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Carol Moore
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STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

MEETING DATE: October 11, 2023

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer

SUBJECT: Fiscal Year 2023-2024 Quarterly Financial Report
(*First Quarter*)

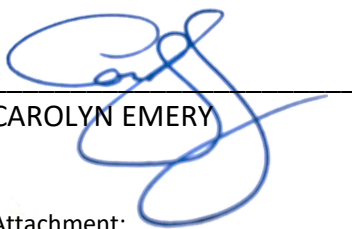
The attached quarterly financial report provides an assessment of the agency's budget and investment portfolio for the period of July 1 through September 30, 2023. Upon review by the Commission, the quarterly reports are published on the transparency page of the agency's website. The next review of the agency's financial status will be presented in January 2024.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Receive and file the Fiscal Year 2023-2024 Financial Quarterly Report (*First Quarter*).

Respectfully Submitted,



CAROLYN EMERY

Attachment:

1. Fiscal Year 2023-2024 Financial Quarterly Report (First Quarter)



Quarterly Financial Report

Fiscal Year 2023-24 (First Quarter)

Prepared: October 11, 2023

HIGHLIGHTS:

FY 2023-24 Budget Overview – Pages 2-4

Balance Sheet & Reserves Analysis – Pages 5-6

FY 2023-24 BUDGET OVERVIEW

This report provides a summary of the agency's budget and investment portfolio performance for the period of July 1, 2023 through September 30, 2023.¹ The Fiscal Year 2023-24 budget of approximately \$1.7 million supports the operations of the Commission and the resources needed to accomplish the agency's work plan. For the first quarter, as in past fiscal cycles, there was minimal activity with the start of a new fiscal year. However, the report does reflect that budget activities are generally within target levels.

Revenues

The majority of OC LAFCO's revenues are from the \$1,411,890 collected in apportionments from the funding agencies. This revenue source was at approximately 90% at the end of the first quarter, with apportionments received from 28 cities, 25 special districts and one-third of the total apportionment paid by the County. OC LAFCO also earns interest from its investment portfolio. At the end of the first quarter, the agency earned \$2,310 in interest, which is approximately 16% of the interest revenues anticipated for the fiscal year. Modest activity in this area is expected during the beginning of a new fiscal cycle.

Another source of OC LAFCO revenue is application filing fees. These filing fees are not used for budgeting purposes as they are used to offset the costs associated with processing of the respective applications. The Special Fund column in the chart on page 4 displays a year-to-date accounting of fees currently on deposit with the Commission for two applications (Capistrano Bay CSD Latent Powers Activation and Orange County Water District MSR) rolled over from prior fiscal years. As noted for this report, there were no additional application fees received or expense occurrences during the first quarter of the 2023-24 fiscal year.

Expenditures

The General Fund expenditures as of September 30, 2023, are below the first quarter target level, totaling \$270,315 or approximately 16% of the total budget. The following table provides a comparison of the percentage of actual funds used and the target levels for the current fiscal year.²

Total Funds Used				
	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.
Target	25%	50%	75%	100%
Actual	16%	-	-	-

Expenditures during the first quarter are within target levels with most expenses attributed to operational costs, such as salaries, benefits, and insurance. Line items that include expenses of the office lease, office equipment and supplies, and travel and transportation are slightly above target levels of the first quarter due to expenditures of these areas being due or purchased at the beginning of the fiscal year. Hence, anticipated expenses within these line items are expected to balance within budgeted levels by year-end.

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

² Actual expenditures for the quarterly reporting are unaudited and subject to change.

