



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, August 12, 2015

12:00 Noon

Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Jerry McCloskey, Chair
Elizabeth Swift, Vice Chair
Gerard Goedhart Gene Hernandez Al Murray
Todd Spitzer Tri Ta
Bruce Channing - 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 Murray

ROLL CALL

1. PRESENTATIONS

No items.

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 July 15, 2015, Budget and Finance Committee Special Meeting**

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT CALENDAR

No items.

4. DISCUSSION CALENDAR**A. Monthly Investment Reports**

Submitted by: Patricia 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 August 20, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Annual Investment Report

Submitted by: Patricia 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 August 20, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

C. Response to Grand Jury Report: "Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency"

Submitted by: Lori Zeller, 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 August 27, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors approve and authorize the Fire Chief to submit the proposed response to the recommendations contained in the Grand Jury Report entitled "*Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency*" to the Presiding Judge of the Superior Court and to the Orange County Grand Jury.

D. Acceptance of 2015 Department of Homeland Security/Federal Emergency Management Agency's Urban Search & Rescue Preparedness Grant
Submitted by: Dave Thomas, Assistant Chief/Operations Department

Recommended Actions:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of August 27, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Adopt the proposed Resolution to accept the Department of Homeland Security/Federal Emergency Management Agency's Administrative Preparedness Grant.
2. Direct staff to increase revenue and appropriations in the amount of \$1,312,082 in the General Fund (Fund 121).

E. Start-Up Matching Funds/Orange County Task Force on Drowning Prevention
Submitted by: Sandy Cooney, Director of Communications/Public Affairs

Recommended Actions:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of August 20, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee authorize the following:

1. Increase appropriations in the FY 2015/16 General Fund budget by \$25,000 for seed funding for the Orange County Drowning Prevention Task Force.
2. Authorize the Fire Chief, or his designee, to forward the funds to the appropriate agency that will be responsible for the program. This will be determined at a future date.
3. Direct staff, in collaboration with county agencies, to develop a plan for use of the funds for start-up expenses, to include market research and focus groups.

REPORTS

No items.

ELECTION OF COMMITTEE CHAIR AND VICE CHAIR

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, September 9, 2015, 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, front gate public display case, and website of the Orange County Fire Authority, Regional Fire Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 6th day of August, 2015.

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

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, August 20, 2015, 5:30 p.m.
Executive Committee Meeting	Thursday, August 20, 2015, 6:00 p.m.
Board of Directors Special Meeting	Thursday, August 27, 2015, 6:00 p.m.
Human Resources Committee Meeting	Tuesday, September 1, 2015, 12:00 noon



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
August 12, 2015

Agenda Item No. 1
Presentations

There are no presentations scheduled for this agenda.

MINUTES ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Special Meeting
Wednesday, July 15, 2015
12:00 Noon

Regional Fire Operations and Training Center
Room AE117
1 Fire Authority Road
Irvine, CA 92602

CALL TO ORDER

A special meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on July 15, 2015, at 12:06 p.m. by Vice Chair Swift.

PLEDGE OF ALLEGIANCE

Director Murray led the assembly in the Pledge of Allegiance to our Flag.

ROLL CALL

Present:

Gerard Goedhart, La Palma
Gene Hernandez, Yorba Linda
Al Murray, Tustin
Elizabeth Swift, Buena Park

Absent:

Jerry McCloskey, Chair, Laguna Niguel
Todd Spitzer, County of Orange
Tri Ta, Westminster

Also present were:

Fire Chief Jeff Bowman
Assistant Chief Lori Smith
Assistant Chief Brian Young
Human Resources Director Jeremy Hammond
Ex Officio City Manager Bruce Channing

Assistant Chief Michael Schroeder
Assistant Chief David Thomas
General Counsel David Kendig
Clerk of the Authority Sherry Wentz

1. PRESENTATIONS

No items.

PUBLIC COMMENTS (F: 12.02B3)

Vice Chair Swift opened the Public Comments portion of the meeting. Vice Chair Swift closed the Public Comments portion of the meeting without any comments.

2. MINUTES

A. Minutes for the May 14, 2015, Special Budget and Finance Committee Meeting (F: 12.02B2)

On motion of Director Goedhart and second by Director Hernandez, the Committee voted unanimously by those present to approve the Minutes for the May 14, 2015, Special Budget and Finance Committee meeting, as submitted.

3. CONSENT CALENDAR

A. Monthly Investment Reports (F: 11.10D2)

On motion of Director Murray and second by Director Hernandez, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of July 16, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Quarterly Status Update – Orange County Employees' Retirement System (F: 17.06B)

On motion of Director Murray and second by Director Hernandez, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of July 16, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

C. Quarterly Change Order Report (F: 11.10H1)

On motion of Director Murray and second by Director Hernandez, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of July 16, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

D. Grant Acceptance – FEMA Assistance To Firefighter Grant (AFG) (F: 16.02D)

On motion of Director Murray and second by Director Hernandez, the Committee voted unanimously by those present to accept the grant award and approve a FY 2015/16 budget adjustment to revenues and expenditures in the amount of \$43,022 in Fund 121.

4. DISCUSSION CALENDAR

A. Updated Cost Reimbursement Rates (F: 15.12)

Finance Manager Jim Ruane provided a PowerPoint presentation on the Updated Cost Reimbursement Rates.

On motion of Director Murray and second by Director Hernandez, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board of Directors meeting of July 23, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors approve and adopt the proposed Cost Reimbursement Rate schedules effective retroactively July 1, 2015.

B. Approval of the Updated OCFA Advanced Life Support (ALS) Paramedic and Basic Life Support (BLS) Medical Supplies Reimbursement Rates (F: 15.12)

Finance Manager Jim Ruane provided a PowerPoint presentation on Approval of the Updated OCFA Advanced Life Support (ALS) Paramedic and Basic Life Support (BLS) Medical Supplies Reimbursement Rates.

Stephen Wontrobski, Mission Viejo resident, spoke in opposition to the item.

On motion of Director Hernandez and second by Director Murray, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board of Directors meeting of July 23, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Conduct a Public Hearing.
2. Upon approval of the proposed increase to the maximum BLS emergency 9-1-1 transportation billing rate by the Orange County Board of Supervisors, authorize staff to increase OCFA's Advanced Life Support (ALS) and Basic Life Support (BLS) Medical Supply Reimbursement Rates by the same percentage increase.

C. Community Risk Reduction Fee Study and Adoption of Associated Fee Schedules
(F:15.05)

Finance Manager Jim Ruane provided a PowerPoint presentation on the Community Risk Reduction Fee Study and Adoption of Associated Fee Schedules.

On motion of Director Murray and second by Director Hernandez, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board of Directors meeting of July 23, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Conduct a Public Hearing.
2. Find that, in accordance with California Government Code Section 66014, the proposed fees do not exceed the cost of providing services and are only for the purpose of meeting operational expenses and are, therefore exempt from compliance with the California Environmental Quality Act pursuant to Public Resources Code Section 21080.
3. Approve and adopt the Resolution and Exemption Policy approving changes in Community Risk Reduction and Miscellaneous fees and effective date.

REPORTS (F: 12.02B6)

No items.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

Director Murray commended staff on the Fire/EMS Demonstrations held for city managers, thanked staff for controlling the 241 Fire, and spoke about a recent interview on OC Radio with Fire Chief Bowman.

Vice Chair Swift commended staff on the modifications to the OCFA's website.

ADJOURNMENT – Vice Chair Swift adjourned the meeting at 12:55 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, August 12, 2015, 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
August 12, 2015

Agenda Item No. 4A
Discussion Calendar

Monthly Investment Reports

Contact(s) for Further Information

Tricia Jakubiak, Treasurer Treasury & Financial Planning	triciajakubiak@ocfa.org	714.573.6301
Jane Wong, Assistant Treasurer	jane Wong@ocfa.org	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 August 20, 2015, 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 June 30, 2015. A preliminary investment report as of July 24, 2015, is also provided as the most complete report that was available at the time this agenda item was prepared.

Attachment(s)

Final Investment Report – June 2015/Preliminary Report – July 2015

Orange County Fire Authority Monthly Investment Report



Final Report – June 2015

Preliminary Report – July 2015



Monthly Investment Report Table of Contents

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Orange County Fire Authority

Final Investment Report

June 30, 2015



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of June 2015, the size of the portfolio decreased significantly by \$39.0 million to \$165.0 million. Significant receipts for the month included quarterly cash contract payments, property tax receipts, intergovernmental payments and developer fees totaling \$23.1 million. Significant disbursements for the month included two biweekly payrolls, which were approximately \$8.4 million each with related benefits. Total June cash outflows for operating expenditures amounted to approximately \$19.7 million. In addition, on June 30, 2015, a repayment of \$44.3 million (principal plus interest) was made for the FY14/15 TRANs (Tax and Revenue Anticipation Notes). The portfolio's balance is expected to reverse and increase significantly in July with the issuance of the \$36.3 million TRANs for FY15/16.

In June, the portfolio's yield to maturity (365-day equivalent) increased by 6 basis points to 0.34%. The effective rate of return declined by 2 basis points to 0.26% for the month, but stayed unchanged at 0.27% for the fiscal year to date. The average maturity of the portfolio lengthened by 14 days to 126 days to maturity. As the FY14/15 ended, portfolio interest earnings slightly exceeded budgeted expectations for the year.

Economic News

The U.S. economy continued to improve in June. There were a total of 223,000 new jobs created for the month and the unemployment rate declined by 2 basis points to 5.3%, nearing what the Fed considers full employment. Both manufacturing and non-manufacturing sectors grew in June. Industrial production edged up slightly while durable goods orders rose better than expected by 3.4% due to increase in aircraft orders. Both the CPI (Consumer Price Index) and the PPI (Producer Price Index) increased further in June. Housing activity stayed mixed but continued to improve overall. Consumer confidence picked up in June, but retail sales unexpectedly declined. The NFIB (National Federation of Independent Business) Small Business Optimism Index also unexpectedly dropped to the lowest level since March 2014. Despite the recent global concerns over Greece and China's economic crisis, current expectations remain that the Fed is likely to raise rates in September 2015.



