ORANGE COUNTY FIRE AUTHORITY
AGENDA

Budget and Finance Committee Regular Meeting
Wednesday, March 11, 2020
12:00 Noon

Orange County Fire Authority
Regional Fire Operations and Training Center
1 Fire Authority Road
Room AE117
Irvine, California 92602

Gene Hernandez, Chair
Elizabeth Swift, Vice Chair
Sergio Farias  Shelley Hasselbrink  Joe Muller
Vince Rossini  Ed Sachs  Don Sedgwick  Tri Ta
Jennifer Cervantez - Ex Officio

This Agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action or discussion shall be taken on any item not appearing on the following Agenda. Unless legally privileged, all supporting documents, including staff reports, and any writings or documents provided to a majority of the Budget and Finance Committee after the posting of this agenda are available for review at the Orange County Fire Authority Regional Fire Operations & Training Center, 1 Fire Authority Road, Irvine, CA 92602 or you may contact Sherry A.F. Wentz, Clerk of the Authority, at (714) 573-6040 Monday through Thursday, and every other Friday from 8 a.m. to 5 p.m. and available online at http://www.ocfa.org

If you wish to speak before the Budget and Finance Committee, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority. Speaker Forms are available on the counter noted in the meeting room.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Clerk of the Authority at (714) 573-6040. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Sachs

ROLL CALL

PUBLIC COMMENTS

Any member of the public may address the Committee on items within the Committee’s subject matter jurisdiction but which are not listed on this agenda during PUBLIC COMMENTS. However, no action may be taken on matters that are not part of the posted agenda. We request comments made on the agenda be made at the time the item is considered and that comments be limited to three minutes per person. Please address your comments to the Committee as a whole, and do not engage in dialogue with individual Committee Members, Authority staff, or members of the audience.
2. MINUTES
   A. Minutes for the February 11, 2020, Budget and Finance Committee Special Meeting
      Submitted by: Sherry Wentz, Clerk of the Authority
      Recommended Action:
      Approve as submitted.

3. CONSENT CALENDAR
   A. Monthly Investment Reports
      Submitted by: Tricia Jakubiak, Treasurer
      Recommended Action:
      Review the proposed agenda item and direct staff to place the item on the agenda for the
      Executive Committee meeting of March 26, 2020, with the Budget and Finance Committee’s recommendation that the Executive Committee receive and file the reports.

   B. FY 2019/20 Mid-Year Budget Adjustment
      Submitted by: Robert Cortez, Assistant Chief/Business Services Department
      Recommended Action:
      Review the proposed agenda item and direct staff to place the item on the agenda for the
      Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee’s recommendation that the Board of Directors authorize the proposed mid-year budget adjustments and transfers.

4. DISCUSSION CALENDAR
   A. Fiscal Year 2018/19 Backfill/Overtime and Calendar Year 2019 Total Earnings/Compensation Analysis
      Submitted by: Robert Cortez, Assistant Chief/Business Services Department
      Recommended Action:
      Review the proposed agenda item and direct staff to place the item on the agenda for the
      Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee’s recommendation that the Board of Directors take the following actions:
      1. Direct staff to continue pursuing reductions in overtime by filling permanent vacancies as quickly as possible after the positions become vacant.
      2. Authorize staff to temporarily exceed the number of authorized firefighter positions on the Master Position Control to maximize the number of firefighters hired into each academy, pending attrition/promotions that occur during and following academy graduations.
      3. Authorize staff to temporarily exceed the number of authorized Handcrew Firefighter positions on the Master Position Control to maximize the number of Handcrew Firefighters hired from each Handcrew Firefighter recruitment process, pending attrition/promotions that occur as Handcrew Firefighters promote to the firefighter rank.
      4. Direct staff to continue using overtime to fill temporary vacancies rather than hiring additional personnel recognizing this as a cost-effective practice for temporary needs.
B. Options to Mitigate Escalating Charges to Cash Contract Cities Beginning FY 2020/21  
Submitted by: Lori Zeller, Deputy Chief/Administration and Support Bureau

Recommended Actions:
1. Receive and file the update regarding staff outreach to brief OCFA Directors on the actions recommended by the Budget and Finance Committee at its meeting of February 11, 2020.
2. Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee’s additional recommendation that the Board of Directors: Direct staff and General Counsel to prepare a proposed form of agreement between the OCFA and cash contract cities incorporating the terms of Option 1 for review and approval by the Board of Directors before submitting the agreement to cash contract cities for approval.

REPORTS
No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, April 8, 2020, at 12:00 noon.

AFFIDAVIT OF POSTING
I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 5th day of March 2020.

Sherry A.F. Wentz, CMC  
Clerk of the Authority

UPCOMING MEETINGS:
Executive Committee Meeting  
Board of Directors Meeting  

Thursday, March 26, 2020, 5:30 p.m.  
Thursday, March 26, 2020, 6:00 p.m.
CALL TO ORDER
A special meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on February 11, 2020, at 12:00 p.m. by Chair Hasselbrink.

PLEDGE OF ALLEGIANCE
Director Swift led the assembly in the Pledge of Allegiance to our Flag.

ROLL CALL

Present:  Don Sedgwick, Laguna Hills  
           Joseph Muller, Dana Point  
           Gene Hernandez, Yorba Linda  
           Tri Ta, Westminster  
           Beth Swift, Buena Park  
           Shelley Hasselbrink, Los Alamitos

Absent:  Sergio Farias, San Juan Capistrano  
          Vince Rossini, Villa Park  
          Ed Sachs, Mission Viejo

Also present were:

Fire Chief Brian Fennessy  
Deputy Chief Mark Sanchez  
Assistant Chief Kenny Dossey

Deputy Chief Lori Zeller  
Assistant Chief Robert Cortez  
Communications Director Colleen Windsor

Clerk of the Authority Sherry Wentz

PUBLIC COMMENTS (F: 12.02B3)
Chair Hasselbrink opened the Public Comments portion of the meeting. Chair Hasselbrink closed the Public Comments portion of the meeting without any comments from the general public.
1. PRESENTATIONS
   No items.

2. MINUTES

   A. Minutes for the January 8, 2020, Budget and Finance Committee Regular Meeting
      (F: 12.02B2)

      On motion of Director Ta and second by Director Hernandez, the Budget and Finance
      Committee voted by those present to approve the Minutes of the January 8, 2020, regular
      meeting as submitted. Chair Hasselbrink was recorded as an abstention, due to her absence
      from the January 8, 2020, meeting.

      Director Muller was absent for the vote.

3. CONSENT CALENDAR

   A. Second Quarter Financial Newsletter (F: 15.07)

      On motion of Director Hernandez and second by Director Ta, the Budget and Finance
      Committee voted by those present to direct staff to place the item on the agenda for the
      Executive Committee meeting of February 27, 2020, with the Budget and Finance
      Committee’s recommendation that the Executive Committee receive and file the report.

      Director Muller was absent for the vote.

4. DISCUSSION CALENDAR

   A. Monthly Investment Reports (F: 11.10D2)

      Treasurer Tricia Jakubiak provided an overview of the Monthly Investment Reports.

      On motion of Director Ta and second by Vice Chair Sedgwick, the Budget and Finance
      Committee voted by those present to direct staff to place the item on agenda for the
      Executive Committee meeting of February 27, 2020, with the Budget and Finance
      Committee’s recommendation that the Executive Committee receive and file the reports.

      Director Muller arrived at this point (12:11 p.m.).
B. Options to Mitigate Escalating Charges to Cash Contract Cities Beginning FY 2020/21 (F: 10.04)

Deputy Chief Lori Zeller presented a PowerPoint presentation on Options to Mitigate Escalating Charges to Cash Contract Cities.

A lengthy discussion ensued.

On motion by Director Ta and second by Director Hernandez, the Budget and Finance Committee voted unanimously to send the Options to Mitigate Escalating Charges to Cash Contract Cities Beginning FY 2020/21 to the Board of Directors with its recommendation that the Board approve Option 1 with a payback provision and directed staff to return in two years for a progress review.

REPORTS (F: 12.02B6)
No items.

ELECTION OF COMMITTEE CHAIR AND VICE CHAIR (F: 12.02B1)

Chair Hasselbrink opened the nominations for Chair of the Budget and Finance Committee.

Vice Chair Sedgwick nominated Director Hernandez with a second by Director Muller. There were no additional nominations.

On motion of Vice Chair Sedgwick and second by Director Muller, the Committee acclaimed Director Hernandez as Chair for the ensuing term.

Chair Hernandez assumed the chair and opened the nominations for the Budget and Finance Committee Vice Chair.

Chair Hernandez nominated Director Swift with a second by Director Ta. There were no additional nominations.

On motion by Chair Hernandez and second by Director Ta, the Committee acclaimed Director Swift as Vice Chair for the ensuing term.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

There were no Committee Member comments.

ADJOURNMENT (F: 11.18)

Chair Hernandez adjourned the meeting at 12:43 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, March 11, 2020, at 12:00 noon.

Sherry A.F. Wentz, CMC
Clerk of the Authority
Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting
March 11, 2020

Monthly Investment Reports

Contact(s) for Further Information
Tricia Jakubiak, Treasurer
    Contact: triciajakubiak@ocfa.org
    Phone: 714.573.6301
Treasury & Financial Planning

Jane Wong, Assistant Treasurer
    Contact: janewong@ocfa.org
    Phone: 714.573.6305

Summary
This agenda item is a routine transmittal of the monthly investment reports submitted to the Committee in compliance with the investment policy of the Orange County Fire Authority and with Government Code Section 53646.

Prior Board/Committee Action
Not Applicable.

RECOMMENDED ACTION(S)
Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 26, 2020, with the Budget and Finance Committee’s recommendation that the Executive Committee receive and file the reports.

