

LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY

REGULAR MEETING AGENDA

**Wednesday, May 14, 2025
8:15 a.m.**

**County Administrative North (CAN)
First Floor Multipurpose Room 101**

400 W. Civic Center Drive, Santa Ana, CA 92701

Members of the public may access the audio live-stream meeting at

<https://youtube.com/live/05y6FD3o9lg?feature=share>

***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
(Communications received after agenda distribution for agenda 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 off-agenda items unless authorized by law.

6. CONSENT CALENDAR

a.) April 4, 2025 – Strategic Planning Workshop Special Meeting Minutes

The Commission will consider approval of the April 4, 2025 meeting minutes.

b.) April 9, 2025 – Regular Commission Meeting Minutes

The Commission will consider approval of the April 9, 2025 meeting minutes.

c.) Amendments to the Local Guidelines for Implementing the California Environmental Quality Act (CEQA)

The Commission will consider amendments to the local guidelines for implementing CEQA.

d.) Three-Year Strategic Plan (2025-2028)

The Commission will receive a final copy of the Commission approved three-year Work Plan 2025–2028.

7. PUBLIC HEARING

a.) Final OC LAFCO Fiscal Year 2025-26 Budget

The Commission will consider adoption of the final budget for Fiscal Year 2025-26.

8. COMMISSION DISCUSSION AND ACTION

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

The Commission will consider approval of the Memorandum of Understanding by and between Los Angeles, Orange, San Bernardino, and San Diego Local Agency Formation Commissions for educational opportunities, training, and legislative advocacy.

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

The Commission will receive the third quarter financial report of Fiscal Year 2024-25.

c.) Transfer to the Public Trust Account

The Commission will receive a report on the proposed transfer from the agency's unreserved cash balance to the post-employment benefits trust account administered by the Public Agency Retirement Services (PARS) in accordance with the Commission's accounting and financial policies.

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. INTERIM EXECUTIVE OFFICER'S REPORT

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

11. INFORMATIONAL ITEMS & ANNOUNCEMENTS

No informational items and announcements.

12. CLOSED SESSION

No closed session items scheduled.

13. ADJOURNMENT OF REGULAR COMMISSION MEETING

PUBLIC PARTICIPATION:

The Local Agency Formation Commission of Orange County welcomes your participation. The public may share general comments or comments on agenda items through the following options:

- 1) **In-person** comments may be provided during the general comment period on off-agenda items and during the hearing of a specific agenda item. In accordance with the OC LAFCO guidelines, each speaker's comments may not exceed three (3) minutes for the respective item. If you have documents for the Commission, please bring 15 copies and submit to the Commission Clerk for distribution.
- 2) **Audio Live Streaming:** The public may listen to the meeting live on YouTube using the link provided on the website homepage (www.oclafco.org). However, LAFCO cannot guarantee that the public's access will be uninterrupted, and technical difficulties may occur from time to time. The meeting will continue despite technical difficulties for participants using audio live streaming unless otherwise prohibited by State open meeting laws.
- 3) **Written** general comments or comments on specific agenda items may be submitted by email to the Commission Clerk at ccarter-benjamin@oclafco.org. Comments received no less than twenty-four (24) hours prior to the regular meeting will be distributed to the Commission and included in the record.

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.

"Pursuant to State law, 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 may be required to disclose the contribution. If you are affected, please notify the Commission's staff before the hearing in order to determine whether disclosure is warranted."

AMERICANS WITH DISABILITIES ACT (ADA)

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.

2025 MEETING AND EVENTS CALENDAR

Approved November 14, 2024

2025



January							April							July							October						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
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12	13	14	15	16	17	18	13	14	15	16	17	18	19	13	14	15	16	17	18	19	12	13	14	15	16	17	18
19	20	21	22	23	24	25	20	21	22	23	24	25	26	20	21	22	23	24	25	26	19	20	21	22	23	24	25
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February							May							August							November						
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9	10	11	12	13	14	15	11	12	13	14	15	16	17	10	11	12	13	14	15	16	9	10	11	12	13	14	15
16	17	18	19	20	21	22	18	19	20	21	22	23	24	17	18	19	20	21	22	23	16	17	18	19	20	21	22
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March							June							September							December						
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9	10	11	12	13	14	15	15	16	17	18	19	20	21	14	15	16	17	18	19	20	14	15	16	17	18	19	20
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23	24	25	26	27	28	29	29	30						28	29	30					28	29	30	31			
30	31																										

- OC LAFCO Regular Meeting (*begins at 8:15 a.m.*)
Location: County Administrative North, First Floor Multipurpose Room 101, 400 W. Civic Center Dr., Santa Ana, CA 92701.
- No Scheduled Regular Meeting.
- Strategic Planning Workshop (9:00 a.m. to 1:00 p.m.)
Location: City of Santa Ana, 60 Civic Center Plaza, Community Room, Santa Ana, CA 92701.
- Office closure due to legal holidays and flexible work schedule.
- 2025 CALAFCO Annual Conference - October 22 - 24, San Diego, CA.

DRAFT MINUTES

OC LAFCO SPECIAL MEETING STRATEGIC PLANNING WORKSHOP

Wednesday, April 4, 2025
9:00 a.m. – 1:00 p.m.

City of Santa Ana Community Center
60 Civic Center Plaza
Santa Ana, CA 92701

1. CALL TO ORDER

Chair Wagner called the special meeting of the Local Agency Formation Commission of Orange County (OC LAFCO) to order at 9:14 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner McGregor led the Pledge of Allegiance.

