

OC LAFCO FY 2025-26 BUDGET CATEGORIES

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

RESERVES**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 2025-26 City Allocations

City	FY 2025-26 City Allocation
Aliso Viejo	\$ 8,723.25
Anaheim	60,592.75
Brea	10,490.47
Buena Park	14,081.28
Costa Mesa	19,288.91
Cypress	8,497.65
Dana Point	6,429.63
Fountain Valley	10,283.66
Fullerton	25,530.55
Garden Grove	27,692.57
Huntington Beach	33,877.80
Irvine	62,811.17
Laguna Beach	5,978.44
Laguna Hills	6,147.63
Laguna Niguel	13,310.48
Laguna Woods	3,327.62
La Habra	10,302.46
Lake Forest	16,844.90
La Palma	2,519.22
Los Alamitos	2,970.42
Mission Viejo	17,803.71
Newport Beach	19,570.91
Orange	26,489.35
Placentia	8,911.25
Rancho Santa Margarita	10,377.66
San Clemente	14,325.69
San Juan Capistrano	9,512.86
Santa Ana	48,504.29
Seal Beach	7,294.45
Stanton	6,110.04
Tustin	13,799.28
Villa Park	1,466.40
Westminster	14,739.29
Yorba Linda	15,397.29
TOTAL	\$ 564,003.33

OC LAFCO FY 2025-26 Special District Allocations

District	ISDOC Formula Calculation FY 2025-26
Silverado-Modjeska Rec. & Park	\$ 620.40
Surfside Colony Stormwater	620.40
Surfside Colony CSD	620.40
Rossmoor/Los Alamitos Area Sewer District	3,214.82
Capistrano Bay CSD	3,214.82
Rossmoor CSD	3,214.82
Three Arch Bay CSD	3,214.82
Emerald Bay CSD	3,214.82
Buena Park Library District	3,214.82
Placentia Library District	3,214.82
Orange County Cemetery District	6,429.64
Orange County Vector Control District	6,429.64
Total Non-Enterprise Districts	\$ 37,224.22
Sunset Beach Sanitary District	6,486.04
Serrano Water District	19,288.91
East Orange Co. Water District	25,718.55
Midway City Sanitary District	25,718.55
Trabuco Canyon Water District	25,718.55
Costa Mesa Sanitary District	25,718.55
El Toro Water District	32,091.79
Mesa Water District	38,521.43
Yorba Linda Water District	38,521.43
South Coast Water District	38,521.43
Moulton Niguel Water District	44,951.07
Santa Margarita Water District	44,951.07
Municipal Water District of O.C.	51,380.70
Orange County Water District	51,380.70
Irvine Ranch Water District	57,810.34
Total Enterprise Districts	\$ 526,779.11
Total Special Districts	\$ 564,003.33

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Discussion

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Peggy Huang
City Member

Derek J. McGregor
Public Member

VACANT
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

VACANT
County Member

STAFF

Luis Tapia
Interim Executive Officer

Scott Smith
General Counsel

MEETING DATE: May 14, 2025

TO: Local Agency Formation Commission
of Orange County

FROM: Interim Executive Officer

SUBJECT: Proposed Memorandum of Understanding by and
between Los Angeles, Orange, San Bernardino, and
San Diego Local Agency Formation Commissions

BACKGROUND

During the February 10, 2025 General Meeting, the Commission voted unanimously not to renew its membership with the California Association of Local Agency Formation Commissions (CALAFCO) for Fiscal Year 2025-26. Similarly, three other southern region LAFCOs, including Los Angeles, San Bernardino, and San Diego, have decided not to renew their membership with CALAFCO. Subsequently, the Executive Officers of the four LAFCOs collaboratively participated in discussions to generate an effort that would allow for continued education and training for staff and Commissioners and focus on monitoring legislation of LAFCO interest.

