



August 11, 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 Year-End Comprehensive Report

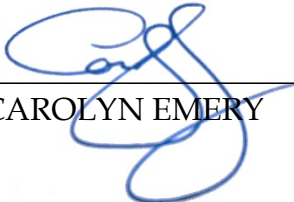
The attached Comprehensive Report provides a year-end review of the FY 2020-21 Work Plan accomplishments and an assessment of the agency's budget and investment portfolio for the period ending June 30, 2021.

RECOMMENDED ACTION:

Staff recommends that the Commission:

1. Receive and file the Fiscal Year 2020-21 Year-End Comprehensive Report.

Respectfully submitted,



CAROLYN EMERY



RAYMOND BARRAGAN

Attachment 1: Fiscal Year 2020-2021 Year-End Comprehensive Report

Year-End Comprehensive Quarterly Report



(July 1, 2020 through June 30, 2021)

INSIDE LOOK:

FY 2020-21 Work Plan Wrap-Up– Page 1

FY 2020-21 Budget Year-End Overview – Page 5

FY 2021-22 Budget Snapshot – Page 8

INTRODUCTION

The Year-End Comprehensive Report presents an overview of the Commission's FY 2020-21 Work Plan accomplishments and the agency's budget and investment portfolio performance for the fiscal year. This report also provides a snapshot of the FY 2021-22 budget approved by the Commission on May 12, 2021.

FY 2020-21 WORK PLAN WRAP-UP

This section highlights the accomplishments of the agency's FY 2020-21 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) Outreach and External Relations.

Strategic Area One: Project Application

Fiscal Year 2020-21 was a busy year for project applications with the Commission receiving eight applications: four (4) city annexations and detachments; two (2) special district annexations; one (1) focused municipal service review; and one (1) request for activation of a latent power. At year-end, processing of multiple applications were well underway and two anticipated applications were removed from the Work Plan due to the inactivity on the part of the affected and respective agency. Below is the year end status and accomplishments of this strategic area:

Completed:

- **Givens Property Detachment from the City of Orange – *Approved March 2021***

Filed/Underway:

- **Sphere of Influence Update/Annexation of the City of San Juan Capistrano Water and Wastewater Systems to the Santa Margarita Water District**
Staff provided extensive assistance to the District/City on the Plan for Service and other application requirements. The proposed annexation and sphere of influence amendment will be considered by the Commission in August 2021.
- **Orange County Sanitation District Annexations**
Following completion of the District's comprehensive MSR, staff has provided extensive assistance to the District to facilitate progress on the application. The proposed annexation will be considered by the Commission in Fall 2021.
- **Capistrano Bay Community Services District Activation of Latent Powers**
- **Pomeroy Property Detachment from the City of Tustin**
- **Santa Ana River Reorganization – Areas 1, 1A, 2, and 3**
- **Santa Ana River Reorganization – Area 2A**

Withdrawn/Removed from Work Plan:

- Newport Beach Harbor Patrol Services MSR
- Costa Mesa SD/Newport Beach Annexation
- Laguna Woods/Laguna Hills Reorganization

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

The 2020-21 Work Plan identifies three key milestones within this strategic focus area: 1) Update agency fiscal indicators; 2) Integrate the Municipal Services Dashboard and Shared Services Web Program with newly designed agency website; and 3) Preparation of three regional MSRs (OCSD, MWD OC and County Service Areas 13, 22 and 26). Below is a summary of the accomplishments of these projects.

- **Fiscal Indicators Program** – In FY 2021-22, staff worked with the consultant to refine the fiscal indicators. The indicators have been simplified for use in the preparation of MSRs and for discussions with cities and special districts. Populating the indicators with current agencies' financial data and integration of the program with the new LAFCO website are the next milestones of the program.
- **MSR Dashboard and Shared Services Web Program** - The agency's cutting edge technology resources, the MSR Dashboard and Shared Services Web-Based Programs were completed over the past year and are awaiting integration with the agency's new website. Staff will use the agency's new communications tools conduct an interactive showcase of the programs to the Commission and our local agencies.
- **Preparation of MSRs** - During the first quarter of the FY 2021-22 Work Plan cycle, two MSRs (MWD OC and OCSD) were completed by the Commission. Due to competing priorities, MSRs for CSAs 13, 22, and 26 were not completed and have been identified in the FY 2021-22 Work Plan.

Strategic Area Three: OC LAFCO Unincorporated Areas Program

Continuing to work with cities on high areas of interest was identified in the FY 2020-21 Work Plan. This activity was accomplished through meetings and providing key information on respective unincorporated areas to multiple cities. During the past fiscal cycle, there has been an increased level of interest by cities, such as Orange, Placentia and Stanton, regarding potential annexation of unincorporated areas located in their respective spheres of influence.