3. ROLL CALL

The following Commissioners were present:

City Members

Wendy Bucknum (**Vice Chair**)
Peggy Huang (**arrived at 10:08 a.m.**)
Carol Moore (**Alt.**)

County Member

Donald P. Wagner (**Chair**)

Special District Members

Douglass Davert
James Fisler
Kathryn Freshley (**Alt.**)

Public Member

Derek J. McGregor

The following staff members and general counsel were present:

- Assistant Executive Officer Luis Tapia
- Policy Analyst I Aimee Diaz
- Commission Clerk Cheryl Carter-Benjamin
- General Counsel Scott Smith

8. Closed Session

Chair Wagner noted that considering the strategic planning workshop may take some time, the **Closed Session Item 8(a, b, and c)** will be moved and heard before the consent calendar.

The Commission adjourned to closed session at 9:15 a.m. on the following items:

a.) Public Employee Appointment

Pursuant to Government Code Section 54957
Title: Interim Executive Officer

a.) Conference with Labor Negotiators

Pursuant to Government Code Section 54957.6
Agency designated representatives: Commission Executive Committee
Unrepresented employee: Interim Executive Officer

b.) Public Employee Appointment

Pursuant to Government Code Section 54957
Title: New Executive Officer

The Commission reconvened in open session at 9:29 a.m. General Counsel Scott Smith noted that the Commission discussed the closed session items, and there were no reportable actions.

4. CONSENT CALENDAR

Chair Wagner called for requests to pull the consent calendar item for discussion. There were no requests from Commissioners, and the Commission Clerk noted that there were no requests from the public to speak on the item. **Vice Chair Bucknum** motioned for approval of the consent calendar, and **Commissioner Fisler** seconded the motion.

4a. – March 12, 2025 - Regular Commission Meeting Minutes

MOTION: Approve Consent Calendar. (Wendy Bucknum)
SECOND: James Fisler
FOR: Wendy Bucknum, James Fisler, Douglass Davert, Derek J. McGregor, Carol Moore, Donald P. Wagner,
AGAINST: None
ABSTAIN: None

MOTION PASSED: 6-0.

5. INTRODUCTION TO WORKSHOP

Chair Wagner welcomed the public to the Strategic Planning Workshop and introduced the workshop facilitator, William Kelly, President and CEO of Kelly Associates Management Group LLC (KAMG).

6. PUBLIC COMMENT

Chair Wagner opened the item for hearing or receiving public comments. The Commission Clerk noted that there were no requests to speak from the public.

Chair Wagner closed the hearing of public comments.

7. STRATEGIC PLANNING WORKSHOP

Consultant Bill Kelly facilitated the discussion of reviewing the four goals included in the Commission's current three-year Work Plan 2022-2025. Following general discussion by Commissioners and staff, four goals with individual objectives were identified for the next three fiscal cycles. The goals were included in the three-year Work Plan 2025 – 2028 set to start on July 1, 2025.

Chair Wagner called for a motion on the item. **Commissioner McGregor** motioned to approve the identified goals and objectives for the three-year Work Plan 2025 – 2028 with the recommended modifications discussed during the workshop, and **Commissioner Huang** seconded the motion.

MOTION: Approve the Three-Year Strategic Plan (2025-2028) with the recommended modifications discussed during the workshop. (Derek J. McGregor)

SECOND: Peggy Huang

FOR: Derek J. McGregor, Peggy Huang, Wendy Bucknum, Douglass Davert, James Fisler, Donald P. Wagner

AGAINST: None

ABSTAIN: None

MOTION PASSED: 6-0.

Vice Chair Bucknum left during this agenda item.

8. CLOSED SESSION

Chair Wagner moved the Closed Session agenda item to be heard after roll call.

9. ADJOURNMENT OF THE REGULAR COMMISSION MEETING

Chair Wagner adjourned the workshop at 10:25 a.m., noting that the next Regular Commission Meeting would take place on April 9, 2025, at 8:15 a.m.

Donald P. Wagner, Chair
Orange County Local Agency Formation Commission

ATTEST:

By: _____
Cheryl Carter-Benjamin
Commission Clerk

DRAFT MINUTES

OC LAFCO REGULAR MEETING

Wednesday, April 9, 2025
8:15 a.m.

County Administrative North (CAN)
First Floor Multipurpose Room 101
400 W. Civic Center Drive, Santa Ana, CA 92701

Members of the public may access the audio live-stream meeting at
<https://youtube.com/live/znk6l48MRx0?feature=share>

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

1. CALL TO ORDER

Chair Wagner called the meeting of the Local Agency Formation Commission of Orange County (OC LAFCO) to order at 8:15 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner McGregor led the Pledge of Allegiance.

3. ROLL CALL

The following Commissioners were present:

City Members

Wendy Bucknum (**Vice Chair**)
Peggy Huang
Carol Moore (**Alt.**)

County Member

Donald P. Wagner (**Chair**)

Special District Members

James Fisler
Kathryn Freshley (**Alt.**)

Public Members

Derek J. McGregor
Lou Penrose (**Alt.**)

The following staff members and general counsel were present:

- Assistant Executive Officer Luis Tapia

- Policy Analyst I Aimee Diaz
- Commission Clerk Cheryl Carter-Benjamin
- General Counsel Scott Smith

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

The Commission Clerk noted that no supplemental communication was received.

5. PUBLIC COMMENT

Chair Wagner requested public comments on any non-agenda items. The Commission Clerk noted that there were no requests to speak from the public.

Chair Wagner closed the hearing of public comments.

6. CONSENT CALENDAR

Chair Wagner noted that there were no consent calendar items scheduled for consideration by the Commission.

7. PUBLIC HEARING

Chair Wagner noted that there were no public hearing items scheduled for consideration by the Commission.

8. COMMISSION DISCUSSION AND ACTION

8a. – Memorandum of Agreement for the Position of LAFCO Interim Executive Officer

General Counsel Scott Smith presented the staff report and recommended actions for Commission consideration.

Chair Wagner called for Commission discussion and public comments. There was no noted discussion from Commissioners, and the Commission Clerk noted that there were no requests from the public to speak on the item.

Chair Wagner called for a motion on the item. **Vice Chair Bucknum** motioned to approve the General Counsel's recommended actions, and **Commissioner Huang** seconded the motion.

