

LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY

REGULAR MEETING AGENDA

**Wednesday, March 9, 2022
8:15 a.m.**

**Planning Commission Hearing Room
Hall of Administration
333 W. Santa Ana Blvd.
10 Civic Center Plaza, Santa Ana, CA 92701**

Any member of the public may request to speak on any agenda item at the time the Commission is considering the item.

- 1. CALL THE MEETING TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ROLL CALL**
- 4. ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATION
(Communication received after agenda distribution for agendized items.)**

5. PUBLIC COMMENT

This is an opportunity for members of the public to address the Commission on items not on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken by the Commission on an off-agenda item(s) unless authorized by law.

6. CONSENT CALENDAR

a.) February 9, 2022 – Regular Commission Meeting Minutes

The Commission will consider approval of the February 9, 2022, meeting minutes.

b.) CALAFCO Update

The Commission will receive a report on the recent activities of CALAFCO.

7. PUBLIC HEARING

a.) 2022-23 OC LAFCO Proposed Budget and Fee Schedule

The Commission will consider the adoption of the Proposed Fiscal Year 2022-23 OC LAFCO Budget and resolution approving the agency's fee schedule.

8. COMMISSION DISCUSSION AND ACTION

a.) Legislative Report

The Commission will receive an interim legislative report and consider adopting a position on Senate Bill 938.

9. COMMISSIONER COMMENTS

This is an opportunity for Commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission. No discussion or action may occur or be taken except to place the item on a future agenda if approved by the Commission majority.

10. EXECUTIVE OFFICER'S REPORT

Executive Officer's announcement of upcoming events and brief report on activities of the Executive Officer since the last meeting.

11. INFORMATIONAL ITEMS & ANNOUNCEMENTS

No informational items and announcements.

12. CLOSED SESSION

No closed session items scheduled.

13. MEETING ADJOURNMENT

The Commission will adjourn to the April 13, 2022, Regular Meeting in person at the Planning Commission Hearing Room, 10 Civic Center Plaza in Santa Ana or virtually by Zoom in accordance with AB 361 and LAFCO Resolution No. CP 21-08.

Pursuant to Government Code Section 54957.5, public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be made available to the public on the OC LAFCO website at www.oclafco.org.

State law requires that a participant in an OC LAFCO proceeding who has a financial interest in a decision and who has made a campaign contribution of more than \$250 to any commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission's staff before the hearing.

All regular meeting agendas and associated reports are available at www.oclafco.org. Any person with a disability under the Americans with Disabilities Act (ADA) may receive a copy of the agenda or associated reports upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, to participate in a public meeting. Requests for copies of meeting documents and accommodations shall be made with OC LAFCO staff at (714) 640-5100 at least three business days prior to the respective meeting.

2022 MEETING AND EVENTS CALENDAR

Approved February 9, 2022

2022



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- OC LAFCO Regular Meeting (*begins at 8:15 a.m.*)
Location: Hall of Administration, Planning Commission Hearing Room, 10 Civic Center Plaza, Santa Ana, CA 92701.
- Strategic Planning Workshop (*8:00 a.m. to 2:30 p.m.*)
Location: County Administration South (CSA) Multipurpose Room, 601 North Ross Street, Santa Ana, CA 92701.
- Office closure due to legal holidays and flexible work schedule.
- CALAFCO Annual Conference - October 19 - 21, 2022 at Hyatt Regency Newport Beach John Wayne Airport.

DRAFT MINUTES

OC LAFCO REGULAR MEETING

Wednesday, February 9, 2022
8:15 a.m.

Due to COVID-19, this meeting was conducted virtually pursuant to the provisions of AB 361 in an effort to protect the safety of the Commission and its constituents.

1. CALL TO ORDER

Chair Davert called the meeting of the Local Agency Formation Commission of Orange County (OC LAFCO) to order at 8:17 a.m., announced that the Commission meeting is being conducted by teleconference, and participation by Commissioners and staff are from remote locations.

2. PLEDGE OF ALLEGIANCE

Commissioner Fisler led the Pledge of Allegiance.

3. BOARD APPOINTMENT – COMMISSIONER DO

Chair Davert noted the appointment of Commissioner Do and that the respective oath was completed electronically by the Commission Clerk.

4. ROLL CALL

The following Commissioners were present:

- **Chair Douglass Davert**
- **Vice Chair Donald Wagner**
- **Commissioner Lisa Bartlett**
- **Commissioner James Fisler**
- **Commissioner Derek J. McGregor**
- **Commissioner Mike Posey**
- **Alternate Commissioner Kathryn Freshley**
- **Alternate Commissioner Peggy Huang**
- **Alternate Commissioner Lou Penrose**

The following Commissioners were absent:

- **Commissioner Wendy Bucknum**
- **Alternate Commissioner Andrew Do**

The following OC LAFCO staff members were present:

- Executive Officer Carolyn Emery
- Assistant Executive Officer Raymond Barragan
- Policy Analyst Luis Tapia
- Policy Analyst Gavin Centeno
- Commission Clerk Cheryl Carter-Benjamin
- General Counsel Malathy Subramanian

5. ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATION (Received After Agenda Distribution)

Commission Clerk Cheryl Carter-Benjamin noted that no supplemental communication was received.

6. PUBLIC COMMENT

Chair Davert requested public comments on any non-agenda items. Executive Officer Carolyn Emery individually announced the public members who requested to speak. Comments made are generally noted below.

Michael Hoch provided general comments on concerns involving latent powers of Three Arch Bay Community Services District and asked that documents emailed to staff be displayed on the monitor for Commissioner reference.

Stacey Taylor, Mesa Water District, provided general comments and requested copies of the documents provided by residents of Three Arch Bay CSD.

David Goldberg provided general comments on concerns involving the latent powers of Three Arch Bay CSD.

Chair Davert closed the hearing of public comments.

7. CONSENT CALENDAR

Chair Davert called for a motion on the consent calendar. **Commissioner McGregor** motioned for approval of the consent calendar and **Commissioner Posey** seconded the

motion. General Counsel Malathy Subramanian noted that there were no requests from the public to speak on the item.

The Commission Clerk conducted a roll call vote on the item.

7a. – Approval of Minutes – January 12, 2022, Regular Commission Meeting

MOTION: Approve the Consent Calendar. (Derek J. McGregor)
SECOND: Mike Posey
FOR: Derek J. McGregor, Mike Posey, Donald Wagner, Lisa Bartlett,
James Fisler, Peggy Huang, Douglass Davert
AGAINST: None
ABSTAIN: None

MOTION PASSED: 7-0.

8. PUBLIC HEARING

No public hearing items scheduled.

9. COMMISSION DISCUSSION AND ACTION

9a. – OC LAFCO Personnel Policies and Procedures Update

Executive Officer Carolyn Emery gave a brief staff presentation and noted the actions recommended by staff.

Chair Davert called for Commission discussion and public comments. Commissioners made general comments, and the Executive Officer noted that there were no requests from the public to speak on the item.

Chair Davert called for a motion on the recommended action. **Commissioner Fisler** motioned to approve the staff recommended action and **Commissioner Posey** seconded the motion.

The Commission Clerk conducted a roll call vote on the item.

MOTION: Adopt the OC LAFCO Personnel Policies and Procedures, as amended.
(James Fisler)
SECOND: Mike Posey
FOR: James Fisler, Mike Posey, Donald Wagner, Lisa Bartlett,
Peggy Huang, Derek J. McGregor, Douglass Davert
AGAINST: None
ABSTAIN: None

MOTION PASSED: 7-0.

9b. – Legislative Policy and Guidelines

Chair Davert asked if the Commission needed a staff presentation on the item. There was no request from the Commission and **Chair Davert** called for Commission discussion and public comments. No comments on the item by Commissioners were made, and the Executive Officer noted that there were no requests from the public to speak on the item.

Chair Davert called for a motion on the recommended action. **Commissioner Posey** motioned to approve the staff recommended action and **Commissioner McGregor** seconded the motion.