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of September 30, 2023:

As of 09/30/23	Balance
770-Payroll Account	\$1,417,879
Wells Fargo Checking	\$ 242,612
Wells Fargo Savings	\$ 214,734
Total	\$1,875,225

To maximize the interest accrued on the agency's revenues, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, funds are transferred from the investment accounts to the bank accounts to cover the agency's operational expenses. Additionally, the agency earns investment revenue through the Section 115 Public Agencies Post-Employment Benefits Trust (Trust). The balance of the Trust account at the end of the first quarter is \$58,316. The Trust has experienced gains and losses since being established in 2021. To date, the Trust balance includes an overall loss of \$3,684 from the agency's initial deposit of \$62,000. Staff will assess the opportunity to transfer to the Section 115 account following completion of the 2022-23 fiscal year audit in November.

The following table illustrates the balance of OC LAFCO's investment portfolio as of September 30, 2023.

As of 09/30/23	Balance
LAIF	\$ 51,337
OC Fund	\$512,341
PARS Trust	\$ 58,316
Total	\$621,994

APPENDIX A
OC LAFCO - Quarterly Budget Overview³
July 1, 2023 – September 30, 2023

	YTD Special Revenue Funds	1st Qtr. General Fund	YTD General Fund	TOTAL FY 23/24 Budget	General Fund
Revenue:					
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ 318,390	0.0%
LAFCO Apportionment	-	1,267,422	1,267,422	1,411,890	89.8%
Filing Fees	291,537	-	-	-	0.0%
Misc Revenue	-	-	-	-	0.0%
Interest & Dividends	-	2,310	2,310	14,200	16.3%
PARS Trust Investment Gain/Loss	-	1,031	1,031	-	0.0%
Total Revenue	\$ 291,537	\$ 1,270,763	\$ 1,270,763	\$ 1,744,480	72.8%
Expenditures:					
Salaries	\$ 1,118	\$ 112,932	\$ 112,932	\$ 621,200	18.2%
Hourly Employees	-	2,680	2,680	20,800	12.9%
Benefits & Insurance	-	-	-	18,500	0.0%
Optional Benefit Plan	-	-	-	17,900	16.5%
Deferred Compensation	-	2,946	2,946	247,700	17.9%
Retirement Benefits	-	44,451	44,451	68,500	17.1%
Health Insurance	-	11,679	11,679	22,000	17.4%
Retiree Health Benefits	-	3,823	3,823	6,900	18.4%
Dental Insurance	-	1,267	1,267	420	17.6%
Life Insurance	-	74	74	2,550	0.0%
Workers Compensation	-	-	-	9,400	17.8%
Medicare	-	1,674	1,674	620	0.0%
Unemployment Insurance	-	-	-	-	0.0%
Health Reimbursement	-	1,500	1,500	-	0.0%
Salary Continuance	-	285	285	1,560	18.3%
Accidental Death Insurance	-	18	18	120	15.3%
Executive Car Allowance	-	1,200	1,200	7,200	16.7%
Total - Benefits & Insurance	1,118	68,918	68,918	403,370	17.1%
Information Technology	-	2,266	2,266	32,850	6.9%
Telephone & Internet	-	2,671	2,671	16,480	16.2%
County of Orange	-	659	659	10,300	6.4%
General Liability Insurance	-	2,869	2,869	14,030	20.5%
Memberships	-	4,883	4,883	39,900	12.2%
Office Equipment/Supplies	-	7,859	7,859	24,100	32.6%
Professional Services:	-	-	-	-	-
Legal	-	2,502	2,502	60,000	4.2%
Accounting/Audit	-	3,780	3,780	53,000	7.1%
Human Resources	-	-	-	20,000	0.0%
Mapping/Archiving	-	935	935	13,900	6.7%
Other Professional Services	5,304	5,889	5,889	180,000	3.3%
Total - Professional Services	5,304	13,106	13,106	326,900	4.0%
Investment Admin Fees	-	58	58	850	6.8%
Public Noticing	-	2,288	2,288	14,800	15.5%
Unincorporated Areas Program	-	-	-	18,000	0.0%
Rents/Maintenance	-	36,647	36,647	111,600	32.8%
Equipment Leases	-	1,409	1,409	7,700	18.3%
Comm. & Staff Expense	-	2,147	2,147	7,000	30.7%
Comm. Stipends & Taxes/Fees	-	1,199	1,199	16,000	7.5%
Professional Development	-	-	-	25,000	0.0%
Transportation/Travel	-	7,473	7,473	21,300	35.1%
Commission Meeting Expense	-	251	251	12,300	2.0%
Refund of Deposit	-	-	-	-	0.0%
Total Expenditures	6,422	270,315	270,315	1,744,480	15.5%
Total Net Income (Loss)	\$ 285,115	\$ 1,000,448	\$ 1,000,448	\$ -	