Most recently, LAFCO staff has participated in multiple discussions with City of Placentia representatives and County staff, to plan for upcoming community meetings with Hamer Island residents. The community meetings will take place in August 2021 and will cover the LAFCO process and the benefits of annexation. It is anticipated that an application will be filed by the City of Placentia to annex the Hamer Island before the end of 2021 and consideration by the Commission in 2022.



Over the next fiscal cycle, staff will continue to work proactively and collaboratively with these cities and any others that are interested in extending municipal services to adjacent unincorporated areas.

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

During the FY 2020-21 Work Plan cycle, LAFCO staff continued ongoing meetings with Rancho Mission Viejo representatives to stay apprised of development timeline for the phased residential and commercial project. However, the convening of a working group comprised of representative from the South Orange County Unincorporated Communities (SOCUC) continued to be hindered by the preventative measures of the pandemic. While LAFCO staff continued to provide requested information to some of the unincorporated communities over the past year, a more engaging process for the SOCUC group is identified in the FY 2021-22 Work Plan contingent upon the ability to conduct in-person meetings and interest from the communities.

Strategic Area Five: Outreach and External Relations



In part to this strategic focus area, implementation of new communication vehicles to enhancement agency communication continued, including Commissioner messaging and talking points, communication guidelines, and social media protocols. Accomplishments of the Plan also include an informative monthly update that keeps the Commission apprised of activities regularly and the development of a media kit to include key communications tools that will be used to inform and engage LAFCO stakeholders and interested parties on the agency's mission, resources and projects. Next up

is continuing to improve the OC LAFCO brand through refinement of the agency logo and publishing of the LAFCO brochure and “Bi-Annual News.” Stay tuned.....

Administrative Projects

The FY 2020-21 Work Plan included six administrative projects to support the Commission’s efficient and cost-effective operational management practices. Below is a comprehensive list of the achievements made on this front.

Completed Projects

- ✓ **Annual Budget** – Adopted by the Commission in May 2021 and maintains expenditures with minimal overall increase.
- ✓ **Annual Audit** - Financial statements for FY 2019-20 resulted in no material (significant) issues noted.
- ✓ **CALAFCO** – Maintained participation at regional and statewide levels.
- ✓ **OC LAFCO Records Systems and Projects Database** – Completion of major overhaul and archival process for agency records and files.
- ✓ **Agency Website Redesign** – Near completion of the redesign of the agency website.
- ✓ **Joint RFP Process for Auditing Services** – Independent auditor selected and realized operational and fiscal savings through the RFP process.

FY 2020-21 BUDGET REVIEW

The year-end budget review provides the Commission with a comprehensive overview of OC LAFCO revenues and expenditures for the 2020-21 fiscal year, (see Appendix A on pages 9-11.¹). This report also provides a year-end update on the bank account and investment balances. It is important to note that the figures provided in the overview are unaudited and subject to change. The independent auditor will begin the agency’s annual audit for the period ending June 30, 2021, in September, and the agency final figures for fiscal year 2020-21 will be provided in the agency’s audited financial statements.

Revenues

The Commission adopted a budget of \$1,257,510 for FY 2020-21. The majority of the revenue was from the \$1,124,500 collected in apportionments from the funding agencies. Additional revenue received throughout the fiscal year included interest earned from the agency’s investment portfolio of approximately \$14,712, which is 81.7 percent of 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 reporting for informational purposes. This report includes a year-to-date accounting of application revenues and expenses for FY 2020-21. As shown in the Special Fund column on page 9, the Commission collected \$84,084 in application fee deposits and expended \$48,445 in FY 2020-21. As a reminder, the Commission's adopted fee schedule for applications filed with OC LAFCO ensures that full costs expended to process applications are recovered through fee deposits.

Expenditures

The total expenditures projected for the end of the year are \$945,281, or approximately 75.2 percent of the total budget of \$1,257,510. The following table displays the actual funds used and the target levels for fiscal year 2020-21.

| Total Funds Used | | | |
|------------------|---------------------------|---------------------------|---------------------------|
| | 1 st Period | 2 nd Period | 3 rd Period |
| Target | 33% | 67% | 100% |
| Actual | 24% | 49% | 75% |

A combination of factors resulted in the agency expenditures being approximately 25 percent below the total budgeted amount. The reduction in expenditures was mostly experienced in the Office Operations and Professional Services line items. In Office Operations, lower than anticipated expenditures in the areas of transportation and travel, professional development, and other operational costs were experienced due to the current pandemic.