The Commission Clerk conducted a roll call vote on the item.

MOTION: Adopt the Legislative Policy and Guidelines, as amended. (Mike Posey)
SECOND: Derek J. McGregor
FOR: Mike Posey, Derek J. McGregor, Donald Wagner, Lisa Bartlett,
James Fisler, Peggy Huang, Douglass Davert,
AGAINST: None
ABSTAIN: None

MOTION PASSED: 7-0.

9c. – Six-Month Strategic Objectives Update

Policy Analyst Gavin Centeno gave the staff presentation and noted the actions recommended by staff.

Chair Davert called for Commission discussion and public comments. Commissioners made general comments, and the Executive Officer noted that there were no requests from the public to speak on the item.

Chair Davert called for a motion on the recommended action. **Commissioner Posey** motioned to approve the staff recommended action and **Commissioner Bartlett** seconded the motion.

The Commission Clerk conducted a roll call vote on the item.

MOTION: Receive and file the Six-Month Strategic Objectives Update.
(Mike Posey)
SECOND: Lisa Bartlett
FOR: Mike Posey, Lisa Bartlett, Donald Wagner, James Fisler, Peggy Huang,

AGAINST: Derek J. McGregor, Douglass Davert
ABSTAIN: None

MOTION PASSED: 7-0.

9d. – 2022 Meeting and Events Calendar

Executive Officer Carolyn Emery presented the item for Commission discussion and consideration.

Chair Davert called for Commission discussion and public comments. No comments on the item by Commissioners were made, and the Executive Officer noted that there were no requests from the public to speak on the item.

Chair Davert called for a motion on the recommended action. **Commissioner Fisler** motioned to approve the staff recommended action and **Commissioner McGregor** seconded the motion.

The Commission Clerk conducted a roll call vote on the item.

MOTION: Reschedule Strategic Planning Workshop to June 8, 2022; Approve the OC LAFCO 2022 Meeting and Events Calendar, as amended. (James Fisler)
SECOND: Derek J. McGregor
FOR: James Fisler, Derek J. McGregor, Donald Wagner, Lisa Bartlett, Peggy Huang, Mike Posey, Douglass Davert
AGAINST: None
ABSTAIN: None

MOTION PASSED: 7-0.

10. COMMISSIONER COMMENTS

Commissioners made general comments.

11. EXECUTIVE OFFICER'S REPORT

The Executive Officer noted that there were no items to report.

12. INFORMATIONAL ITEMS & ANNOUNCEMENTS

12a. - OC LAFCO Web-based Programs

Policy Analyst Luis Tapia presented a virtual tour of the agency's new Municipal Services Dashboard and Shared Services Program.

13. CLOSED SESSION

No closed session items scheduled.

14. ADJOURNMENT OF THE REGULAR COMMISSION MEETING

Chair Davert called for discussion on meeting in March. **Chair Davert** motioned to adjourn to an in-person meeting on March 9 in accordance with the requirements of AB 361 and the respective OC LAFCO resolution. **Commissioner Posey** seconded the motion and other Commissioners expressed their support.

MOTION: Renew findings contained in OC LAFCO Resolution No. CP 21-08 in accordance with AB 361; Adjourn to the March 9, 2022 Regular Meeting in person at the Planning Commission Hearing Room, 10 Civic Center Plaza in Santa Ana. (Douglass Davert)

SECOND: Mike Posey

FOR: Douglass Davert, Mike Posey, Donald Wagner, Lisa Bartlett, James Fisler, Peggy Huang, Derek J. McGregor

AGAINST: None

ABSTAIN: None

MOTION PASSED: 7-0.

Chair Davert adjourned the Regular Commission Meeting at 9:04 a.m.

Douglass Davert, Chair
Orange County Local Agency Formation Commission

By: _____
Cheryl Carter-Benjamin
Commission Clerk

March 9, 2022

REGULAR MEMBERS

CHAIR

Douglass Davert
Special District Member

VICE CHAIR

Donald P. Wagner
County Member

IMMEDIATE PAST CHAIR

Derek J. McGregor
Public Member**Lisa Bartlett**
County Member**Wendy Bucknum**
City Member**James Fisler**
Special District Member**Mike Posey**
City Member**ALTERNATES****Andrew Do**
County Member**Kathryn Freshley**
Special District Member**Peggy Huang**
City Member**Lou Penrose**
Public Member**STAFF****Carolyn Emery**
Executive Officer**Scott Smith**
General Counsel

TO: Local Agency Formation Commission
of Orange County

FROM: Commissioner/CALAFCO Board Member
Executive Officer

SUBJECT: CALAFCO Update

BACKGROUND

The following staff report provides an update on key recent activities of the California Association of Local Agency Formation Commissions (CALAFCO).

CALAFCO Sponsored Legislation

For the current legislative session, the CALAFCO Board of Directors approved the co-sponsoring of legislation for the following:

- **2022 Omnibus Bill** – makes non-substantive changes to the CKH Act.
Status: Proposed amendments are currently being reviewed by the Assembly Local Government Committee.
- **LAFCO Protest Provisions** – three-year working group effort with multiple stakeholders (CALAFCO, CSDA, CSAC, CA League of Cities, and legislature consultants) to consolidate protest proceedings provisions for clarity and change protest threshold for a Commission-initiated dissolution.
Status: Proposed bill in print as SB 938, and additional details are provided in Agenda Item No. 8b.
- **Amendments to 56133** – a joint effort with San Diego LAFCO to amend Government Code Section 56133 to clarify LAFCO's authority involving the extension of services outside an agency's jurisdictional boundary.
Status: CALAFCO was unable to secure a bill author for 2022 and will discuss whether or not to co-sponsor the proposal for the next legislative session at the Board's April 22 meeting.

The CALAFCO Legislative Committee will discuss the status of the above efforts, as well as other current and newly introduced bills of LAFCO interest at its next meeting on March 11. An update will be provided subsequent to the meeting in the April 13 agenda.

CALAFCO Staff Workshop

As co-host of the CALAFCO Annual Staff Workshop scheduled to take place in Newport Beach in early March, staff has kept the Commission apprised of the impacts to the scheduling of the conference, which has included postponing of the workshop in 2020 and 2021. While the workshop planning committee has worked diligently to keep the workshop program refreshed and OC LAFCO staff supported with the excitement of welcoming LAFCOs across the State, it became apparent with only five weeks until the workshop that the circumstances of the continued pandemic have impacted the workshop registration numbers. In light of this, the CALAFCO Board, on February 22, voted unanimously to cancel the workshop. While there is certainly disappointment with the cancellation of the event, Commissioners and staff will have the opportunity to welcome other LAFCOs to Orange County in the Fall during the CALAFCO 50+1 Annual Conference in Newport Beach. As a note, CALAFCO will be refunding previously paid registration fees to OC LAFCO.

New CALAFCO Executive Director

At the January 21 Board of Directors meeting, CALAFCO appointed Rene LaRoche as the new Executive Director for the Association. Rene will succeed outgoing Executive Director, Pamela Miller, and brings a diverse background to CALAFCO that includes her current position as the Clerk of the Board of Supervisors in Mariposa County, past President of the CA Clerk of the Board of Supervisors Association, and an Institute Fellow of the CA State Association of Counties. She officially assumed her role on February 28 and will be meeting with the Executive Officers of the Southern Region LAFCOs in part to this transition.