Impact to Cities/County
Not Applicable.

Fiscal Impact
Not Applicable.

Background
Attached is the final monthly investment report for the month ended January 31, 2020. A preliminary investment report as of February 21, 2020, is also provided as the most complete report that was available at the time this agenda item was prepared.

Attachment(s)
Orange County Fire Authority
Monthly Investment Report

Final Report – January 2020

Preliminary Report – February 2020
Monthly Investment Report
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Orange County Fire Authority

Final Investment Report

January 31, 2020
EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of January 2020, the size of the portfolio decreased significantly by $46.1 million to $160.1 million. Significant receipts for the month included various apportionments of property taxes in the amount of $17.5 million, two cash contract payments totaling $5.4 million and various intergovernmental agency payments and other charges for current services totaling $2.5 million. Significant disbursements for the month included primarily two biweekly payrolls which were approximately $13 million each with related benefits and a $40.4 million payment to OCERS for the prepayment of the retirement cost for fiscal year 2020/21. Total January cash outflows amounted to approximately $72 million. The portfolio’s balance is expected to decrease significantly in the following month as there are no major receipts expected in February.

In January, the portfolio’s yield to maturity (365-day equivalent) remained at 1.73%. The effective rate of return declined by 6 basis points to 1.71% for the month and by 4 basis points to 2.08% for the fiscal year to date. The average maturity of the portfolio decreased by 10 days to 20 days to maturity.

Economic News

The U.S. economy continued to grow in January 2020. There were a total of 225,000 jobs created in January which was more than expected. The unemployment rate rose from 3.5% to 3.6% but for good reason as more people entered the labor market looking for work. Both the Conference Board Consumer Confidence and the University of Michigan Consumer Sentiment indices increased reaffirming that consumers continue to drive growth. Activity in both the manufacturing and non-manufacturing sectors increased from last month. Industrial production fell 0.3% as unseasonably warm weather held down the output of utilities and Boeing slowed production of civilian aircraft. The CPI (Consumer Price Index) rose 0.1%.
BENCHMARK COMPARISON AS OF JANUARY 31, 2020

3 Month T-Bill: 1.55%
6 Month T-Bill: 1.56%

1 Year T-Bill: 1.53%
LAIF: 1.97%

OCFA Portfolio: 1.71%

PORTFOLIO SIZE, YIELD, & DURATION

<table>
<thead>
<tr>
<th></th>
<th>Current Month</th>
<th>Prior Month</th>
<th>Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book Value</td>
<td>$160,111,527</td>
<td>$206,205,550</td>
<td>$153,781,149</td>
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<tr>
<td>Yield to Maturity (365 day)</td>
<td>1.73%</td>
<td>1.73%</td>
<td>2.28%</td>
</tr>
<tr>
<td>Effective Rate of Return</td>
<td>1.71%</td>
<td>1.77%</td>
<td>2.26%</td>
</tr>
<tr>
<td>Days to Maturity</td>
<td>20</td>
<td>30</td>
<td>46</td>
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</table>
# ORANGE COUNTY FIRE AUTHORITY
## Portfolio Management
### Portfolio Summary
**January 31, 2020**

<table>
<thead>
<tr>
<th>Investments</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Days to Call / Maturity</th>
<th>YTM/Call 360</th>
<th>YTM/Call 365</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Mkt Mutual Funds/Cash</td>
<td>16,098,806.14</td>
<td>16,098,806.14</td>
<td>16,098,806.14</td>
<td>10.18</td>
<td>1</td>
<td>1.105</td>
<td>1.120</td>
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<tr>
<td>Federal Agency Coupon Securities</td>
<td>11,000,000.00</td>
<td>11,011,000.00</td>
<td>11,007,003.65</td>
<td>6.96</td>
<td>1,019</td>
<td>1.558</td>
<td>1.580</td>
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<td>Federal Agency Disc - Amortizing</td>
<td>46,200,000.00</td>
<td>46,108,426.00</td>
<td>46,126,019.31</td>
<td>26.14</td>
<td>26</td>
<td>1.585</td>
<td>1.607</td>
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<td>Treasury Discounts - Amortizing</td>
<td>9,000,000.00</td>
<td>9,088,900.00</td>
<td>9,980,100.00</td>
<td>6.31</td>
<td>104</td>
<td>1.629</td>
<td>1.651</td>
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<td>Local Agency Investment Funds</td>
<td>75,000,000.00</td>
<td>75,132,772.35</td>
<td>75,000,000.00</td>
<td>47.41</td>
<td>1</td>
<td>1.940</td>
<td>1.957</td>
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<td><strong>Total Investments</strong></td>
<td><strong>158,298,806.14</strong></td>
<td><strong>158,340,904.49</strong></td>
<td><strong>158,199,729.10</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>105</strong></td>
<td><strong>20</strong></td>
<td><strong>1.705</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Accrued Interest</th>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>Passbook/Checking (not included in yield calculations)</td>
<td>1,723,538.97</td>
<td>1,723,538.97</td>
<td>1,723,538.97</td>
<td>1</td>
<td>1</td>
<td>0.000</td>
<td>0.000</td>
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<tr>
<td>Accrued Interest at Purchase</td>
<td>46,444.44</td>
<td>46,444.44</td>
<td>46,444.44</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>1,769,983.41</td>
<td>1,769,983.41</td>
<td>1,769,983.41</td>
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<tr>
<td><strong>Total Cash and Investments</strong></td>
<td><strong>160,022,345.11</strong></td>
<td><strong>160,110,887.90</strong></td>
<td><strong>159,969,712.51</strong></td>
<td><strong>105</strong></td>
<td><strong>20</strong></td>
<td><strong>1.705</strong></td>
<td><strong>1.729</strong></td>
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### Total Earnings

<table>
<thead>
<tr>
<th></th>
<th>January 31</th>
<th>Month Ending</th>
<th>Fiscal Year To Date</th>
</tr>
</thead>
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<tr>
<td>Current Year</td>
<td>265,549.33</td>
<td>1,656,987.39</td>
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<tr>
<td>Average Daily Balance</td>
<td>182,966,292.71</td>
<td>151,487,418.22</td>
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<tr>
<td>Effective Rate of Return</td>
<td>1.71%</td>
<td>2.08%</td>
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</table>

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2020. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months.

Patricia Jakubik, Treasurer

2/7/20"

**Cash and Investments with GASB 31 Adjustment:**

- Book Value of Cash & Investments before GASB 31 (Above) **$159,969,712.51**
- GASB 31 Adjustment to Books (See Note 3 on page 9) **$141,814.95**
- **Total** **$160,111,527.47**
### ORANGE COUNTY FIRE AUTHORITY
#### Portfolio Management
#### Portfolio Details - Investments
#### January 31, 2020

<table>
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<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>YTM/C 365</th>
<th>Days to Call / Maturity</th>
<th>Maturity Date</th>
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<td>8529</td>
<td>528</td>
<td>Federated Treasury Obligations</td>
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<td>16,098,606.14</td>
<td>16,098,606.14</td>
<td>1.120</td>
<td>1.120</td>
<td>1</td>
<td>10/03/2022</td>
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<td><strong>Subtotal and Average</strong></td>
<td><strong>14,940,806.61</strong></td>
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<tr>
<td>903</td>
<td>3130A97H7E</td>
<td>Fed Home Loan Bank (Callable on 4/3/20)</td>
<td>11,000,000.00</td>
<td>12/19/2019</td>
<td>11,011,000.00</td>
<td>11,007,603.65</td>
<td>2.000</td>
<td>1.500</td>
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<tr>
<td>903</td>
<td>313312TX8</td>
<td>Farm Credit Disc Note</td>
<td>6,000,000.00</td>
<td>12/19/2019</td>
<td>5,901,060.00</td>
<td>5,261,420.00</td>
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<td>1.600</td>
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<td>313384UN7</td>
<td>Fed Home Loan Bank</td>
<td>11,000,000.00</td>
<td>12/20/2019</td>
<td>10,978,110.00</td>
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<td>1.610</td>
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<td>Fed Home Loan Bank</td>
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<td>12/19/2019</td>
<td>10,944,340.00</td>
<td>10,944,113.69</td>
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<td>1.605</td>
<td>118</td>
<td>05/29/2020</td>
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<td>902</td>
<td>912796TH2</td>
<td>US Treasury Bill</td>
<td>5,000,000.00</td>
<td>09/20/2019</td>
<td>4,953,400.00</td>
<td>4,991,970.17</td>
<td>1.750</td>
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<td>03/05/2020</td>
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<td>912796TG4</td>
<td>US Treasury Bill</td>
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<td>12/31/2019</td>
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<td>4,966,120.63</td>
<td>1.470</td>
<td>1.514</td>
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<tr>
<td>338</td>
<td>SY5336</td>
<td>Local Agency Invest Fund</td>
<td>75,000,000.00</td>
<td></td>
<td>75,132,772.35</td>
<td>75,000,000.00</td>
<td>1.967</td>
<td>1.967</td>
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<td><strong>Subtotal and Average</strong></td>
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<tr>
<td><strong>Total and Average</strong></td>
<td><strong>182,966,292.71</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## ORANGE COUNTY FIRE AUTHORITY
### Portfolio Management
#### Portfolio Details - Cash

**January 31, 2020**

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>YTM/C 365</th>
<th>Days to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>SYS10033</td>
<td>10033</td>
<td>Revolving Fund</td>
<td>0.00</td>
<td>07/01/2019</td>
<td>20,000.00</td>
<td>20,000.00</td>
<td>20,000.00</td>
<td>0.000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>SYS4</td>
<td>4</td>
<td>Union Bank</td>
<td>0.00</td>
<td>07/01/2019</td>
<td>1,703,538.97</td>
<td>1,703,538.97</td>
<td>1,703,538.97</td>
<td>0.000</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**Average Balance**