BENCHMARK COMPARISON AS OF JUNE 30, 2015

<i>3 Month T-Bill:</i> 0.02%	<i>1 Year T-Bill:</i> 0.28%
<i>6 Month T-Bill:</i> 0.09%	<i>LAIF:</i> 0.30%
<i>OCFA Portfolio:</i> 0.26%	

PORTFOLIO SIZE, YIELD, & DURATION

	<u><i>Current Month</i></u>	<u><i>Prior Month</i></u>	<u><i>Prior Year</i></u>
<i>Book Value-</i>	\$164,961,691	\$203,983,755	\$159,315,564
<i>Yield to Maturity (365 day)</i>	0.34%	0.28%	0.24%
<i>Effective Rate of Return</i>	0.26%	0.28%	0.24%
<i>Days to Maturity</i>	126	112	185



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
June 30, 2015

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, Irvine, CA 92602
 (714)573-6301

(See Note 1 on page 9)

(See Note 2 on page 9)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	18,252,264.91	18,252,264.91	18,252,264.91	11.14	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	8,585,000.00	8,573,367.60	8,577,918.75	5.24	203	143	0.211	0.214
Federal Agency Coupon Securities	42,000,000.00	41,978,010.00	42,013,203.91	25.64	1,307	400	0.841	0.853
Federal Agency Disc. -Amortizing	45,000,000.00	44,996,580.00	44,995,070.00	27.46	124	55	0.070	0.071
Local Agency Investment Funds	50,000,000.00	50,018,798.95	50,000,000.00	30.52	1	1	0.295	0.299
Investments	163,837,264.91	163,819,021.46	163,838,457.57	100.00%	380	126	0.336	0.341
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	1,142,146.67	1,142,146.67	1,142,146.67		1	1	0.000	0.000
Accrued Interest at Purchase		522.50	522.50					
Subtotal		1,142,669.17	1,142,669.17					
Total Cash and Investments	164,979,411.58	164,961,690.63	164,981,126.74		380	126	0.336	0.341

Total Earnings	June 30 Month Ending	Fiscal Year To Date	Fiscal Year Ending
Current Year	42,725.42	453,988.07	453,988.07
Average Daily Balance	201,124,008.89	170,862,379.91	
Effective Rate of Return	0.26%	0.27%	

"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, 2015. 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 Jakubak
 Patricia Jakubak, Treasurer

7/3/15

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 164,981,126.74
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ (19,436.11)
Total	\$ 164,961,690.63

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ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
June 30, 2015

(See Note 1 on page 9)

(See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			18,252,264.91	18,252,264.91	18,252,264.91	0.001	0.001	1	
Subtotal and Average			21,877,658.09		18,252,264.91	18,252,264.91	18,252,264.91		0.001	1	
Commercial Paper Disc. -Amortizing											
36959JYR8	860	GEN ELEC CAP CRP		04/23/2015	2,570,000.00	2,566,427.70	2,567,901.17	0.200	0.206	147	11/25/2015
36595JYL1	862	GEN ELEC CAP CRP		05/06/2015	6,015,000.00	6,006,939.90	6,010,017.58	0.210	0.218	142	11/20/2015
Subtotal and Average			8,577,202.95		8,585,000.00	8,573,367.60	8,577,918.75		0.214	143	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	9,000,270.00	8,998,297.77	0.400	0.424	296	04/22/2016
3133EEA75	861	Federal Farm Credit Bank (Callable 7-22-15)		04/23/2015	9,000,000.00	8,987,220.00	8,999,575.28	0.990	1.031	21	01/22/2018
3134G7FK2	863	Fed Home Loan Mtg Corp (Callable 12-23-15)		06/30/2015	9,000,000.00	8,997,030.00	9,008,388.73	1.100	0.905	175	03/23/2018
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	6,000,600.00	6,000,000.00	1.000	0.981	770	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 7-9-15)		12/20/2012	9,000,000.00	8,992,890.00	9,006,942.13	1.000	0.986	862	11/09/2017
Subtotal and Average			42,976,150.82		42,000,000.00	41,978,010.00	42,013,203.91		0.853	400	
Federal Agency Disc. -Amortizing											
313396MC4	859	Freddie Mac		04/23/2015	9,000,000.00	8,998,740.00	8,998,300.00	0.080	0.082	85	09/24/2015
313384JF7	855	Fed Home Loan Bank		04/23/2015	9,000,000.00	8,999,910.00	8,999,760.00	0.060	0.062	16	07/17/2015
313384KK4	856	Fed Home Loan Bank		04/23/2015	9,000,000.00	8,999,550.00	8,999,285.00	0.065	0.067	44	08/14/2015
313384KZ1	857	Fed Home Loan Bank		04/23/2015	9,000,000.00	8,999,460.00	8,998,985.00	0.070	0.072	58	08/28/2015
313588LP8	858	Fed Home Loan Bank		04/23/2015	9,000,000.00	8,998,920.00	8,998,740.00	0.070	0.072	72	09/11/2015
Subtotal and Average			77,692,997.02		45,000,000.00	44,996,580.00	44,995,070.00		0.071	55	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,018,798.95	50,000,000.00	0.299	0.299	1	
Subtotal and Average			50,000,000.00		50,000,000.00	50,018,798.95	50,000,000.00		0.299	1	
Total and Average			201,124,008.89		163,837,264.91	163,819,021.46	163,838,467.57		0.341	126	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
June 30, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	ABPA (Acct Closed)		07/01/2014	0.00	0.00	0.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2014	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2014	1,122,146.67	1,122,146.67	1,122,146.67		0.000	1
SYS361	361	CORVEL (Acct Closed)		07/01/2014	0.00	0.00	0.00		0.000	1
Average Balance			0.00	Accrued Interest at Purchase		522.50	522.50			1
					Subtotal	1,142,669.17	1,142,669.17			
Total Cash and Investments			201,124,008.89		164,979,411.58	164,961,690.63	164,981,126.74		0.341	126

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of July 1, 2015

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, Irvine, CA 92602
 (714)573-6301

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(07/01/2015 - 07/01/2015)	6 Maturities	0 Payments	69,394,411.58	42.06%	69,394,411.58	69,413,210.53
Aging Interval:	1 - 30 days	(07/02/2015 - 07/31/2015)	1 Maturities	0 Payments	9,000,000.00	5.46%	8,999,760.00	8,999,910.00
Aging Interval:	31 - 60 days	(08/01/2015 - 08/30/2015)	2 Maturities	0 Payments	18,000,000.00	10.91%	17,998,270.00	17,999,010.00
Aging Interval:	61 - 91 days	(08/31/2015 - 09/30/2015)	2 Maturities	0 Payments	18,000,000.00	10.91%	17,997,040.00	17,997,660.00
Aging Interval:	92 - 121 days	(10/01/2015 - 10/30/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	122 - 152 days	(10/31/2015 - 11/30/2015)	2 Maturities	0 Payments	8,585,000.00	5.20%	8,577,918.75	8,573,367.60
Aging Interval:	153 - 183 days	(12/01/2015 - 12/31/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(01/01/2016 - 03/31/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(04/01/2016 - 06/30/2016)	1 Maturities	0 Payments	9,000,000.00	5.45%	8,998,297.77	9,000,270.00
Aging Interval:	366 - 1095 days	(07/01/2016 - 06/30/2018)	4 Maturities	0 Payments	33,000,000.00	20.01%	33,014,906.14	32,977,740.00
Aging Interval:	1096 days and after	(07/01/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			18 Investments	0 Payments		100.00	164,980,604.24	164,961,168.13



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, 2015 includes an increase of \$18,799 to the LAIF investment and a decrease of (\$38,235) to the remaining investments.
- Note 4: The Highmark 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 June 30, 2015, OCFA has \$50,000,000 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 June 30, 2015 is 1.000375979. When applied to OCFA's LAIF investment, the fair value is \$50,018,799 or \$18,799 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 June 30, 2015 is included on the following page.



State of California
Pooled Money Investment Account
Market Valuation
6/30/2015

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch.		
United States Treasury:				
Bills	\$ 12,478,798,026.25	\$ 12,486,334,849.86	\$ 12,490,802,500.00	NA
Notes	\$ 20,558,752,232.85	\$ 20,555,536,741.39	\$ 20,580,129,500.00	\$ 21,455,182.50
Federal Agency:				
SBA	\$ 585,671,321.30	\$ 585,666,243.58	\$ 581,898,249.19	\$ 515,761.93
MBS-REMICs	\$ 88,086,151.74	\$ 88,086,151.74	\$ 94,368,771.34	\$ 419,094.47
Debentures	\$ 1,356,989,977.45	\$ 1,356,980,116.34	\$ 1,357,742,600.00	\$ 3,825,064.96
Debentures FR	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 6,937,478,493.01	\$ 6,939,792,520.75	\$ 6,941,176,500.00	NA
GNMA	\$ -	\$ -	\$ -	\$ -
Supranational Debenture	\$ 450,178,265.15	\$ 450,178,265.15	\$ 450,788,000.00	\$ 759,031.50
CDs and YCDs FR	\$ -	\$ -	\$ -	\$ -
Bank Notes	\$ 700,000,000.00	\$ 700,000,000.00	\$ 699,897,195.93	\$ 433,666.67
CDs and YCDs	\$ 14,650,014,748.62	\$ 14,650,014,748.62	\$ 14,642,625,872.59	\$ 4,375,027.76
Commercial Paper	\$ 5,921,030,472.27	\$ 5,922,910,944.52	\$ 5,922,245,201.40	NA
Corporate:				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 5,437,540,000.00	\$ 5,437,540,000.00	\$ 5,437,540,000.00	NA
AB 55 & GF Loans	\$ 441,948,027.07	\$ 441,948,027.07	\$ 441,948,027.07	NA
TOTAL	\$ 69,606,487,715.71	\$ 69,614,988,609.02	\$ 69,641,162,417.52	\$ 31,782,829.79

Fair Value Including Accrued Interest \$ 69,672,945,247.31

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost (1.000375979). As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$20,007,519.59 or \$20,000,000.00 x 1.000375979.