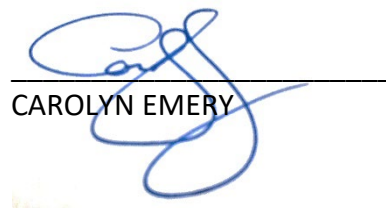
RECOMMENDED ACTION

Commissioner McGregor and staff recommend that the Commission:

1. Receive and file the CALAFCO Update.

Respectfully submitted,


DEREK J. MCGREGOR


CAROLYN EMERY

March 9, 2022

7a | Public
Hearing**REGULAR MEMBERS**CHAIR
Douglass Davert
Special District MemberVICE CHAIR
Donald P. Wagner
County MemberIMMEDIATE PAST CHAIR
Derek J. McGregor
Public Member**Lisa Bartlett**
County Member**Wendy Bucknum**
City Member**James Fisler**
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City Member**ALTERNATES****Andrew Do**
County Member**Kathryn Freshley**
Special District Member**Peggy Huang**
City Member**Lou Penrose**
Public Member**STAFF****Carolyn Emery**
Executive Officer**Scott Smith**
General Counsel**TO:** Local Agency Formation Commission**FROM:** Executive Officer
Assistant Executive Officer
Accountant**SUBJECT:** Proposed Fiscal Year 2022-23 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 2022-23 budget is presented in line-item detail for the Commission's review and consideration (**Attachment 1**).

In February, staff participated in meetings with the Commission's Executive Committee, comprised of Chair Douglass Davert, Vice Chair Donald Wagner and Immediate Past Chair Derek McGregor, to review the proposed budget. In accordance with the Commission's Bylaws, the Executive Committee reviews the proposed agency budget and serves in an advisory role on this matter to the full Commission. Upon approval, the proposed budget 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 11, 2022 regular meeting.

Fee Schedule Resolution

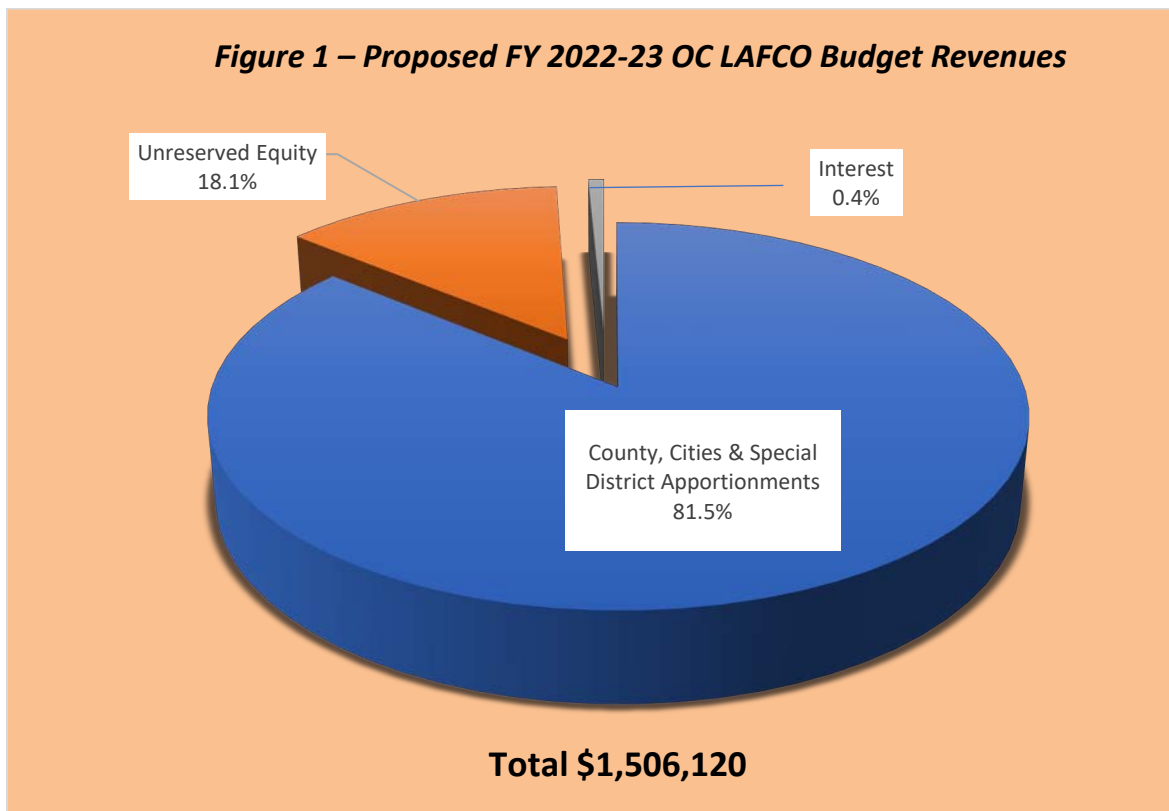
The Commission's Fee Schedule, which was originally established in 1995, is structured to ensure that the agency is recovering the actual costs associated with processing an application. The Fee Schedule includes application processing fees and charges and reflects the current rates for staff and legal counsel direct costs. The recommended actions include adopting the Fee Schedule Resolution (**Attachment 3**) for charges that would be effective July 1, 2022.

FY 2022-23 OC LAFCO PROPOSED BUDGET

The proposed FY 2022-23 budget is balanced; the expected expenditures are funded by the projected ongoing revenues together with a drawdown of unreserved equity. The proposed budget totals \$1,506,120 resulting in an overall increase of ten percent from the FY 2021-22 budget. The following provides a description and discussion of the revenues, expenditures and reserves contained in the FY 2022-23 proposed budget.

REVENUES

Revenues in the FY 2022-23 total \$1,506,120. 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 81.5 percent of revenues with the balance contributed by unreserved equity and interest revenue.



(1) County, Cities, and Special Districts Apportionments

As represented in Figure 1, the apportionments from the funding agencies provide the primary revenue source for OC LAFCO. The total apportionment for FY 2022-23 of \$1,227,730 to be collected from the County, cities and special districts constitutes an overall increase of six percent from the FY 2021-22 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 Districts Selection Committee, respectively. The projected individual apportionments for the cities and special districts for FY 2022-23 are delineated in ***Attachments 1B and 1C***.

(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 accounting staff, withdraw funds from the accounts to cover the agency's operational expenses. Given current market rates, the proposed FY 2022-23 budget conservatively projects that interest earned on the agency's investment accounts will generate \$6,300 or slightly less than one half percent of the annual revenue.

(3) Unreserved Equity

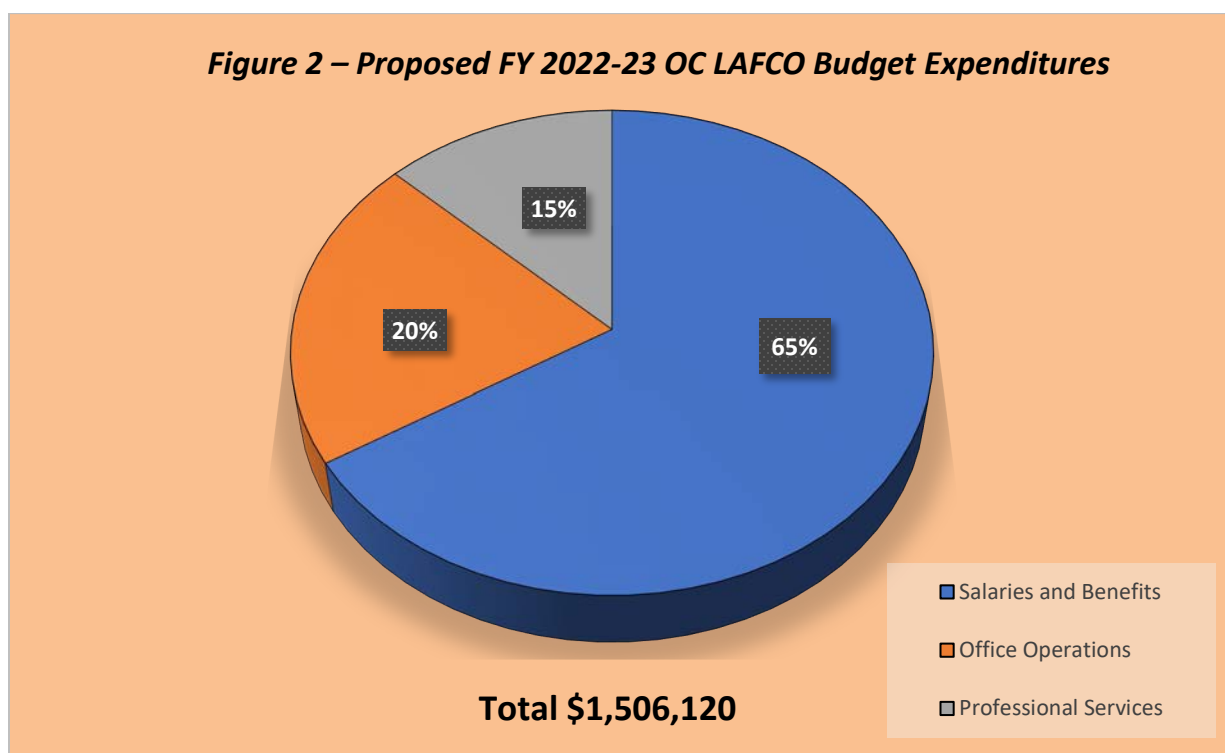
In its reserve policy, the Commission specifies minimum balances of \$100,000 for contingency reserves, \$75,000 for litigation reserves, and \$30,000 for unfunded liability reserves. Additionally, the Commission's policy mandates that three months of operational expenses be maintained in the reserve account, which for FY 2022-23, amounts to \$376,530.