MOTION: Adopt Resolution No. CP 25-03 approving the memorandum of agreement with Luis Tapia for the position of LAFCO Interim Executive

Officer; Authorize Commission Chair Donald P. Wagner to execute, and the Commission Clerk to attest to these documents. (Wendy Bucknum)

SECOND: Peggy Huang

FOR: Wendy Bucknum, Peggy Huang, James Fisler,
Kathryn Freshley, Derek J. McGregor, Donald P. Wagner

AGAINST: None

ABSTAIN: None

MOTION PASSED: 6-0.

9. COMMISSIONER COMMENTS

There were no general comments from Commissioners.

10. EXECUTIVE OFFICER’S REPORT

Assistant Executive Officer Luis Tapia provided an update on the appointment process for the OC LAFCO Alternate Public Member seat.

11. INFORMATIONAL ITEMS & ANNOUNCEMENTS

Chair Wagner noted that there were no informational items or announcements.

12. ADJOURNMENT OF THE REGULAR COMMISSION MEETING

Chair Wagner adjourned the Regular Commission Meeting at 8:20 a.m. to May 14, 2025.

Donald P. Wagner, Chair
Orange County Local Agency Formation Commission

ATTEST:

By: _____
Cheryl Carter-Benjamin
Commission Clerk

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
Policy Analyst I**SUBJECT:** Amendments to the Local Guidelines for
Implementing the California Environmental Quality
Act (CEQA)**BACKGROUND**

Pursuant to Section 21082 of the California Public Resources Code (Environmental Quality), the Commission adopted Local Guidelines for Implementing the California Environmental Quality Act ("Guidelines"). The Guidelines were developed by Best Best & Krieger LLP to guide OC LAFCO on actions involving CEQA for projects or applications within the Commission's purview. For most projects considered by the Commission, OC LAFCO is the responsible agency under CEQA. However, OC LAFCO may also serve as the lead agency for Commission-initiated projects or applications filed by landowners.

The Guidelines are reviewed annually and updated, as necessary, by Best Best & Krieger to align with changes in State law. Staff is recommending the Commission adopt the amended local guidelines to incorporate the recent changes discussed in the next section of this report.

2025 LOCAL CEQA GUIDELINES

The attached memorandum provides a detailed summary of the revisions and additions to the current Guidelines. The key revisions for potential OC LAFCO actions are summarized as follows:

- **Office of Planning and Research Name Change**

The Office of Planning and Research changed its name to the Office of Land Use and Climate Innovation (LCI) effective July 1, 2024. This change is reflected in the OC LAFCO Local CEQA Guidelines.

- **Office of Land Use and Climate Innovation URL Updates**

The LCI has updated the CEQAnet and CEQASubmit URLs, effective April 8, 2025. The revised web addresses are as follows:

- CEQAnet: <https://ceqasubmit.lci.ca.gov/>
- CEQASubmit: <https://ceqanet.lci.ca.gov/>

- **Department of Fish and Wildlife Fees**

The Department of Fish and Wildlife has increased the fees for filing environmental documents effective January 1, 2025. The current fees are reflected in the OC LAFCO Fee Schedule.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Adopt OC LAFCO Resolution No. CP 25-04 amending and approving the “Local Guidelines for Implementing the California Environmental Quality Act.” (*Attachment 2*)

Respectfully submitted,



LUIS TAPIA

AIMEE DIAZ

Attachments:

1. 2025 Summary of Changes to Local CEQA Guidelines, prepared by Best Best & Krieger
2. Form of OC LAFCO Resolution No. CP 25-04

Memorandum

TO: Orange County Local Formation Commission
FROM: Best Best & Krieger LLP
DATE: April 2, 2025
RE: Summary of Changes to Local CEQA Guidelines

In 2024, the California Legislature revised the California Environmental Quality Act (“CEQA”) through passage of certain Assembly Bills and Senate Bills. As a result, we have revised the Commission’s Local Guidelines for Implementing CEQA (“Local Guidelines”) to account for these CEQA developments. This memorandum summarizes the substantive amendments to the Commission’s 2025 Local CEQA Guidelines (“Local Guidelines”).

The Local Guidelines and this memorandum are designed to help the Commission comply with CEQA when considering a project subject to CEQA. We still recommend, however, that you consult with an attorney when you have specific questions on major, controversial, or unusual projects or activities.

The Local Guidelines, the related CEQA forms, and other important legal alerts may be accessed via the Best Best & Krieger LLP CEQA client portal. For technical support, please contact Tammy Ingram at tammy.ingram@bbklaw.com.

REVISIONS TO LOCAL GUIDELINES

3.17 Exemption for Residential or Mixed-Use Housing Project.

This is a new section that was added to your Guidelines as a result of the passing of Assembly Bill 2199. CEQA does not apply to residential or mixed-used housing projects, as defined, located in unincorporated areas of a county, that meet the requirements set forth in Section 3.17.

3.21 Transit Prioritization Projects.

Pursuant to Assembly Bill 2503, a new subsection (6) was added to Section 3.21 regarding a public project for the institution or increase of passenger rail service, including the construction or rehabilitation of stations, terminals, or existing operations facilities, which will be exclusively used by zero-emission trains.

3.24 Routine Maintenance of Stormwater Facilities.

Pursuant to Assembly Bill 3227, a new Section 3.24 was added to the Guidelines pursuant to a change to Public Resources Code section 21080.61. This new section provides that CEQA does not apply to routine maintenance of public stormwater facilities that are fully concrete or have a conveyance capacity of less than a 100-year storm event if certain specified conditions are met.

3.29 Reproductive Services Community Clinic.

Pursuant to Assembly Bill 2085, Section 3.29 was added to the Guidelines to provide that CEQA does not apply to the approval of an application of a community clinic providing reproductive health services if the application meets objective planning standards and is subject to the ministerial review process set forth in Government Code section 65914.900.

