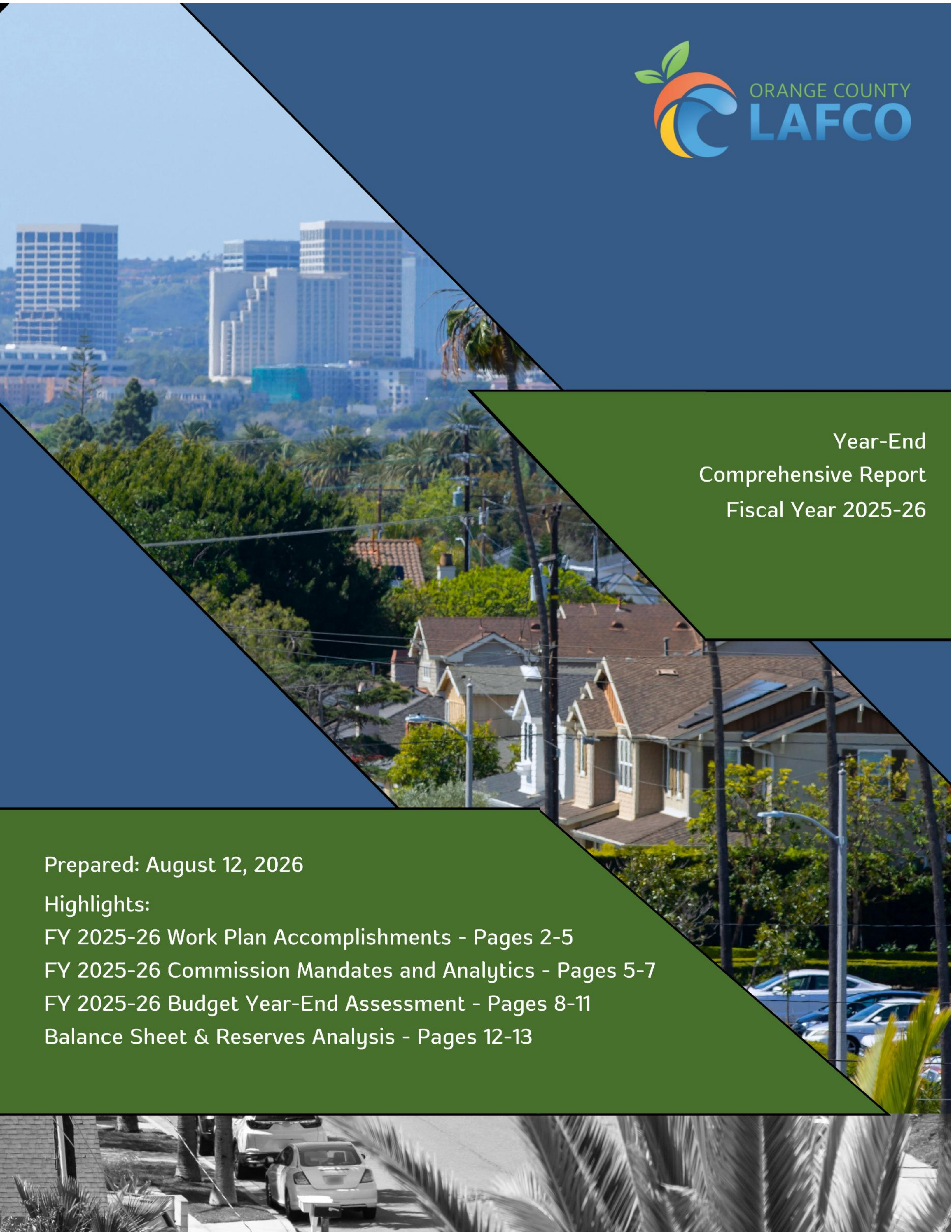


ORANGE COUNTY LAFCO

Year-End Comprehensive Report Fiscal Year 2025-26

Prepared: August 12, 2026

Highlights:

INTRODUCTION

The Year-End Comprehensive Report presents an overview of the Commission's Work Plan accomplishments, Commission mandates, analytics, and the agency's budget and investment portfolio performance for Fiscal Year 2025-2026.