Unreserved equity is any balance available above those minimums. The proposed FY 2022-23 budget revenue assumptions include \$272,090 from the unreserved equity which represents 18.1 percent of the total revenues. Over the past several years, the use of unreserved equity as part of the revenue assumptions has assisted with decreasing its overall balance to the approved reserve levels and avoid large fluctuations in the annual apportionments to the funding agencies. The agency's projected reserves through FY 2024-25 are provided in ***Attachment 2***. Based on these budget projections, it is anticipated that the reserve levels will remain within the Commission's approved policy through FY 2024-25. In order to maintain and meet approved reserve levels, as well as respond to the increase in operational costs and future funding of the agency's unfunded pension liability, it is expected that there will be annual overall increases to the LAFCO apportionment. Staff will continue monitoring the reserve levels closely as any future apportionment increases will vary depending on project applications and filing fees.

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.



(1) Salaries & Benefits

The proposed FY 2022-23 budget for salaries and benefits for the five full-time professional staff and any temporary or seasonal staff total \$990,960, which is an increase of 5.8 percent from the budgeted amount in the current fiscal year. The minor increase is consistent with current CPI projections for FY 2022-23 for Orange County and is largely attributed to an increase in benefits costs discussed in the next paragraph.

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 substantially mirror the benefits provided by the County to its employees and Executive Managers. While there are increases over the current fiscal year's budget for some benefits costs, there is a decrease in costs in other areas that include health, dental, and life insurance benefits. Additionally, the proposed budget contains assumptions for retirement costs that are based on the figures provided by the Orange County Employees Retirement System (OCERS). The increase in retirement costs for FY 2022-23 is 14.5 percent.

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 the 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 continue to demonstrate prudent management of agency expenses. The following provides a brief discussion of the key areas that incorporate proposed changes in appropriations for FY 2022-23:

➤ *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 \$2,000 or 27% from FY 2021-22. The increase allows for projected costs relative to specialized datasets that will be used in preparing the Municipal Service Reviews and improving the agency's GIS.

➤ *Unincorporated Areas Program (line item 5610)*

This line item includes costs incurred for the processing of applications under the Commission's Unincorporated Areas Program. In January, this line item was reduced from \$8,000 to \$3,000 to accommodate the implementation of COLAs and costs associated with the use of consultants to prepare fourth cycle MSRs. As staff anticipates costs associated with the processing of unincorporated area annexations during the next fiscal cycle, the proposed amount of \$8,000 for FY 2022-23 returns the budgeting for this line item to the appropriate funding level.

➤ *Registration and Travel (line item 5800)*

This line item allocates the funding for the participation by Commissioners and staff in the CALAFCO annual conference and staff workshop, board meetings and other conferences. The proposed budget amounts vary from year to year based on the location and anticipated participation involving these events. The 2022 annual conference will take

place in Newport Beach and the location for the staff workshop has not yet been identified. This line item was also reduced during the current fiscal cycle from \$11,600 to \$3,000 to accommodate the implementation of COLAS and consultant costs associated with the processing of fourth cycle MSRs. The proposed budget amount of \$13,600 for FY 2022-23 returns the budgeting for this line item to the appropriate funding level to accommodate the associated costs.

➤ ***Commission Meeting Expenses (line item 5850)***

This line item allocates funding for costs incurred for communications, room rental, parking and miscellaneous expenses for Commission meetings. The proposed budget includes an increase of \$3,000 or 46% from FY 2021-22. The increase would allow for potential costs relative to pending state legislation involving additional public meeting requirements.

(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 expenses for this line item include the Commission's accountant, legal counsel, auditor and human resources support. The FY 2022-23 proposed budget allocations for this category include the following: legal services (\$60,000); audit and accounting services (\$49,700) and human resources (\$10,000). Project-related professional services include continued enhancement and implementation of communications resources, the fiscal indicators web-based program, and the preparation of the fourth cycle municipal service reviews and other studies and reports. The proposed allocation for that line item is \$100,000.

OC LAFCO TWO-YEAR BUDGET PROJECTIONS

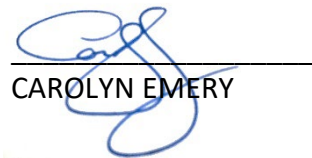
The two-year budget projections are intended to anticipate future changes to the OC LAFCO budget. Additionally, the projections provide the funding agencies with budget projections beyond a single fiscal year. The two-year budgetary projections provided in **Attachment 3** indicate potential apportionment increases of 6 percent in FY 2023-24 and FY 2024-25. The projections use the FY 2022-23 proposed budget as a baseline with personnel expenditures increased annually by the CPI of 3.5% for FY 2023-24 and 3% for FY 2024-25 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 2023-24 and FY 2024-25 are subject to change and should be used for trending purposes only.

RECOMMENDED ACTIONS

Staff recommends that the Commission:

1. Adopt the Proposed FY 2022-23 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 2022-23 OC LAFCO Budget at the May 11, 2022 regular meeting.
3. Adopt OC LAFCO Resolution No. CP 22-01 approving the OC LAFCO Fee Schedule, effective July 1, 2022 (*Attachment 3*).


Respectfully submitted,



CAROLYN EMERY



RAYMOND BARRAGAN



CINDY BYERRUM

Attachments:

1. Proposed FY 2022-23 OC LAFCO Budget
 - A. FY 2022-23 Budget Categories
 - B. OC LAFCO City Apportionments for FY 2022-23 (prepared by County Auditor-Controller)
 - C. OC LAFCO Special District Apportionments for FY 2022-23 (prepared by County Auditor-Controller)
2. Two-year OC LAFCO Budget Projections (FYs 2023-24 and 2024-25)
3. OC LAFCO Resolution No. CP 22-01 – LAFCO Fee Schedule (effective July 1, 2022)