<table>
<thead>
<tr>
<th>Average Balance</th>
<th>Accrued Interest at Purchase</th>
<th>Subtotal</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00</td>
<td>46,444.44</td>
<td>1,769,983.41</td>
<td>1</td>
</tr>
</tbody>
</table>

**Total Cash and Investments**

| Total Cash and Investments | 182,966,292.71 | 160,022,345.11 | 160,110,887.90 | 159,969,712.51 | 1.729 | 20 |

---

Run Date: 02/24/2020 - 10:47

Portfolio OCFA

AP

PM (PRF_PAG2) 7.3.0
Orange County Fire Authority

In service of others!
## ORANGE COUNTY FIRE AUTHORITY
### Aging Report
#### By Maturity Date
##### As of February 1, 2020

<table>
<thead>
<tr>
<th>Aging Interval</th>
<th>Period</th>
<th>Maturities</th>
<th>Payments</th>
<th>Maturity Par Value</th>
<th>Percent of Portfolio</th>
<th>Current Book Value</th>
<th>Current Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 days</td>
<td>(02/01/2020 - 02/01/2020)</td>
<td>4</td>
<td>0</td>
<td>92,822,345.11</td>
<td>58.04%</td>
<td>92,822,345.11</td>
<td>92,955,117.46</td>
</tr>
<tr>
<td>1 - 30 days</td>
<td>(02/02/2020 - 03/02/2020)</td>
<td>3</td>
<td>0</td>
<td>23,200,000.00</td>
<td>14.50%</td>
<td>23,188,486.25</td>
<td>23,190,516.00</td>
</tr>
<tr>
<td>31 - 60 days</td>
<td>(03/03/2020 - 04/01/2020)</td>
<td>3</td>
<td>0</td>
<td>22,000,000.00</td>
<td>13.73%</td>
<td>21,960,519.17</td>
<td>21,963,470.00</td>
</tr>
<tr>
<td>61 - 91 days</td>
<td>(04/02/2020 - 05/02/2020)</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>92 - 121 days</td>
<td>(05/03/2020 - 06/01/2020)</td>
<td>1</td>
<td>0</td>
<td>11,000,000.00</td>
<td>6.84%</td>
<td>10,944,113.89</td>
<td>10,944,340.00</td>
</tr>
<tr>
<td>122 - 152 days</td>
<td>(06/02/2020 - 07/02/2020)</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>153 - 183 days</td>
<td>(07/03/2020 - 08/02/2020)</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>184 - 274 days</td>
<td>(08/03/2020 - 11/01/2020)</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>275 - 365 days</td>
<td>(11/02/2020 - 01/31/2021)</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>366 - 1095 days</td>
<td>(02/01/2021 - 01/31/2023)</td>
<td>1</td>
<td>0</td>
<td>11,000,000.00</td>
<td>6.88%</td>
<td>11,007,803.65</td>
<td>11,011,000.00</td>
</tr>
<tr>
<td>1096 days and after</td>
<td>(02/01/2023 - )</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Total for 12 Investments | 0 Payments | 160,00 | 159,923,268.07 | 160,064,443.46
**NOTES TO PORTFOLIO MANAGEMENT REPORT**

**Note 1:** Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank (formerly Union Bank) Trust Department provides market values of the remaining investments.

**Note 2:** Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.

**Note 3:** GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/losses as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2019 includes an increase of $111,266 to the LAIF investment and an increase of $30,549 to the remaining investments.

**Note 4:** The Federated Treasury Obligations money market mutual fund functions as the Authority’s sweep account. Funds are transferred to and from the sweep account to/from OCFA’s checking account in order to maintain a target balance of $1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.
Local Agency Investment Fund (LAIF)

As of January 31, 2020, OCFA has $75,000,000 invested in LAIF. The fair value of OCFA’s LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of December 31, 2019 is 1.001770298. When applied to OCFA’s LAIF investment, the fair value is $75,132,772 or $132,772 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer’s Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at January 31, 2020 is included on the following page.
## State of California
### Pooled Money Investment Account
#### Market Valuation
1/31/2020

<table>
<thead>
<tr>
<th>Description</th>
<th>Carrying Cost Plus Accrued Interest</th>
<th>Fair Value</th>
<th>Accrued Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>United States Treasury:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills</td>
<td>$16,133,255,448.54</td>
<td>$16,265,497,000.00</td>
<td>NA</td>
</tr>
<tr>
<td>Notes</td>
<td>$32,708,440,735.82</td>
<td>$32,870,628,500.00</td>
<td>$158,552,191.00</td>
</tr>
<tr>
<td><strong>Federal Agency:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBA REMICs</td>
<td>$553,394,022.81</td>
<td>$550,023,519.44</td>
<td>$1,042,619.75</td>
</tr>
<tr>
<td>MBS-REMICs</td>
<td>$18,878,429.15</td>
<td>$19,533,233.44</td>
<td>$88,139.43</td>
</tr>
<tr>
<td>Debentures</td>
<td>$2,395,154,835.80</td>
<td>$2,409,669,600.00</td>
<td>$13,720,799.60</td>
</tr>
<tr>
<td>Debentures FR</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Debentures CL</td>
<td>$976,000,000.00</td>
<td>$976,566,750.00</td>
<td>$2,935,139.00</td>
</tr>
<tr>
<td>Discount Notes</td>
<td>$15,066,101,840.18</td>
<td>$15,110,118,500.00</td>
<td>NA</td>
</tr>
<tr>
<td>Supranational Debentures</td>
<td>$664,499,557.94</td>
<td>$668,619,650.00</td>
<td>$4,368,275.75</td>
</tr>
<tr>
<td>Supranational Debentures FR</td>
<td>$200,189,619.96</td>
<td>$200,324,118.66</td>
<td>$237,253.10</td>
</tr>
<tr>
<td>CDs and YCDs FR</td>
<td>$400,000,000.00</td>
<td>$400,116,000.00</td>
<td>$1,209,179.56</td>
</tr>
<tr>
<td>Bank Notes</td>
<td>$600,000,000.00</td>
<td>$600,093,879.88</td>
<td>$5,387,527.77</td>
</tr>
<tr>
<td>CDs and YCDs</td>
<td>$16,600,000,000.00</td>
<td>$16,603,684,347.36</td>
<td>$102,091,555.53</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>$8,937,182,694.45</td>
<td>$8,971,917,833.32</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Corporate:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds FR</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Bonds</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Reverse Repurchase</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>$4,754,240,000.00</td>
<td>$4,754,240,000.00</td>
<td>NA</td>
</tr>
<tr>
<td>AB 55 &amp; GF Loans</td>
<td>$617,241,000.00</td>
<td>$617,241,000.00</td>
<td>NA</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$100,623,556,184.65</td>
<td>$101,018,273,932.10</td>
<td>$289,632,680.49</td>
</tr>
</tbody>
</table>

**Fair Value Including Accrued Interest**

$101,307,906,612.59

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).
## ORANGE COUNTY FIRE AUTHORITY
### Portfolio Management
#### Portfolio Summary
February 21, 2020

### Investments

<table>
<thead>
<tr>
<th>Investments</th>
<th>Per Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Term</th>
<th>Days to Call / Maturity</th>
<th>YTM/Call 360 Equiv.</th>
<th>YTM/Call 365 Equiv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money MkI Mutual Funds/Cash</td>
<td>4,267,615.27</td>
<td>4,267,615.27</td>
<td>4,267,615.27</td>
<td>3.18</td>
<td>1</td>
<td>1</td>
<td>1.105</td>
<td>1.120</td>
</tr>
<tr>
<td>Federal Agency Coupon Securities</td>
<td>11,006,630.00</td>
<td>11,006,630.00</td>
<td>11,006,630.00</td>
<td>8.20</td>
<td>1,019</td>
<td>41</td>
<td>1.558</td>
<td>1.580</td>
</tr>
<tr>
<td>Federal Agency Disc. - Amortizing</td>
<td>38,915,030.00</td>
<td>38,915,030.00</td>
<td>38,915,030.00</td>
<td>29.00</td>
<td>103</td>
<td>52</td>
<td>1.593</td>
<td>1.605</td>
</tr>
<tr>
<td>Treasury Discounts - Amortizing</td>
<td>4,997,960.00</td>
<td>4,997,960.00</td>
<td>4,997,960.00</td>
<td>3.72</td>
<td>157</td>
<td>12</td>
<td>1.783</td>
<td>1.798</td>
</tr>
<tr>
<td>Local Agency Investment Funds</td>
<td>75,000,000.00</td>
<td>75,132,772.35</td>
<td>75,000,000.00</td>
<td>55.88</td>
<td>1</td>
<td>1</td>
<td>1.940</td>
<td>1.967</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>134,267,615.27</td>
<td>134,320,247.62</td>
<td>134,182,353.80</td>
<td>100.00%</td>
<td>120</td>
<td>19</td>
<td>1.772</td>
<td>1.797</td>
</tr>
</tbody>
</table>

### Cash and Accrued Interest

<table>
<thead>
<tr>
<th>Description</th>
<th>Book Value</th>
<th>Market Value</th>
<th>% of Portfolio</th>
<th>Term</th>
<th>Days to Call / Maturity</th>
<th>YTM/Call 360 Equiv.</th>
<th>YTM/Call 365 Equiv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passbook/Checking</td>
<td>666,388.94</td>
<td>666,388.94</td>
<td>666,388.94</td>
<td>1</td>
<td>1</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Accrued Interest at Purchase</td>
<td>46,444.44</td>
<td>46,444.44</td>
<td>46,444.44</td>
<td>1</td>
<td>1</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>712,833.38</td>
<td>712,833.38</td>
<td>712,833.38</td>
<td>1</td>
<td>1</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td>134,934,004.21</td>
<td>135,033,081.00</td>
<td>134,895,187.18</td>
<td>120</td>
<td>19</td>
<td>1.772</td>
<td>1.797</td>
</tr>
</tbody>
</table>