Expenditures for the Professional Services line item were less than budgeted due to savings in the appropriations for legal and other professional services line items. Legal costs were lower than the budget amount due to costs being applied to deposits received for applications. The Other Professional Services category is projected below budget due to the agency not experiencing planned expenditures for consultants to assist with the completion of the fourth cycle of Municipal Service Reviews and Sphere Updates. As this project has been delayed due to the priorities of filed applications, only 27 percent of this line item's budget was expended.

Although the total FY 2020-21 projected expenditures are below the total budgeted amount, there were three budget categories that exceeded their allocations. These line items include Information Technology, General Liability Insurance, and Public Noticing. For each of these areas, there were unanticipated expenses resulting from the implementation of internal security controls, required updates to the agency's website, and increases in the agency's insurance premium and public noticing costs.

Balances and Investment Report

The following table illustrates the estimated balances of OC LAFCO's bank accounts as of June 30, 2021:

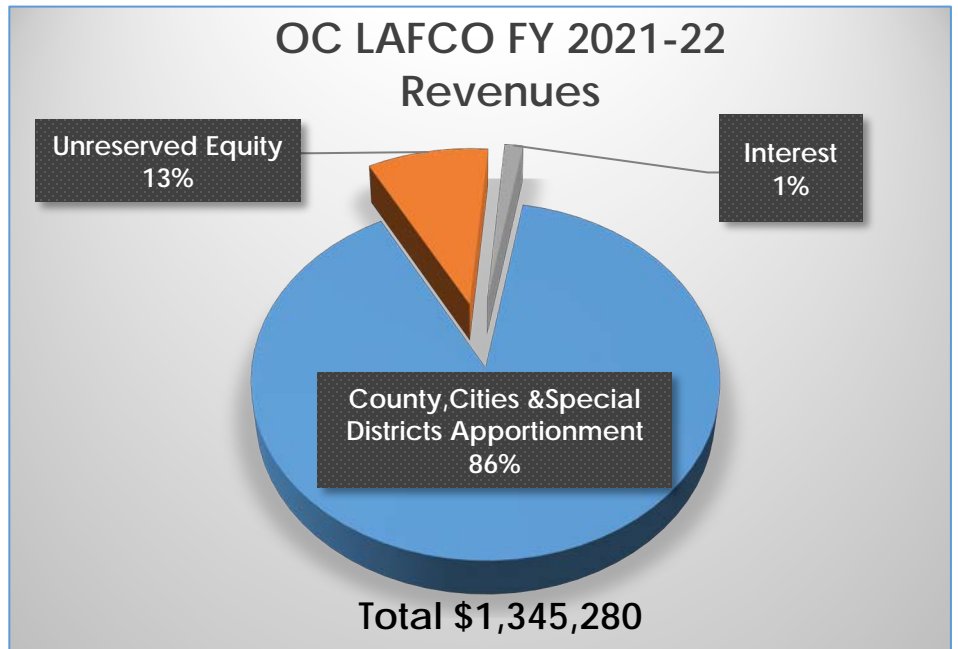
| As of 6/30/21 | Balance |
|----------------------|-------------------------|
| 770-Payroll Account | \$278,801 |
| Wells Fargo Checking | \$108,343 |
| Wells Fargo Savings | <u>\$213,238</u> |
| Total | <u>\$600,382</u> |

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 as of June 30, 2021:

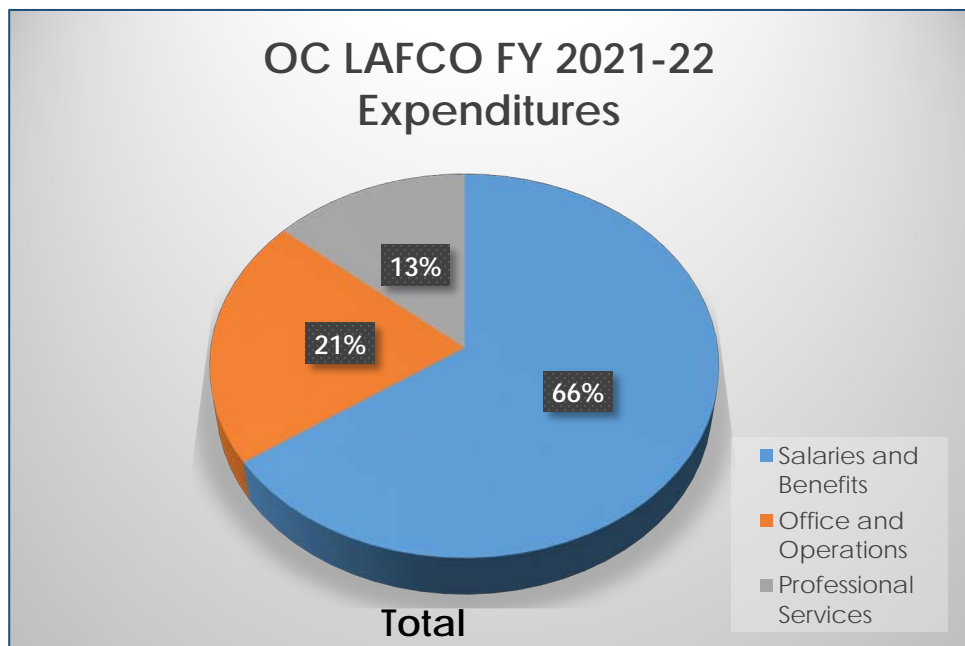
| As of 6/30/21 | Balance |
|---------------|-------------------|
| OC Fund | \$498,160 |
| LAIF | <u>\$410,224</u> |
| Total | \$ 908,384 |

BUDGET SNAPSHOT FOR FISCAL YEAR 2021-2022

On May 12, 2021, the Commission adopted the final budget for fiscal year 2021-22. The total budget of \$1,345,280 includes a three percent increase over FY 2020-21 in the apportionment paid by the County, cities, and special districts. Revenue sources of the adopted budget also include a transfer from the agency's unreserved equity and expected interest earnings from the agency's investment accounts.



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 Commission's current Strategic Plan, Work Plan, Budget and Quarterly Reports are available on the OC LAFCO website.



APPENDIX A
OC LAFCO – Year End Budget Overview
July 1, 2020 – June 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 | 1,124,500 | - | - | 1,124,500 | - | 1,124,500 | 100.0% |
| Filing Fees | - | - | - | - | 84,084 | - | 0.0% |
| Misc Revenue | 353 | - | 25 | 378 | - | - | 0.0% |
| Interest & Dividends | 6,228 | 5,722 | 2,761 | 14,712 | - | 18,000 | 81.7% |
| Total Revenue | \$ 1,131,081 | \$ 5,722 | \$ 2,786 | \$ 1,139,590 | \$ 84,084 | \$ 1,257,510 | 90.6% |
| Expenditures: | | | | | | | |
| Salaries | \$ 133,151 | \$ 125,308 | \$ 148,972 | \$ 407,431 | \$ 27,135 | \$ 529,220 | 77.0% |
| Hourly Employees | 2,139 | 3,335 | 4,090 | 9,564 | - | 18,000 | 53.1% |
| Benefits & Insurance | | | | | | | |
| Optional Benefit Plan | - | 15,000 | 2,333 | 17,333 | - | 18,500 | 93.7% |
| Deferred Compensation | 4,231 | 4,245 | 4,190 | 12,666 | - | 16,130 | 78.5% |
| Retirement Benefits | 54,548 | 55,595 | 59,654 | 169,797 | - | 190,920 | 88.9% |
| Health Insurance | 14,521 | 15,912 | 16,601 | 47,034 | - | 56,520 | 83.2% |
| Retiree Health Benefits | 4,739 | 4,778 | 5,439 | 14,956 | - | 18,250 | 81.9% |
| Dental Insurance | 1,421 | 1,070 | 722 | 3,213 | - | 5,710 | 56.3% |
| Life Insurance | 102 | 108 | 107 | 317 | - | 510 | 62.2% |
| Workers Compensation | - | 3,938 | - | 3,938 | - | 3,940 | 99.9% |
| Medicare | 1,990 | 2,229 | 2,341 | 6,561 | - | 8,210 | 79.9% |
| Salary Continuance | 210 | 179 | 206 | 595 | - | 1,860 | 32.0% |
| Accidental Death Insurance | 25 | 26 | 26 | 78 | - | 130 | 59.9% |
| Executive Car Allowance | 2,400 | 3,000 | 1,800 | 7,200 | - | 7,200 | 100.0% |
| Total - Benefits & Insurance | 84,188 | 106,080 | 93,418 | 283,687 | - | 327,880 | 86.5% |
| Information Technology | 3,411 | 3,336 | 4,142 | 10,889 | - | 10,000 | 108.9% |
| Telephone & Internet | 5,273 | 4,514 | 4,443 | 14,230 | - | 15,760 | 90.3% |
| County of Orange | 1,476 | 663 | 3,919 | 6,058 | 50 | 8,500 | 71.3% |
| General Liability Insurance | 5,352 | 2,247 | 2,388 | 9,987 | - | 9,800 | 101.9% |
| Memberships | 14,449 | 10,362 | 10,235 | 35,046 | - | 35,320 | 99.2% |
| Office Equipment/Supplies | 2,085 | 2,942 | 4,679 | 9,706 | - | 10,000 | 97.1% |
| Professional Services: | | | | | | | |
| Legal | 5,804 | 7,194 | 6,220 | 19,218 | 18,582 | 60,000 | 32.0% |
| Accounting/Audit | 17,500 | 13,700 | 12,000 | 43,200 | - | 43,200 | 100.0% |
| Human Resources | 2,080 | 367 | - | 2,446 | - | 9,450 | 25.9% |
| Mapping/Archiving | 1,133 | 1,133 | 1,133 | 3,400 | - | 9,500 | 35.8% |
| Other Professional Services | 225 | 10,700 | 5,325 | 16,250 | - | 60,000 | 27.1% |
| Total - Professional Services | 26,742 | 33,094 | 24,678 | 84,514 | 18,582 | 182,150 | 46.4% |
| Investment Admin Fees | 293 | 185 | 172 | 650 | - | 630 | 103.1% |
| 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 | 16,964 | 8,767 | 20,948 | 46,678 | - | 51,100 | 91.3% |
| Equipment Leases | 2,104 | 1,879 | 1,879 | 5,862 | - | 7,860 | 74.6% |
| Comm. & Staff Expense | 744 | 413 | 820 | 1,977 | - | 7,000 | 28.2% |
| Comm. Stipends & Taxes/Fees | 4,564 | 3,448 | 3,409 | 11,421 | - | 16,350 | 69.9% |
| Transportation/Travel | - | - | - | - | - | 10,540 | 0.0% |
| Commission Meeting Expense | 220 | 232 | 317 | 769 | - | 6,000 | 12.8% |
| Refund of Deposit | - | - | - | - | 872 | - | 0.0% |
| Total Expenditures | 305,004 | 308,068 | 332,208 | 945,281 | 48,774 | 1,257,510 | 75.2% |
| Total Net Income (Loss) | \$ 826,076 | \$ (302,346) | \$ (329,422) | \$ 194,309 | \$ 35,310 | \$ - | |