Orange County Fire Authority
Preliminary Investment Report
July 24, 2015



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
July 24, 2015

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, Irvine, CA 92602
 (714)573-6301

(See Note 1 on page 18) (See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	13,609,346.21	13,609,346.21	13,609,346.21	7.39	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	9,585,000.00	9,574,952.85	9,578,351.85	5.20	198	120	0.212	0.215
Federal Agency Coupon Securities	42,000,000.00	41,968,740.00	42,012,402.02	22.81	1,307	572	0.834	0.846
Federal Agency Disc. -Amortizing	69,000,000.00	68,987,430.00	68,985,305.00	37.45	137	77	0.090	0.091
Local Agency Investment Funds	50,000,000.00	50,018,798.95	50,000,000.00	27.15	1	1	0.295	0.299
Investments	184,194,346.21	184,159,268.01	184,185,405.08	100.00%	360	166	0.315	0.320
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	808,360.02	808,360.02	808,360.02		1	1	0.000	0.000
Accrued Interest at Purchase		275.00	275.00					
Subtotal		808,635.02	808,635.02					
Total Cash and Investments	185,002,706.23	184,967,903.03	184,994,040.10		360	166	0.315	0.320

Total Earnings	July 24 Month Ending	Fiscal Year To Date
Current Year	39,628.44	39,628.44
Average Daily Balance	191,117,330.62	191,117,330.62
Effective Rate of Return	0.32%	0.32%

"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, 2015. 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 Jakubak
 Patricia Jakubak, Treasurer 7/31/15

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 184,994,040.10
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ (19,436.11)
Total	\$ 184,974,603.99

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ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
July 24, 2015

(See Note 1 on page 18) (See Note 2 on page 18)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			13,609,346.21	13,609,346.21	13,609,346.21	0.001	0.001	1	
Subtotal and Average			14,543,528.95		13,609,346.21	13,609,346.21	13,609,346.21		0.001	1	
Commercial Paper Disc. -Amortizing											
36959JYR8	860	GEN ELEC CAP CRP		04/23/2015	2,570,000.00	2,566,967.40	2,568,243.83	0.200	0.206	123	11/25/2015
36595JYL1	862	GEN ELEC CAP CRP		05/06/2015	6,015,000.00	6,009,165.45	6,010,859.68	0.210	0.218	118	11/20/2015
36959JYR8	866	GEN ELEC CAP CRP		07/01/2015	1,000,000.00	998,820.00	999,248.34	0.220	0.223	123	11/25/2015
Subtotal and Average			9,577,713.87		9,585,000.00	9,574,952.85	9,578,351.85		0.215	120	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	9,000,090.00	8,998,438.16	0.400	0.424	272	04/22/2016
3133EEA75	861	Federal Farm Credit Bank		04/23/2015	9,000,000.00	8,977,230.00	9,000,000.00	0.990	0.998	912	01/22/2018
3134G7FK2	863	Fed Home Loan Mtg Corp (Callable 12-23-15)		06/30/2015	9,000,000.00	9,000,360.00	9,007,218.21	1.100	0.905	151	03/23/2018
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	6,000,240.00	6,000,000.00	1.000	0.981	746	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 8-9-15)		12/20/2012	9,000,000.00	8,990,820.00	9,006,745.65	1.000	0.966	838	11/09/2017
Subtotal and Average			42,012,812.80		42,000,000.00	41,968,740.00	42,012,402.02		0.846	572	
Federal Agency Disc. -Amortizing											
313396MC4	859	Freddie Mac		04/23/2015	9,000,000.00	8,999,280.00	8,998,780.00	0.080	0.082	61	09/24/2015
313384KK4	856	Fed Home Loan Bank		04/23/2015	9,000,000.00	8,999,910.00	8,999,675.00	0.065	0.067	20	08/14/2015
313384KZ1	857	Fed Home Loan Bank		04/23/2015	9,000,000.00	8,999,820.00	8,999,405.00	0.070	0.072	34	08/28/2015
313588LP8	858	Fed Home Loan Bank		04/23/2015	9,000,000.00	8,999,460.00	8,999,160.00	0.070	0.072	48	09/11/2015
313384NG0	864	Fed Home Loan Bank		07/01/2015	9,000,000.00	8,998,650.00	8,997,775.00	0.100	0.103	89	10/22/2015
313384NX3	865	Fed Home Loan Bank		07/01/2015	9,000,000.00	8,997,210.00	8,997,530.00	0.095	0.098	104	11/06/2015
313384QB8	867	Fed Home Loan Bank		07/01/2015	6,000,000.00	5,997,420.00	5,997,360.00	0.120	0.123	132	12/04/2015
313384QR3	868	Fed Home Loan Bank		07/01/2015	9,000,000.00	8,995,680.00	8,995,620.00	0.120	0.123	146	12/18/2015
Subtotal and Average			74,983,275.00		69,000,000.00	68,987,430.00	68,985,305.00		0.091	77	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,018,798.95	50,000,000.00	0.299	0.299	1	
Subtotal and Average			50,000,000.00		50,000,000.00	50,018,798.95	50,000,000.00		0.299	1	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
July 24, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
		Total and Average	191,117,330.62		184,194,346.21	184,159,268.01	184,185,405.08		0.320	166

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
July 24, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2015	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2015	788,360.02	788,360.02	788,360.02		0.000	1
		Average Balance	0.00	Accrued Interest at Purchase		275.00	275.00			1
				Subtotal		808,635.02	808,635.02			
		Total Cash and Investments	191,117,330.62		185,002,706.23	184,967,903.03	184,994,040.10		0.320	166



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of July 25, 2015

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, Irvine, CA 92602
 (714)573-6301

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				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(07/25/2015 - 07/25/2015)	4 Maturities	0 Payments	64,417,706.23	34.82%	64,417,706.23	64,436,505.18
Aging Interval:	1 - 30 days	(07/26/2015 - 08/24/2015)	1 Maturities	0 Payments	9,000,000.00	4.86%	8,999,675.00	8,999,910.00
Aging Interval:	31 - 60 days	(08/25/2015 - 09/23/2015)	2 Maturities	0 Payments	18,000,000.00	9.73%	17,998,565.00	17,999,280.00
Aging Interval:	61 - 91 days	(09/24/2015 - 10/24/2015)	2 Maturities	0 Payments	18,000,000.00	9.73%	17,996,555.00	17,997,930.00
Aging Interval:	92 - 121 days	(10/25/2015 - 11/23/2015)	2 Maturities	0 Payments	15,015,000.00	8.11%	15,008,389.68	15,006,375.45
Aging Interval:	122 - 152 days	(11/24/2015 - 12/24/2015)	4 Maturities	0 Payments	18,570,000.00	10.03%	18,560,472.17	18,558,887.40
Aging Interval:	153 - 183 days	(12/25/2015 - 01/24/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(01/25/2016 - 04/24/2016)	1 Maturities	0 Payments	9,000,000.00	4.86%	8,998,438.16	9,000,090.00
Aging Interval:	275 - 365 days	(04/25/2016 - 07/24/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(07/25/2016 - 07/24/2018)	4 Maturities	0 Payments	33,000,000.00	17.85%	33,013,963.86	32,968,650.00
Aging Interval:	1096 days and after	(07/25/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			20 Investments	0 Payments		100.00	184,993,765.10	184,967,628.03



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, 2015 includes an increase of \$18,799 to the LAIF investment and a decrease of (\$38,235) to the remaining investments.
- Note 4: The Highmark 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 institutions 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.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
August 12, 2015

Agenda Item No. 4B
Discussion Calendar

Annual Investment Report

Contact(s) for Further Information

Tricia Jakubiak, Treasurer Treasury & Financial Planning	triciajakubiak@ocfa.org	714.573.6301
Jane Wong, Assistant Treasurer	jane Wong@ocfa.org	714.573.6305

Summary

This agenda item is submitted to the Budget and Finance Committee in compliance with Section 18.2 of the Orange County Fire Authority's Investment Policy.

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 August 20, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Section 18.2 of OCFA's Investment Policy requires that the Treasurer submit an annual report to the Budget and Finance Committee and the Executive Committee following the close of the fiscal year. The attached report certifies that the Treasurer has complied with OCFA's investment policies and procedures and details the following:

- Portfolio performance and comparison to benchmarks
- A review of trends regarding the size of the portfolio
- Discussion of investment risk in the portfolio
- Analysis of the composition of the portfolio
- GASB 31 impacts
- Investment income
- A statement of anticipated investment fund activity in the next fiscal year

Attachment(s)

Annual Investment Report for Fiscal Year 2014/15

Treasury and Financial Planning



Annual Investment Report – FY 2014/15

Orange County Fire Authority Annual Investment Report

Fiscal Year 2014/15

The Annual Investment Report for the fiscal year ended June 30, 2015 fulfills the requirements of Section 18.2 of the Authority's Investment Policy ("the Policy"). The Annual Report is a review of the last twelve months of investment activity by the Treasurer.



Annual Investment Report

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<i>Review of Trends Regarding the Size of the Portfolio.....</i>	<i>4-5</i>
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<i>Analysis of the Composition of the Portfolio.....</i>	<i>8-10</i>
<i>GASB 31 Impacts.....</i>	<i>11</i>
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**PORTFOLIO PERFORMANCE AND
COMPARISON TO BENCHMARK**

OCFA’s portfolio performance was closely aligned with LAIF performance and exceeded the Treasury benchmark comparisons as listed below for FY 2014/15.

In FY 2014/15, the Federal Reserve Board continued to maintain the federal funds rate, the overnight bank lending rate, at a target range of 0.0% to 0.25%, where it has been for almost 7 years. The economy continued to recover during the fiscal year, and employment conditions strengthened noticeably. The unemployment rate also improved, declining from 6.1% at the beginning of the fiscal year to 5.3% in June 2015, nearing what the Fed considers full employment. The housing market continued to grow modestly overall, and prices have increased. OCFA’s portfolio began the fiscal year with a maturity of 185 days and an effective rate of return of 0.24%. As the economy improved, expectations for the Fed to raise rates also increased, resulting in slightly higher interest rates throughout the year. Thus, the portfolio performance ended in June with a slightly higher return rate of 0.26% on a portfolio balance of \$165 million, with 126 days to maturity. The portfolio performance overall was closely aligned with LAIF performance and slightly exceeded the final budget projection.

	<i>OCFA Portfolio</i>			<i>Benchmark Comparisons</i>			
	<i>Market Value</i>	<i>Days to Maturity</i>	<i>Effective Yield</i>	<i>3 Month Treasury</i>	<i>6 Month Treasury</i>	<i>1 Year Treasury</i>	<i>LAIF</i>
<i>July</i>	173,140,893	185	0.24%	0.03%	0.06%	0.11%	0.24%
<i>August</i>	149,519,487	194	0.27%	0.03%	0.05%	0.11%	0.26%
<i>September</i>	148,128,923	190	0.28%	0.02%	0.04%	0.11%	0.25%
<i>October</i>	133,906,613	188	0.29%	0.02%	0.05%	0.10%	0.26%
<i>November</i>	128,741,870	179	0.27%	0.02%	0.07%	0.13%	0.26%
<i>December</i>	217,030,366	135	0.22%	0.03%	0.11%	0.21%	0.27%
<i>January</i>	170,300,354	148	0.24%	0.03%	0.08%	0.20%	0.26%
<i>February</i>	156,514,261	151	0.30%	0.02%	0.07%	0.22%	0.27%
<i>March</i>	163,760,461	141	0.28%	0.03%	0.11%	0.25%	0.28%
<i>April</i>	212,936,310	125	0.29%	0.02%	0.09%	0.23%	0.28%
<i>May</i>	203,983,755	112	0.28%	0.02%	0.08%	0.24%	0.29%
<i>June</i>	164,961,691	126	0.26%	0.02%	0.09%	0.28%	0.30%
<i>Fiscal Year</i>	168,577,082	156	0.27%	0.02%	0.08%	0.18%	0.27%