Orange County Local Agency Formation Commission

Proposed Budget

Fiscal Year 2022/23

		FY 21/22	FY 22/23	\$	%
		Amended	Proposed	Budget	Budget
		Budget	Budget	Variance	Variance
Apportionment Increase Factor (%)		3.00%	6.00%		
Revenue & Use / (Addition) Of Cash					
	Use Of / (Addition To) Unreserved Cash	\$ 200,010	\$ 272,090	\$ 72,080	36.0%
4000	LAFCO Apportionment	1,158,240	1,227,730	69,490	6.0%
4200	Interest	10,000	6,300	(3,700)	-37.0%
4150	Miscellaneous Revenue	-	-	-	0.0%
Net Revenue & Use / (Addition) Of Unreserved Cash		1,368,250	1,506,120	137,870	10.1%
Expense					
Salaries & Benefits					
5000	Salaries	552,330	574,500	22,170	4.0%
5010	Hourly Employees	18,000	20,800	2,800	15.6%
5106	Retirement	218,650	250,300	31,650	14.5%
5109	Retiree Health Benefits	19,040	19,300	260	1.4%
5108	Health Insurance	67,230	65,600	(1,630)	-2.4%
5110	Dental Insurance	5,320	2,700	(2,620)	-49.2%
5112	Life Insurance	500	460	(40)	-8.0%
5102	Optional Benefit Plan	18,500	18,500	-	0.0%
5104	Deferred Compensation	16,800	17,500	700	4.2%
5116	Medicare	8,540	8,900	360	4.2%
5114	Worker's Compensation	2,460	3,520	1,060	43.1%
5120	Salary Continuance	1,450	1,510	60	4.1%
5122	Accidental Death Insurance	150	170	20	13.3%
5125	Executive Car Allowance	7,200	7,200	-	0.0%
SubTotal: Salaries & Benefits		936,720	990,960	54,240	5.8%
Office Operations					
5150	Information Technology	12,700	12,800	100	0.8%
5151	Internet & Telephone	14,500	14,500	-	0.0%
5200	County Charges	11,000	8,200	(2,800)	-25.5%
5250	Insurance	7,400	7,600	200	2.7%
5350	Membership/Subscriptions	35,600	36,400	800	2.2%
5450	Office Equipment/Supplies	19,400	22,500	3,100	16.0%
Professional Services					
5510	Legal	25,000	60,000	35,000	140.0%
5520	Audit/Accounting	43,500	49,700	6,200	14.3%
5530	Human Resources	9,500	10,000	500	5.3%
5540	Other Professional	85,000	100,000	15,000	17.6%

Orange County Local Agency Formation Commission

Proposed Budget

Fiscal Year 2022/23

	FY 21/22	FY 22/23	\$	%
	Amended	Proposed	Budget	Budget
	Budget	Budget	Variance	Variance
Other Operations				
5535 Mapping	7,300	9,300	2,000	27.4%
5550 Investment Admin Fees	830	660	(170)	-20.5%
5600 Public Noticing / Communications	11,500	11,650	150	1.3%
5610 Unincorporated Areas Program	3,000	8,000	5,000	166.7%
5650 Rents/Maintenance	100,600	104,100	3,500	3.5%
5675 Equipment Leases & Maintenance	7,700	8,700	1,000	13.0%
5700 Commissioner/Staff Expenses	7,000	7,000	-	0.0%
5710 Commission Stipends & Taxes/Fees	15,500	15,950	450	2.9%
5750 Professional Development	5,000	5,000	-	0.0%
5800 Registration/Travel	3,000	13,600	10,600	353.3%
5850 Commission Meeting Expenses	6,500	9,500	3,000	46.2%
Subtotal: Office Operations & Services	431,530	515,160	83,630	19.4%
Total Expense	1,368,250	1,506,120	137,870	10.1%
Net Budget	\$ -	\$ -		

Projected Cash Reserves			
Reserved Cash			
Contingency Reserve	100,000	\$ 100,000	
Reserve for Litigation	75,000	75,000	
Unfunded Liability Reserve	30,000	30,000	
Operating Reserve - 25% Budgeted Expenses	342,063	376,530	
Total Reserved Cash	547,063	581,530	
Unreserved Cash			
Balance at the Beginning of FY	891,375	888,988	
Addition / (Drawdown) to Unreserved Cash	(200,010)	(272,090)	
Total Unreserved Cash	691,365	616,898	
Total Projected Cash Reserves	\$ 1,238,428	\$ 1,198,428	

OC LAFCO FY 2022-23 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.

4150 Miscellaneous Revenue

These funds are incurred by nonoperational income including but not limited to reimbursements.

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 Orange County Fund (OC Fund).

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 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 independent consultants for IT and website services.

5151 Internet and Telephone

This category includes costs for the usage, technical support, equipment purchasing, leasing and maintenance for office and mobile telephones and internet service.

OC LAFCO FY 2022-23 BUDGET CATEGORIES

5200 County Charges

This category includes costs incurred for payroll processing, records archiving and storage, and billing, collection and intranet 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 general 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.

OC LAFCO FY 2022-23 BUDGET CATEGORIES

- ✓ **5540 Other Professional Services** – Consulting and professional services for meeting facilitation, peer reviews, and preparation of Municipal Service Reviews, fiscal studies and other reports and projects.

5550 Investment Admin Fees

This category includes costs incurred for administrative fees charged by Wells Fargo and the County of Orange for financial services related to the checking and payroll accounts.

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, board meetings and other educational activities.

5850 Commission Meeting Expenses

This category includes costs incurred for communications, room rental, parking and miscellaneous expenses for Commission meetings.

OC LAFCO FY 2022-23 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 2022-23 City Allocations

City	FY 2022-23 City Allocation
Aliso Viejo	\$ 6,302.35
Anaheim	45,112.24
Brea	7,243.61
Buena Park	10,108.31
Costa Mesa	14,296.24
Cypress	6,084.08
Dana Point	4,719.94
Fountain Valley	7,325.46
Fullerton	18,415.95
Garden Grove	20,216.62
Huntington Beach	24,950.20
Irvine	41,647.32
Laguna Beach	4,337.98
Laguna Hills	4,542.60
Laguna Niguel	9,712.71
Laguna Woods	2,305.40
La Habra	7,639.21
Lake Forest	11,977.19
La Palma	1,855.24
Los Alamitos	2,100.78
Mission Viejo	13,164.00
Newport Beach	14,514.50
Orange	19,098.02
Placentia	6,329.63
Rancho Santa Margarita	7,707.42
San Clemente	10,558.48
San Juan Capistrano	6,970.78
Santa Ana	36,995.59
Seal Beach	5,306.52
Stanton	4,378.91
Tustin	10,094.67
Villa Park	1,064.03
Westminster	10,858.59
Yorba Linda	11,308.76
TOTAL	\$ 409,243.33

OC LAFCO FY 2022-23 Special District Allocations

District	ISDOC Formula Calculation FY 2022-23
Silverado-Modjeska Rec. & Park	\$ 491.09
Surfside Colony Stormwater	491.09
Surfside Colony CSD	491.09
Rossmoor/Los Alamitos Area Sewer District	2,373.61
Capistrano Bay CSD	2,373.61
Rossmoor CSD	2,373.61
Three Arch Bay CSD	2,373.61
Emerald Bay CSD	2,373.61
Buena Park Library District	2,373.61
Placentia Library District	2,373.61
Orange County Cemetery District	3,601.34
Orange County Vector Control District	4,788.15
Total Non-Enterprise Districts	\$ 26,478.03
Sunset Beach Sanitary District	4,788.15
Serrano Water District	14,364.44
East Orange Co. Water District	19,152.59
Midway City Sanitary District	19,152.59
Trabuco Canyon Water District	19,152.59
Costa Mesa Sanitary District	19,152.59
El Toro Water District	23,899.81
Mesa Water District	23,899.81
Yorba Linda Water District	23,899.81
South Coast Water District	28,687.96
Moulton Niguel Water District	33,476.10
Santa Margarita Water District	33,476.10
Municipal Water District of O.C.	38,264.25
Orange County Water District	38,305.18
Irvine Ranch Water District	43,093.33
Total Enterprise Districts	\$ 382,765.30
Total Special Districts	\$ 409,243.33