To formalize the effort, the group created the “Memorandum of Understanding by and between Los Angeles, Orange, San Bernardino, and San Diego Local Agency Formation Commissions” (MOU). The MOU outlines the proposed collaboration between the LAFCOs on providing and receiving services and programs, including, but not limited to, educational opportunities involving LAFCO statutes, training on best practices in local government, professional networking, and legislative advocacy. The MOU Committee, composed of the Executive Officers from each LAFCO, will be responsible for organizing the services and programs delineated in the MOU. The agreement outlines a cost-sharing arrangement between the LAFCOs and a commitment by each agency of \$10,000 per fiscal year to support the services of the MOU.

The MOU may be amended in the future as the group continues to explore additional opportunities for collaboration and through the possibility of other LAFCOs requesting to join the group. As of the publishing of this report, Los Angeles, San Bernardino, and San Diego Commissions approved the MOU.

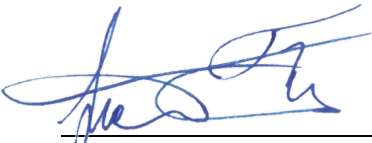
The MOU supports Goal Four of the Commission’s newly adopted three-year Work Plan 2025-2028, “Southern Region LAFCOs Educational and Legislative Partnerships,” focused on the partnership with the southern region LAFCOs. Therefore, staff is recommending that the Commission consider the approval of the MOU as it aligns with the Commission’s Work Plan and supports the collaborative effort with the southern region LAFCOs.

RECOMMENDED ACTIONS

Staff Recommends the Commission:

1. Approve the Memorandum of Understanding by and between the Los Angeles, Orange, San Bernardino, and San Diego Local Agency Formation Commissions.
2. Authorize the Interim Executive Officer to execute the Memorandum of Understanding.

Respectfully Submitted,



LUIS TAPIA

Attachment:

1. Memorandum of Understanding by and between the Los Angeles, Orange, San Bernardino, and San Diego Local Agency Formation Commissions.

MEMORANDUM OF UNDERSTANDING

LOS ANGELES, ORANGE, SAN BERNADINO, and SAN DIEGO
LOCAL AGENCY FORMATION COMMISSIONS

This Memorandum of Understanding (“MOU”) is made and entered into as of July 1, 2025 (“Effective Date”) by and between the Los Angeles, Orange, San Bernadino, and San Diego Local Agency Formation Commissions (“LAFCOs”) and are sometimes individually referred to as “Party” and collectively as “Parties.”

RECITALS

- A. Los Angeles, Orange, San Bernardino, and San Diego LAFCOs are local subdivisions of public agencies in the State of California and are periodically in need of services that can be provided more efficiently or conveniently through collaboration or partnership of the Parties.
- B. The Parties desire by this MOU to establish the terms for each Party to provide and receive the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. MOU Composition. The Parties agree the composition of the MOU is limited to Los Angeles, Orange, San Bernardino, and San Diego LAFCOs. Additional LAFCOs may be added to the MOU composition by amendment if unanimously approved by the MOU Committee as provided in Section 3.
2. Services. The Parties will work together to identify potential services that could be delivered more efficiently through collaboration or partnership. Some of the potential services to be provided include:
 - Information exchanges.
 - Continuing education involving LAFCO statutes.
 - Training on best practices in local government.
 - Professional networking.
 - Legislative advocacy.