### Total Earnings

<table>
<thead>
<tr>
<th>Description</th>
<th>February 21</th>
<th>Month Ending</th>
<th>Fiscal Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year</td>
<td>150,672.75</td>
<td>2,007,660.14</td>
<td></td>
</tr>
<tr>
<td>Average Daily Balance</td>
<td>150,313,301.51</td>
<td>151,382,941.73</td>
<td></td>
</tr>
<tr>
<td>Effective Rate of Return</td>
<td>1.74%</td>
<td>2.05%</td>
<td></td>
</tr>
</tbody>
</table>

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2020. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubal, Treasurer

2/28/20

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### Cash and Investments with GASB 31 Adjustment:

- **Book Value of Cash & Investments before GASB 31 (Above)**
  - $134,895,187.18

- **GASB 31 Adjustment to Books (See Note 3 on page 18)**
  - $141,814.96

- **Total**
  - $135,037,002.14
# ORANGE COUNTY FIRE AUTHORITY
## Portfolio Management
### Portfolio Details - Investments
#### February 21, 2020

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>YTM/C 365</th>
<th>Days to Call / Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Money Mkt Mutual Funds/Cash</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SYS528</td>
<td>528</td>
<td>Federated Treasury Obligations</td>
<td>4,267,615.27</td>
<td></td>
<td>4,267,615.27</td>
<td>4,267,615.27</td>
<td>1.120</td>
<td>1.120</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subtotal and Average</td>
<td>9,035,217.37</td>
<td></td>
<td>4,267,615.27</td>
<td>4,267,615.27</td>
<td>4,267,615.27</td>
<td>1.120</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Federal Agency Coupon Securities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3130AH7E7</td>
<td>993</td>
<td>Fed Home Loan Bank (Callable on 4/3/20)</td>
<td>11,000,000.00</td>
<td>12/19/2019</td>
<td>11,005,930.00</td>
<td>11,005,160.48</td>
<td>2.000</td>
<td>1.580</td>
<td>41</td>
<td>10/03/2022</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subtotal and Average</td>
<td>11,006,419.13</td>
<td></td>
<td>11,005,930.00</td>
<td>11,005,160.48</td>
<td>11,005,160.48</td>
<td>1.580</td>
<td>41</td>
<td>10/03/2022</td>
<td></td>
</tr>
<tr>
<td><strong>Federal Agency Disc. - Amortizing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>313312TX8</td>
<td>988</td>
<td>Farm Credit Disc Note</td>
<td>6,000,000.00</td>
<td>12/19/2019</td>
<td>5,997,420.00</td>
<td>5,996,880.00</td>
<td>5,995,880.00</td>
<td>1.560</td>
<td>1.609</td>
<td>12</td>
<td>03/05/2020</td>
</tr>
<tr>
<td>313384UN7</td>
<td>987</td>
<td>Fed Home Loan Bank</td>
<td>11,000,000.00</td>
<td>12/20/2019</td>
<td>10,988,120.00</td>
<td>10,987,130.00</td>
<td>10,987,130.00</td>
<td>1.560</td>
<td>1.610</td>
<td>27</td>
<td>03/20/2020</td>
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<tr>
<td>313364CL8</td>
<td>992</td>
<td>Fed Home Loan Bank</td>
<td>11,000,000.00</td>
<td>12/19/2019</td>
<td>10,954,480.00</td>
<td>10,954,050.00</td>
<td>10,954,050.00</td>
<td>1.550</td>
<td>1.605</td>
<td>97</td>
<td>06/20/2020</td>
</tr>
<tr>
<td>313364YR7</td>
<td>995</td>
<td>Fed Home Loan Bank</td>
<td>11,000,000.00</td>
<td>02/04/2020</td>
<td>10,974,425.00</td>
<td>10,974,425.00</td>
<td>10,974,425.00</td>
<td>1.550</td>
<td>1.598</td>
<td>54</td>
<td>04/16/2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subtotal and Average</td>
<td>45,754,854.70</td>
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<td>38,915,030.00</td>
<td>38,912,494.72</td>
<td>38,912,494.72</td>
<td>1.605</td>
<td>52</td>
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<td><strong>Treasury Discounts - Amortizing</strong></td>
<td></td>
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<tr>
<td>812796TH2</td>
<td>982</td>
<td>US Treasury Bill</td>
<td>5,000,000.00</td>
<td>09/30/2019</td>
<td>4,997,000.00</td>
<td>4,997,000.00</td>
<td>4,997,000.00</td>
<td>1.750</td>
<td>1.788</td>
<td>12</td>
<td>03/05/2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subtotal and Average</td>
<td>9,516,799.80</td>
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<td>4,997,000.00</td>
<td>4,997,000.00</td>
<td>4,997,000.00</td>
<td>1.750</td>
<td>1.788</td>
<td>12</td>
<td>03/05/2020</td>
</tr>
<tr>
<td><strong>Local Agency Investment Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>SYS536</td>
<td>336</td>
<td>Local Agency Invstmt Fund</td>
<td>75,000,000.00</td>
<td></td>
<td>75,132,772.35</td>
<td>75,000,000.00</td>
<td>1.967</td>
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<td>1</td>
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<tr>
<td></td>
<td></td>
<td>Subtotal and Average</td>
<td>75,000,000.00</td>
<td></td>
<td>75,132,772.35</td>
<td>75,000,000.00</td>
<td>75,000,000.00</td>
<td>1.967</td>
<td>1</td>
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<tr>
<td><strong>Total and Average</strong></td>
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<td>159,313,391.51</td>
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<td>134,267,615.27</td>
<td>134,320,247.62</td>
<td>134,182,353.80</td>
<td>1.797</td>
<td>19</td>
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</table>
## ORANGE COUNTY FIRE AUTHORITY
### Portfolio Management
#### Portfolio Details - Cash

**February 21, 2020**

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>YTM/C 365 Days to Maturity</th>
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<tr>
<td>SYS10033</td>
<td>10033</td>
<td>Revolving Fund</td>
<td>07/01/2019</td>
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<td>20,000.00</td>
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<td>SYS4</td>
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<td>Union Bank</td>
<td>07/01/2019</td>
<td>046,388.94</td>
<td>640,388.94</td>
<td>640,388.94</td>
<td>640,388.94</td>
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</table>

|                                | Average Balance | Accrued Interest at Purchase | Subtotal   |                           |                   |             |
|                                | 0.00            | 48,444.44                  | 712,833.38 |                           |                   |             |

| Total Cash and Investments     | 150,313,301.51  | 134,914,064.21            | 135,033,981.00 | 134,895,187.18 | 1.797     | 19          |
## ORANGE COUNTY FIRE AUTHORITY
### Aging Report
#### By Maturity Date
##### As of February 22, 2020

<table>
<thead>
<tr>
<th>Aging Interval:</th>
<th>Aging Date Range</th>
<th>Maturities</th>
<th>Payments</th>
<th>Maturity Par Value</th>
<th>Percent of Portfolio</th>
<th>Current Book Value</th>
<th>Current Market Value</th>
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</thead>
<tbody>
<tr>
<td>0 days</td>
<td>(02/22/2020 - 02/22/2020)</td>
<td>4</td>
<td>0</td>
<td>79,934,004.21</td>
<td>59.28%</td>
<td>79,934,004.21</td>
<td>80,066,776.56</td>
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<td>1 - 30 days</td>
<td>(02/23/2020 - 03/23/2020)</td>
<td>3</td>
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<td>22,006,000.00</td>
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<td>21,981,093.33</td>
<td>21,983,440.00</td>
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<td>8.14%</td>
<td>10,574,425.00</td>
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<td>61 - 91 days</td>
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<td>92 - 121 days</td>
<td>(05/24/2020 - 06/22/2020)</td>
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<td>153 - 183 days</td>
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<td>0</td>
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<td>0.00</td>
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<tr>
<td>184 - 274 days</td>
<td>(08/24/2020 - 11/22/2020)</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
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<tr>
<td>275 - 365 days</td>
<td>(11/23/2020 - 02/21/2021)</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>366 - 1095 days</td>
<td>(02/22/2021 - 02/21/2023)</td>
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<td>8.16%</td>
<td>11,005,160.48</td>
<td>11,006,030.00</td>
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<tr>
<td>1095 days and after</td>
<td>(02/22/2023 - )</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00%</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td><strong>Total for</strong></td>
<td><strong>10 Investments</strong></td>
<td><strong>0 Payments</strong></td>
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<td><strong>100.00</strong></td>
<td></td>
<td><strong>134,848,742.74</strong></td>
<td><strong>134,866,036.56</strong></td>
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</table>
NOTES TO PORTFOLIO MANAGEMENT REPORT

Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank Trust Department provides market values of the remaining investments.

Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.

Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/losses as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2019 includes an increase of $111,266 to the LAIF investment and an increase of $30,549 to the remaining investments.

Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority’s sweep account. Funds are transferred to and from the sweep account to/from OCFA’s checking account in order to maintain a target balance of $1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.
GLOSSARY

INVESTMENT TERMS

Basis Point. Measure used in quoting yields on bonds and notes. One basis point is .01% of yield.

Book Value. This value may be the original cost of acquisition of the security, or original cost adjusted by the amortization of a premium or accretion of a discount. The book value may differ significantly from the security's current value in the market.