9.10 A Responsible Agency's Provision of Financial Assistance or Insurance for the Development and Construction of Affordable Housing.

New language was added to Section 9.10 pursuant to Senate Bill 1361, which clarifies that CEQA does not apply to a local agency's approval of contracts that provide residential, counseling, and security services for people experiencing homelessness, as set forth in greater detail in Section 9.10.

Other Changes

Office of Land Use and Climate Innovation

Effective July 1, 2024, the Office of Planning and Research changed its name to the Office of Land Use and Climate Innovation (LCI). This change is reflected throughout your Local CEQA Guidelines. Additionally, effective April 8, 2025, LCI has a new CEQAnet URL and CEQASubmit URL. In order to access LCI's websites, please use these new URLs:

- <https://ceqasubmit.lci.ca.gov/>
- <https://ceqanet.lci.ca.gov/>

Additionally, LCI has established a new deadline for processing environmental notices. Notices must be submitted to CEQASubmit no later than 2:30 p.m. PST in order to have a same day filing date.

CEQA Document Filing Fees

Effective January 1, 2025, the Department of Fish and Wildlife has increased its fees. For a Negative Declaration or a Mitigated Negative Declaration, the new filing fee is \$2,968.75; for an EIR, the new filing fee is \$4,123.50; and for an environmental document prepared pursuant to a Certified Regulatory Program, the new filing fee is \$1,401.75.

Conclusion

As always, CEQA remains complicated and, at times, challenging to apply. The only constant in this area of law is how quickly the rules change. Should you have questions about any of the provisions discussed above, please contact a BB&K attorney for assistance.

BEST BEST & KRIEGER LLP

(CP 25-04)

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF
ORANGE COUNTY AMENDING AND ADOPTING LOCAL GUIDELINES FOR
IMPLEMENTING THE CALIFORNIA ENVIRONMENTAL QUALITY ACT
(PUB. RESOURCES CODE §§ 21000 ET SEQ.)**

May 14, 2025

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted.

WHEREAS, the California Legislature has amended the California Environmental Quality Act (“CEQA”) (Pub. Resources Code §§ 21000 et seq.), the Natural Resources Agency has amended portions of the State CEQA Guidelines (Cal. Code Regs, tit. 14, § 15000 et seq.), and the California courts have interpreted specific provisions of CEQA and the State CEQA Guidelines; and

WHEREAS, Public Resources Code section 21082 requires all public agencies to adopt objectives, criteria and procedures for (1) the evaluation of public and private projects undertaken or approved by such public agencies, and (2) the preparation, if required, of environmental impact reports and negative declarations in connection with that evaluation; and

WHEREAS, the Local Agency Formation Commission of Orange County (“Orange County LAFCO”) must revise its local guidelines for implementing CEQA to make them consistent with the current provisions and interpretations of CEQA and the State CEQA Guidelines.

NOW, THEREFORE, the Orange County LAFCO hereby resolves as follows:

SECTION 1. The Orange County LAFCO hereby adopts the “2025 Local Guidelines for Implementing the California Environmental Quality Act,” a copy of which is on file at the offices of the Orange County LAFCO and is available for inspection by the public.

SECTION 2. All prior actions of the Orange County LAFCO enacting earlier guidelines are hereby repealed.

AYES:

NOES

STATE OF CALIFORNIA)

) SS.

COUNTY OF ORANGE)

I, Donald P. Wagner, 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 14th day of May 2025.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of May 2025.

DONALD P. WAGNER
Chair of the Local Agency Formation Commission of
Orange County

By: _____
DONALD P. WAGNER

ATTEST:

Cheryl Carter-Benjamin, Commission Clerk Orange
Local Agency Formation Commission of Orange
County

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

6d | Consent
Calendar

TO: Local Agency Formation Commission
of Orange County

FROM: Interim Executive Officer

SUBJECT: Three-Year Strategic Plan (2025–2028)

STRATEGIC PLANNING WORKSHOP

During the April 4 Special Meeting, the Commission held its 26th Strategic Planning Workshop to discuss the accomplishments of the current three-year Work Plan 2022-2025 and identify new goals and objectives for the next three fiscal years. At the conclusion of the workshop, the Commission approved its new three-year Work Plan 2025-2028. The Commission identified the following Goals as part of the Work Plan:

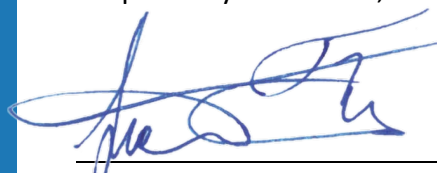
1. Staff Development, Retention and Recruitment
2. Improve Municipal Service Review (MSR) Process for Future MSRs
3. Optimize Communication
4. Southern Region LAFCOs Educational and Legislative Partnership

The Work Plan 2025-2028 will commence on July 1, 2025.

RECOMMENDED ACTION

This is a receive and file report and requires no action by the Commission.

Respectfully Submitted,



 LUIS TAPIA

Attachment:

- A. Three-Year Strategic Plan (2025–2028)



2025 - 2028

STRATEGIC PLAN

April 4, 2025



IN CONSULTATION WITH
KELLY ASSOCIATES MANAGEMENT GROUP LLC



April 4, 2025

The Commission

Donald P. Wagner, Chair

Wendy Bucknum, Vice Chair

Douglass Davert, Immediate Past Chair

James Fisler, Special District Member

Peggy Huang, City Member

Derek J. McGregor, Public Member

Kathryn Freshley, Alternate Special District Member

Carol Moore, Alternate City Member

Lou Penrose, Alternate Public Member

Commission Staff

Luis Tapia, Interim Executive Officer

Aimee Diaz, Policy Analyst

Cheryl Carter-Benjamin, Commission Clerk

General Counsel

Scott Smith

Consulting Staff

Kelly Associates Management Group LLC

William R. Kelly, President/CEO

Introduction

On April 4, 2025, the Orange County Local Agency Formation Commission (OC LAFCO) held its 26th Strategic Planning Workshop. The Commission retained William (Bill) Kelly, President and CEO of Kelly Associates Management Group LLC (KAMG), to facilitate the process of developing a new three-year plan.