3. Decision-Making. The Parties agree to an MOU Committee consisting of each Party's Executive Officer responsible for organizing all related services herein. Decision-making will be based on Committee consensus – whether by majority or unanimity of the members. The MOU Committee will hold quarterly meetings to discuss and plan services as needed. An Executive Officer may appoint a delegate from their respective LAFCO to serve as the Executive Officer's Alternate on the MOU Committee in the event the Executive Officer is unavailable.
4. Cost-Sharing. The Parties agree to equally contribute to all costs associated with services provided through the MOU. Costs will be appropriated among the Parties for their direct payments to any outside vendors and consultants and/or through reimbursements paid between the Parties.
5. Cost-Commitment. To help inform decision-making, each Party agrees to budget and otherwise make reasonably available \$10,000 annually to contribute towards services provided under this MOU. All reasonable efforts shall be made by the MOU Committee to achieve unanimous decisions in providing services and generating associated costs to the Parties.
6. Sponsoring Outside Vendors. The Parties understand it may be necessary for one Party to sponsor an outside vendor (e.g., consultant, conference center, etc.) on behalf of all Parties in securing services provided under this MOU. The Parties agree to reasonably share these sponsorship needs while also making good-faith efforts to expedite reimbursement payments.
7. Maintenance of Records. Any books, documents, papers, and other evidence pertaining to costs incurred in implementing this MOU and associated services shall be maintained by each Party in line with the respective Party's appropriate local policy.
8. Retention of Employee Status. Any Party providing MOU services through their own employees shall remain employees of that Party at all times.
9. Compensation. No Party shall receive any compensation associated with implementing this MOU other than reimbursements involving the services described herein.
10. Performance of Services. The MOU Committee shall be solely responsible for determining the scope and timing of services provided through this MOU.
11. Term. The MOU shall become effective on July 1, 2025 and shall continue until termination as provided below.
 - a) Any Party may terminate their participation in this MOU with or without cause upon thirty (30) calendar days' written notice to the other Parties.

b) Notwithstanding the above provision, the Parties agree to good-faith efforts to time any decision to terminate their participation in this MOU to coincide with the end of the fiscal year – June 30th.

12. Compliance with Law. Each Party shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government as applicable in implementing this MOU.

13. Notice. Any notice to be given or delivered by this MOU shall be done whenever possible by e-mail to the following Party representatives:

Los Angeles LAFCO
Paul Novak, Executive Officer
80 South Lake Ave, Suite 870
Pasadena, CA 91101
pnovak@lalafco.org

Orange LAFCO
Luis Tapia, Interim Executive Officer
2677 North Main, Suite 1050
Santa Ana, CA 92705
ltapia@oclafco.org

San Bernardino LAFCO
Sam Martinez, Executive Officer
1170 W. Third Street, Suite 150
San Bernardino, CA 92415
sam.martinez@sbcounty.ca.gov

San Diego LAFCO
Keene Simonds, Executive Officer
2550 Fifth Avenue, Suite 725
San Diego, CA 92103
keene.simonds@sdcounty.ca.gov

IN WITNESS WHEREOF, the Parties agree to this MOU.

Los Angeles LAFCO
Paul Novak, Executive Officer

Orange LAFCO
Luis Tapia, Interim Executive Officer

Date:

Date:

San Bernardino LAFCO
Sam Martinez, Executive Officer

San Diego LAFCO
Keene Simonds, Executive Officer

Date:

Date:

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Discussion

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STAFF

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Interim Executive Officer

Scott Smith
General Counsel

MEETING DATE: May 14, 2025

TO: Local Agency Formation Commission
of Orange County

FROM: Interim Executive Officer

SUBJECT: Fiscal Year 2024-2025 Quarterly Financial Report
(*Third Quarter*)

The attached quarterly financial report provides an assessment of the agency's budget and investment portfolio for the period of January 1, 2025 through March 31, 2025. 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 July 2025.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Receive and file the Fiscal Year 2024-2025 Quarterly Financial Report (*Third Quarter*).

Respectfully Submitted,



LUIS TAPIA

Attachment:

1. Fiscal Year 2024-2025 Quarterly Financial Report (Third Quarter)



Quarterly Financial Report

Fiscal Year 2024-25 (Third Quarter)

Prepared: May 14, 2025

HIGHLIGHTS:

FY 2024-25 Budget Overview – Pages 2-4

Balance Sheet & Reserves Analysis – Pages 5-6

FY 2024-25 BUDGET OVERVIEW

This report provides a summary of the agency's budget and investment portfolio performance for the period of January 1, 2025 through March 31, 2025¹ (third quarter). The Fiscal Year 2024-25 budget of approximately \$1.86 million supports the operations of the Commission and the resources needed to accomplish the work plan. During the third quarter, overall expenditures were at approximately 54.4 percent of the approved budget.