Orange County Local Agency Formation Commission

Proposed Budget Projections

Fiscal Year 2022/23 - 2024/25

	FY 22/23	FY 23/24	FY 24/25
	Proposed	Projected	Projected
	Budget	Budget	Budget
Apportionment Increase Factor (%)	6.00%	6.00%	6.00%
Revenue & Use / (Addition) Of Cash			
Use Of / (Addition To) Unreserved Cash	\$ 272,090	\$ 240,130	\$ 205,430
4000 LAFCO Apportionment	1,227,730	1,301,400	1,379,500
4200 Interest	6,300	6,300	6,420
4150 Miscellaneous Revenue	-	-	-
Net Revenue & Use / (Addition) Of Unreserved Cash	1,506,120	1,547,830	1,591,350
Expense			
Salaries & Benefits			
5000 Salaries	574,500	594,610	612,450
5010 Hourly Employees	20,800	21,530	22,180
5106 Retirement	250,300	261,660	269,590
5109 Retiree Health Benefits	19,300	20,460	21,690
5108 Health Insurance	65,600	69,540	73,720
5110 Dental Insurance	2,700	2,730	2,760
5112 Life Insurance	460	490	520
5102 Optional Benefit Plan	18,500	18,500	18,500
5104 Deferred Compensation	17,500	18,120	18,670
5116 Medicare	8,900	9,210	9,480
5114 Worker's Compensation	3,520	3,650	3,760
5120 Salary Continuance	1,510	1,490	1,540
5122 Accidental Death Insurance	170	180	190
5125 Executive Car Allowance	7,200	7,200	7,200
SubTotal: Salaries & Benefits	990,960	1,029,370	1,062,250
Office Operations			
5150 Information Technology	12,800	13,250	13,650
5151 Internet & Telephone	14,500	15,010	15,470
5200 County Charges	8,200	8,490	8,750
5250 Insurance	7,600	7,870	8,110
5350 Membership/Subscriptions	36,400	37,680	38,820
5450 Office Equipment/Supplies	22,500	15,000	15,450
Professional Services			
5510 Legal	60,000	60,000	60,000
5520 Audit/Accounting	49,700	51,440	52,990
5530 Human Resources	10,000	10,350	10,670
5540 Other Professional	100,000	100,000	100,000

Orange County Local Agency Formation Commission

Proposed Budget Projections

Fiscal Year 2022/23 - 2024/25

	FY 22/23 Proposed Budget	FY 23/24 Projected Budget	FY 24/25 Projected Budget
Other Operations			
5535 Mapping	9,300	9,630	9,920
5550 Investment Admin Fees	660	690	720
5600 Public Noticing / Communications	11,650	12,060	12,430
5610 Unincorporated Areas Program	8,000	8,000	8,000
5650 Rents/Maintenance	104,100	107,120	110,360
5675 Equipment Leases & Maintenance	8,700	9,010	9,290
5700 Commissioner/Staff Expenses	7,000	7,250	7,470
5710 Commission Stipends & Taxes/Fees	15,950	16,510	17,010
5750 Professional Development	5,000	5,180	5,340
5800 Registration/Travel	13,600	14,080	14,510
5850 Commission Meeting Expenses	9,500	9,840	10,140
Subtotal: Office Operations & Services	515,160	518,460	529,100
Total Expense	1,506,120	1,547,830	1,591,350
Net Budget	\$ -	\$ -	\$ -

Projected Cash Reserves

Reserved Cash			
Contingency Reserve	\$ 100,000	\$ 100,000	\$ 100,000
Reserve for Litigation	75,000	75,000	75,000
Unfunded Liability Reserve	30,000	30,000	30,000
Operating Reserve - 25% Budgeted Expenses	376,530	386,958	397,838
Total Reserved Cash	581,530	591,958	602,838
Unreserved Cash			
Balance at the Beginning of FY	888,988	616,898	376,768
Addition / (Drawdown) to Unreserved Cash	(272,090)	(240,130)	(205,430)
Total Unreserved Cash	616,898	376,768	171,338
Total Projected Cash Reserves	\$ 1,198,428	\$ 968,725	\$ 774,175

CP 22-01
RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
UPDATING THE OC LAFCO FEE SCHEDULE

March 9, 2022

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 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, 2022.
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 Local Agency Formation Commission of Orange County.

AYES:

NOES:

STATE OF CALIFORNIA)
) ss.

COUNTY OF ORANGE)

I, Douglass Davert, 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 9th day of March 2022.

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of March
2022.

DOUGLASS DAVERT
Chair of the Local Agency Formation Commission
of Orange County

By: _____
Douglass Davert

EXHIBIT A
LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY
SCHEDULE OF FILING AND PROCESSING FEES

Effective 7/1/2022

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 the Local Agency Formation Commission of Orange County (OC LAFCO) proceedings. The submission of an application to OC 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 OC LAFCO's General Counsel beyond routine review of the Executive Officer's report, Commission resolutions, and agenda materials. Further, OC 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 OC 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 OC LAFCO, the applicant(s) and real party(ies) in interest are required to defend, indemnify, hold harmless, and release OC LAFCO and its agents, officers, attorneys, and employees from any claim, action, or proceeding against OC LAFCO, and its agents, officers, attorneys, and employees to attack, set aside, void, or annul the approval of OC 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 OC 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

OC 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

OC LAFCO STAFF/LEGAL COUNSEL BILLING RATES

OC LAFCO Staff Rate	Fully Burdened Hourly Rate*
OC 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 OC 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 OC 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, 2021)</i> <div style="text-align: right;"> a. Negative Declaration \$2,548.00 b. Environmental Impact Report \$3,539.25 </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 7/1/2022

1. Fully burdened staff hourly rates:

Position	Hourly Rate
Executive Officer	\$ 173
Assistant Executive Officer	\$ 111
Policy Analyst*	\$ 60-67
Commission Clerk	\$ 61

*Analyst I and Analyst II Class Series

2. Legal Counsel Hourly Rates - \$ 282 for OC LAFCO-initiated services
\$ 536 for project applicant-initiated services
3. Reproduction Cost - 0.25 per page
4. Audio Disc Reproduction Cost - \$15.00

March 9, 2022

8a | Commission
Discussion**REGULAR MEMBERS****CHAIR**
Douglass Davert
Special District Member**VICE CHAIR**
Donald P. Wagner
County Member**IMMEDIATE PAST CHAIR**
Derek J. McGregor
Public Member**Lisa Bartlett**
County Member**Wendy Bucknum**
City Member**James Fisler**
Special District Member**Mike Posey**
City Member**ALTERNATES****Andrew Do**
County Member**Kathryn Freshley**
Special District Member**Peggy Huang**
City Member**Lou Penrose**
Public Member**STAFF****Carolyn Emery**
Executive Officer**Scott Smith**
General Counsel**TO:** Local Agency Formation Commission
of Orange County**FROM:** Executive Officer
Policy Analyst**SUBJECT:** Legislative Report - CALAFCO Sponsored Legislation for
Protest Provisions (Senate Bill 938)**BACKGROUND**

The following interim legislative report has been prepared to provide details on proposed legislation (Senate Bill 938), sponsored by the California Association of Local Agency Formation Commissions (CALAFCO), involving the protest provisions. Staff recommends that the Commission adopt a "Support" position on the bill as currently written. Additional details of CALAFCO's effort and SB 938 are highlighted in the next section of this report.

Protest Provisions Working Group

In 2017, the Little Hoover Commission (LHC) published a report entitled, "*Special Districts: Improving Oversight and Transparency.*" The report focused on the oversight provided by the 58 LAFCOs and included several recommendations. One of the recommendations embedded within a near 80-page report included a recommendation for the convening of an advisory committee to review the protest process for consolidations and dissolutions of special districts and develop legislation to simplify and create consistency in the process.

Since the publishing of the report, CALAFCO took the lead on addressing the recommendation of the LHC and convened a working group that has for the past three years been working collaboratively on the effort. More recently, the 18-member working group comprised of representatives of CALAFCO, LAFCOs from the four regions, California Special District Association (CSDA), California State Association of Counties (CSAC), the League of California Cities, and committee consultants of the California Legislature achieved consensus on the restructuring, removing and simplifying the reading of the provisions and amending the provisions for dissolutions initiated by LAFCO under specific circumstances. Additional

details of the working group effort are provided in SB 938 Fact Sheet referenced as **Attachment 1** to this report.

To further the final effort of the working group, CALAFCO has secured bill authors to introduce proposed legislation that would effect the changes to the provisions within the Cortese-Knox-Hertzberg Reorganization Act of 2000 (CKH Act). Additional details on the current bill language and expected amendments to the bill are highlighted in the next section of this report.

SB 938 (Hertzberg): The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000: protest proceedings: procedural consolidation.