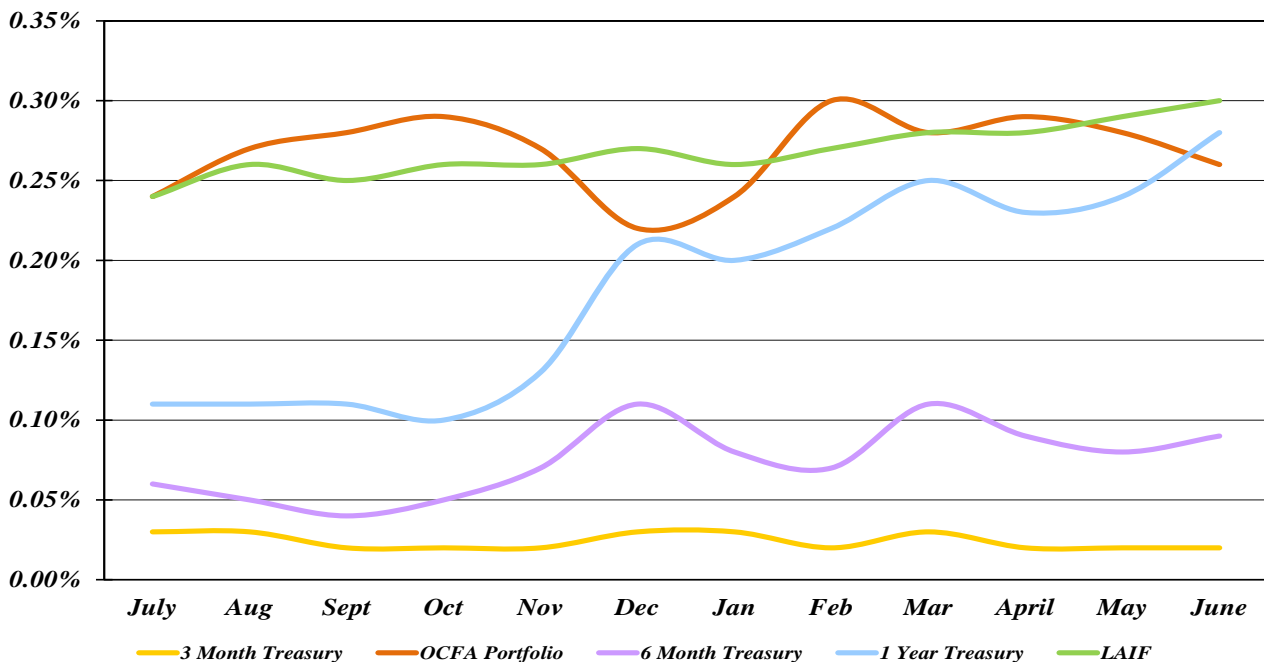


**PORTFOLIO PERFORMANCE AND
COMPARISON TO BENCHMARKS**

The following chart compares the Authority’s monthly portfolio performance with monthly benchmarks including 3-month, 6-month, and 1-year Treasuries and LAIF. OCFA’s portfolio yield was in line with the LAIF benchmark and exceeded the Treasury benchmarks during FY 2014/15.

- During FY 2014/15, Treasury yields improved slightly but remained largely at historically low levels due to the low federal funds rate kept in place by the Fed since December 2008.
- In a declining/rising interest rate environment, LAIF’s return tends to decline/rise slower than the market because of their maturity structure. As such, LAIF’s return gradually rose throughout the fiscal year, reflecting the modest rise in interest rates.
- OCFA kept investments primarily in Federal Agency securities, commercial paper, and LAIF which yielded higher returns compared to Treasuries. However, OCFA remains somewhat restrained due to the timing of cashflow needs. As interest rates are expected to rise in the incoming fiscal year, OCFA’s portfolio rate of return can also be expected to grow along with the rising interest rate environment.

Comparison to Benchmarks - FY 2014/15

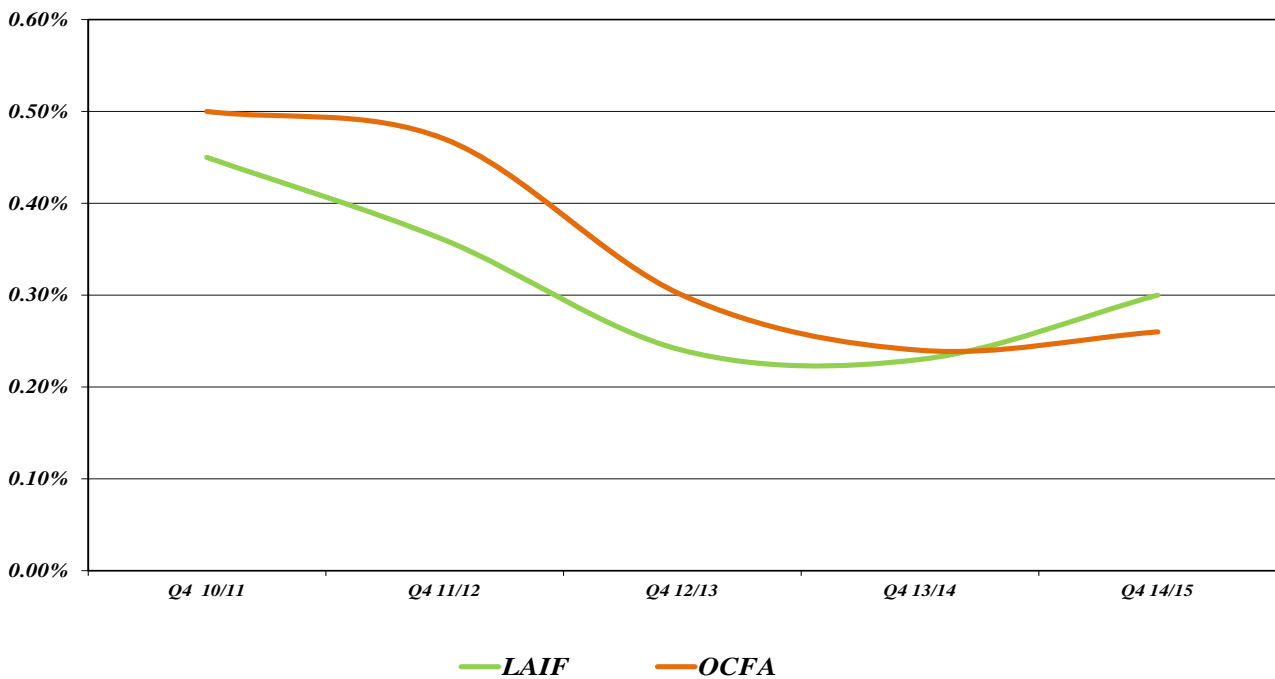




**PORTFOLIO PERFORMANCE AND
COMPARISON TO BENCHMARKS**

The following chart provides a 5-year history of the Authority’s portfolio yield from FY 2010/11 through FY 2014/15 compared to a 5-year history of the Local Agency Investment Fund’s yield. As demonstrated with this historical view, OCFA’s portfolio yield performs very similarly to LAIF.

OCFA & LAIF Portfolio Yields - 5 Year History





**REVIEW OF TRENDS REGARDING THE SIZE OF
THE PORTFOLIO**

Portfolio balances during FY 2014/15 were significantly higher than FY 2013/14.

The size of the OCFA's portfolio fluctuates over the course of a fiscal year due to timing differences between cash receipts and disbursements. Excluding financing proceeds, OCFA's largest cash receipts are from secured property taxes received in December and April and from cash contract payments received quarterly, except for the City of Santa Ana which pays monthly. Cash disbursements occur more evenly with biweekly payroll expenditures representing the largest component. These timing differences cause the General Fund to experience temporary cash shortages from July through mid-December.

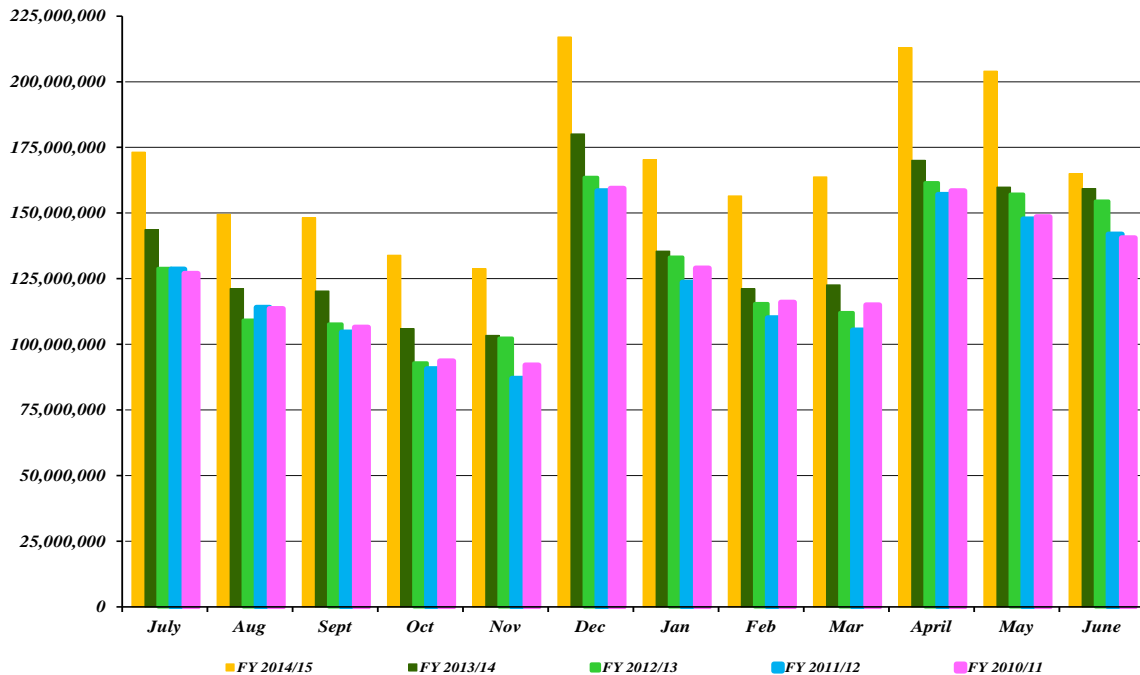
To resolve the temporary cash shortages in the General Fund, OCFA has issued Tax and Revenue Anticipation Notes (TRANs) on an as-needed basis. In FY2014/15, in order to fund its General Fund's expected cashflow deficit, OCFA issued a \$44 million TRANs, resulting in higher portfolio balances throughout the fiscal year. OCFA's TRANs are typically issued in July and repaid annually in June at the end of the fiscal year; therefore, the ending portfolio balance at June 30th excludes TRANs proceeds. In the previous few years, including FY 2013/14, OCFA did not need to issue TRANs since it was able to meet its temporary cash shortages through use of a General Fund cashflow reserve, combined with interfund borrowing. In the past, OCFA has also used lease purchase financing to fund certain capital expenditures including helicopters, vehicles, communication equipment, and information systems.