WORK PLAN ACCOMPLISHMENTS

This section highlights the Commission's accomplishments during the first fiscal year of its three-year 2025-2028 Work Plan. In addition to the processing of filed applications and responding to the legislative mandate to prepare Municipal Service Reviews, a Work Plan has been adopted by the Commission that includes objectives assigned to the following strategic goals – ***Goal One*****:** Staff Development, Retention, and Recruitment; ***Goal Two*****:** Improve Municipal Service Review (MSR) Process for Future MSRs; ***Goal Three*****:** Optimize Communication; and, ***Goal Four*****:** Southern Region LAFCOs Educational and Legislative Partnership.

In the first year of the 2025-2028 Work Plan, the agency's overall performance includes completion of several objectives within the timeline established by the Commission and others on track prior to the completion of the three-year work plan. A discussion of each goal and the accomplishments and respective status of each objective is provided in the next section of this report and referenced in ***Attachment 2***.

Goal One: *Staff Development, Retention, and Recruitment*

Staff development, retention, and recruitment remained areas of priority during the FY 2025-2026. During the first quarter of the fiscal year, the agency experienced staff transitions, including hiring a Policy Analyst and appointing a new Executive Officer. During the transition of the two key positions, the Commission and staff continued to carry out the agency's mission with minimal interruptions to projects and activities. A key ongoing practice by staff is cross-training, which has allowed operational efficiencies to continue. Additionally, the Commission approved the *Classification and Compensation Study*, which updated the employee salary schedule and position classifications, and included a new position classification, senior analyst, as a promotional opportunity.

Professional development involving staff continued to be supported and encouraged by the Executive Officer. Staff participated in LAFCO-related and external activities to expand their acumen in leadership, government, geographic information systems, and municipal fiscal analysis.

During the past fiscal cycle, OC LAFCO completed the following activities to align with the key priorities of staff development, retention, and recruitment:

- ✓ Recruitment of a Policy Analyst I (complete).
- ✓ Commission appointed a new Executive Officer (complete).
- ✓ Conducted employee *Classification and Compensation Study (complete)*.
- ✓ Executive Officer continued to cross-train staff in multiple areas of the agency operations (ongoing).
- ✓ $20K annual funding for staff participation in professional development and training activities (underway).

Retaining and recruiting strong talent remains a priority for the Commission as the agency enters its second year of the three-year Work Plan 2025–2028 and will play a critical role in the agency's success in this area.

Goal Two: *Improve Municipal Service Review (MSR) Process for Future MSRs*

To date, the Commission has completed fourth-cycle MSRs for 24 cities, 22 special districts, and three County Service Areas, including the North MSR Region, which is scheduled for a public hearing on August 12, 2026. The MSR process has undergone many changes over the course of the previous and current work plan, resulting in efficiencies in report preparation, data collection, and agency feedback. The report preparation and data collection areas have been enhanced through budgeting and the use of consultants to complement staff's expertise and resources.

In addition to using surveys before and after the MSR process to gather data and feedback from cities and special districts, the MSR process also includes conducting agency interviews. These direct discussions with agency staff during the MSR process have allowed OC LAFCO staff and consultants to collect additional information and receive clarification on information provided in the surveys to ensure accuracy. The interviews also provide an additional opportunity for the agency staff to receive answers or clarification on the MSR process.

Enhancements to the MSR process discussed in this section have contributed to the completion of approximately 70 percent of the Commission's current five-year cycle MSR program, with the expectation that this will increase to 85 percent during the next fiscal year. During FY 2025-2026, the Commission received and filed the Central MSR Region, will hold a public hearing for the North MSR in August, and hired a consultant to work with staff on the Coastal MSR Region. The Coastal MSR Region includes 5 cities and 8 special districts, and is expected to be presented to the Commission in the spring of 2027. The updated MSR program schedule is attached to this report for reference and is also available on the OC LAFCO website to agencies and other interested parties.