*Financial data represents pre-audited amounts, which does not include all year end adjustments.

APPENDIX B
OC LAFCO BALANCE SHEET
June 30, 2021

The balance sheet provides an understanding of OC LAFCO's financial status and summarizes the agency's assets and liabilities as of June 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 7.

OC Local Agency Formation Commission
Reserves Balance Analysis

| Cash & Investments Description | June 30, 2021 Balance | Commission Approved Balances | Balance Excess / (Deficiency) |
|---|----------------------------------|---|--|
| County Payroll | \$ 278,801 | \$ 218,775 ¹ | \$ 60,026 |
| Checking - Wells Fargo | 108,343 | 95,603 ¹ | 12,740 |
| Savings - Wells Fargo | 213,238 | 205,000 ¹ | 8,238 |
| OC Fund Investment | 498,160 | - | 498,160 |
| LAIF Investment | 410,224 | - | 410,224 |
| Total | \$ 1,508,766 | \$ 519,378 | \$ 989,388 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.

APPENDIX B
OC LAFCO BALANCE SHEET (Continued)
June 30, 2021

| | June 30, 21 |
|---------------------------------------|----------------------------|
| ASSETS | |
| Current Assets | |
| Cash and Investments | |
| County Acct-Payroll | \$ 278,801 |
| Wells Fargo Checking | 108,343 |
| Wells Fargo Savings | 213,238 |
| OC Fund | 498,160 |
| Investment Acct - LAIF | 410,224 |
| Fair Market Value Adjustments | 5,451 |
| Total Cash and Investments | <u>1,514,217</u> |
| Other Current Assets | |
| Interest Receivable - Other | 1,741 |
| Prepaid Expenses - Other | 22,462 |
| Retirement Prepaid Expense | 44,046 |
| Total Other Current Asset | <u>68,249</u> |
| Total Current Assets | <u>1,582,466</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>2,154,054</u></u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | 18,308 |
| Salaries Payable | 18,955 |
| Compensated Absenses | 36,161 |
| Total Current Liabilities | <u>73,424</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>2,000,501</u> |
| Equity | <u>153,553</u> |
| TOTAL LIABILITIES & EQUITY | <u><u>\$ 2,154,054</u></u> |