Strategic Planning Workshop

During the workshop, Commissioners reviewed and discussed the 2022 – 2025 Work Plan and identified the agency's new goals and objectives for the 2025 – 2028 Work Plan. Based on the feedback from Commissioners and staff, the following four goals were identified:

- 1: Staff Development, Retention and Recruitment
- 2: Improve Municipal Service Review (MSR) Process for Future MSRs
- 3: Optimize Communication
- 4: Southern Region LAFCOs Educational and Legislative Partnership

2025-2028 Work Plan

The 2025 – 2028 Work Plan on the following pages depicts the agency's goals, objectives and schedules over the next three fiscal years. As a note, the Commission may amend the multi-year plan if warranted.

GOAL 1:

Staff Development, Retention and Recruitment

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
1.1	EO/Consultant	Conduct Classification, Compensation and Benefits Assessment.	Consultant	2024-2025	Underway To be considered by the Commission on June 11, 2025.
1.2	EO/AEO/CC	Complete staff assessment and conduct recruitment for vacancy(ies).	Consultant	2025-2026	Ongoing
1.3	EO/Consultant	Prepare a Succession Plan by identifying and developing a strategic process for successors for key positions at OC LAFCO.	Staff/ Consultant	2025-2026	Underway To be considered by the Commission on June 11, 2025

GOAL 2:

Improve Municipal Service Review (MSR) Process For Future MSRs

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
2.1	EO/AEO/ Analyst	Develop criteria for conducting the following MSR and SOI review processes for future reviews: <ol style="list-style-type: none"> 1. Comprehensive 2. Reconfirm 3. Update 	Consultant	2026-2028	Development of criteria will occur upon completion of fourth cycle MSRs. Estimated time of completion of all MSRs is FY 26-27.
2.2	AEO/Analyst	Develop and distribute the following MSR questionnaires: <ol style="list-style-type: none"> 1. Pre-MSR/SOI – to assess which process will be conducted. 	Staff	2026-2028	Development of pre-MSR questionnaire will occur upon completion of fourth cycle MSRs. Estimated time of completion of all MSRs is FY 26-27.
2.3	AEO/Analyst	Continued use of web-based programs (fiscal indicators, shared services, and MS dashboard) to maintain agency data for MSR determinations.	Staff	2025-2028	Ongoing
2.4	AEO/Analyst/CC	Present year-end report to the Commission that provides analytics on MSR agency feedback and the use of the agency's web-based programs.	Staff	2025-2028	As needed and/or biannually

GOAL 3:

Optimize Communication

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
3.1	All	Use agency communications tools (bi-annual news, website, video FAQs, fiscal indicators and shared services programs) to engage agencies and public to inform of OC LAFCO activities.	Staff	2025-2028	Ongoing
3.2	Analyst/CC	Conduct visits and disseminate media kits to OC legislators and stakeholders.	Staff	2025-2028	Ongoing
3.3	EO/Analyst	Distribute bi-annual news to inform of OC LAFCO activities.	Staff	2025-2028	Ongoing

GOAL 4:

Southern Region LAFCOs Educational and Legislative Partnership

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
4.1	EO	Establish a memorandum of understanding with southern region LAFCOs to develop a collaborative structure on issues that all/each LAFCO(s) encounter.	Staff	2025	Underway To be considered by the Commission on May 14, 2025.
4.2	All	Target areas of collaboration with legislative, educational, and professional associations and groups.	To be determined	To be determined	To be determined
4.3	Analyst	Develop mechanisms to monitor key legislation of LAFCO interest through the partnership with the southern region LAFCOS.	To be determined	To be determined	To be determined
4.4	EO/Analyst	Conduct visits and disseminate information to OC legislators and stakeholders (CSDA, CSAC, League of CA Cities, OC League of CA Cities) to establish legislative partnerships.	Staff	2025-2028	Ongoing
4.5	Analyst/CC	Distribute bi-annual news to agencies and stakeholders to inform them of OC LAFCO activities and efforts by the southern region LAFCOs.	Staff	2025-2028	Ongoing

REGULAR MEMBERS

CHAIR
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County Member

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ALTERNATES

Kathryn Freshley
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Lou Penrose
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VACANT
County Member

STAFF

Luis Tapia
Interim Executive Officer

Scott Smith
General Counsel

MEETING DATE: May 14, 2025

7a | Public
Hearing

TO: Local Agency Formation Commission
of Orange County

FROM: Interim Executive Officer

SUBJECT: Final OC LAFCO Fiscal Year 2025-26 Budget

BACKGROUND

On March 12, 2025, the Commission adopted the proposed FY 2025-26 budget. Following the meeting, the documents were distributed to each of the agencies for review and comment. State law requires the Commission to also adopt a final budget at a public hearing.

The final OC LAFCO budget for FY 2025-26 (Attachment 1) totals \$1,837,990. The final budget revenues include a total apportionment of \$1,692,010, which is equally divided amongst the County, cities, and special districts. The proposed apportionment for the County is \$564,003.34. The FY 2025-26 apportionments of each city and special district are reflected in Attachments 1a and 1b. Upon the Commission's approval of the final budget, the County Auditor-Controller will request remittance of the respective payment from each funding agency.

AGENCY COMMENTS

On March 12, the proposed FY 2025-26 OC LAFCO budget was distributed to the Board of Supervisors, County Executive Office, and each city and independent special district for review and comment. Additionally, in accordance with State law, a notice of public hearing of the final budget was published in the Orange County Register on April 22, 2025. At the time of the agenda posting on May 7, 2025, OC LAFCO staff had not received any written comments.