Goal Three: *Optimize Communication*

During FY 2025-2026, the Commission's communication tools and resources remain key in keeping OC LAFCO Commissioners and staff connected with our local agencies, other external organizations and groups, and the public. Below is a list of the Work Plan objectives for this goal completed during FY 2025-26:

- ✓ Published Summer and Spring editions of The Pulse with distributions to local agencies and other external organizations and associations.
- ✓ Conducted visits with stakeholders, including 13 special districts and 12 cities, to provide updates on LAFCO news, updates on the current fourth round of MSRs, and provide information on the fiscal indicators.
- ✓ Provided LAFCO 101 Presentations to the Independent Special Districts of Orange County (ISDOC) and the California State Association of County Auditors Tax Managers Group.

THE Pulse

ORANGE COUNTY LAFCO

Spring 2026

Huntington Beach Central Library

Welcome to The Pulse, where agencies and the public can obtain more information about the Commission's recent activities and projects. This edition highlights the Commission's activity during the 2025-2026 fiscal cycle, including recent appointments, key activities and projects, and progress of the Alliance of Local Agency Formation Commissions.

A Message from the Chair

Wendy Bucknum, Chair

As the OC LAFCO Chairwoman, I welcome you to the Spring Edition of The Pulse. This edition provides an update on recent activities by the Commission and staff, underscoring the agency's continued efforts to accomplish the goals outlined in the OC LAFCO FY 2025-2028 Work Plan. To our new readers - and to those who have been engaged through our past editions - we thank you for your continued interest in OC LAFCO.

In January, I was appointed Chairwoman, alongside longstanding Commissioner James Fisler, as Vice Chair. Since the appointments, Commissioners and staff have been working collaboratively to ensure the agency upholds its mission statement and the goals set out in the OC LAFCO FY 2025-28 Work Plan. During the fiscal year 2025-26, the Commission welcomed the reappointments of experienced long-standing Commissioners, a transition in the Executive Officer position, and the hiring of two new analysts. Although there were significant changes in staff, the Commission did not halt its ongoing projects and activities - OC LAFCO continued with its regular agenda.

Some of the key items included as part of the Commission's agenda were routine administrative activities, a fiscal and legal analysis of a potential consolidation, municipal service reviews, activation of latent powers, monitored and adopted positions on legislation of LAFCO-interest. OC LAFCO also entered into a partnership between Los Angeles, San Bernardino, Orange, and San Diego to create the Alliance of Local Agency Formation Commissions. As the fiscal year continues, the Commission and staff will continue to support the County, cities and special districts with inquiries and potential proposals.

As Chairwoman, I will continue to provide leadership during the upcoming fiscal year to remain on track with the Work Plan and be responsive to Orange County's local agencies and communities.

To learn more about OC LAFCO, I welcome you to continue reading the articles included in this edition or attend one of our monthly meetings.

SPRING EDITION

Contents

Additional objectives that were also completed or started during the past fiscal year to support effective efforts of internal and external communication include the following efforts:

- ✓ Completion of website enhancements and improvements.
- ✓ Implementation of a new program on the agency's website to ensure compliance with the recent updates to the Americans with Disabilities Act instituted by the Federal Government regarding digital accessibility.
- ✓ Electronic access improvements to OC LAFCO local bylaws, policies, and procedures.

Finally, to ensure OC LAFCO stays connected with various external groups, staff and Commissioners continued participation with the following groups over the past fiscal year:

- ❖ Alliance of LAFCOs (Orange, Los Angeles, San Bernardino, and San Diego LAFCOs) – staff and Commissioners, with Commissioner McGregor and Huang as the regular and alternate members, respectively.
- ❖ Alliance Legislative Committee (Luis Tapia, Executive Officer and Aimee Diaz, Policy Analyst I).
- ❖ Center for Demographic Research (CDR) - Staff
- ❖ Independent Special Districts of Orange County (ISDOC) (Commissioner Fisler, Luis Tapia, Executive Officer, Leo Lara, Policy Analyst I).
- ❖ Orange County City Managers Association – Executive Officer
- ❖ Orange County Council of Governments (Commissioners Wagner and Bucknum, and Luis Tapia, Executive Officer).
- ❖ Orange County Business Council – Staff
- ❖ UC Berkeley, LAFCO and Water/Wastewater Small System Working Group (Luis Tapia, Executive Officer).