Commercial Paper. Unsecured short-term promissory notes issued by corporations, with maturities ranging from 2 to 270 days; may be sold on a discount basis or may bear interest.

Coupon Rate. Interest rate, expressed as a percentage of par or face value, that issuer promises to pay over lifetime of debt security.

Discount. The amount by which a bond sells under its par (face) value.

Discount Securities. Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity. Treasury bills, bankers' acceptances and most commercial paper are issued at a discount.

Effective Rate of Return. Rate of return on a security, based on its purchase price, coupon rate, maturity date, and the period between interest payments.

Federal Agency Securities. Securities issued by agencies such as the Federal National Mortgage Association and the Federal Farm Credit Bank. Though not general obligations of the US Treasury, such securities are sponsored by the government and therefore have high credit ratings. Some are issued on a discount basis and some are issued with coupons.

Federal Funds. Funds placed in Federal Reserve banks by depository intuitions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed Funds are considered to be immediately available funds.

Fed Funds Rate. The interest rate charged by one institution lending federal funds to another.

Federal Open Market Committee. The branch of the Federal Reserve Board that determines the direction of monetary policy.

Local Agency Investment Fund (LAIF). A California State Treasury fund which local agencies may use to deposit funds for investment and for reinvestment with a maximum of $50 million for any agency (excluding bond funds, which have no maximum). It offers high liquidity because
deposits can be converted to cash in 24 hours and no interest is lost. Interest is paid quarterly and the State’s administrative fee cannot to exceed 1/4 of a percent of the earnings.

**Market value.** The price at which the security is trading and could presumably be purchased or sold.

**Maturity Date.** The specified day on which the issuer of a debt security is obligated to repay the principal amount or face value of security.

**Money Market Mutual Fund.** Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repurchase agreements and federal funds).

**Par.** Face value or principal value of a bond typically $1,000 per bond.

**Rate of Return.** The amount of income received from an investment, expressed as a percentage. A *market rate of return* is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

**Treasury Bills.** Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

**Treasury Notes.** Intermediate U.S. government debt securities with maturities of one to 10 years.

**Treasury bonds.** Long-term U.S. government debt securities with maturities of 10 years or longer.

**Yield.** Rate of return on a bond.

**Yield-to-maturity.** Rate of return on a bond taking into account the total annual interest payments, the purchase price, the redemption value and the amount of time remaining until maturity.

**ECONOMIC TERMS**

**Conference Board Consumer Confidence Index** A survey that measures how optimistic or pessimistic consumers are with respect to the economy in the near future.

**Consumer Price Index (CPI).** A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. Changes in CPI are used to assess price changes associated with the cost of living.
Durable Goods Orders. An economic indicator released monthly that reflects new orders placed with domestic manufacturers for delivery of factory durable goods such as autos and appliances in the near term or future.

Gross Domestic Product. The monetary value of all the finished goods and services produced within a country's borders in a specific time period. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

Industrial Production. An economic indicator that is released monthly by the Federal Reserve Board. The indicator measures the amount of output from the manufacturing, mining, electric and gas industries.

ISM Institute for Supply Management (ISM) Manufacturing Index. A monthly index that monitors employment, production inventories, new orders and supplier deliveries.

ISM Non-manufacturing Index. An index based on surveys of non-manufacturing firms' purchasing and supply executives. It tracks economic data for the service sector.

Leading Economic Index. A monthly index used to predict the direction of the economy's movements in the months to come. The index is made up of 10 economic components, whose changes tend to precede changes in the overall economy.

National Federation of Independent Business Small Business Optimism Index. An index based on surveys of small business owners' plans and expectations regarding employment, capital, inventories, economic improvement, credit conditions, expansion, and earnings trends in the near term or future.

Producer Price Index. An index that measures the average change over time in the selling prices received by domestic producers for their output.

University of Michigan Consumer Sentiment Index. An index that measures the overall health of the economy as determined by consumer opinion. It takes into account an individual's feelings toward his or her own current financial health, the health of the economy in the short term and the prospects for longer term economic growth.
This item is submitted to request approval to adjust revenues, expenditures and transfers to reflect changes identified after adoption of the FY 2019/20 budget.

Prior Board/Committee Action
A comprehensive mid-year financial review was presented to the Budget and Finance Committee and the Board of Directors in January, highlighting proposed mid-year changes that are needed to the FY 2019/20 budget based on events that have occurred since the budget was adopted last May. The Board directed staff to return in March with the technical budget adjustments required to implement the proposed changes.

RECOMMENDED ACTION(S)
Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee’s recommendation that the Board of Directors authorize the proposed mid-year budget adjustments and transfers.

Impact to Cities/County
The proposed mid-year adjustments to the FY 2019/20 budget will have no impact to cash contract city charges in the current fiscal year. Future increases for cash contract cities are currently estimated at 4.5% per year for FYs 2020/21 and 2021/22 based on the Five-Year Financial Forecast.

Fiscal Impact
Financial impact is detailed in the report.

Background
This report is submitted to request approval of the technical budget adjustments following the January mid-year financial review. The following is a summary of the significant changes being requested (See Attachment 1 for the total proposed adjustment for each Fund).

The following are estimated changes to the General Fund budget that are needed, since the adoption of the FY 2019/20 budget in May 2019. Overall the currently proposed changes in the General Fund result in an estimated total revenue increase of approximately $10.7 million and an estimated total expenditure increase of $11.4 million. Of the $11.4 million in expenditure increases,
$5.3 million are cost neutral as they are offset by corresponding sources of revenue. These adjustments are further described below:

**FY 2019/20 Potential Revenue Adjustments - $10.7 million**

**Property Taxes:** Based on secured tax billings provided by the Auditor/Controller, preliminary projections indicate an approximate $2,265,000 increase over budget.

**Assistance by Hire (ABH):** ABH is the term used when OCFA responds to requests for assistance to incidents outside our area of responsibility, on a reimbursement basis. Current year activity is $4.4 million greater than budget due to various out-of-county responses. Staff will be monitoring this source of revenue for additional reimbursements. An expenditure adjustment is also proposed to the overtime/backfill category to cover the costs associated with providing the ABH services.

**Grant/Other Reimbursements:** This category represents reimbursements for grants or other programs, such as California Fire Fighter Joint Apprenticeship Committee (CFFJAC), where expenditures are reimbursed once incurred.

**Miscellaneous:** This category of revenue adjustments includes the following: recategorization of CAL FIRE contract revenues, updates to cash contract city maintenance charges; witness fees, miscellaneous revenue, revenue from SCE, and restitution.

**FY 2019/20 Potential Expenditure Adjustments - $10.2 million**

**Assistance by Hire/Emergency Incident Costs:** As mentioned under Revenue for Assistance by Hire, an adjustment of approximately $4.7 million is needed for out-of-county responses, primarily in the overtime/backfill category, but also for response-related supplies. This category also comprises the expenditures for up-staffing of Strike Teams that occurred during the wind events in the first half of the fiscal year. Of this $4.7 million expenditure increase for ABH and up staffing of strike teams, the offsetting revenue reimbursement is currently estimated at $4.4 million. An additional portion of these expenditures may still be determined to be reimbursable, as staff continues the process of reviewing cost details and submitting eligible costs for reimbursement.

**Adjustment for Workers’ Compensation Updated Actuarial:** The latest Workers’ Compensation Actuarial Study was completed end of February and includes payroll and claim data through December 31, 2019. A $1.7 million adjustment is needed to augment the required funding level for the present value of ultimate limited losses.

**Supplies/Equipment/Professional Services:** This category captures one-time costs which have increased since budget development, or were unknown at budget development, including fuel ($300,000), incident management team costs ($150,000), suppression personal protective equipment ($500,000), phone lines/data circuits ($272,700), communication installations in vehicles ($250,000), and Irvine reimbursement using Maruchan funds ($507,495).
CAL FIRE Augmentation Funds: This expenditure category represents the final appropriation of CAL FIRE restricted funds already received from CAL FIRE (the restricted revenue was previously recognized in the budget, but the associated expenditures were not yet included in the budget). The funds are restricted to purposes determined by CAL FIRE to be supportive of the mission related to drought augmentation.

Expenditures with Revenue Offset: These expenditure items are completely offset by a corresponding revenue adjustment and include CFFJAC, US&R 2018 Grant supplement and CAL FIRE defensible space inspection tablets.

Interfund Borrowing: At the time of budget development, staff was in the process of analyzing if OCFA’s cash flow needs could be met with interfund borrowing in lieu of issuing a Tax and Revenue Anticipation Note. When the budget was adopted in May, the analysis had been completed and the Board approved interfund borrowing as our temporary cash flow management mechanism in FY 2019/20. For interfund borrowing, money is borrowed from the Capital Improvement Program (CIP) and Workers’ Compensation (W/C) Self-Insurance funds, temporarily loaned to the General Fund, then repaid back with interest once property tax revenues are received. The interest is reflected as a cost to the General Fund. This adjustment funds the interest owed from the General Fund to the CIP and W/C funds associated with the borrowing.

1 This expenditure increase is cost neutral, offset by a corresponding revenue source.

General Fund and Capital Improvement Program Funds –and Budget Transfer Adjustments

- **Budgeted beginning fund balances:** As part of the annual mid-year adjustment, budgeted beginning fund balances will be adjusted in accordance with the FY 2018/19 year-end audit. These increases resulted primarily from additional revenue received in the fiscal year, as well as salary savings and S&S savings in the General Fund. The beginning fund balance adjustments for Capital Improvement Program (CIP) Funds largely result from the timing for completion of projects. Funds for projects that did not get completed were carried-over to FY 2019/20. Following the review of the Workers’ Compensation Actuarial Study provided in February 2020, staff will hold off on making the $5.5 million transfer from Self-Insurance Fund 190 to the General Fund CIP Fund 12110 and the Fire Stations and Facilities Fund 123 in the amount of $2.75 million each. The purpose of the transfer is to provide funding for modifying existing fire stations to enhance gender accommodations. The possibility of the transfer will be reevaluated as part of year end.