*No assurance provided on financial statements. Financial statements do not include a statement of cash flows.
Substantially all disclosures required by accounting principles generally accepted in the United States not included.

³ Financial data represents pre-audited amounts, which does not include all year-end adjustments.

Balance Sheet and Reserves Balance Analysis

This report includes the balance sheet to provide an understanding of OC LAFCO's financial status. The financial document on this page summarizes the agency's assets and liabilities as of September 30, 2023. Please note that the figures provided in this balance sheet are unaudited and subject to change. Additionally, an analysis of the agency's reserve balances is provided on page 6.

APPENDIX B OC LAFCO BALANCE SHEET (Unaudited) As of September 30, 2023

	<u>Sep 30, 23</u>
ASSETS	
Current Assets	
Cash and Investments	
County Acct-Payroll	\$ 1,417,879
Wells Fargo Checking	242,612
Wells Fargo Savings	214,734
OC Fund	512,341
Investment Acct - LAIF	51,337
PARS Trust	58,316
Fair Market Value Adjustments	(5,805)
Total Cash and Investments	<u>2,491,414</u>
Other Current Asset	
Interest Receivable	1,572
Prepaid Expenses	24,976
Retirement Prepaid Expense	172,401
Total Other Current Asset	<u>198,949</u>
Total Current Assets	<u>2,690,363</u>
Fixed Assets	47,022
Other Assets	
Right to Use Assets	697,611
Def. Outflows Pension Related	515,973
Deferred OPEB Contributions	8,794
Deferred Outflows OPEB Related	34,000
Total Other Assets	<u>1,256,378</u>
TOTAL ASSETS	<u>\$ 3,993,763</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Salaries Payable	\$ 41,026
Compensated Absences	54,334
Total Current Liabilities	<u>95,360</u>
Long Term Liabilities	
Lease Liabilities	739,733
Deferred Inflows OPEB Related	44,000
Net OPEB Liability	103,000
Net Pension Liability	1,587,646
Def. Inflows Pension Related	229,870
Total Long Term Liabilities	<u>2,704,249</u>
Total Liabilities	<u>2,799,609</u>
Equity	<u>1,194,154</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 3,993,763</u>

*No assurance provided on financial statements. Financial statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the United States not included.

APPENDIX C
OC LAFCO RESERVE BALANCE ANALYSIS
As of September 30, 2023

Cash & Investments Description	Sept. 30, 2023 Balance	Commission Approved Balances	Balance Excess / (Deficiency)
County Payroll	\$ 1,417,879	\$ 261,343 ¹	\$ 1,156,536
Checking - Wells Fargo	242,612	174,778 ¹	67,834
Savings - Wells Fargo	214,734	205,000 ¹	9,734
OC Fund Investment	512,341	-	512,341
LAIF Investment	51,337	-	51,337
PARS Trust	58,316	-	58,316
Total	\$ 2,497,219	\$ 641,121	\$ 1,856,098²

Footnotes:

¹Per the Cash and Cash Management Policy, the Commission must maintain \$641,121 during fiscal year 2023/24 in order to cover three months of payroll costs (County Payroll), 3 months of operational expenses (Checking - Wells Fargo) and a minimum of \$205,000 (Savings - Wells Fargo) to cover contingency, litigation and unfunded liabilities.

²Remaining Available Cash to fund Operations and Reserves.