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CHAIR
Wendy Bucknum
City Member

VICE CHAIR
James Fisler
Special District Member

IMMEDIATE PAST CHAIR
Donald P. Wagner
County Member

Douglass Davert
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
Executive Officer

Scott Smith
General Counsel

MEETING DATE: May 13, 2026

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer

SUBJECT: Fiscal Year 2025-26 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, 2026, through March 31, 2026. 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 2026.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Receive and file the Fiscal Year 2025-26 Quarterly Financial Report (Third Quarter).

Respectfully Submitted,



LUIS TAPIA

Attachment:

1. Fiscal Year 2025-26 Quarterly Financial Report (Third Quarter)



Quarterly Financial Report
Fiscal Year 2025-26
(Third Quarter)

Prepared: May 13, 2026

Highlights:

FY 2025-26 Budget Overview - Pages 2-4

Balance Sheet & Reserves Analysis - Pages 5-6

FY 2025-26 BUDGET OVERVIEW

This report provides a summary of the agency's budget and investment portfolio performance for the period of January 1, 2026 through March 31, 2026.¹ The Fiscal Year 2025-26 budget, which is \$1,837,990, supports the operations of the Commission and the resources needed to accomplish the agency's work plan. During the third quarter, overall expenditures were at approximately 46.7 percent of the approved budget.

Revenues

The OC LAFCO funding apportionment collected from the County, 34 cities, and 27 independent special districts totaling \$1,692,010 was at 100% at the end of the third quarter. The agency also earns interest from its investment portfolio. At the end of the third quarter, the Commission's year-to-date earnings totaled \$16,682, which is approximately 46.8% of the interest revenue anticipated for the fiscal year.

Another source of OC LAFCO revenue is application filing fees. These filing fees are not used for budgeting purposes, as they are used to offset the costs associated with processing the respective applications. The Special Revenue Fund column in the chart on page 4 displays a year-to-date accounting of fees totaling \$2,810 that remain on deposit with the Commission for continued processing of the Three Arch Bay Community Services District application for the activation of latent powers and the submittal by the City of Irvine of an application requesting the proposed annexation of two "notch areas" in the County unincorporated area to the City.

Expenditures

The General Fund total expenditures as of March 31, 2026, are below the third quarter target level, totaling \$858,991 or approximately 46.7% of the total budget, with most expenses attributed to operational costs, such as salaries and benefits, professional services, and office lease. 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	12%	29.4%	46.7%	-

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

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

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of March 31, 2026.

As of March 31, 2026	Balance
770-Payroll Account	\$ 324,828
Wells Fargo Checking	\$ 207,877
Wells Fargo Savings	\$ 219,533
Total	\$ 752,238

To maximize the interest accrued on the agency's revenues, apportionment fees are deposited in the Local Agency Investment Fund (LAIF). Throughout the fiscal year, funds are transferred from the investment account to the bank accounts to cover the agency's operational expenses. Additionally, the agency earns investment revenue through the Section 115 Public Agencies Post-Employment Benefits Trust (Trust). The balance of the Trust account at the end of the third quarter is \$118,962. The Trust has experienced three deposits totaling \$102,437 and a current gain of \$16,525 since being established by the Commission in 2021.

The following table illustrates the balance of OC LAFCO's investment portfolio as of March 31, 2026.

As of March 31, 2026	Balance
LAIF	\$ 1,475,903
PARS Trust	\$ 118,962
Total	\$ 1,594,865

APPENDIX A
OC LAFCO - Quarterly Budget Overview³
January 1, 2026 – March 31, 2026