Revenues

As of March 31, the OC LAFCO budgeted revenues were at approximately 99.6 percent (\$1,613,785), with the majority of the revenues supported through the funding apportionment collected from the County, cities, and special districts, and the remaining attributed to the agency's interest earned from its investment portfolio. The total earned interest of the investment accounts is \$32,465.

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 the processing of respective applications. The Special Fund column in the chart on page 4 displays a year-to-date accounting of fees totaling \$8,971 that includes a remaining deposit with the Commission to conclude the processing of the Orange County Water District MSR and fee deposit of a new application submitted by Three Arch Bay Community Service District for the proposed activation of latent powers during the third quarter.

Expenditures

The General Fund expenditures as of March 31, 2025, are below the third quarter target level totaling \$1,012,183 or 54.4 percent 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	17%	39%	54.4%	-

Most expenditures during the third quarter are within target levels, with approximately 65 percent of the year-to-date expenses attributed to salaries and benefits. The remaining 35 percent of costs paid through the end of March 2025 were for the agency's operational costs, such as the office lease, office equipment and supplies, legal, audit, and accounting services. Line items that are above the third quarter target level, including memberships, accounting and audit, office lease, and office equipment leases, are beginning to balance within budget levels as we move towards the end of the fiscal year. This pattern is a reoccurrence in fiscal cycles as these expenses are due or paid in advance in the earlier part of the respective fiscal year. Budget trending and projections nine months into the current

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.

fiscal cycle indicate the overall balancing of the budget at the end of FY 2024-25. However, this does not consider any unanticipated occurrences.

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of March 31, 2025:

As of 03/31/25	Balance
770-Payroll Account	\$399,722
Wells Fargo Checking	\$265,274
Wells Fargo Savings	<u>\$218,253</u>
Total	\$883,249

To maximize the interest accrued on the agency's revenues, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and Orange County Fund (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. OC LAFCO staff was notified that as of February 27, 2025, the OC Fund account would no longer be offered to OC LAFCO, and the remaining account balance would be returned to the agency. Upon receipt of the account's balance from the OC Fund account, staff transferred the funds to the agency's LAIF account. Staff and the agency's accountant, Eide Bailly, are reviewing alternative investment programs that may substitute the OC Fund account and will update the Commission at a future meeting.

In addition to the agency's LAIF account, the agency earns investment revenue through the Section 115 Public Agencies Post-Employment Benefits Trust (Trust). The current balance of the Trust account at the end of the third quarter is \$83,999. The Trust has experienced two deposits totaling \$77,000 and a current gain of \$6,999 since being established by the Commission in 2021. In accordance with the Commission's investment policy, deposits are made to the Trust following the annual audit. Staff met with the OC LAFCO accounting consultant team and identified an amount to transfer to the Trust in accordance with the Commission's policy. An item is included in the Commission's May regular meeting agenda to inform the Commission of the proposed transfer to the Trust.

The following table illustrates the balance of OC LAFCO's investment portfolio as of March 31, 2025.

As of 03/31/25	Balance
LAIF	\$746,662
PARS Trust	<u>\$ 83,999</u>
Total	\$830,661

APPENDIX A
OC LAFCO - Quarterly Budget Overview³
January 1, 2025 – March 31, 2025