Goal Four: *Southern Region LAFCOs Educational and Legislative Partnership*

In May 2025, the Commission approved the "Memorandum of Understanding by and between Los Angeles, Orange, San Bernardino, and San Diego LAFCOs" (MOU) to formalize the collaboration and officially provide a budget for the Alliance of Local Agency Formation Commissions (Alliance of LAFCOs). The memorandum of understanding outlines the collaboration between the LAFCOs for the provision and receipt of services, including educational opportunities, training, professional networking, and legislative advocacy. Below is a list of the Work Plan objectives for this goal related to the establishment of the Alliance completed during FY 2025-26:

- ✓ Approved a memorandum of understanding between the members of the Alliance of LAFCOs and the first amendment to the MOU.
- ✓ Collaborated with the Alliance of LAFCOs to establish the Alliance of LAFCOs Legislative Committee to review and monitor legislation of LAFCO interest.
- ✓ Participated in the monthly Alliance of LAFCOs meetings.
- ✓ Planned the first staff workshop for the Alliance of LAFCOs.
- ✓ Distributed the Summer 2025 and Spring 2026 Pulse editions to stakeholders.

COMMISSION MANDATES

While not included within the Commission's Work Plan, the Commission is required to efficiently process filed applications and conduct MSRs and sphere reviews and updates in accordance with the timelines prescribed in State law and adopted local policies. Because of statutory timelines and mandates, filed applications and MSRs take precedence over other agency activities and projects.

During the past fiscal year, two applications were processed and approved by the Commission. Staff resources were allocated to the applications and to additional efforts and inquiries involving potential changes of organization. The summaries below highlight these efforts.

Completed

Latent Powers:

- ✓ Activation of Latent Powers for Three Arch Bay Community Services District – *Approved February 11, 2026*.

City Annexation

- ✓ City of Irvine Annexation of the Gateway Development Notch Areas 1 and 2 – *Approved May 13, 2026*.

MSR/SOI Reviews

- ✓ Central MSR Region – Completed September 2025.

Underway

Proposed Submittal of Application

- ✓ City of Anaheim Annexations of Right-of-Ways – *End of Summer*.
- ✓ Irvine Ranch Water District and Orange County Sanitation District Annexations – *Summer*.

MSR/SOI Reviews:

- ✓ North Region – *Anticipated Completion – August 2026*.
- ✓ Coastal Region – *Anticipated Completion – March/April 2027*.

Potential Applications

- City of Orange is exploring the annexation of the islands within the City's SOI.
- City of Cypress is exploring an annexation to the Cypress Recreation & Park District.
- City of Newport Beach is exploring the annexation of an area.

FY 2025-26 Analytics

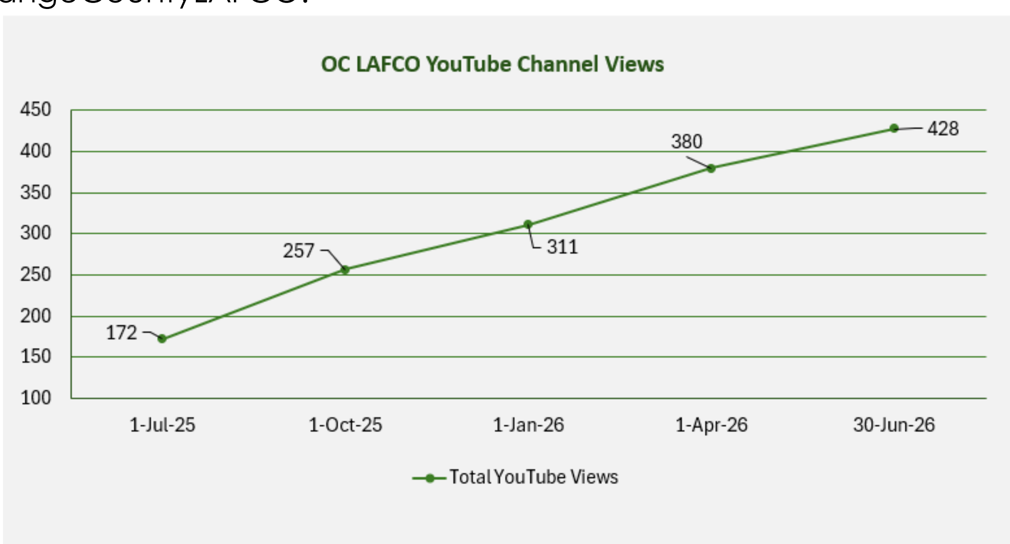
During the past fiscal year, the OC LAFCO website has served as an important resource for the agencies and public, generating more than 27,365 page views. The website analytics demonstrate that users accessed a variety of information related to the agency's programs and services, with the highest levels of activity focused on the following pages: the Homepage, Unincorporated Areas, Meetings, Municipal Service Reviews, and Sphere of

Influence maps. The chart below displays the five pages that attracted the most visits over the past fiscal year. Although the listed pages accounted for the most website traffic, they represent a portion of the overall engagement across the website.

YouTube Performance

The Commission continued to enhance public access to its general meetings during Fiscal Year 2025-26 through its livestream platform. Following the Commission's introduction of audio livestreaming and transition to video livestreaming in 2025, the Commission's online meeting broadcast serves as a resource for public viewing. During Fiscal Year 2025-2026, the Commission's livestreams received a total of 428 views to date and over 60 hours of watch time, reflecting continued public engagement with the Commission's digital meeting access tool. The graph below demonstrates livestream viewership trends during the fiscal year.

To follow along with OC LAFCO, visit www.oclafco.org or subscribe to the agency's YouTube channel @OrangeCountyLAFCO.



Year-End Budget Overview

This report provides an update on the agency's budget and investment portfolio performance for the period of July 1, 2025, through June 30, 2026.[1] The Fiscal Year 2025-26 budget of $1,837,990 supported the operations of the Commission and provided the resources needed to accomplish the agency's work plan.

Revenues

The OC LAFCO revenues (agency apportionments and interest earnings) exceeded budget projections at the end of the fiscal cycle. The year-to-date agency revenues received include $1,692,010 in agency apportionments and $75,944 in interest earnings received from the Commission's investment accounts. The fiscal year budget for 2025-2026 included moderate projections for the interest earnings that were based on the market performance at that time. However, interest earnings at year-end performed well and exceeded projections.

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. During the 2025-2026 fiscal year, the agency had filing fees for two applications on deposit as shown in the financial overview as revenue within the Special Revenue Fund column. The Special Revenue Fund column in the table on page 11 includes year-to-date accounting of the application fees and expenses incurred during the current fiscal year.

Expenditures

Throughout FY 2025-2026, the General Fund expenditures trended between 12 percent and approximately 35.9 percent below quarterly target levels, and as of June 30, 2026, expenditures are at approximately 64.1 percent of the overall budget of $1,837,990. The following table provides a comparison of the percentage of actual funds used and the target levels for the 2025-2026 budget cycle.[2]

Total Funds Used (as of June 30, 2026)				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Target	25%	50%	75%	100%
Actual	12%	29.4%	46.7%	64.1%

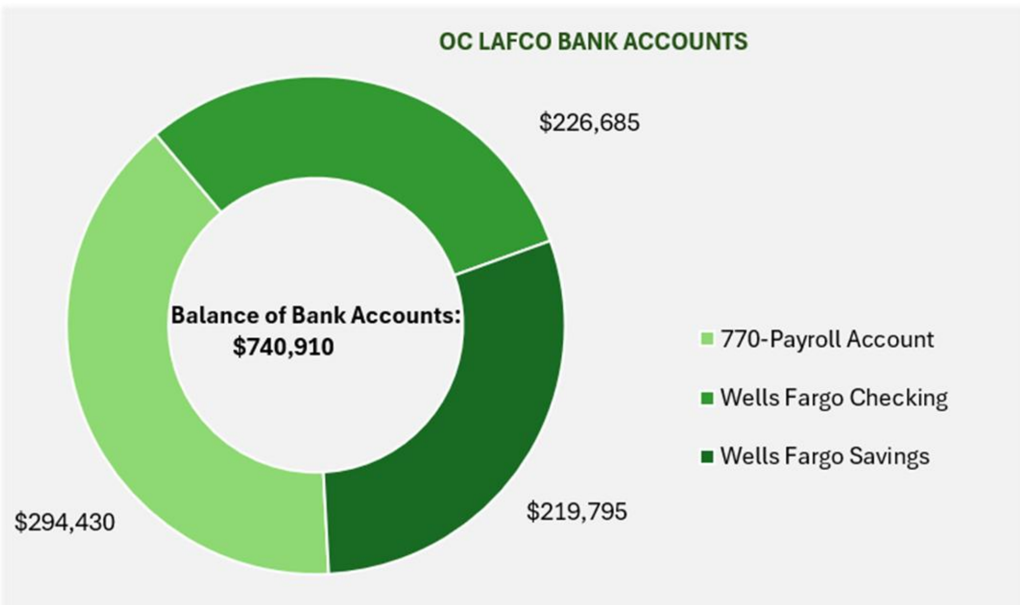
As indicated in the table on page 10, at the close of the fourth quarter, overall expenses are projected to be approximately 35.9 percent below the approved budget total by June 30.

[1] All financial statements contained in this report are on an accrual accounting basis.
[2] Actual expenditures for the year-end reporting are unaudited and subject to change.

Ending below the target level is largely attributed to savings within the salaries and benefits line items resulting from the transition in the Executive Officer position, the vacancy of a policy analyst during the first quarter of FY 2025-2026, and the vacancy of the Assistant Executive Officer position. Additional line items within the budget target levels and key operational expenditures include professional services (e.g., Legal, Accounting/Audit, Human Resources), office equipment and supplies, information technology, and other office operation line items. The line item, general liability, reflects a slightly higher cost above the budgeted amount due to a minor increase in the estimates used during the preparation of the annual budget. Lastly, line items, including unincorporated islands, Commission meeting expenses, and human resources, reflect low percentages of expenses due to delays on expected projects and charges, potential applications, and other related actions.

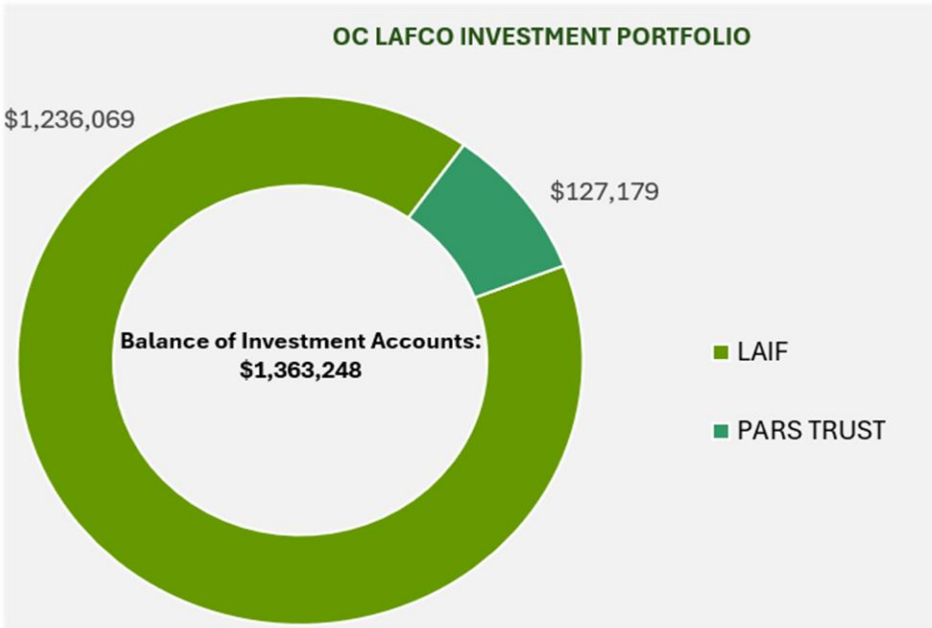
Balances and Investment Report

The following graph illustrates the balance of OC LAFCO's bank accounts as of June 30, 2026:



To maximize the interest accrued on the agency's revenues, apportionment fees have been 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 past fiscal year saw continued improvement involving the investment earnings of the agency's Section 115 Public Agencies Post-Employment Benefits Trust (Trust). The balance of the Trust account is $127,179 and includes three Commission-approved transfers totaling $102,437 and a current gain of $24,742 since being established by the Commission in 2021.

The following graph illustrates the complete balance of OC LAFCO's investment portfolio as of June 30, 2026.



APPENDIX A
OC LAFCO – Year-End Budget Overview
July 1, 2025 – June 30, 2026

	YTD Special Revenue Funds	1st Qtr. General Fund	2nd Qtr. General Fund	3rd Qtr General Fund	4th 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	12,521	-	-	-	-	-	-	0.0%
Misc Revenue	-	167	116	-	81	364	-	0.0%
Interest & Dividends	-	369	17,291	40,312	17,972	75,944	35,640	213.1%
PARS Trust Investment Gain/Loss	-	5,027	2,052	(978)	8,217	14,318	-	0.0%
Total Revenue	12,521	1,697,573	19,459	39,334	26,270	1,782,636	1,837,990	97.0%
Expenditures:								
Salaries	5,382	84,364	119,065	100,152	118,071	421,652	671,000	62.8%
Hourly Employees	-	4,195	4,451	3,565	3,220	15,431	20,800	74.2%
Benefits & Insurance						-		
Retirement Benefits	-	29,802	41,496	35,720	42,064	149,082	274,700	54.3%
Retiree Health Benefits	-	763	1,091	936	1,097	3,887	6,200	62.7%
Health Insurance	-	9,059	14,071	12,882	15,029	51,041	78,500	65.0%
Dental Insurance	-	436	847	1,300	1,518	4,101	5,600	73.2%
Life Insurance	-	49	82	72	84	287	420	68.2%
Unemployment Insurance	-	36	50	43	50	179	540	33.1%
Health Reimbursement	-	1,282	1,765	1,513	1,766	6,326	8,200	77.1%
Optional Benefit Plan	-	-	16,042	-	-	16,042	18,500	86.7%
Deferred Compensation	-	833	3,439	2,898	5,303	12,473	19,400	64.3%
Medicare	-	1,254	1,973	1,527	1,774	6,528	10,300	63.4%
Salary Continuance	-	220	311	267	313	1,111	1,750	63.5%
Accidental Death Insurance	-	15	24	21	25	85	120	71.0%
Executive Car Allowance	-	-	1,800	1,200	2,400	5,400	7,200	75.0%
Total - Benefits & Insurance	-	43,749	82,991	58,379	71,422	256,541	431,430	59.5%
Information Technology	-	2,457	4,658	5,817	6,864	19,796	21,600	91.6%
Internet & Electronic Services	-	5,946	4,584	5,153	3,483	19,166	21,500	89.1%
County of Orange	-	807	523	2,087	215	3,632	13,100	27.7%
Insurance	-	5,404	5,404	5,404	5,756	21,968	21,860	100.5%
Memberships/Subscriptions	-	7,234	7,034	6,974	6,874	28,116	28,600	98.3%
Office Equipment/Supplies	-	4,530	3,922	3,010	7,171	18,633	28,400	65.6%
Professional Services:								
Legal	-	6,832	5,826	10,728	5,261	28,647	60,000	47.7%
Accounting/Audit	-	23,405	12,903	12,304	12,304	60,916	60,900	100.0%
Human Resources	-	6,331	-	-	-	6,331	30,000	21.1%
Other Professional Services	-	5,740	30,444	35,899	42,707	114,790	200,000	57.4%
Total - Professional Services	-	42,308	49,173	58,931	60,272	210,684	350,900	60.0%
Mapping/Archiving	-	984	984	984	983	3,935	4,000	98.4%
Investment Admin Fees	-	91	63	26	11	191	850	22.5%
Public Noticing/Communications	6,321	2,405	-	1,781	598	4,784	14,400	33.2%
Unincorporated Areas Program	-	-	-	-	-	-	11,000	0.0%
Rents/Improvements/Maintenance	-	38,335	28,760	28,751	19,657	115,503	118,700	97.3%
Equipment Leases & Maintenance	-	2,527	1,089	1,445	2,874	7,935	8,100	98.0%
Commissioner/Staff Expenses	-	540	1,206	993	759	3,498	5,000	70.0%
Comm. Stipends & Taxes/Fees	-	1,124	2,362	3,006	1,926	8,418	15,750	53.4%
Educations & Legislative Partn	-	250	3,905	1,307	6,308	11,770	16,000	73.6%
Professional Development	-	145	-	2,150	2,653	4,948	20,000	24.7%
Transportation/Travel	-	-	680	-	156	836	5,000	16.7%
Commission Meeting Expense	-	267	280	280	265	1,092	10,000	10.9%
SBE	650	-	-	-	-	-	-	0.0%
Refund of Deposit	-	-	-	-	-	-	-	0.0%
Total Expenditures	12,353	247,662	321,134	290,195	319,538	1,178,529	1,837,990	64.1%
Total Net Income (Loss)	$ 168	$ 1,449,911	$ (301,675)	$ (250,861)	$ (293,268)	$ 604,107	$ -	

