional Services	225	9,000	7,025	16,250	-	60,000	27.1%
Total - Professional Services	17,208	34,419	21,815	73,442	17,124	182,150	40.3%
Investment Admin Fees	198	239	125	562	-	630	89.2%
Public Noticing	1,850	-	3,700	5,550	2,136	5,400	102.8%
Unincorporated Areas Program	-	1,263	-	1,263	-	6,000	21.1%
Rents/Maintenance	9,227	8,538	20,730	38,495	-	51,100	75.3%
Equipment Leases	1,450	2,063	1,409	4,922	-	7,860	62.6%
Comm. & Staff Expense	670	487	350	1,507	-	7,000	21.5%
Comm. Stipends & Taxes/Fees	3,389	3,550	2,261	9,200	-	16,350	56.3%
Transportation/Travel	-	-	-	-	-	10,540	0.0%
Commission Meeting Expense	165	229	259	653	-	6,000	10.9%
Refund of Deposit	-	-	-	-	872	-	0.0%
Total Expenditures	222,924	325,096	219,205	767,225	44,607	1,257,510	61.0%
Total Net Income (Loss)	\$ 905,219	\$ (317,104)	\$ (216,631)	\$ 371,484	\$ 19,077	\$ -	

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

Balance Sheet and Reserves Balance Analysis

This report includes the balance sheet to provide an understanding of LAFCO's financial status. The financial document on this page summarizes the agency's assets and liabilities as of April 30, 2021. 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 9.

APPENDIX B OC LAFCO BALANCE SHEET As of April 30, 2021

	<u>Apr. 30, 21</u>
ASSETS	
Current Assets	
Cash and Investments	
County Acct-Payroll	\$ 251,719
Wells Fargo Checking	96,039
Wells Fargo Savings	213,236
OC Fund	497,639
Investment Acct - LAIF	580,224
Fair Market Value Adjustments	5,451
Total Cash and Investments	<u>1,644,307</u>
Other Current Assets	
Interest Receivable - Other	1,741
Prepaid Expenses - Other	17,189
Retirement Prepaid Expense	77,861
Total Other Current Asset	<u>96,792</u>
Total Current Assets	<u>1,741,098</u>
Fixed Assets	10,990
Other Assets	
Def. Outflows Pension Related	358,226
Pension Deposit	180,287
Deferred OPEB Contributions	9,771
Deferred Outflows OPEB Related	2,079
Security Deposit	10,235
Total Other Assets	<u>560,598</u>
TOTAL ASSETS	<u><u>2,312,687</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	13,578
Salaries Payable	18,955
Compensated Absences	36,161
Total Current Liabilities	<u>68,694</u>
Long Term Liabilities	
Deferred Inflows OPEB Related	14,009
Net OPEB Liability	110,973
Net Pension Liability	1,489,642
Def. Inflows Pension Related	295,378
Deferred Lease Incentive	17,075
Total Long Term Liabilities	<u>1,927,077</u>
Total Liabilities	<u>1,995,770</u>
Equity	316,916
TOTAL LIABILITIES & EQUITY	<u><u>\$ 2,312,687</u></u>

OC Local Agency Formation Commission Reserves Balance Analysis

Cash & Investments Description	Apr. 30, 2021 Balance	Commission Approved Balances	Balance Excess / (Deficiency)
County Payroll	\$ 251,719	\$ 218,775 ¹	\$ 32,944
Checking - Wells Fargo	96,039	95,603 ¹	436
Savings - Wells Fargo	213,236	205,000 ¹	8,236
OC Fund Investment	497,639	-	497,639
LAIF Investment	580,224	-	580,224
Total	\$ 1,638,856	\$ 519,378	\$ 1,119,478 ²

Footnotes:

1 - Per the Cash and Cash Management Policy, the Commission must maintain \$519,378 during fiscal year 2020/21 in order to cover three months of payroll costs (County Payroll), 3 months of operational expenses (Checking - Wells Fargo) and a minimum of \$205,000 (Savings - Wells Fargo) to cover contingency, litigation and unfunded liabilities.

2 - Remaining Available Cash to fund Operations and Reserves.