- **Fund 12110 – General Fund CIP:** An adjustment increasing expenditures in the amount of $377,878 is needed for the following projects: Fire Station (FS) 32 requires new security fencing and a gate, bathroom improvements at FS 14, 16 and 32, and Dormitory Privacy at FS 53.

- **Fund 123 – Fire Stations and Facilities:** An adjustment increasing revenue by $578,000 is needed to reflect developer contributions.

- **Fund 124 – Communications and Information Systems:** An adjustment to increase revenue by $40,000 is needed to reflect interest earnings and an adjustment decreasing expenditures in the amount of $180,000 is needed in the Fund. The OCFA Enterprise Audio Video Improvements Project is being deferred to subsequent fiscal years, while a new Emergency Medical Services (EMS) Immunization Tracking Program is being initiated.
• Fund 139 – Settlement Agreement: An adjustment of $55,000 is needed to increase revenue from interest earnings and an adjustment increasing expenditures in the amount of $10,000 is needed to accommodate Trustee and Public Agency Retirement Services (PARS) fees for administering the 115 Trust. In addition, $507,495 of Maruchan Funds are being transferred back to the General Fund.

• Fund 190 - Self Insurance: A net revenue adjustment of $2,492,104 is needed to reflect the workers’ compensation payroll adjustment, described above, as well as an adjustment to expected earnings in the fund.

The attached Combined Budget Summary (Attachment 2) represents the total adjusted budget for the OCFA and details the revenue and expenditure budgets in each fund assuming these proposed adjustments are approved.

Attachment(s)
1. FY 2019/20 Mid-Year Budget Adjustments
2. Combined Budget Summary
FY 2019/2020 Mid-Year Budget Adjustments

The following adjustments to the FY 2019/20 budget are requested:

**General Fund (Fund 121)**
Revenues: $10,741,557 increase  
Expenditures: $11,392,727 increase

**General Fund CIP (Fund 12110)**
Expenditures: $377,878 increase

**Fire Stations and Facilities Fund (Fund 123)**
Revenues: $578,000 increase

**Communications and Information Systems Fund (Fund 124)**
Revenues: $40,000 increase  
Expenditures: $180,000 decrease

**Fire Apparatus Fund (Fund 133)**
Revenues: $98,000 decrease

**Irvine Settlement Agreement Fund (Fund 139)**
Revenues: $55,000 increase  
Expenditures: $497,495 decrease

**Structural Fire Fund Entitlement Fund (Fund 171)**
Revenues: $4,000 increase

**Self-Insurance Fund (Fund 190)**
Revenues: $2,492,104 increase
### ORANGE COUNTY FIRE AUTHORITY
### COMBINED BUDGET SUMMARY
### FY 2019/20

#### FUNDING SOURCES

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<th>123</th>
<th>124</th>
<th>125</th>
<th>133</th>
<th>139</th>
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<td>General Fund</td>
<td>Fire Stations</td>
<td>Communications</td>
<td>Info. Systems</td>
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<td>Self</td>
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<td>-</td>
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#### EXPENDITURES

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<td>$1,301,444</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,000,000</td>
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<tr>
<td>Operating Transfer Out</td>
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<td>8,000,000</td>
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<td>-</td>
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<td>$1,360,525</td>
<td>$111,203,910</td>
<td>$730,608,116</td>
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</tr>
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</table>

(1) Project related budgets segregated for operational budget clarity purposes. As a sub-fund of the General Fund, revenues and expenditures are accounted for as the General Fund in the CAFR, however for cash-flow purposes the expenditures are tracked outside of the General Fund. Therefore 12110 requires cash-flow transfers in the same manner as the other CIP Funds.
Fiscal Year 2018/19 Backfill/Overtime and Calendar Year 2019 Total Earnings/Compensation Analysis

Contact(s) for Further Information
Robert Cortez, Assistant Chief  robertcortez@ocfa.org  714.573.6012
Business Services Department
Julie Nemes, Finance Manager/Auditor julienemes@ocfa.org  714.573.6304

Summary
This annual agenda item is submitted to provide an overview and analysis of the Fiscal Year 2018/19 backfill and overtime earnings along with employee total compensation for Calendar Year 2019, and to reaffirm current direction regarding filling permanent and temporary vacancies.

Prior Board/Committee Action
Not Applicable.

RECOMMENDED ACTION(S)
Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee’s recommendation that the Board of Directors take the following actions:
1. Direct staff to continue pursuing reductions in overtime by filling permanent vacancies as quickly as possible after the positions become vacant.
2. Authorize staff to temporarily exceed the number of authorized firefighter positions on the Master Position Control to maximize the number of firefighters hired into each academy, pending attrition/promotions that occur during and following academy graduations.
3. Authorize staff to temporarily exceed the number of authorized Handcrew Firefighter positions on the Master Position Control to maximize the number of Handcrew Firefighters hired from each Handcrew Firefighter recruitment process, pending attrition/promotions that occur as Handcrew Firefighters promote to the firefighter rank.
4. Direct staff to continue using overtime to fill temporary vacancies rather than hiring additional personnel recognizing this as a cost-effective practice for temporary needs.

Impact to Cities/County
Not Applicable.

Fiscal Impact
Backfill/overtime costs are included in the annual budget.

Background
See extended background.

Attachment(s)
Frequently Asked Questions & Responses
Background
The OCFA’s General Fund budget consists primarily of labor costs, with approximately 91.8% of final Fiscal Year (FY) 2018/19 expenditures allocated to salaries and employee benefits. For FY 2018/19, final backfill/overtime expenditures were $63,886,060 or 17.5% of total salary and employee benefit costs. The primary factors driving OCFA’s backfill/overtime costs are:

- OCFA’s Constant Staffing Policy - $51.8M
- Major Emergency Incident Response - $4.6M
- Training Requirements - $4.1M
- Discretionary - $3.4M

Backfill and overtime costs can either be non-discretionary or discretionary, as explained in the following paragraphs.

Constant Staffing Backfill/Overtime (Non-Discretionary)
The OCFA maintains constant staffing levels, which means that every day, all authorized Operations post-positions are staffed. Constant staffing enables delivery of emergency services 24-hours per day, 7-days per week. A post-position is a seat on a fire or Emergency Medical Services (EMS) response unit (including engines, trucks, and paramedic vehicles) that must be filled to meet the staffing requirements of that unit.

- Backfill occurs when there is a vacancy in a position that requires constant staffing and another employee works overtime to fill the vacancy. Examples include:
  - Positions temporarily vacant, due to personnel on leave (sick, vacation, jury duty, military leave, bereavement, workers’ compensation, etc.)
  - Positions vacant due to cost control measures (open positions per the labor agreement)
  - Positions vacant as a result of retirements, promotions, or the addition of new positions to staff a new station or convert Basic Life Support engines to Advance Life Support engines
  - Positions temporarily vacant, due to personnel responding to major in/out-of-county emergency incidents
- Overtime is used for work performed above and beyond the constant staffing requirements. Examples include strike teams, overhead assignments, or emergency incidents, either in- or out-of-county, and mandatory training classes that occur on a day other than the employee’s regularly assigned shift.

Major Emergency Incident Response (Non-Discretionary)
Another form of non-discretionary overtime incurred by OCFA is for major emergency incident response. OCFA responds to emergency incidents at the request of surrounding fire agencies (Mutual Aid), California Department of Forestry (CAL FIRE), Cleveland National Forest Service (CNF), and the California Office of Emergency Services (Cal OES). Backfill/overtime costs for responding to major emergency incidents in FY 2018/19 totaled $4.6 million and represented approximately 7.2% of total backfill/overtime expenditures. Approximately 75-100% of these emergency related incident response costs (except Mutual Aid) are reimbursable.

Backfill/Overtime costs for constant staffing and major emergency incident response are considered non-discretionary and represent 88.25% of FY 2018/19 Backfill/Overtime costs.
Training Requirements (Discretionary & Non-Discretionary)
OCFA incurs additional backfill/overtime costs related to various training requirements for suppression personnel. Examples include mandatory training requirements for federal, state, and local programs including Urban Search and Rescue (US&R), Airport Rescue Firefighting (ARFF), Weapons of Mass Destruction (WMD), and Incident Command (IC). Additionally, the OCFA historically incurs overtime and backfill costs to provide training academies for new and/or promoted dispatchers, firefighters, engineers, captains, battalion chiefs, and reserve firefighters. Backfill/overtime costs as a result of training activities in FY 2018/19 totaled $4.1 million and represented 6.4% of the total backfill/overtime expenditures.

Backfill/Overtime/Discretionary
For FY 2018/19, total discretionary backfill/overtime was $3.4 million or 5.3% and is attributable to the following:

- Employees staffing special events, participating on project teams, and Fire Explorer Program activities
- Information systems including the Geographic Information System (GIS), automotive, communications services, and fire prevention personnel requested to work outside their normal work schedule

Regular vs. Overtime Analysis
Similar to prior years, backfill/overtime continues to be approximately 27% more cost effective than hiring a full-time benefited employee for filling temporary vacancies. For FY 2018/19, the estimated cost savings to OCFA by using overtime rather than full time employees to fill vacancies was $19.9 million.

Total Employee Compensation Reporting
Effective in CY 2018, employers were required to only report the normal employer paid retirement costs and not report the Unfunded Actuarial Accrued Liability (UAAL) as part of an individual employee’s compensation. Currently, the UAAL comprises 43-60% of the employer retirement costs.