REVIEW OF TRENDS REGARDING THE SIZE OF THE PORTFOLIO

The following chart provides a 5-year history of the size of the Authority’s portfolio. In FY 2010/11 and FY 2011/12, the portfolio balances were lower due to significant reduction in property tax revenues as a result of the 2007 Recession coupled with significant expenditure increases. The declining trend reversed slightly in FY 2012/13 and FY 2013/14. During FY 2014/15, the portfolio balances increased significantly primarily due to the proceeds received from the issuance of the FY 2014/15 TRANs in July. It should be noted, however, that the balances shown below represent total portfolio balance as opposed to fund balance available. Portfolio balance is always higher than fund balance because the portfolio includes cash and investments that are already committed to various contracts and purchase orders or that are reserved for future obligations.

Size of the Portfolio - 5 Year Historical Trend





INVESTMENT RISK IN THE PORTFOLIO

Although all investments contain an element of risk, OCFA's Investment Policy, procedures, and investment strategies are designed to limit exposure to risk. The different types of risk are discussed below, as they pertain to the portfolio.

Credit (Default) Risk

Credit risk is defined as the risk to an investor that an issuer will default in the payment of interest and/or principal on a security. OCFA's investment policies and practices limit credit risk by:

- Limiting investments to the safest types of securities and highest quality issuers.
- Specifically excluding investments in equities, corporate bonds, derivatives, reverse repurchase agreements and financial futures or options.
- Avoiding investment in issuers placed on negative credit watch or with current events that involve negative financial implications.
- Pre-qualifying financial institutions and broker/dealers for competitive bidding of individual investment transactions.
- Diversifying investments so that potential losses on individual securities will be minimized.
- Reviewing monthly reports from the State Treasurer's Office regarding the Local Agency Investment Fund.
- Requiring collateralization of demand deposits and certificates of deposit. MUFG Union Bank, as OCFA's bank, complies with all collateralization requirements for demand deposits.
- Safekeeping investments by separate agreement with MUFG Union Bank's Trust Department.



***INVESTMENT RISK IN
THE PORTFOLIO***

Market Risk

Market risk is defined as the risk that the value of a security may fall as a result of changes in the financial markets, such as increases in interest rates. In periods of rising interest rates, the market value of a security can fall below the amount of principal invested. If an investor sells the security before maturity, part of the principal will be lost. OCFA reduces market risk by matching investment maturities with cash flow needs to minimize investments that may need to be sold prematurely.

Interest Rate Risk

Interest rate risk is defined as the risk that an investor will under-perform the market, as a result of holding an investment with a lower yield than the current market rate. For example, if an investor holds a one-year certificate of deposit earning 2%, and interest rates rise to 4%, the investor would incur an opportunity cost of 2%. Investors can avoid interest rate risk by keeping maturities fairly short if interest rates are expected to rise.

OCFA's portfolio reflected an average maturity under one year throughout 2014/15 due to continued low yields offered for longer-term maturities, callable securities, and based on market uncertainty as to the future direction of interest rates.

Liquidity Risk

Liquidity risk involves the ability to sell an investment before maturity. Some short-term investments are fairly illiquid. For example, a non-negotiable certificate of deposit is an illiquid asset that carries an interest penalty for early redemption. OCFA minimizes liquidity risk by maintaining a significant portion of its portfolio in very liquid instruments, such as LAIF where funds are immediately available, or Treasury and Agency securities, which have active secondary markets.



**COMPOSITION OF THE
PORTFOLIO**

Authorized Investments

Section 10 of OCFA’s Investment Policy lists the types of securities allowable for investment. Subject to stipulated restrictions, these include Treasury and Federal Agency securities, collateralized or insured passbook savings accounts and demand deposits, collateralized or insured certificates of deposit, bankers’ acceptances, money market funds of short-term treasury securities, repurchase agreements, the Local Agency Investment Fund (LAIF), and commercial paper (rated A1/ P1/F1) by the credit rating agencies Moody’s Investors Service, Standard & Poor’s Ratings Services and Fitch Ratings, respectively.

***OCFA’s portfolio only included those investments authorized in
Section 10 of the Policy in FY 2014/15.***

Portfolio Diversification

Section 15.1 of the Policy sets parameters for portfolio diversification. OCFA’s portfolio shall not be invested in a single security type or in a single financial institution/pool in excess of 15% of the total investment portfolio, with the exception of the following:

- | | |
|--------------------------------|------|
| ➤ US Treasury Securities | 100% |
| ➤ Local Agency Investment Fund | 75% |
| ➤ Federal Agency Securities | 75% |
| ➤ Bankers’ Acceptances | 25% |
| ➤ Negotiable CD’s | 25% |



**COMPOSITION OF THE
PORTFOLIO**

Portfolio Diversification

	<i>US Treasury Securities</i>	<i>LAIF</i>	<i>Federal Agencies</i>	<i>Commercial Paper</i>	<i>Money Market Mutual Funds</i>	<i>Total Portfolio</i>
<i>Maximum</i>	100%	75%	75%	15%	15%	100%
<i>FY Average</i>	0.00%	30.53 %	57.21%	5.06%	7.20%	100%
<i>July</i>	0.00%	28.89%	49.32%	9.24%	12.55%	100%
<i>August</i>	0.00%	33.54%	53.21%	6.04%	7.21%	100%
<i>September</i>	0.00%	33.99%	50.54%	10.19%	5.28%	100%
<i>October</i>	0.00%	37.29%	49.89%	8.95%	3.87%	100%
<i>November</i>	0.00%	38.97%	45.11%	9.35%	6.57%	100%
<i>December</i>	0.00%	23.12%	64.38%	2.77%	9.73%	100%
<i>January</i>	0.00%	29.28%	56.75%	3.51%	10.46%	100%
<i>February</i>	0.00%	32.07%	62.13%	0.00%	5.80%	100%
<i>March</i>	0.00%	30.61%	65.45%	0.00%	3.94%	100%
<i>April</i>	0.00%	23.50%	71.36%	1.21%	3.93%	100%
<i>May</i>	0.00%	24.56%	65.32%	4.21%	5.91%	100%
<i>June</i>	0.00%	30.52%	53.10%	5.24%	11.14%	100%



**COMPOSITION OF THE
PORTFOLIO**

Maturity Diversification

In order to ensure sufficient liquidity and reduce market risk, Section 15.3 of the Policy requires that “at least 50% of the portfolio is limited to a period of one year or less,” and “unless matched to a specific requirement and approved by the Executive Committee and the Board of Directors, no portion of the portfolio may exceed five years.”

OCFA’s portfolio complied with maturity diversification requirements as stated in Section 15.3 of the Policy throughout FY 2014/15.

Market Value

Section 18.1.7 of OCFA’s Investment Policy requires monthly reporting of the current market value of the securities in the portfolio. The Treasurer reports current market values of the portfolio in both the Portfolio Summary and the Portfolio Detail sections of the Monthly Investment Report. Market values are provided monthly by MUFG Union Bank and quarterly by the State Treasurer’s Office for the LAIF investment.



GASB 31 IMPACTS

What is GASB 31?

The Governmental Accounting Standards Board’s Statement 31, titled “Accounting and Financial Reporting for Certain Investments and for External Investment Pools,” establishes rules for reporting investment valuation. The Statement generally requires governmental entities to report investments at fair value in the financial statements and to reflect the related unrealized gains and losses as a component of investment income. Different rules apply to an *internal investment pool* (consisting *only* of the governmental entity’s own funds) versus an *external investment pool* (consisting of combined funds from other legally separate entities, such as a state or county investment pool).

How Does GASB 31 Impact OCFA’s Portfolio?

At June 30, 2015, all of the Authority’s investments were reported at fair value in compliance with GASB 31 guidelines. The fair value reporting of OCFA’s investments resulted in a net decrease of (\$19,436) to book value. **This fair value adjustment is for financial statement reporting only.**

Under GASB 31 guidelines, investment income is similarly increased/decreased for financial statement purposes. Investment income is impacted by the change in fair value of the investments from the beginning to the end of the reporting period. OCFA previously reported a decrease to investment valuation at June 2014 of (\$94,166); therefore, a gain of \$74,730 was recorded to investment earnings at June 2015 to reflect the change in fair value.

<i>GASB 31 Adjustment to Books – Beginning of year</i>	\$ (94,166.00)
<i>Net Change in Fair Value (increase to earnings)</i>	\$ 74,730.00
<i>GASB 31 Adjustment to Books – End of year loss</i>	\$ (19,436.00)



INVESTMENT INCOME

Portfolio investment income in FY 2014/15 amounted to \$453,988 (pre-GASB 31 adjustment) compared to \$411,051 in FY 2013/14. The increase in investment income was primarily due to higher average portfolio balances in FY 2014/15 as interest rates continued to remain low resulting from the low federal funds rate set by the Fed. The effective yield for the portfolio was 0.27% in FY 2014/15 compared to 0.30% in FY 2013/14. This decrease in the overall effective yield from the prior year was due to the declining interest rate trend that began in the second half of the FY 2013/14 and gradually reversed during the FY 2014/15, which was consistent with the overall bond market performance.

***ANTICIPATED INVESTMENT ACTIVITY
IN THE NEXT FISCAL YEAR***

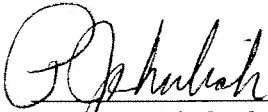
Cash forecasts for FY 2015/16 are based primarily on the FY 2015/16 Adopted Budget. OCFA's Adopted Budget reflects revenues which are in balance with expenditures for the year, and the Budget will enable OCFA to sustain its reserves at the Board-mandated policy level. It is anticipated that the CIP Reserves will continue to be spent down this year on planned projects. Due to a projected short-term cashflow deficit in FY 2015/16 and insufficient interfund borrowing capacity to cover the projected cashflow deficit, OCFA issued \$36.26 million of Tax and Revenue Anticipation Notes (TRANs) on July 1, 2015. As a result, the portfolio's balance is expected to increase throughout the year but will decline at the end of the fiscal year when the FY 2015/16 TRANs is repaid on June 30, 2016.

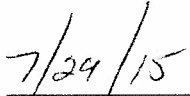
In addition, based on the Fed's latest assessment of the economy, market expectations are that the first possible rate increase by the Fed will likely take place in September 2015. Thus, interest rates are expected to rise gradually during FY 2015/16 which may result in an increase in investment income (net of TRANs) over last year.



TREASURER'S CERTIFICATION

"As Treasurer of the Orange County Fire Authority, I certify that I have complied with the annual Investment Policies adopted by the Board of Directors and effective January 1, 2014 and January 1, 2015."


Patricia Jakubiak
Treasurer


Date



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
August 12, 2015

Agenda Item No. 4C
Discussion Calendar

Response to Grand Jury Report: “Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”

Contact(s) for Further Information

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Business Services Department

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714.573.6020

Summary

This item is submitted for approval to authorize the Fire Chief to respond to the recommendations regarding “*Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency*” contained in the 2014/2015 Orange County Grand Jury Report.

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 August 27, 2015, with the Budget and Finance Committee’s recommendation that the Board of Directors approve and authorize the Fire Chief to submit the proposed response to the recommendations contained in the Grand Jury Report entitled “*Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency*” to the Presiding Judge of the Superior Court and to the Orange County Grand Jury.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

On June 29, 2015, the 2014/2015 Orange County Grand Jury released a report requiring a response from the Orange County Fire Authority (Attachment 1). The Grand Jury report entitled “*Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency*” addresses its concerns with JPAs in Orange County, including (1) the viability of the JPAs with Redevelopment Agencies as members since RDAs were eliminated in 2012, (2) the use of JPAs by government organizations to be controlled by a single governmental entity, (3) the lack of true disclosure and transparency of their organization and financial information to taxpayers, and (4) the extreme debt to revenue ratio of some JPAs, which brings into question their solvency.

California Penal Code Section 933 requires that the Fire Authority provide a response to the findings and recommendations within 90 days from date of public release of the report, unless the agency has requested an extension in writing. This response is due by September 28, 2015.

OCFA's proposed response to the findings and recommendations is provided as Attachment 2. The California Penal Code requires the OCFA to either agree with, or disagree in whole or in part with, each Grand Jury finding, and to indicate whether it has or will implement the Grand Jury's recommendations. The response was prepared in conformance with those requirements.

Following the Board of Director's authorization, this response will be submitted to the Presiding Judge of the Orange County Superior Court and to the Orange County Grand Jury.

Attachment(s)

1. Grand Jury Report entitled "*Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency*"
2. OCFA Proposed Response to Grand Jury Report

JOINT POWERS AUTHORITIES: ISSUES OF VIABILITY, CONTROL, TRANSPARENCY, AND SOLVENCY



GRAND JURY 2014-2015

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EXECUTIVE SUMMARY

Joint Powers Authorities (JPAs) (also referred to as Joint Power Agencies) are California organizations set up by California Government Code section 6500. This code section allows for two or more existing public agencies to jointly agree to perform a specific service for each of the member agencies. The intent was to enable that service to be accomplished with a larger economy of scale resulting in financial benefit to the taxpayers. The code also permits this agreement to authorize the creation of a separate legal entity (authority or agency) with the full power of a separate legal entity. Consequently, a JPA has the responsibility to report as a separate legal entity and to provide accountability to its sponsor public agencies and the public through the county auditor-controller and State controller's office.

The Orange County Grand Jury has four concerns with regard to JPAs in Orange County. These concerns are (1) the viability of the JPAs with Redevelopment Agencies (RDAs) as members since RDAs were eliminated in 2012, (2) the use of JPAs by government organizations to be controlled by a single government entity, (3) the lack of true disclosure and transparency of their organization and financial information to taxpayers, and (4) the extreme debt to revenue ratio of some JPAs, which brings into question their solvency. For example, if a city sets up a JPA with another legal entity under its own direct control, such as an RDA, then the JPA has the potential to become just a "shell" organization under the control of the city. This organizational structure has the potential to cloak funds and accountability of those funds (City of Bell-like complexity). It also appears that not all JPAs provide financial information to the State Controller and the Orange County Auditor-Controller as required by law. Furthermore, the Orange County Auditor-Controller does not proactively provide the information it receives in a clear and easily accessible manner for the citizens of the County.

BACKGROUND

Joint Powers Authorities (JPAs) are California organizations set up by California Government Code section 6500. This code section allows two or more existing public agencies to mutually agree, and create an agreement, to perform a specific service for each of the signatory agencies. Essentially, a new organization is created that is completely separate from the member agencies. A JPA is so flexible that it can be applied to nearly any situation that benefits from having public agencies cooperate.

JPAs may be formed between local public entities, e.g., regional water districts, energy agencies, cities, counties, or other entities described in California Government Code section 6500. They can be formed for many different reasons such as, but not limited to, acquisition of land, construction, maintenance, financing, insurance pooling, and operations of facilities. The intention is to save member agencies, and ultimately taxpayers, time and money by sharing resources and combining services. JPAs exist for various reasons such as expanding regional wastewater treatment plants, providing public safety planning, constructing roads, building and setting up emergency dispatch centers, or financing new county jails. By sharing resources and combining services, the member agencies potentially save time, create efficiencies, reduce overlapping services, and reduce costs.

Statutory Authority of Joint Powers Agreements (JPAs)

Government agencies derive their authority from California Government Code sections 6500-6536, also called the Joint Exercise of Powers Act. JPAs can only administer powers that are specific to the individual agencies.

JPAs are different from other forms of government in that they are formed by mutual agreement by the member participants and are not formed by voter initiative or voted on by the electorate. Each JPA is unique. It reflects the agreement among member agencies for a common purpose. As a legally separate public agency, it can sue, be sued, hire staff, obtain financing, assume debt, and manage or lease property. Joint powers agreements usually protect their member agencies from the JPA's debts or other liabilities (Cypher & Grinnell, 2007, p. 12).

JPAs and Debt Approval Loophole

Local governments, such as a city, can issue revenue bonds, but they need majority-voter approval. If the bond measure is approved, then the local government sells revenue bonds to private investors to raise capital in order to build a public facility or for other designated purposes. As the interest and principal on the bonds become due, they are repaid from city tax revenues.

However, a JPA can issue bonds without holding a general election. California state law allows JPAs to issue revenue bonds without voter approval, provided that each of the member agencies adopts a separate local ordinance. Although local voters can force a referendum election on these local ordinances, this rarely occurs (Cypher & Grinnell, 2007, p. 13). As a result, a city could set up a JPA and have the JPA take on the debt, thereby circumventing the mandated public approval process.

Types of JPAs

There are no official categories for the types of JPAs, but their services fall into five broad groups (Cypher & Grinnell, 2007, p. 14):

- Public services: (e.g., police and fire protection)
- Financial services: (e.g., financing construction of public works such as city halls, bridges, and flood control projects)
- Insurance pooling and purchasing discounts: (e.g., pooling entities for lower insurance rates)
- Planning Services: (e.g., addressing and planning for topics of regional importance that go beyond city and county limits)
- Regulatory enforcement: (e.g., ensuring that member agencies adhere to federal and state laws and procedures by conducting educational seminars, formulating enforcement procedures, and maintaining an oversight role)

Funding of JPAs

According to "Governments Working Together: A Citizen's Guide to Joint Powers Agreements," by Trish Cypher and Colin Grinnell (Cypher and Grinnell, 2007), there are

two popular funding vehicles for JPAs: (1) create a revenue stream, and (2) raise capital through revenue bonds. While JPAs do not require voter approval to issue bonds, each member agency must pass an ordinance. Voters have a 30-day period to object through a referendum requiring a public vote. If there is no referendum petition filed, the JPA is free to sell bonds and use the proceeds to build, make improvements, or buy equipment.

JPAs that provide funding and issue bonds for multiple agencies may pay for the operations by collecting fees from their member agencies for bond services. Issuing and selling bonds is a complex process, and a joint effort by a JPA has the potential to facilitate the transactions. These JPAs have the potential to provide these services to smaller agencies wanting to issue bonds.

JPAs may also sell bonds to refinance their member agencies' debts. The process involves the JPA selling bonds and using the proceeds to "buy down" a member agency's debt. This is a practice used to pay off a member agency's debt, thus allowing that agency to refinance at a lower-interest rate. However, the state no longer allows JPAs to issue bonds for development outside their members' jurisdiction. JPAs cannot levy taxes or assessments; however, individual agencies can levy their own taxes and assessments.

JPA Control and Oversight

JPAs are subject to the Brown Act, the California Public Records Act, the Political Reform Act, and other public interest laws. As a separate legal entity, a JPA must self-monitor its actions and activities for its members since no state agency directly oversees it. County auditors should review the JPA financial reports, and county civil grand juries function as civil watchdogs (Cypher & Grinnell, 2007, p. 28). Several state agencies, including the Secretary of State, State Controller, and the California Debt and Investment Commission, collect reports and data from JPAs.

JPAs that fail to report their financial information to the State or the county violate California Government Code sections that pertain to JPAs. For example, Section 6505 requires "strict accountability of all funds and report of all receipts and disbursements" (Section 6505 (a)), and "an annual audit of the accounts and records of every agency or entity" (Section 6505 (b)). The sections do not specify whether the audit has to be external or internal. However, Section 6005 (c) requires that when an audit of an account and records is made, "a report thereof shall be filed as a public record with each of the contracting parties to the agreement and also with the county auditor of the county where the home office of the joint powers authority is located." In addition, Section 6505 (g) provides that "JPAs shall be exempt from the requirement of an annual audit if the financial statements are audited by the (State) Controller to satisfy federal audit requirements."

JPAs and Special Districts

A JPA *is not* a special district, even though it might provide the same services. A *special district* is a separate local government with its own governing body that delivers services to a dedicated community. Special districts rely on other State laws for their

existence and legal authority, and on elected boards of directors for their governance. Most special districts provide only a single service to a defined area, in contrast to county and city agencies that provide multiple services within their boundaries. While cities and counties must provide mandated services per federal and state law, special districts provide services for which the public is willing to pay. Examples include fire protection districts, water districts, pest abatement districts, etc.

Although a JPA is not a special district, its financial reporting requirements are the same. The State Controller is required by State law in SB 282 (Chapter 288) to make available annually, in a separate report published in an electronic format on the Controller's website, certain financial information about selected districts. This law amends Government Code section 12463.1 for reporting on the financials of "selected districts." It further clarifies the definition of "selected districts" to exclude school districts, but to include all other public entities including special districts, JPAs, and public benefit corporations. The information provided in this report is required to be published no later than June 30 following the end of the annual reporting period. The Controller is required to include in his or her report information that best illustrates the assets, liabilities, and equity of selected districts. Specifically, the Controller is required to include in this report a breakdown of each special district's (1) fund balance, which shall include the reserved and unreserved funds, typical for a nonenterprise district; (2) retained earnings, which shall include the reserved and unreserved funds, typical for enterprise districts; (3) fixed assets; and (4) cash and investments. The Controller may also include separate line items for "total revenues" and "total expenditures." When the report is available, the Controller is required to notify the Legislature, in writing, within one week of its publication. (SB No. 282, Chapter 288, 2001)

JPAs have both advantages and disadvantages over special districts. (Cypher & Grinnell, 2007, p. 22) The stated advantages are that they are flexible, easy to form, encourage synergy and cooperation between members, and allow for financing. However, abuse of this financing advantage is not in the best interest of taxpayers. The stated disadvantages are that they require mutual trust between the members, require management resolve to retain members, may be difficult to dissolve, and may not have clear lines of transparency and accountability.

JPAs with Redevelopment Agencies

Many California cities set up redevelopment agencies (RDAs) to fund their urban renewal efforts. These same cities then set up JPAs between the city and its own RDA. This resulted in each of these three legal entities being controlled by one organization, that is, the city council.