On February 8, 2022, Senator Robert Hertzberg and co-author Assemblymember Chad Mayes introduced SB 938 to the Legislature. In line with the working group's effort, the intent of SB 938 is to restructure and simplify the existing statutory protest provisions and allow LAFCOs to initiate the dissolution of a special district at the 25 percent protest threshold under specific circumstances. At the publishing of the Commission's agenda, the bill in print only includes language involving the proposed consolidation and reorganization of the protest provisions to provide clarity and concise information without substantive changes.

As agreed by the working group, CALAFCO will be submitting amendments to the office of legislative counsel to modify the protest threshold from 10 percent to 25 percent for LAFCO initiated dissolutions of special districts. The amendments include specific conditions under which a LAFCO may initiate the dissolution of a special district with a 25 percent protest threshold. These conditions include the following:

- Determination for the dissolution must be documented in a Municipal Service Review and presented at a 21-day noticed public hearing.
- The subject special district must be granted a minimum of a 12-month remediation period and an opportunity to provide a progress report before the local LAFCO takes any action.
- A second 21-day public hearing must be held to determine if the identified issues are mitigated, resulting in the LAFCO either terminating the dissolution or moving forward under the current standard protest hearing process outlined in the CKH Act with a public notice hearing of 60 days.

The goal of the working group's proposed changes in the CKH Act is to ensure that LAFCOs have the tools to carry out the statutory obligations of orderly and functional local government services and create greater consistency in the statute. CALAFCO is holding discussions with CSDA, CSAC, and the League of CA Cities to obtain formal support on SB 938 and has requested that LAFCOs consider supporting the bill. A hearing of SB 938 by the Senate Governance and Finance Committee is expected to occur on March 31, 2022.

Staff is recommending that the Commission adopt a "*Support*" position on SB 938 as currently introduced (**Attachment 2**). The current language aligns with the Commission's legislative policy


involving the adoption of a support position on legislation that is consistent with LAFCO's authority and reflects good governance principles. Should SB 938 experience future amendments, staff will agendaize continued review of the bill by the Commission.

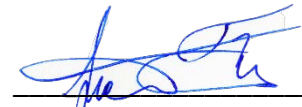
RECOMMENDED ACTION

Staff recommends that the Commission:

1. Adopt a "**SUPPORT**" position on SB 938.
2. Direct staff to send a position letter to the bill authors of SB 938.

Respectfully Submitted,



CAROLYN EMERY

LUIS TAPIA

Attachments:

1. SB 938 Fact Sheet (Hertzberg)
2. Senate Bill 938 (Hertzberg)



The Cortese-Knox-Hertzberg

Local Government Reorganization Act of 2000:

Protest Proceedings

FACT SHEET:
SB 938 (HERTZBERG)

BACKGROUND

LAFCoS are independent regulatory commissions created by the Legislature to control the boundaries of cities, county service areas, and most special districts. The purpose of LAFCoS includes the discouragement of urban sprawl, the preservation of agricultural and open space lands, and the encouragement of the orderly formation and development of local agencies. In an effort to better meet these obligations, the duties and authority of LAFCoS were significantly modified by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (AB 2838, Hertzberg). Chief among the act's provisions is the authority for LAFCoS to conduct Municipal Service Reviews, which, among other things, provide information to guide districts in performance improvement. These reviews can serve as a catalyst for LAFCoS to initiate district consolidations or dissolutions.



In response to a recommendation made in the 2017 Little Hoover Commission report (Special Districts: Improving Oversight and Transparency), the California Association of Local Agency Formation Commissions (CALAFCO) initiated a working group of stakeholders in early 2019 to discuss the protest process for consolidations and dissolutions of special districts.

The statutes related to protest provisions and the disparate protest thresholds established for LAFCo-initiated actions (10 percent) and all other initiated actions (25 percent) make addressing necessary and appropriate special district consolidations and dissolutions considerably more difficult when initiated by a LAFCo. Further, they serve as a deterrent for LAFCo to initiate action, even if meaningful efficiencies in the provision of public services could be achieved or if a district is failing to meet its statutory requirements.

The working group agreed on three main deliverables:



First was to review the protest provisions within the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (The Act) for relevance and to delete any obsolete provisions, which was accomplished through AB 1581 (2021).



The second deliverable was to redraft existing scattered protest code sections within The Act into a single code section to simplify the reading of the code section.



The final—and most challenging—deliverable was to examine the differing protest thresholds relating to LAFCo-initiated actions and all other initiated actions.



AFTER CONSIDERABLE NEGOTIATION, THE WORKING GROUP GAVE CONSENSUS ON THE FOLLOWING CHANGES TO CKH:



The redrafting of existing protest code sections into one main section to simplify the reading of the section, and to add minor, non-substantive clarifications;



Create specific circumstances under which a LAFCo may initiate dissolution of a district with a 25% protest threshold, with determinations documented in a Municipal Service Review and presented at a 21-day noticed public hearing;



Allow for a minimum 12-month remediation period for the district with a progress report provided by the district to the LAFCo halfway through the remediation period; and



A second 21-day noticed public hearing to determine if the identified issues have been mitigated, which would result in the LAFCo either terminating the dissolution or moving forward with the dissolution using 25% protest threshold under the standard protest hearing process already in statute, with a public notice period of 60 days.



The overarching goal of these changes is to ensure that LAFCOs have the tools they need to carry out their statutory obligations to ensure orderly and functioning local government services and to create greater consistency in the statute.

SUMMARY

SB 938 represents a collaborative three-year effort to clean up, consolidate, and clarify existing statutory provisions associated with consolidations and dissolutions, as well as codify the conditions under which a LAFCo may initiate dissolution of a district at the 25 percent protest threshold.

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March 9, 2022

REGULAR MEMBERS

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Douglass Davert

Special District Member

VICE CHAIR

Donald P. Wagner

County Member

IMMEDIATE PAST CHAIR

Derek J. McGregor

Public Member

Lisa Bartlett

County Member

Wendy Bucknum

City Member

James Fisler

Special District Member

Mike Posey

City Member

ALTERNATES**Andrew Do**

County Member

Kathryn Freshley

Special District Member

Peggy Huang

City Member

Lou Penrose

Public Member

STAFF**Carolyn Emery**

Executive Officer

Scott Smith

General Counsel

Senator Robert Hertzberg
California State Senate
10210 O Street, Room 8610
Sacramento, CA 95814

RE: *Support - The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000: Protest Proceedings: Procedural Consolidation (SB 938)*

Dear Senator Hertzberg:

The Local Agency Formation Commission of Orange County (OC LAFCO) is pleased to support Senate Bill 938, as currently introduced. SB 938 represents a collaborative three-year effort led by CALAFCO to clean up, consolidate, and clarify existing statutory provisions associated with consolidations and dissolutions. The Commission also understands there are pending amendments to the bill that would codify the conditions under which LAFCO may initiate dissolution of a district at the 25 percent protest threshold, and OC LAFCO looks forward to further review of any amendments to SB 938.

As introduced, the bill represents the redraft of existing protest statutes with some minor technical clarifications added. The pending amendments from CALAFCO allow LAFCOs to initiate the dissolution of a district at the 25 percent protest threshold under specific circumstances. Currently, statutes related to protest provisions and the disparate protest thresholds established for LAFCO-initiated actions (10 percent) and all other initiated actions (25 percent) make addressing necessary and appropriate special district consolidations and dissolutions considerably more difficult when initiated by a LAFCO. Further, they serve as a deterrent for LAFCO to initiate action, even if meaningful efficiencies in the provision of public services could be achieved or if a district is failing to meet its statutory requirements.

The effort to address these issues is in response to a recommendation made in the 2017 Little Hoover Commission report after a year-long study ("Special Districts: Improving Oversight and Transparency") and the formation of a working group by CALAFCO of stakeholders in early 2019. The intent was to examine the protest process for consolidations and dissolutions of special districts, and after three years of work (delayed due to the pandemic), the working group came to a consensus on the redraft of

existing protest statutes represented in SB 938 as introduced. In addition, the working group agreed upon a new process that allows LAFCOs to initiate the dissolution of a district at the 25 percent protest threshold under specific circumstances (pending amendment into SB 939).