	YTD Special Revenue Funds	1st Qtr. General Fund	2nd Qtr. General Fund	3rd Qtr General Fund	YTD General Fund	TOTAL FY 25/26 Budget	General Fund
Revenue:							
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,340	0.0%
LAFCO Apportionment	-	1,692,010	-	-	1,692,010	1,692,010	100.0%
Filing Fees	11,723	-	-	-	-	-	0.0%
Misc Revenue	-	167	116	-	283	-	0.0%
Interest & Dividends	-	369	17,291	(978)	16,682	35,640	46.8%
PARS Trust Investment Gain/Loss	-	5,027	2,052	40,312	47,392	-	0.0%
Total Revenue	\$ 11,723	\$ 1,697,573	\$ 19,459	\$ 39,334	\$ 1,756,366	\$ 1,837,990	95.6%
Expenditures:							
Salaries	\$ 3,462	\$ 84,364	\$ 119,065	\$ 100,152	\$ 303,581	\$ 671,000	45.2%
Hourly Employees	-	4,195	4,451	3,565	12,211	20,800	58.7%
Benefits & Insurance							
Optional Benefit Plan	-	-	16,042	-	16,042	18,500	86.7%
Deferred Compensation	-	833	3,439	2,898	7,170	19,400	37.0%
Retirement Benefits	-	29,802	41,496	35,720	107,019	274,700	39.0%
Health Insurance	-	9,059	14,071	12,882	36,012	78,500	45.9%
Retiree Health Benefits	-	763	1,091	936	2,790	6,200	45.0%
Dental Insurance	-	436	847	1,300	2,584	5,600	46.1%
Life Insurance	-	49	82	72	203	420	48.3%
Medicare	-	1,254	1,973	1,527	4,754	10,300	46.2%
Unemployment Insurance	-	36	50	43	129	540	23.9%
Health Reimbursement	-	1,282	1,765	1,513	4,560	8,200	55.6%
Salary Continuance	-	220	311	267	798	1,750	45.6%
Accidental Death Insurance	-	15	24	21	60	120	50.3%
Executive Car Allowance	-	-	1,800	1,200	3,000	7,200	41.7%
Total - Benefits & Insurance	3,462	43,749	82,992	58,381	185,122	431,430	42.9%
Information Technology	-	2,457	4,658	5,817	12,931	21,600	59.9%
Telephone & Internet	-	5,946	4,584	5,153	15,683	21,500	72.9%
County of Orange	-	807	523	2,087	3,417	13,100	26.1%
General Liability Insurance	-	5,404	5,404	5,404	16,212	21,860	74.2%
Memberships	-	7,234	7,034	6,974	21,241	28,600	74.3%
Office Equipment/Supplies	-	4,530	3,922	3,010	11,462	28,400	40.4%
Professional Services:							
Legal	-	6,832	5,826	10,728	23,386	60,000	39.0%
Accounting/Audit	-	23,405	12,903	12,304	48,612	60,900	79.8%
Human Resources	-	6,331	-	-	6,331	30,000	21.1%
Mapping/Archiving	-	984	984	984	2,951	4,000	73.8%
Other Professional Services	-	5,740	30,444	35,899	72,083	200,000	36.0%
Total - Professional Services	-	43,293	50,156	59,914	153,363	354,900	43.2%
Investment Admin Fees	-	91	63	26	180	850	21.2%
Public Noticing	5,450	2,405	-	1,781	4,186	14,400	29.1%
Unincorporated Areas Program	-	-	-	-	-	11,000	0.0%
Rents/Maintenance	-	38,335	28,760	28,751	95,846	118,700	80.7%
Equipment Leases	-	2,527	1,089	1,445	5,062	8,100	62.5%
Comm. & Staff Expense	-	540	1,206	993	2,739	5,000	54.8%
Educations & Legislative Partn	-	250	3,905	1,307	5,462	16,000	34.1%
Comm. Stipends & Taxes/Fees	-	1,124	2,362	3,006	6,491	15,750	41.2%
Professional Development	-	145	-	2,150	2,295	20,000	11.5%
Transportation/Travel	-	-	680	-	680	5,000	13.6%
Commission Meeting Expense	-	267	280	280	826	10,000	8.3%
Total Expenditures	8,913	247,662	321,133	290,196	858,991	1,837,990	46.7%
Total Net Income (Loss)	\$ 2,810	\$ 1,449,911	\$ (301,674)	\$ (250,862)	\$ 897,376	\$ -	

³No 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. Financial data represents pre-audited amounts,

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, 2026. Please note that the figures provided in this balance sheet are unaudited and subject to change. Additionally, an analysis of the agency's reserve balances is provided on page 6.

APPENDIX B OC LAFCO BALANCE SHEET (Unaudited) As of March 31, 2026

	<u>Mar 31, 26</u>
ASSETS	
Current Assets	
Cash and Investments	
County Acct-Payroll	324,828
Wells Fargo Checking	207,877
Wells Fargo Savings	219,533
Investment Acct - LAIF	1,475,903
PARS Trust	118,962
Fair Market Value Adjustments	627
Total Cash and Investments	<u>2,347,731</u>
Other Current Asset	
Interest Receivable	15,166
Prepaid Expenses	26,433
Retirement Prepaid Expense	183,203
Total Other Current Asset	<u>224,802</u>
Total Current Assets	<u>2,572,533</u>
Fixed Assets	31,744
Other Assets	
Pension Deposit	93,802
Right to Use Assets	520,141
Def. Outflows Pension Related	317,133
Deferred OPEB Contributions	2,055
Deferred Outflows OPEB Related	18,000
Total Other Assets	<u>951,130</u>
TOTAL ASSETS	<u><u>\$ 3,555,407</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	31,650
Compensated Absences	46,218
Total Current Liabilities	77,868
Long Term Liabilities	
Lease Liabilities	582,914
Deferred Inflows OPEB Related	61,000
Net OPEB Liability	45,000
Net Pension Liability	1,274,187
Def. Inflows Pension Related	317,307
Total Long Term Liabilities	<u>2,280,408</u>
Total Liabilities	<u>2,358,275</u>
Equity	<u>1,197,132</u>
TOTAL LIABILITIES & EQUITY	<u><u>\$ 3,555,407</u></u>

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

APPENDIX C
OC LAFCO RESERVE BALANCE ANALYSIS
As of March 31, 2026

Cash & Investments Description	March 31, 2026 Balance	Commission Approved Balances	Balance Excess / (Deficiency)
County Payroll	\$ 324,828	\$ 280,808 ¹	\$ 44,020
Checking - Wells Fargo	207,877	178,690 ¹	29,187
Savings - Wells Fargo	219,533	205,000 ¹	14,533
LAIF Investment	1,475,903	-	1,475,903
PARS Trust	118,962	-	118,962
Total	\$ 2,347,103	\$ 664,498	\$ 1,682,605 ²

Footnotes:

1 - Per the Cash and Cash Management Policy, the Commission must maintain \$280,808 during fiscal year 2025/26 in order to cover three months of payroll costs (County Payroll), \$178,690 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.