Governor Jerry Brown signed into law two bills that amended California Community Redevelopment Law in order to redress the state's ongoing budget deficit and to curtail abuses by redevelopment agencies that deviated from the original intent of redevelopment law. Assembly Bill x1 26 (ABx1 26) dissolved all California RDAs, effective October 1, 2011. This legislation prevented RDAs from engaging in new activities and outlined a process for winding down the RDA's financial affairs. It also set forth a process for distributing funds from the former RDAs to other local taxing entities.

In response, the California Redevelopment Association, the League of California Cities, and other parties filed petitions with the California Supreme Court challenging the constitutionality of ABx1 26. On December 29, 2011, the California Supreme Court upheld the constitutionality of ABx1 26. Although delayed by litigation, approximately 400 RDAs were dissolved on February 1, 2012, with the assets and liabilities transferred to Successor Agencies and Successor Housing Agencies pursuant to ABx1 26. The bottom line, however, is that even though California RDAs have been dissolved, and they no longer officially exist, in some cases their successor agencies still remain an active member of a JPA!

REASON FOR THE STUDY

Given the large number (71) of JPAs reported in Orange County (OC) and the complexity of JPAs, the Orange County Grand Jury (Grand Jury) anticipated that there could be four concerns with regard to JPAs in Orange County. These concerns are (1) the viability of the JPAs with RDAs as members, since RDAs were eliminated in 2012, (2) the use of JPAs by government organizations to be controlled by a single government entity, (3) the lack of true disclosure and transparency of their organization and financial information to taxpayers, and (4) the extreme debt-to-revenue ratio of some JPAs, which brings into question their solvency. The Grand Jury suspected that nearly one-fourth of the JPAs are no longer relevant, due to the elimination of RDAs, and for other reasons. The question to be answered is: Are the JPAs with RDAs as a member still relevant and viable?

It was also anticipated that there has been extensive public debt generated under these JPAs with limited understanding by the public. The reason for the study was to provide taxpayers with information regarding these organizations and the financial exposure facing the public. This information provided to the public may stimulate further public demands for inquiry on transparency and accountability.

METHODOLOGY

The Grand Jury first attempted to obtain a comprehensive list of all of the JPAs that were in Orange County. Lists were requested from both the County Auditor-Controller's Office and the State Controller's Office. Neither of these lists was determined to be complete. As a result, the Grand Jury proceeded to investigate Special District reports, city financial records, and County financial records and Internet files. The result was that the Grand Jury determined that there are currently 71 JPAs in Orange County. However, it should be noted that due to the lack of a consolidated list by any County or State organization, the actual number of JPAs may be more than 71.

Once the Grand Jury had a list of the known JPAs in Orange County, the Grand Jury sent out a request for information (RFI) letter to each organization. This letter requested confirmation that the entity was a JPA. In addition, information was requested regarding the JPA's organization, charter, financial data, and the disclosure of information by the JPA into the public domain (transparency). The data utilized in this report is primarily that data provided by the JPA itself. If there were issues with regard to

inconsistent or contradictory data that was provided, follow-up calls to confirm or correct information were conducted.

INVESTIGATION AND ANALYSIS

The Grand Jury identified 71 JPAs currently registered in Orange County. There could be more, but the absence of accurate State and County record keeping and reporting makes it practically impossible to confirm the exact number. The Grand Jury investigation's request for information to the OC Auditor-Controller revealed that the Controller knows the JPAs in which the County is a member, but does not have a list of all of the JPAs in OC and cannot confirm compliance of their submittal of required information for public access. In addition, the OC Auditor-Controller does not provide easy-to-use online access to the data submitted by the JPAs.

The investigation revealed some interesting facts about those JPAs that were identified. Nine of those have no debt, revenue, activity, or liabilities. This caused the Grand Jury to question their purpose and viability. Of the remaining 62 JPAs, 29 (or, 47%) have "Financing" as their primary service or activity. Fifteen of the 62 have at least one school district as a member. Eight of the 62 have "Insurance" listed as their primary service. Eighteen (or, 29% of the 62) still have an RDA listed as one of their member participants. The 62 new or currently active JPAs out of the total of 71 have \$1.1 billion in total revenue, \$1.2 billion in expenditures, \$4.3 billion in assets of which \$1.5 billion are in reserve, \$7.1 billion in debt, and over \$600 million in unfunded liability. The Grand Jury concluded that the JPAs in Orange County control a significant amount of public funds with a limited amount of oversight and disclosure to the taxpayers.

Viability

The following nine JPAs in Orange County have no currently reported revenues, expenditures, assets, or liabilities:

1. Buena Park Public Financing Authority
2. Capistrano Unified Public Financing Authority
3. Countywide Public Finance Authority
4. Fullerton Library Building Authority
5. Garden Grove Public Financing Authority
6. Newport-Mesa United School District Public Financing Authority
7. Stanton Public Financing Authority
8. Tustin Public Financing Authority
9. Westminster Public Finance Authority

The Grand Jury questions the rationale and continued expense by the members of these JPAs to keep these legal entities in existence.

The following 18 JPAs in Orange County still have an RDA listed as one of their member participants:

1. Anaheim Public Financing Authority
2. Brea Public Financing Authority

3. Buena Park Public Financing Authority
4. City of Fullerton Public Financing Authority
5. City of San Clemente Public Financing Authority
6. Costa Mesa Public Finance Authority
7. Fountain Valley Financing Authority
8. Garden Grove Public Financing Authority
9. Huntington Beach Public Financing Authority
10. La Habra Civic Improvement Authority
11. Mission Viejo Community Development Financing Authority
12. Rancho Canada Financing Authority
13. Santa Ana Financing Authority
14. Seal Beach Public Financing Authority
15. Stanton Public Financing Authority
16. Tustin Public Financing Authority
17. Westminster Public Financing Authority
18. Yorba Linda Public Financing Authority

JPAs with RDAs have another unique problem associated with them. The passing of the ABx1 26 forced the RDAs to cease to exist and to become successor agencies. These successor agencies were expressly prohibited from taking on additional redevelopment or debt, and were required to wind down and pay off their existing debt under a conservator's guidance and State oversight. Once the debt is fully paid off, the successor agency is to terminate. This is a key issue with regard to JPAs. Since many of the JPAs have RDAs as one of their members, that member is now a successor agency. Since this successor agency can no longer perform its original charter, the purpose of the JPA is no longer valid. The Grand Jury has determined that these legal entities no longer serve any viable purpose or benefit for taxpayers.

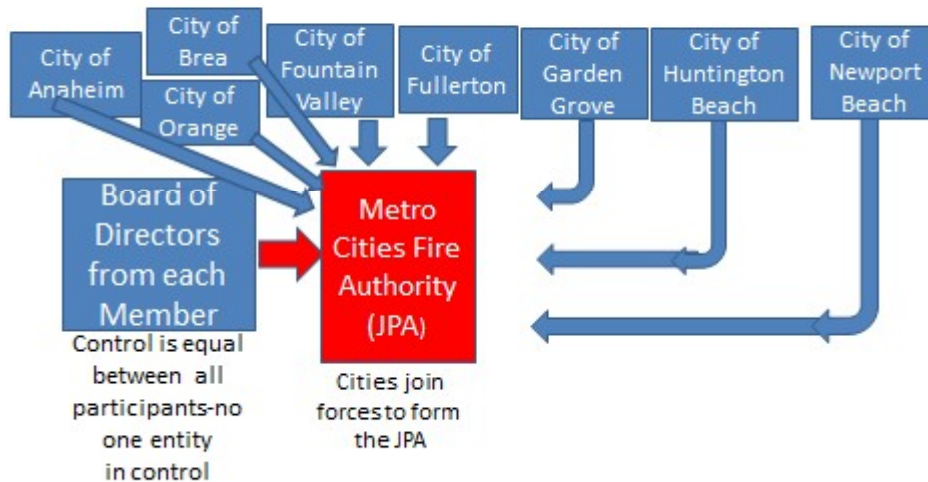
Control and Financial Loopholes

The Grand Jury determined that many different types of JPAs exist in Orange County. As a result, generalizations regarding their use or effectiveness cannot be easily made. State statutes authorize legal entities, such as cities, counties, school districts, or special districts to set up JPAs. These statutes give significant authority and latitude to these entities. As a result, many of these legal entities appear to set up JPAs which comply with the spirit of the law to provide financial benefit to the taxpayers. However, other JPAs may provide a legal means to avoid voter approval of debt decisions and to potentially mask financial accountability. This latter case is of significant concern since it is not in the best interest of taxpayers and does not provide for full transparency.

In its analysis, the Grand Jury has determined that "horizontal" JPAs appear to comply with the spirit of the law. These JPAs provide shared services such as insurance pools, training, area transportation, communication systems, workers compensation, area flood protection, and water supply to the community. JPAs were determined to be horizontal if their members were composed of similar entities that shared a common problem or opportunity. That is, each of the members was looking to delegate a function

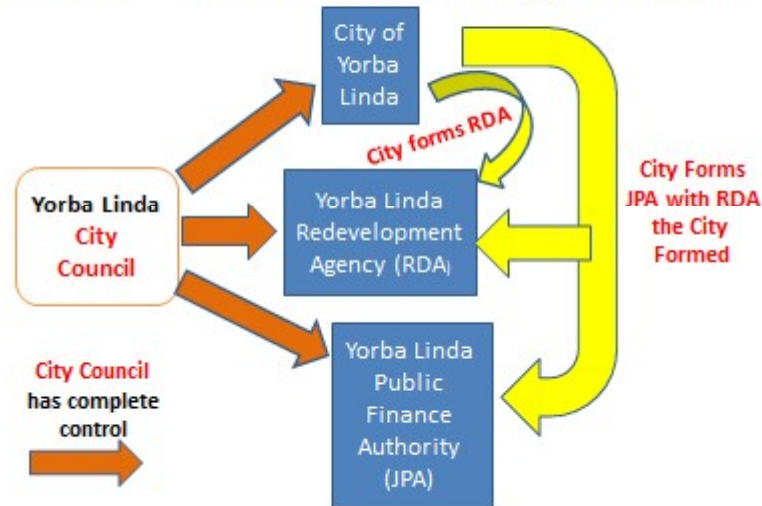
of their authority to a JPA in order to either improve the service that is provided or to reduce the cost through economies of scale. Each member in the JPA is motivated to have the JPA perform better than the individual member could do it alone. A JPA member is motivated to be looking out for their entity's best interest. As a result, if the JPA is not providing the desired results or improvements, then the member can withdraw from the JPA and go it alone. As a result, there are organizational checks and balances that tend to allow for self-correction and accountability. Many of these horizontal JPAs also tend to provide a real service to the community.