RECOMMENDED ACTIONS

Staff Recommends the Commission:

1. Adopt the Final Fiscal Year 2025-26 Budget.
2. Direct the Interim Executive Officer to transmit the final budget to the Board of Supervisors, cities, independent special districts, and the County Auditor-Controller.

Respectfully Submitted,



LUIS TAPIA

Attachments:

1. Final OC LAFCO FY 2025-26 Budget
 - A. OC LAFCO City Apportionment for FY 2025-26 Budget.
 - B. OC LAFCO Special District Apportionments for FY 2025-26 prepared by the Auditor-Controller.



Orange County Local Agency Formation Commission
Final Budget
Fiscal Year 2025/26

	FY 24/25 Adopted Budget	FY 25/26 Final Budget	\$ Budget Variance	% Budget Variance
1 Revenue & Cash Reserves Use / (Addition)				
2 Cash Reserves Use / (Addition)	\$ 240,340	\$ 110,340	\$ (130,000)	-54.1%
3 4000 LAFCO Apportionment	1,581,320	1,692,010	110,690	7.0%
4 4200 Interest	38,390	35,640	(2,750)	-7.2%
5 Total Revenue & Cash Reserves Use / (Addition)	1,860,050	1,837,990	(22,060)	-1.2%
6 Expense				
7 Salaries & Benefits				
8 5000 Salaries	657,300	671,000	13,700	2.1%
9 5010 Hourly Employees	20,800	20,800	-	0.0%
10 5106 Retirement	265,900	274,700	8,800	3.3%
11 5109 Retiree Health Benefits	22,000	6,200	(15,800)	-71.8%
12 5108 Health Insurance	88,900	78,500	(10,400)	-11.7%
13 5110 Dental Insurance	11,600	5,600	(6,000)	-51.7%
14 5112 Life Insurance	420	420	-	0.0%
15 5118 Unemployment Insurance	200	540	340	170.0%
16 5119 Health Reimbursement Arrangement	7,800	8,200	400	5.1%
17 5102 Optional Benefit Plan	18,500	18,500	-	0.0%
18 5104 Deferred Compensation	19,000	19,400	400	2.1%
19 5116 Medicare	10,200	10,300	100	1.0%
20 5120 Salary Continuance	1,650	1,750	100	6.1%
21 5122 Accidental Death Insurance	120	120	-	0.0%
22 5125 Executive Car Allowance	7,200	7,200	-	0.0%
23 Salaries & Benefits Total	1,131,590	1,123,230	(8,360)	-0.7%
24 Operations, Prof. Services & Other				
25 Office Operations				
26 5150 Information Technology	21,600	21,600	-	0.0%
27 5151 Internet & Electronic Services	20,500	21,500	1,000	4.9%
28 5200 County Charges	12,000	13,100	1,100	9.2%
29 5250 Insurance	15,760	21,860	6,100	38.7%
30 5350 Membership/Subscriptions	40,400	28,600	(11,800)	-29.2%
31 5450 Office Equipment/Supplies	26,100	28,400	2,300	8.8%
32 Professional Services				
33 5510 Legal	60,000	60,000	-	0.0%
34 5520 Audit/Accounting	57,000	60,900	3,900	6.8%
35 5530 Human Resources	35,000	30,000	(5,000)	-14.3%
36 5540 Other Professional	200,000	200,000	-	0.0%
37 Other Expense				
38 5535 Mapping	4,000	4,000	-	0.0%
39 5550 Investment Admin Fees	850	850	-	0.0%
40 5600 Public Noticing / Communications	12,000	14,400	2,400	20.0%
41 5610 Unincorporated Areas Program	11,000	11,000	-	0.0%
42 5650 Rents/Improvements/Maintenance	115,000	118,700	3,700	3.2%
43 5675 Equipment Leases & Maintenance	8,100	8,100	-	0.0%
44 5700 Commissioner/Staff Expenses	5,000	5,000	-	0.0%
45 5710 Commission Stipends & Taxes/Fees	16,450	15,750	(700)	-4.3%
46 5740 Educational & Legislative Partnerships	-	16,000	16,000	0.0%
47 5750 Professional Development	20,000	20,000	-	0.0%
48 5800 Transportation & Travel	35,300	5,000	(30,300)	-85.8%
49 5850 Commission Meeting Expenses	12,400	10,000	(2,400)	-19.4%
50 Operations, Prof. Services & Other Total	728,460	714,760	(13,700)	-1.9%
51 Total Expense	1,860,050	1,837,990	(22,060)	-1.2%
52 Net Budget	\$ -	\$ -	\$ -	0%



Orange County Local Agency Formation Commission
Final Budget
 Fiscal Year 2025/26

	FY 24/25 Adopted Budget	FY 25/26 Final Budget	\$ Budget Variance	% Budget Variance
Projected Cash Reserves				
Reserved Cash				
Contingency Reserve	100,000	\$ 100,000		
Litigation Reserve	75,000	75,000		
Unfunded Liability Reserve	30,000	30,000		
Operating Reserve (25% Budgeted Expenses)	465,013	459,498		
Total Reserved Cash	670,013	664,498		
Unreserved Cash				
Balance at the Beginning of FY	718,367	601,822		
Addition / (Drawdown) to Unreserved Cash	(240,340)	(110,340)		
Total Unreserved Cash	478,027	491,482		
Total Projected Cash Reserves	\$ 1,148,039	\$ 1,155,979		

OC LAFCO FY 2025-26 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, 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 Electronic Services

This category includes costs for the usage, technical support, equipment, leasing and maintenance of business electronic devices and internet services.

OC LAFCO FY 2025-26 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 Memberships/Subscriptions

This category includes membership and subscription fees to 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 agency operations.

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, employment labor, professional development and other human resource areas.
- ✓ **5535 Mapping** – OC LAFCO's Geographic Information System (GIS) and other mapping programs.

OC LAFCO FY 2025-26 BUDGET CATEGORIES

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

5550 Investment Admin Fees

This category includes costs incurred for administrative fees charged by the County of Orange for financial services related to the investment 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/Improvements/Maintenance

This category includes costs for leasing, improvements, 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 miscellaneous business expenses incurred by Commissioners and staff.

5710 Commissioner Stipends & Taxes/Fees

This category includes Commissioner meeting stipends and related employment taxes and fees.

5740 Educational and Legislative Partnerships

This category includes costs incurred for educational partnerships, legislative engagement efforts and registration expenses to attend workshops and business-related meetings and activities.

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 and Travel

This category includes costs incurred for transportation and travel expenses for commissioners and staff to attend workshops and business-related meetings and activities.

5850 Commission Meeting Expenses

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

8a | Commission
Discussion**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.

REGULAR MEMBERS**CHAIR**
Donald P. Wagner
County Member**VICE CHAIR**
Wendy Bucknum
City Member**IMMEDIATE PAST CHAIR**
Douglass Davert
Special District Member**James Fisler**
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City Member**Lou Penrose**
Public Member**VACANT**
County Member**STAFF****Luis Tapia**
Interim Executive Officer**Scott Smith**
General Counsel


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@lalafo.org

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

8b | Commission
Discussion**REGULAR MEMBERS**

CHAIR

Donald P. Wagner
County Member

VICE CHAIR

Wendy Bucknum
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IMMEDIATE PAST CHAIR

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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:** 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.

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 March 31, 2025. 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 As of March 31, 2025

	Mar 31, 25
ASSETS	
Current Assets	
Cash and Investments	
County Acct-Payroll	\$ 399,722
Wells Fargo Checking	285,274
Wells Fargo Savings	218,253
Investment Acct - LAIF	748,862
PARS Trust	83,999
Fair Market Value Adjustments	(2,294)
Total Cash and Investments	1,711,616
Other Current Asset	
Prepaid Expenses	12,042
Retirement Prepaid Expense	90,408
Total Other Current Asset	102,450
Total Current Assets	1,814,068
Fixed Assets	46,538
Other Assets	
Right to Use Assets	621,898
Pension Deposit	228,128
Def. Outflows Pension Related	589,401
Deferred OPEB Contributions	8,874
Deferred Outflows OPEB Related	30,000
Total Other Assets	1,458,300
TOTAL ASSETS	\$ 3,316,904
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	11,291
Compensated Absences	38,978
Total Current Liabilities	50,270
Long Term Liabilities	
Lease Liabilities	676,929
Deferred Inflows OPEB Related	39,000
Net OPEB Liability	85,000
Net Pension Liability	1,704,989
Def. Inflows Pension Related	165,908
Total Long Term Liabilities	2,671,824
Total Liabilities	2,722,094
Equity	594,810
TOTAL LIABILITIES & EQUITY	\$ 3,316,904

*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
As of March 31, 2025

Cash & Investments Description	March 31, 2025 Balance	Commission Approved Balances	Balance Excess / (Deficiency)
County Payroll	\$ 399,722	\$ 282,898 ¹	\$ 116,824
Checking - Wells Fargo	265,274	182,115 ¹	83,159
Savings - Wells Fargo	218,253	205,000 ¹	13,253
LAIF Investment	746,662	-	746,662
PARS Trust	83,999	-	83,999
Total	\$ 1,713,910	\$ 670,013	\$ 1,043,897 ²

Footnotes:

1 - Per the Cash and Cash Management Policy, the Commission must maintain \$282,898 during fiscal year 2024/25 in order to cover three months of payroll costs (County Payroll), \$182,115 to cover 3 months of operational expenses (Checking - Wells Fargo) and a minimum of \$205,000 (Savings - Wells Fargo) to cover contingency, litigation and unfunded liabilities.

2 - Remaining Available Cash to fund Operations and Reserves.

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:** Transfer to Public Trust Account**BACKGROUND**

In October 2021, the Commission established a Section 115 Public Agencies Post-Employment Benefits Trust (Trust) through an administrative agreement with Public Agency Retirement Services (PARS). The Commission established the Trust to earn investment revenue that can be used to contribute to the payment of pension obligations and other post-employment benefits costs. PARS currently provides investment and costs management, GASB compliant financial reporting, and streamlined transfers and reimbursements involving the OC LAFCO Trust.

In accordance with the Commission's accounting and financial policies delineating the purpose and funding procedures of the Trust (**See Attachment 1, page 3**), transfers to the Trust may be authorized by the Executive Officer when there is excess cash net income at the end of a fiscal year. The policy also provides that the Commission must approve transfers that do not involve excess cash net income. Accordingly, with the Commission's accounting and financial policy and a review of the remaining excess net cash income from FY 2023-24 by OC LAFCO's accountant, Eide Bailly LLP, staff will be transferring \$25,437 to the Trust. The transfer to the Trust is further discussed in the following section of this report.

Transfer to OC LAFCO Trust

In accordance with the Commission's policy, the agency's Trust account has experienced two deposits of \$62,000 in 2001 and \$15,000 in 2024. The deposit in 2001 was the original deposit to start the Trust, and the second deposit in 2024 was completed with the Commission's approval due to the agency not experiencing excess cash net income at the end of fiscal year 2022-23.

In part to prepare the proposed budget for the fiscal year 2025-26, the OC LAFCO accounting team and staff reviewed the option of making a transfer to the Trust. Based on the remaining net cash amount income from FY

2023-24 and the Commission's accounting and financial policies, staff will be making a transfer of funds totaling \$25,437 to the Trust. The transfer would continue planning for long-term post-employment costs, including the Commission's net pension liability. The transfer to the Trust has been included in the three-year projections and will not have a negative effect on the overall budget and reserve funds.

RECOMMENDED ACTION

This is a receive and file report and requires no action by the Commission.

Respectfully Submitted,



LUIS TAPIA

Attachment:

1. OC LAFCO Accounting & Financial Policies (Part 5: Section 2.14D)

**Accounting and Financial Policies of the
Orange County Local Agency Formation Commission**

PART 5 – Policies Pertaining to Specific Asset and Liability Accounts

2.13 CASH AND CASH MANAGEMENT

A. Cash Accounts

The primary operating account provides for routine business check disbursements. All cash and credit card deposits are made to this account. Bank reconciliations are performed by the OC LAFCO accounting firm staff. The following minimum balances shall be maintained in the agency's accounts at all times to ensure there are sufficient funds to cover ongoing operating and payroll expenses:

Savings:	\$205,000
Payroll:	3 Months of Current Payroll Expenses
Checking:	3 Months of Operational Expenses

B. Reserve Policy

OC LAFCO currently has three reserve funds restricted to the agency's savings account. These funds are as follows: (1) Contingency; (2) Litigation; and (3) Unfunded Liability. These accounts are considered "restricted" accounts and are only used for the specific purposes described below:

1. Contingency Reserves – restricted funds to cover any unforeseen future agency loss and/or urgency which includes but is not limited to property or equipment damage, loss or theft. The minimum balance in the Contingency Reserve Account shall be \$100,000.
2. Litigation Reserves – restricted funds for cost related to agency legal challenges. The minimum balance in the Litigation Reserve Account shall be \$75,000.
3. Unfunded Liability Reserve – restricted funds to offset anticipated agency liabilities including employee vacation and administrative leave payouts. The minimum balance in the Unfunded Liability Reserve Account shall be \$30,000.

2.14 INVESTMENTS

A. Authority

In accordance with California Government Code Section 56300 et seq., the authority to invest public funds not required for the immediate needs of the agency is expressly delegated to the Orange County Local Agency Formation Commission (OC LAFCO). The Commission may also delegate this responsibility to the OC LAFCO Executive Committee and the Executive Officer.

The purpose of this section of the policy is to establish investment guidelines for OC LAFCO officials to ensure the stewardship of agency funds. Pursuant to state law, the Commission, Executive Committee, Executive Officer, and Executive Officer Designee, when investing OC LAFCO funds, shall act with care, skill, prudence, and diligence under the circumstance than prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency. All investments shall be in conformance with federal, state and other legal requirements.

Investments made pursuant to this policy are limited to those instruments specified by OC LAFCO. The Commission shall review the investment program quarterly.

B. Investment Objectives

The specific objectives for all funds invested as defined by this policy are listed in priority order as follows:

1. Safety of Principal

The preservation of principal is of primary importance. Each transaction shall seek to ensure that capital losses are avoided.

2. Legality

Each transaction and the entire investment program must comply with the California Government Code and OC LAFCO's investment policy as defined herein.

3. Liquidity

The invested funds should remain sufficiently flexible to enable OC LAFCO to meet all operating requirements which may be reasonably anticipated.

The managing of OC LAFCO investments shall be subject to the prudent investor standard, a standard of conduct requiring that any investment be made with care, skill, prudence, and diligence in order to safeguard agency funds and maintain the liquidity needs of the agency.

C. Return on Investment

Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

Authority to manage OC LAFCO's investment program is delegated to the OC LAFCO Commission. Management Responsibility is hereby delegated to the Executive Committee and the Executive Officer under the direction of the full OC LAFCO Commission.

D. Authorized Investments

Agency funds are not required for the immediate needs of OC LAFCO but may be invested as follows:

- Investment Funds
Agency funds not required for immediate needs of OC LAFCO may be remitted to the State Local Agency Investment Fund (LAIF) or the Orange County Investment Pool (OC Fund) for the purpose of investment (Government Code Section 16429.1).
- Section 115 Public Agencies Post-Employment Benefits Trust
Agency funds from excess cash net income and not required for immediate needs of OC LAFCO may be deposited to the benefits trust account managed through an agreement with the Public Agency Retirement Services (PARS). The account is established for agency contributions and lowering of the agency's overall net pension expenses. The annual transfer to the benefits trust account must not exceed fifty percent (50%) of the excess cash net income at fiscal year- end, unless approved by the Commission.

- Other Investments

Other investments are permitted by Government Code Section 53600 may be made subject to prior approval of the Commission and may include the following:

- U.S. Government and Agencies Obligations.

- Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, a state or federal savings and loan association, or a savings bank with ratings equivalent by Fitch to F1 or better.

As deemed appropriate, the Commission may, at any time, further restrict the securities approved for investment.

E. Reporting

The Executive Officer shall submit a quarterly report to the Commission showing investment activity, including yield and earnings and the status of cash by depository.

As part of the Commission's annual audit, the independent auditor shall also evaluate investment performance and conduct an operations audit. The purpose of these examinations shall be to obtain suggestions for improved future performance and to verify that investments has been done in accordance with the policy and all applicable laws.

2.15 FIXED ASSET MANAGEMENT

A. Capitalization Policy

Physical assets acquired with unit costs in excess of \$2,000 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, for government-wide financial statements in accordance with GASB Statement No. 34.

B. Contributed Assets

Assets with fair market values in excess of \$2,000 (per unit) that are contributed to OC LAFCO shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land, are subject to depreciation for government-wide financial statements.

C. Establishment and Maintenance of a Fixed Asset Listing

All capitalized fixed assets shall be recorded in a property log. This log shall include the following information with respect to each asset:

1. Date of acquisition.
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset
5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by OC LAFCO. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Executive Officer.

D. Depreciation and Useful Lives

All capitalized assets are maintained in the special fixed assets account group. Fixed assets are depreciated over their estimated useful lives using the straight- line method only when presenting government-wide financial statements. Fund financial statements do not include fixed assets or depreciation.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year) recorded for that year).

Estimated useful lives of capitalized assets shall be determined by the Executive Officer. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	Up to 10 yrs.
General office equipment	5 yrs.
Computer hardware and peripherals	3-5 yrs.
Computer software	2-3 yrs.
Leased assets	Life of Lease

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.