	YTD Special Revenue Funds	1st Qtr. General Fund	2nd Qtr. General Fund	3rd Qtr. General Fund	YTD General Fund	TOTAL FY 24/25 Budget	General Fund
Revenue:							
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,340	0.0%
LAFCO Apportionment	-	1,523,813	57,507	-	1,581,320	1,581,320	100.0%
Filing Fees	92,260	-	-	-	-	-	0.0%
Misc Revenue	-	191	-	306	497	-	0.0%
Interest & Dividends	-	575	16,853	15,037	32,465	38,390	84.6%
PARS Trust Investment Gain/Loss	-	4,902	(1,018)	1,883	5,768	-	0.0%
Total Revenue	\$ 92,260	\$ 1,529,481	\$ 73,343	\$ 17,226	\$ 1,620,050	\$ 1,860,050	87.1%
Expenditures:							
Salaries	\$ 7,810	\$ 130,810	\$ 157,449	\$ 103,862	\$ 392,122	\$ 657,300	59.7%
Hourly Employees	-	4,225	4,899	4,462	13,586	20,800	65.3%
Benefits & Insurance							
Optional Benefit Plan	-	-	15,225	-	15,225	18,500	82.3%
Deferred Compensation	-	3,641	4,238	2,379	10,258	19,000	54.0%
Retirement Benefits	-	51,520	64,578	42,585	158,683	265,900	59.7%
Health Insurance	-	12,965	18,819	12,755	44,538	88,900	50.1%
Retiree Health Benefits	-	1,336	1,654	1,051	4,041	22,000	18.4%
Dental Insurance	-	320	533	616	1,469	11,600	12.7%
Life Insurance	-	65	98	72	235	420	56.0%
Medicare	-	1,938	2,758	1,537	6,233	10,200	61.1%
Unemployment Insurance	-	41	54	33	128	200	64.2%
Health Reimbursement	-	1,638	2,030	1,476	5,144	7,800	65.9%
Salary Continuance	-	344	424	270	1,038	1,650	62.9%
Accidental Death Insurance	-	16	25	21	62	120	52.0%
Executive Car Allowance	-	1,200	2,400	1,200	4,800	7,200	66.7%
Total - Benefits & Insurance	7,810	75,025	112,836	63,994	251,854	453,490	55.5%
Information Technology	-	4,295	2,567	3,267	10,128	21,600	46.9%
Telephone & Internet	-	3,684	5,071	5,974	14,729	20,500	71.8%
County of Orange	-	1,242	369	2,359	3,970	12,000	33.1%
General Liability Insurance	-	3,302	3,302	5,128	11,733	15,760	74.4%
Memberships	-	10,002	10,179	10,376	30,557	40,400	75.6%
Office Equipment/Supplies	-	6,317	8,744	4,105	19,166	26,100	73.4%
Professional Services:							
Legal	-	15,427	10,396	6,687	32,510	60,000	54.2%
Accounting/Audit	-	14,304	22,170	8,203	44,677	57,000	78.4%
Human Resources	-	137	8,500	7,500	16,137	35,000	46.1%
Mapping/Archiving	-	984	984	984	2,951	4,000	73.8%
Other Professional Services	75,479	20,900	15,688	2,188	38,775	200,000	19.4%
Total - Professional Services	75,479	51,751	57,737	25,561	135,050	356,000	37.9%
Investment Admin Fees	-	133	119	24	276	850	32.5%
Public Noticing	-	-	-	1,638	1,638	12,000	13.7%
Unincorporated Areas Program	-	-	-	-	-	11,000	0.0%
Rents/Maintenance	-	37,246	18,623	37,246	93,114	115,000	81.0%
Equipment Leases	-	1,552	3,504	1,411	6,467	8,100	79.8%
Comm. & Staff Expense	-	1,092	968	1,095	3,155	5,000	63.1%
Comm. Stipends & Taxes/Fees	-	3,096	1,914	2,835	7,844	16,450	47.7%
Professional Development	-	-	650	-	650	20,000	3.3%
Transportation/Travel	-	9,176	5,189	637	15,002	35,300	42.5%
Commission Meeting Expense	-	287	501	354	1,142	12,400	9.2%
Refund of Deposit	-	-	-	-	-	-	0.0%
Total Expenditures	83,290	343,235	394,621	274,327	1,012,183	1,860,050	54.4%
Total Net Income (Loss)	\$ 8,971	\$ 1,186,246	\$ (321,278)	\$ (257,102)	\$ 607,866	\$ -	

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

For accounting and interim financial reporting purposes, depreciation expense will be calculated on an annual basis in conjunction with the annual audit.

E. Repairs of Fixed Assets

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

F. Dispositions of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log.

2.16 ACCRUED LIABILITIES

A. Identification of Liabilities

The accounting department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by OC LAFCO at the end of an accounting period are:

1. Salaries and wages
2. Payroll taxes
3. Vacation pay
4. Facility expenses payable to the County

In addition, OC LAFCO shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual.