

May 11, 2022

7a | Public
Hearing

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

FROM: Executive Officer

SUBJECT: Final OC LAFCO Fiscal Year 2022-2023 Budget

BACKGROUND

On March 9, 2022, the Commission adopted the proposed Fiscal Year 2022-23 budget. Subsequently, the documents were distributed to each of the funding agencies for review and comment.

Since the distribution of the proposed budget, staff has conducted a competitive proposal process to engage a professional consultant to prepare the municipal service reviews for the Southwest and West MSR regions. In part to this process, Rosenow Specavek Group Incorporated (RSG) was selected by staff to prepare the MSRs, and to accommodate the agreement, an adjustment to \$150,000 within the *Other Professional Services* budget line item is being recommended by staff. If the Commission approves the final budget, the adjustment would be funded within the transfer from the unreserved cash. The professional services agreement with RSG is provided under Agenda Item No. 8a for Commission consideration.

The recommended final OC LAFCO budget for Fiscal Year 2022-23 (**Attachment 1**) totals \$1,556,120, which reflects a \$50,000 or three percent increase from the approved proposed budget. As a note, the OC LAFCO apportionment of \$1,227,730 funded equally in three parts by the County, cities, and special districts, as well as the other line items, are proposed to remain the same as indicated in the March 9 proposed budget. Additionally, the two-year budget projections, which are intended to anticipate future changes to the OC LAFCO budget, have been revised accordingly and are referenced in **Attachment 2**.

AGENCY/PUBLIC COMMENTS

On March 9, 2022, the proposed OC LAFCO Fiscal Year 2022-23 budget was distributed to the Board of Supervisors, County Executive Office, and each city and independent special district for review and comment. In addition, a notice of public hearing of the final budget was published in the Orange County Register and distributed to the funding agencies on

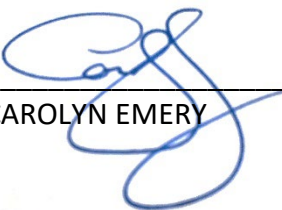
April 19, 2022. As of May 4, 2022, the date of the agenda publishing, OC LAFCO had not received any written comments.

RECOMMENDED ACTIONS

Staff recommends that the Commission:

1. Adopt the final OC LAFCO FY 2022-23 Budget.
2. Direct the Executive Officer to transmit the final budget to the Board of Supervisors, cities, special districts and the County Auditor-Controller.

Respectfully submitted,



CAROLYN EMERY

Attachments:

1. Final OC LAFCO FY 2022-23 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 Budget Projections (FYs 2023-24 and 2024-25)

Orange County Local Agency Formation Commission

Final Budget

Fiscal Year 2022/23

	FY 21/22	FY 22/23	\$	%
	Amended	Final	Budget	Budget
	Budget	Budget	Variance	Variance
Revenue & Use / (Addition) Of Cash				
Use Of / (Addition To) Unreserved Cash	\$ 200,010	\$ 322,090	\$ 122,080	61.0%
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	1,556,120	187,870	13.7%
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	150,000	65,000	76.5%

Orange County Local Agency Formation Commission

Final Budget

Fiscal Year 2022/23

	FY 21/22	FY 22/23	\$	%
	Amended	Final	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	565,160	133,630	31.0%
Total Expense	1,368,250	1,556,120	187,870	13.7%
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		389,030
Total Reserved Cash	547,063		594,030
Unreserved Cash			
Balance at the Beginning of FY	891,375		825,635
Addition / (Drawdown) to Unreserved Cash	(200,010)		(322,090)
Total Unreserved Cash	691,365		503,545
Total Projected Cash Reserves	\$ 1,238,428	\$	1,097,575

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

Final Budget Projections

Fiscal Year 2022/23 - 2024/25

	FY 22/23	FY 23/24	FY 24/25
	Final	Projected	Projected
	Budget	Budget	Budget
Revenue & Use / (Addition) Of Cash			
Use Of / (Addition To) Unreserved Cash	\$ 322,090	\$ 288,790	\$ 203,710
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	1,556,120	1,596,490	1,589,630
Expense			
Salaries & Benefits			
5000 Salaries	574,500	594,700	612,600
5010 Hourly Employees	20,800	21,600	22,300
5106 Retirement	250,300	260,400	268,300
5109 Retiree Health Benefits	19,300	20,300	21,400
5108 Health Insurance	65,600	68,900	72,400
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	9,300	9,500
5114 Worker's Compensation	3,520	3,700	3,900
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	1,027,610	1,059,780
Office Operations			
5150 Information Technology	12,800	13,300	13,700
5151 Internet & Telephone	14,500	15,100	15,600
5200 County Charges	8,200	8,500	8,800
5250 Insurance	7,600	7,900	8,200
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	150,000	150,000	100,000

Orange County Local Agency Formation Commission

Final Budget Projections

Fiscal Year 2022/23 - 2024/25

	FY 22/23	FY 23/24	FY 24/25
	Final	Projected	Projected
	Budget	Budget	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	7,300	7,600
5710 Commission Stipends & Taxes/Fees	15,950	16,600	17,100
5750 Professional Development	5,000	5,200	5,400
5800 Registration/Travel	13,600	14,100	14,600
5850 Commission Meeting Expenses	9,500	9,900	10,200
Subtotal: Office Operations & Services	565,160	568,880	529,850
Total Expense	1,556,120	1,596,490	1,589,630
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	389,030	399,123	397,408
Total Reserved Cash	594,030	604,123	602,408
Unreserved Cash			
Balance at the Beginning of FY	825,635	493,453	206,378
Addition / (Drawdown) to Unreserved Cash	(322,090)	(288,790)	(203,710)
Total Unreserved Cash	503,545	204,663	2,668
Total Projected Cash Reserves	\$ 1,097,575	\$ 808,785	\$ 605,075