*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.

**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 in this year-end report summarizes the agency's assets and liabilities as of June 30, 2026. Additionally, an analysis of the agency's reserve balances is provided on page 13.

APPENDIX B
OC LAFCO BALANCE SHEET
As of June 30, 2026

	6/30/2026
ASSETS	
Current Assets	
Cash and Investments	
County Acct-Payroll	294,430
Wells Fargo Checking	226,685
Wells Fargo Savings	219,795
Investment Acct - LAIF	1,236,069
PARS Trust	127,179
Fair Market Value Adjustments	627
Total Cash and Investments	2,104,785
Other Current Asset	
Interest Receivable	15,166
Prepaid Expenses	31,315
Retirement Prepaid Expense	149,749
Total Other Current Asset	196,230
Total Current Assets	2,301,015
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	951,131
TOTAL ASSETS	$ 3,283,890
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	27,799
Salaries Payable	28,245
Compensated Absences	46,218
Total Current Liabilities	102,262
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	2,280,408
Total Liabilities	2,382,670
Equity	901,220
TOTAL LIABILITIES & EQUITY	$ 3,283,890

*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 June 30, 2026

Cash & Investments Description	June 30, 2026 Balance	Commission Approved Balances		Balance Excess / (Deficiency)	
County Payroll	294,430	280,808	1	13,622	
Checking - Wells Fargo	226,685	178,690	1	47,995	
Savings - Wells Fargo	219,795	205,000	1	14,795	
LAIF Investment	1,236,069	-		1,236,069	
PARS Trust	127,179	-		127,179	
Total	**$ 2,104,159**	**$ 664,498**		**$ 1,439,661**	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

2 - Remaining Available Cash to fund Operations and Reserves.