Compensation Cost Transparency
Annual employee compensation costs are posted and readily available on the OCFA website dating back to CY 2009. Since 2012, the format of the report includes all earnings segregated by base salary, overtime, unused leave payouts, and other/special pay. Employer paid retirement and benefits are also included in the employee compensation report. This year’s report will be posted to the OCFA website and submitted to the State Controller on or before April 30, 2020, in compliance with the due date.
**Filling Vacant Positions**

To help reduce the number of vacancies that are open pending hiring and promotions, OCFA has conducted, and plans to conduct, the following academies:

<table>
<thead>
<tr>
<th>Academies to be held in FY 2019/20</th>
<th>Academies planned for FY 2020/21</th>
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</thead>
<tbody>
<tr>
<td>3 Firefighter Academies</td>
<td>2 Firefighter Academies</td>
</tr>
<tr>
<td>3 Fire Apparatus Engineer Academies</td>
<td>2 Fire Apparatus Engineer Academies</td>
</tr>
<tr>
<td>3 Fire Captain Academies</td>
<td>2 Fire Captain Academies</td>
</tr>
</tbody>
</table>

We have reached nearly full staffing at the firefighter rank immediately following Firefighter Academy 48 and 49’s graduations. Currently, we are conducting Firefighter Academy 50 and Firefighter Academy 51 will begin in August 2020. Firefighter vacancies have continued to accumulate quickly as we promote firefighters into the engineer and captain ranks, and also experience retirement activity among all ranks. As a result, staff is seeking continued Board authorization for the hiring of approximately 50 firefighters per academy for all academies during the next two fiscal years (FY 2020/21 and 21/22), due to attrition/promotions that will occur during and following academy graduations. This may result in total firefighter positions temporarily exceeding total permanent authorized firefighter positions pending promotions and retirements/other separations.

In addition, the Handcrew Firefighter rank will be impacted due to promotions that will occur during and following academy graduations. Handcrew Firefighter vacancies will accumulate quickly as we promote hand crew firefighters into the firefighter ranks. As a result, staff is seeking continued Board authorization for the hiring of approximately 16 Handcrew Firefighters during the fiscal year, due to attrition/promotions that will occur during and following academy graduations. This may result in total Handcrew Firefighter positions temporarily exceeding total permanent authorized Handcrew Firefighter positions pending promotions and retirements/other separations.

**Backfill/Overtime Monitoring & Analysis**

OCFA finance staff prepares monthly reports to track and monitor backfill/overtime activity. Reports are provided internally to management to show expenditures by section and by cause (reason), so that operations and support departments can monitor and, if required, adjust activities as needed in their respective areas.

The OCFA also has policies, procedures, and systems in place that monitor and report overtime usage. Due to the long fire season, combined with open positions and vacancies, and promotions and retirements during CY 2019, the OCFA was required to force many employees that possessed specialty skills to work extended hours. As stated earlier, the OCFA has aggressively been conducting various academies to help reduce the distribution of overtime and impact on employees. OCFA staff has also been working with the Orange County Professional Firefighters Association, Local 3631, to enhance existing policies and make modifications to the Staffing System to reduce the amount of forced overtime.

As discussed in this report, the majority of backfill/overtime incurred by the OCFA is non-discretionary and emergency response activity is generally 75-100% reimbursable. The small portion of overtime considered discretionary (5.3% of total backfill/overtime expenditures) is carefully managed and closely monitored.
FY 2018/19 BACKFILL/OVERTIME ANALYSIS FREQUENTLY ASKED QUESTIONS

1. **What is a firefighter’s standard work schedule?**

   Firefighters assigned to suppression positions work 24-hour shifts which equate to a 56-hour average work week or 2,912 hours per year. When firefighters are assigned to staff positions on a 40-hour work week, they average 2,080 regular hours per year.

2. **What does “maintaining constant staffing levels” mean? What is the difference between backfill and overtime?**

   This means that every day, all authorized Operations post-positions are staffed. A post-position is a seat on a fire or Emergency Medical Services (EMS) response unit (including engines, trucks and paramedic vans) that must be filled to meet the staffing requirement of that unit. Backfill occurs when there is a vacancy in a position that requires constant staffing and the employee either volunteers or is forced to work to fill the vacancy. Overtime is also used for work done above and beyond the constant staffing requirements. Examples of overtime include strike teams, overhead assignments to emergency incidents, either in- or out-of-county, and mandatory training classes that occur on days other than the employee’s regularly assigned shift.

3. **Because OCFA’s backfill/overtime budget is significant, does that mean we are understaffed?**

   OCFA’s backfill/overtime budget is significant, due to the reasons outlined in #2 above. Due to retirements and promotions, there are positions that have gone unfilled. In addition, a labor agreement includes provisions to hold 5 positions open for each rank in the firefighter labor group. This will be phased out over the next fiscal year ending as of September 2020. For FY 2018/19, vacant positions reached a high of 169, which required constant staffing on an overtime/backfill basis. Recent and planned academies along with promotional exams are expected to continue reducing the number of vacancies and open positions.

4. **How many continuous hours may a firefighter work?**

   Currently, the maximum number of continuous hours (regular and backfill/overtime) an employee may work is 96. The Assistant Chief of Operations may suspend the 96-hour rule to ensure sufficient incident response capability and adequate station coverage. Employees enter their availability to work into the OCFA’s Staffing System. The system hires employees based upon the premise of an equal distribution of overtime and agreed upon hiring list procedures. Personnel assigned to out-of-county strike teams or to overhead positions are often deployed for periods of 14-21 days. When assigned to these extended incidents, employees work within established work/rest cycles.

5. **Is the OCFA concerned about employee fatigue as the result of the continuous work hour rules?**

   The OCFA recognizes employee fatigue is a factor that impacts employee performance. Severe fatigue may increase the dangers inherent in the performance of emergency operations. The OCFA takes steps to protect employees from these dangers and ensures that firefighters are trained, equipped and supervised to work as safely as possible. There is an additional emphasis on employee health and wellness provided through the WEFIT (Wellness) Program. Supervisors have the means by which to ensure employees are either adequately rested or relieved of duty where appropriate. Firefighters on extended incidents adhere to specified work/rest cycles.
Budget and Finance Committee Meeting  
March 11, 2020

Options to Mitigate Escalating Charges to Cash Contract Cities Beginning FY 2020/21

Contact(s) for Further Information
Lori Zeller, Deputy Chief lorizeller@ocfa.org 714.573.6020
Administration & Support Bureau
Robert Cortez, Assistant Chief robertcortez@ocfa.org 714.573.6012
Business Services Department

Summary
This item is submitted to provide a progress update regarding outreach that staff has been conducting with representatives from OCFA member agencies for additional input on options that could be feasibly implemented to relieve escalating charges to OCFA’s cash contract cities.

Prior Board/Committee Action
At the January 8, 2020, meeting, the Budget and Finance Committee (B&FC) discussed the options presented and directed staff to return in February 2020 with additional information.

At the January 9, 2020, meeting of the City Managers’ Technical Advisory Committee (TAC), the TAC expressed some interest in the options, with a few TAC members requesting individual briefings. There was also a suggestion to consider requiring future payback if relief is offered and a cash contract city later exercises its option to withdraw from OCFA.

At the February 11, 2020, meeting of the B&FC, the Committee recommended that the Board of Directors approve Option 1 with a payback provision and directed staff to return in two years for a progress review.

RECOMMENDED ACTION(S)
1. Receive and file the update regarding staff outreach to brief OCFA Directors on the actions recommended by the Budget and Finance Committee at its meeting of February 11, 2020.
2. Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee’s additional recommendation that the Board of Directors: Direct staff and General Counsel to prepare a proposed form of agreement between the OCFA and cash contract cities incorporating the terms of Option 1 for review and approval by the Board of Directors before submitting the agreement to cash contract cities for approval.

Impact to Cities/County
Proposed adjustments to the cash contract city annual charge calculations could relieve pressure arising from on-going increases to cash contract cities. Stability in future charges to cash contract cities will benefit OCFA’s regional system by improving the stability of its members.
Fiscal Impact
Approval of the suggested adjustments will positively impact cash contract cities by facilitating a quicker depletion of the recapture bank compared to status quo and allowing annual increases to drop below the annual cap of 4.5% in FY 2021/22. OCFA’s cash contract revenue will remain unchanged in FY 2020/21 and will be reduced by an estimated $1 million in FY 2021/22, compared to status quo. A progress review will then be initiated with the Budget and Finance Committee as we enter the FY 2022/23 budget development process.

Background
Each year, OCFA’s budget staff completes detailed calculations to determine increases to cash contract city charges. As part of this process, any budgetary cost increases that are not applicable to cash contract cities are excluded from the charge calculation. Exclusions have historically included items such as fee-funded expenses, grant-funded expenses, or expenses specific to the structural fire fund portion of OCFA’s jurisdiction.

Pursuant to the OCFA’s Amended Joint Powers Agreement and subsequent amendments (collectively referred to as “the JPA”), the annual calculated increase for cash contract cities is capped at 4.5% per year. Any increase greater than the 4.5% cap is “banked” for recapture in a future year if/when the annual increase is less than 4.5%. Currently, there is an accumulated value of 5% “banked” for recapture and addition to cash contract charges in FY 2020/21 and beyond. This means that if the OCFA’s base budget were to have no increase whatsoever in FY 2020/21, nearly all of our cash contract cities (except Santa Ana and Garden Grove) would still incur an increase to their contract charges of the maximum 4.5% purely from the recapture bank.

In reality, there will be cost increases to the OCFA budget in FY 2020/21 driven by a variety of factors such as salaries and benefits, vendor contract increases, the accelerated pension paydown plan, and/or staffing and program enhancements that may be requested.