The overarching goal of these changes is to ensure that LAFCOs have the tools to carry out the statutory obligations to ensure orderly and functioning local government services and create greater consistency in the statute. The specific circumstances under which dissolution may be initiated are more than reasonable and the subsequent process includes three noticed public hearings, a minimum 12-month remediation period, and a 60-day protest period, all of which are extremely practical. Additionally, the proposed process for LAFCO-initiated actions at the 25 percent protest threshold applies only to dissolutions, making the scope of use exceptionally narrow.

SB 938 makes much-needed and long-awaited improvements to the CKH Act through the restructure and clarification of existing protest provisions and the pending amendments, which would add a fair and appropriate process that offers LAFCOs additional tools necessary to effectively fulfill their statutory obligations.

OC LAFCO appreciates your effort in authoring this important legislation and for continuing your long support of LAFCOs work.

Respectfully,

Douglass Davert
Chair

cc: Members, Senate Governance and Finance Committee
Anton Favorini-Csorba, Consultant, Senate Governance and Finance Committee
Ryan Eisberg, Consultant, Senate Republican Caucus
Rene LaRoche, Executive Director, California Association of Local Agency Formation Commissions

March 9, 2022

13 | Adjournment**REGULAR MEMBERS**

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General Counsel

TO: Local Agency Formation Commission
of Orange County**FROM:** General Counsel**SUBJECT:** Adjournment and Potential Further Extension of Virtual
Meetings Pursuant to AB 361; in the Alternative, a Return
to Fully In-Person Meetings**BACKGROUND**

The Governor's Executive Order N-29-20 suspended some of the Brown Act's in-person attendance requirements but has since expired. Assembly Bill (AB) 361 extends the waiver of in-person attendance requirements, under some additional rules.

On October 13, 2021, the Commission adopted Resolution CP 21-08 authorizing virtual public meetings in accordance with AB 361 in order to contain the spread of the COVID-19 virus and keep Commission staff, constituents, and the community safe and operational.

DISCUSSION

As authorized by Government Code 54953(e)(3), Resolution CP 21-08 authorizes the Commission to continue to hold virtual, hybrid, or remote meetings for periods of 30 days if the Commission makes the following findings:

1. The Commission has considered the circumstances of the state of emergency; and

2a. State or local officials continue to impose or recommend measures to promote social distancing; or

2b. The state of emergency continues to directly impact the ability of members to meet safely in person.

In order to continue to make use of virtual or telephonic meetings and relax in-person attendance requirements for Commission meetings and in accordance with Resolution CP 21-08, the Commission may extend the

application of this Resolution by motion and majority vote, provided that the earlier findings be renewed by the Commission every 30 days, as practicable.

Because the Commission meets regularly on the second Wednesday of a given month, it is possible more than 30 days may elapse between consecutive meetings. As AB 361 is silent as to whether special meetings are required on a more frequent basis to keep up with the 30-day renewal of findings requirement, it is recommended the Commission make its renewed findings in connection with each meeting at which it desires to keep open the opportunity for virtual meetings.

This item would extend the application of Resolution CP 21-08 until April 13, 2022 given the continued need to meet remotely in response to the COVID-19 pandemic. As set forth in the resolution, State and/or local officials continue to recommend social distancing and meeting in person can present imminent risks to the health and safety of attendees, especially those with particular health challenges or vulnerabilities.

Alternatively, the Commission may decide not to extend the application of Resolution CP 21-08, and thereby permanently return to fully in-person meetings unless and until a new state of emergency is declared pursuant to Government Code section 54953. Once the Commission allows its reauthorization of Resolution CP 21-08 to lapse, it cannot be revived under the previous state of emergency.

RECOMMENDED ACTION:

1. Extend Resolution CP 21-08 making renewed findings under Government Code section 54953(e)(3) that (1) the Commission has considered the *present* state of emergency and (2) (a) a state of emergency remains in effect *or* (b) state and local officials continue to recommend measures that promote social distancing.
2. In the alternative, do not make any such findings. The remote meeting authorization afforded by Resolution CP 21-08 will lapse and in-person meetings will be required in the same manner and subject to the same requirements as they were pre-pandemic.

Respectfully submitted,



SCOTT SMITH

Attachment 1: CP21-08 Resolution Authorizing Virtual Commission Meetings Pursuant to AB 361

CP 21-08

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY
AUTHORIZING VIRTUAL COMMISSION MEETINGS PURSUANT TO AB 361

October 13, 2021

On the motion of Commissioner Bucknum, duly seconded and carried, the following resolution was adopted:

WHEREAS, the Orange County Local Agency Formation Commission (“Commission”) is committed to preserving and nurturing public access and participation in meetings of the Commission; and

WHEREAS, all meetings of the Commission are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate in the Commission’s meetings; and

WHEREAS, starting in March 2020, in response to the spread of COVID-19 in the State of California, the Governor issued a number of executive orders aimed at containing the COVID-19 virus; and

WHEREAS, among other things, these orders waived certain requirements of the Brown Act to allow legislative bodies to meet virtually; and

WHEREAS, pursuant to the Governor’s executive orders, the Commission has been holding virtual meetings during the pandemic in the interest of protecting the health and safety of the public, Commission staff and Commissioners; and

WHEREAS, the Governor’s executive order related to the suspension of certain provisions of the Brown Act expires on September 30, 2021; and

WHEREAS, on September 16, 2021 the Governor signed AB 361 (in effect as of October 1, 2021 – Government Code Section 54953(e)), which allows legislative bodies to meet virtually provided there is a state of emergency, and either (1) state or local officials have imposed or recommended measures to promote social distancing; or (2) the legislative body determines by majority vote that meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, such conditions now exist in Orange County, specifically, a state of emergency has been proclaimed related to COVID-19, state and local officials are

recommending measures to promote social distancing, and because of the ongoing threat of COVID-19, meeting in person would present imminent risks to the health and safety of attendees;

NOW, THEREFORE, BE IT RESOLVED BY THE ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION AS FOLLOWS:

Section 1. Recitals.

The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Remote Teleconference Meetings.

Consistent with the provisions of Government Code Section 54953(e), the Commission finds and determines that (1) a state of emergency related to COVID-19 is currently in effect; (2) state and local officials have recommended measures to promote social distancing in connection with COVID-19; and (3) due to the COVID-19 emergency, meeting in person would present imminent risks to the health and safety of attendees. Based on such facts, findings and determinations, the Commission authorizes staff to conduct remote teleconference meetings of the Commission under the provisions of Government Code Section 54953(e).

Section 3. Effective Date of Resolution.

This Resolution shall take effect upon adoption and shall be effective for 30 days unless earlier extended by a majority vote of the Commission in accordance with Section 4 of this Resolution.

Section 4. Extension by Motion.

The Commission may extend the application of this Resolution by motion and majority vote by up to 30 days at a time, provided that it makes all necessary findings consistent with and pursuant to the requirements of Section 54953(e)(3).

PASSED AND ADOPTED by the Orange County Local Agency Formation Commission this 13th day of October 2021, by the following vote:

AYES:	Wendy Bucknum, Mike Posey, Donald Wagner, Lisa Bartlett, James Fisler, Derek J. McGregor, Douglass Davert
NOES:	None
ABSENT:	None
ABSTAIN:	None

STATE OF CALIFORNIA)

) SS.

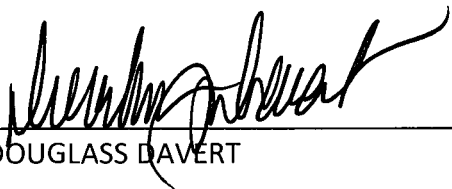
COUNTY OF ORANGE)

I, Douglass Davert, 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 13th day of October 2021.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of October 2021.

DOUGLASS DAVERT

Chair of the Local Agency Formation Commission of
Orange County

By: 
DOUGLASS DAVERT