Some members of the OCFA Board of Directors have spoken individually with staff about exploring options to reduce the increases that cash contract cities are incurring from OCFA charges. It is very beneficial for OCFA to retain all cash contract members in our regional service delivery system for a variety of reasons (e.g., continuity of service area, sharing of costs, etc.), and we can positively impact that goal by stabilizing charges to those members. To this end, staff identified options that may be feasibly implemented to mitigate escalating charges to OCFA’s cash contract cities and began exploring the options with the B&FC at its January 8, 2020, meeting.

Mitigation Options Discussed with B&FC and TAC in January 2020:

- **Option 1**: Direct staff to exclude the value of accelerated pension paydown payments from the annual increase calculation for cash contract cities beginning in FY 2020/21, for the regional benefit of stabilizing future pension costs, while also stabilizing rising cash contract city charges. This exclusion will not apply to regular required payments of pension liability, as established by the Orange County Employees Retirement System (OCERS) each fiscal year.

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1 The value that is currently banked for recapture for Santa Ana is less (currently 3.5%) because the Board previously approved exclusion of accelerated pension paydown payments for Santa Ana, due to the fact that the unfunded pension liability accrued prior to Santa Ana joining OCFA. Also, the value banked for recapture for Garden Grove is 0%; OCFA has not incurred cost increases in excess of the cap since Garden Grove joined.
Option 2: Direct staff to exclude the value of new costs that are approved for addition to the annual budget in FY 2020/21 from the annual increases charged to cash contract cities when the addition enhances OCFA’s ability to provide regional, system-wide services throughout our jurisdiction. This exclusion will not apply to cost increases associated with current services already in place.

Implementation of Option 1 would allow draw-down of the value in the recapture bank much faster than Option 2, potentially completing the draw-down in FY 2021/22, whereas conservative projections without this change indicate that the 5% recapture bank won’t be resolved until FY 2022/23 with Option 2, or later if neither option is pursued.

Committee Feedback to Proposed Mitigation Options in January
Feedback provided by the B&FC and the TAC was aligned in that members of both Committees expressed desire to:

- Take steps toward stabilizing cash contract charges
- Further stabilize membership in OCFA
- Continue pension paydown, with cash contract cities paying their fair share
- Require payback to OCFA of the relief offered under Option 1 related to accelerated pension paydown, should a cash contract city later exercise its option to withdraw

While we don’t anticipate the loss of all cash contract cities, the B&FC was interested in understanding the potential impacts of such a situation. Therefore, staff provided a service area map demonstrating the gaps in operational jurisdiction that OCFA would incur if all cash contract cities were not a part of the system (Attachment 2) along with budgetary impacts listed below. Note that Placentia is excluded, since withdrawal for that city is already underway:

- Revenue reduction of $113,873,640
- Corresponding expenditure and service reductions in fire, medic, support, capital, and administrative functions

These impacts are not all-inclusive and are intended only to provide a brief glimpse into the significant impacts that would occur without cash contract cities as a part of the OCFA system. The stability of OCFA and our seamless service jurisdiction is greatly enhanced by keeping all member agencies as partners in our regional system.

February Discussions with B&FC
At the February B&FC meeting, the Committee recommended Option 1 (to exclude the value of accelerated pension paydown payments). In addition, the Committee recommended that staff return to the B&FC in two years for a progress review, and they recommended adding a provision that would require payback to OCFA of the relief offered under Option 1 should a cash contract city later exercises its option to withdraw from OCFA.

Conceptual terms for a payback agreement are anticipated to include the following:

- Each cash contract city will have the ability to opt-in to receive the annual savings in return for agreeing to pay back the accumulated savings if the city later exercises its option to withdraw from OCFA (i.e., the city provides notice to OCFA in 2028 and withdraws from OCFA effective 2030).
- The annual savings for each city that opts-in will be calculated and provided in writing to the city at the time the annual cash contract charge letters are provided. In addition to disclosing the annual savings, the running total of savings that accumulates over multiple years will be disclosed.

- The agreement will disclose that the OCFA Board of Directors may vote to discontinue this mitigation program following the planned review in two years, or at the time of any future program reviews.

- Lacking a vote by the Board of Directors to discontinue the mitigation program, the savings offered under this program will continue each year until the earlier of:
  - June 30, 2030, which is the end of the current ten-year membership window of the OCFA Joint Powers Agreement (JPA); or
  - The year in which the goals of the Accelerated Pension Paydown Plan are completed, which includes achieving 85% funding for the Pension Plan and 100% funding for the Retiree Medical Plan – at which time OCFA will have reached the natural end for the accelerated pension paydown payments.

**February – March Individual Outreach & Briefings**

Since the February B&FC meeting, staff has engaged in additional outreach meetings with representatives from OCFA member agencies (City Managers and OCFA Directors) to gather additional input on options to be considered, to solicit new ideas, and to confirm whether the work effort underway by staff and the B&FC is properly aligned with the interests of our members. Comments and suggestions received from the outreach briefings include:

- OCFA should require cash contract cities to continue to pay their full cost of fire service
- Consider Option 2 instead of Option 1, but still include the payback provision
- Consider Option 1 for two years, and then switch to Option 2 after two years
- Ensure that the provision of relief does not negatively impact the pension paydown plan
- Ensure that OCFA’s financial health is not negatively impacted
- Explore formation of an Ad Hoc Committee to continue review of options
- Evaluate OCFA’s cost of services with an emphasis on lowering costs or slowing growth

**Future Program Reviews**

As recommended by the B&FC during its February discussion, and pending approval by the Board of Directors, staff will return in two years for a progress review from implementation of Option 1. Staff will continuously monitor the results over the coming years, with the goals that (1) the value in the recapture bank be depleted to zero, (2) charges to cash contract cities drop below the 4.5% cap, and (3) the impacts to OCFA’s finances remain economically feasible.

**Attachment(s)**

1. Comparison of Mitigation Options
2. OCFA Service Area Map
## Summary of Projected Contract Charge Increases
### Mitigation Options 1 and 2

<table>
<thead>
<tr>
<th>Option</th>
<th>2020/21</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Option 1:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A) Starting Recapture Bank Balance <em>(Note)</em></td>
<td>5.00%</td>
<td>0.14%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>(B) Calculated Increase to Contracts Before Recapture Bank</td>
<td>(0.36%)</td>
<td>2.68%</td>
<td>1.52%</td>
<td>1.44%</td>
</tr>
<tr>
<td>(C) % Draw-Down from Recapture Bank &amp; Added to Contract Increase</td>
<td>4.86%</td>
<td>0.14%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>(D) Total Increase to Contract After Recapture Bank <em>(B + C = D)</em></td>
<td>4.50%</td>
<td>2.82%</td>
<td>1.52%</td>
<td>1.44%</td>
</tr>
<tr>
<td>(E) Ending Recapture Bank Balance <em>(A – C = E)</em></td>
<td>0.14%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Option 2:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A) Starting Recapture Bank Balance <em>(Note)</em></td>
<td>5.00%</td>
<td>3.12%</td>
<td>1.67%</td>
<td>0.00%</td>
</tr>
<tr>
<td>(B) Calculated Increase to Contracts Before Recapture Bank</td>
<td>2.62%</td>
<td>3.05%</td>
<td>2.27%</td>
<td>2.04%</td>
</tr>
<tr>
<td>(C) % Draw-Down from Recapture Bank &amp; Added to Contract Increase</td>
<td>1.88%</td>
<td>1.45%</td>
<td>1.67%</td>
<td>0.00%</td>
</tr>
<tr>
<td>(D) Total Increase to Contract After Recapture Bank <em>(B + C = D)</em></td>
<td>4.50%</td>
<td>4.50%</td>
<td>3.94%</td>
<td>2.04%</td>
</tr>
<tr>
<td>(E) Ending Recapture Bank Balance <em>(A – C = E)</em></td>
<td>3.12%</td>
<td>1.67%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Reduction to Annual Increases – Option 1 vs. Option 2**

<table>
<thead>
<tr>
<th>2020/21</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00%</td>
<td>(1.68%)</td>
<td>(2.42%)</td>
<td>(0.61%)</td>
</tr>
</tbody>
</table>

*Note: The value that is currently banked for recapture for Santa Ana is less (currently 3.5%) because the Board previously approved exclusion of accelerated pension paydown payments for Santa Ana, due to the fact that the unfunded pension liability accrued prior to Santa Ana joining OCFA. Also, the value banked for recapture for Garden Grove is 0%; OCFA has not incurred cost increases in excess of the cap since Garden Grove joined.*
OCFA Cities
(Cash-Contracted and Structural Foundation)

Data Reference and Symbology

- OCFA Division and Battalion Stations
- OCFA Division Stations
- OCFA Battalion Stations
- OCFA Fire Stations
- Non OCFA Fire Stations
- Major Roads
- Highways
- Water Bodies
- Divisions
- Battalions
- Cash-Contract Cities
- Structural Foundation Cities

Information Technology Division - Geographic Information Systems

Information shown herein is a compilation of data from sources of varying accuracy and is provided as a convenience to the user. The Orange County Fire Authority does not guarantee its accuracy and completeness. It is the user's responsibility to verify all information to their own satisfaction.

Source:
The topographic background is a hillshade relief of a digital elevation model taken from a federal website that hosts national elevation data.

1/27/2020 Z:\Projects\SpecialProjects\CityMaps\OCFA_CITY_Juris_CashCities.mxd
Data Reference and Symbology

- OCFA Division and Battalion Stations
- OCFA Division Stations
- OCFA Battalion Stations
- OCFA Fire Stations
- Non OCFA Fire Stations
- Major Roads
- Highways

Source: The topographic background is a hillshade relief of a digital elevation model taken from a federal website that hosts national elevation data.