“Horizontal” JPA Structural Organization



However, the Grand Jury has determined that “vertical” JPAs do not appear to comply with the spirit of the law. These JPAs were determined to be vertical if their members were not similar entities but rather the same entity with a different organizational structure. That is, all of the members of the JPA were controlled by a single authority. The most common type of these JPAs is a finance JPA with a single city and the same city's RDA as its members. Under this structure, the city sets up its own city's RDA then “jointly” agrees to set up the financing JPA. As a result, the city council has authority over the city, the city's RDA, and the city's financing JPA. One entity is now controlling all three entities; hence, the name “vertical.” As a result, there are not the same checks and balances of membership or control as with a horizontal JPA.

“Vertical” JPA Structural Organization



The Grand Jury initially did not understand the benefit of having a vertical JPA since, in this model, the city council had control over all three entities. Clearly the city could perform these functions on its own behalf. Upon further investigation, the reasons became clearer, but the potential risk to the public also became clear and engendered concern. This understanding came from the lessons learned from the City of Bell fiasco.

The City of Bell was not able to borrow any more money to pay for the salaries that the officials had granted themselves due to Article XVI, Section 18 of the California Constitution, which prohibits cities, counties, and school districts from borrowing an amount in a given year that exceeds "...the income and revenue provided for such year" unless approval is obtained from at least 2/3 of the voters (California Constitution, Art. XVI, Sec.18). So, the City of Bell created a vertical JPA under its city council's control. The JPA now had the authority to issue debt without the approval of the voters. Since the JPA is a separate legal entity, the city is not responsible for its debt. As a result, the JPA did not have collateral to obtain a loan. So the city transferred an asset from the city to the JPA to be the collateral for the loan. Consequently, a loan was given to the JPA since the risk to the bond holders was secured. The money obtained from this loan was then transferred back to the city to pay for general obligations. This answers the question of how the City of Bell was able to borrow so much money without the ability to ever pay it back. In this case, the city taxpayers were not given their legal right to vote on the city adding additional debt upon itself. The taxpayers were also paying for the asset the city gave to the JPA twice. It was already a city asset paid by tax money and now it was being paid off again through the JPA loan.

Another example of potential abuse using a JPA is through a vertical financial JPA that involves contract leases in lieu of asset procurement. This technique has the city sign a long term lease agreement to their own JPA, with the JPA as the lessor. The

JPA then buys a building or builds a building. The JPA can obtain debt financing since it is holding a long term lease from the city as its collateral. This approach does not require voter approval of the debt or voter approval on the capital investment for the city. Since the city council has total control over this vertical JPA, they can direct the process and the decisions.

The structure of a vertical JPA with a single entity having control over all of the members is a legal organization in the State of California. However, the Grand Jury has concluded that this vertical JPA could be used by the single governing entity to bypass other legal constraints on that same entity. This structure breeds the temptation to acquire more debt without a ceiling limit like that imposed on city governments. This type of JPA can be used to circumvent the California Constitution which prohibits cities, counties, and school districts from borrowing an amount in a given year that exceeds "...the income and revenue provided for such year" unless approval is obtained from at least 2/3 of the voters (California Constitution, Article XVI, Section 18, "Debt"). The JPAs are not bound by this prohibition and do not need voter approval unless contested during the 30-day referendum period. Transparency is limited in this type of transaction because most taxpayers are unaware that a notice has been posted and there is no requirement to give it wide public dissemination. In addition, the opaque, layered structure gives the government the ability to obfuscate financial transactions within the parent organization and hence from the taxpayers. This is the equivalent of a "shell company" in business. The Grand Jury has concluded that the use of a JPA to legally by-pass the voting rights of the taxpayers or obfuscates the financial transaction's real cost is an unacceptable situation for its citizens.

Transparency

The Grand Jury originally believed that they would be able to obtain information regarding the finances of JPAs from both the County or State government organizations since there is a statutory reporting requirement. However, this was not the case. The County did not have a list of JPAs in the County other than those JPAs of which the County is a member. In addition, the State records regarding JPAs were also found to be incomplete. There appears to be confusion by many of the JPAs regarding their responsibility to report to the State under SB 282 Chapter 288. This is further complicated because the State Controller's report lists them under a "Special Districts" heading. In addition, the State Controller's report provides a disclaimer that the State is not responsible for the content. In addition, the Orange County Auditor-Controller's Office does not provide any review or easy access to the JPA financial reports that are sent to them. Any assumption by the public that either the State or the County is providing a value-added review of the audited information, or lack thereof, would be incorrect.

As a result, the Grand Jury has concluded that there is extensive non-compliance with the disclosure requirements contained in the Government Code Section 6500 and SB 282. This results in a significant loss of transparency to the public and taxpayers. There are ten JPAs in OC that do not report their financial information to either the State or the County. In addition, there are 32 JPAs in OC that do not report their financial information to the State.

Solvency

While some JPAs have relatively modest levels of debt, others have very significant debt. The Foothill Transportation Corridor Agency and the San Joaquin Transportation Corridor Agency have a joint debt level of over \$4.5 billion, which is about 63% of the total debt reported by all the JPAs in Orange County. This level of public debt on the citizens of Orange County is very significant. These two transportation agencies only have an income level of \$292 million per year. With this extreme debt burden, the Grand Jury questions their ability to pay off the principal and interest, based on their current revenue level.

The Orange County Fire Authority is a JPA with annual revenue of \$331 million and a modest reported debt level of about \$10 million. However, the Orange County Fire Authority has an off-the-books unfunded debt liability of over \$577 million. This debt liability is the result of pension commitments made to employees which encumber future tax revenues that are not actuarially held in reserve. This has the potential to become a financial debacle, for the JPA and the taxpayers.

The Anaheim Public Financing Authority which is a JPA between the City of Anaheim and the Anaheim Redevelopment Agency, has an income of \$154 million and a debt exposure of \$1.2 billion. The debt level of this JPA is extremely high compared to its income level. In addition, with the elimination of the Anaheim Redevelopment Agency, its successor agency can continue to be a member of the JPA. However, neither the JPA nor the successor agency can exist for any other purpose besides paying off remaining debt or bonds. As a result, the Grand Jury questions both the viability and the solvency of this JPA based on the information provided.

FINDINGS

In accordance with California Penal Code sections 933 and 933.05, the 2014-2015 Grand Jury requires (or, as noted, requests) responses from each agency affected by the findings presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation titled "Joint Powers Authorities in Orange County," the 2014-2015 Orange County Grand Jury has arrived at ten principal findings, as follows:

- F.1.** Orange County has nine "inactive" Joint Powers Authorities that have no viable activity, revenue, expenditure, assets, or liabilities. The Grand Jury determined that these Joint Powers Authorities serve no benefit to the public or the taxpayers and have the potential for misuse or obfuscation of public funds.
- F.2.** Horizontal Joint Powers Authorities among peer organizations appear to meet the intent of State laws to delegate a common service for a city or other legal entity for the purpose of reducing cost on behalf of the taxpayers.
- F.3.** Orange County has 18 vertical Joint Powers Authorities created by a city along with its redevelopment agency that no longer exists. The Grand Jury determined

that these Joint Powers Authorities serve no benefit to the public or the taxpayers and have the potential for misuse or obfuscation of public funds.

- F.4.** Vertical Joint Powers Authorities with a single controlling entity, such as a city council, have the potential to use this organizational structure as a shell company to avoid other legal constraints on the controlling entity and to obfuscate taxpayer visibility.
- F.5.** Vertical Joint Powers Authorities in which the controlling entity transfers assets from itself to a Joint Powers Authority for the purpose of obtaining additional funding, or signs a long-term lease to a Joint Powers Authority to obtain assets, are avoiding transparency and are not acting in the best financial interest of the taxpayers.
- F.6.** 32 of the Joint Powers Authorities identified in Orange County are not complying with the California State reporting requirements in code Section 6500 and SB 282 according to the latest information available from the year 2013.
- F.7.** The Orange County Auditor-Controller knows of the Joint Powers Authorities in which the County is a member, but does not have a list of all of the Joint Powers Authorities in Orange County and cannot confirm compliance of their submittal for public access. The Orange County Auditor-Controller does not provide easy-to-use online access to the data submitted to it by the Joint Powers Authorities that are compliant with the requirement to submit.
- F.8.** The Foothill Transportation Corridor Agency and the San Joaquin Transportation Corridor Agency have a joint debt level of over \$4.5 billion. The Grand Jury has determined that this debt level is excessive based on their revenues, and it threatens to render them insolvent.
- F.9.** The Orange County Fire Authority has an off-the-books unfunded debt liability of \$577 million which the Grand Jury has determined to be of concern since it is a real liability on the County taxpayers.
- F.10.** The Anaheim Public Financing Authority has a debt exposure of \$1.2 billion which the Grand Jury has determined to be excessive in light of the fact that it was incurred without voter approval.

RECOMMENDATIONS

In accordance with California Penal Code sections 933 and 933.05, the 2014-2015 Grand Jury requires (or, as noted, requests) responses from each agency affected by the recommendations presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation titled "Joint Powers Authorities in Orange County," the 2014-2015 Orange County Grand Jury makes the following eight recommendations:

- R.1.** All Orange County Joint Powers Authorities that are "inactive" should submit the official paperwork with the State of California requesting termination of their

existence or provide at the next public meeting the justification for continuing the Joint Powers Authority. (F.1.)

- R.2.** All Vertical Joint Powers Authorities created by a city along with its redevelopment agency should submit the necessary paperwork with the State of California requesting termination of their existence. (F.3.)
- R.3.** All Joint Powers Authorities should take the following actions to insure transparency to the taxpayers: (1) have an annual outside audit, (2) post the complete audit on their city website as a separate Joint Powers Authority entity, (3) send the audit to the County Controller and the State Auditor, and (4) ensure the required reports are filed annually to the County and the State. (F.4., F.5.)
- R.4.** The 32 Joint Powers Authorities that are not complying with the California State Law requiring annual reporting should become compliant by submitting their 2014 report by December 31, 2015, and submitting the required reports annually thereafter. (F.6.)
- R.5.** The Orange County Auditor-Controller should maintain a current list of all of the Joint Powers Authorities in Orange County, confirm that reports have been submitted annually, and post the completed reports with all the details on an easy-to-use Internet public access website. (F.7.)
- R.6.** The Foothill Transportation Corridor Agency and the San Joaquin Transportation Corridor Agency should address their solvency by an aggressive plan to reduce their public debt. (F.8.)
- R.7.** The Orange County Fire Authority should address their lack of transparency by providing public disclosure of their off-the-books unfunded public liability in their financial statements and address their solvency by an aggressive plan to reduce their unfunded liabilities. (F.9.)
- R.8.** The City of Anaheim City Council should redress the debt incurred by the Anaheim Public Financing Authority under its direction by an aggressive plan to reduce their public debt. (F.10.)

REQUIRED RESPONSES

The California Penal Code section 933 requires the governing body of any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the governing body. Such comment shall be made no later than 90 days after the Grand Jury publishes its report (filed with the Clerk of the Court). Additionally, in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such elected official shall comment on the findings and recommendations pertaining to the matters under that elected official's control within 60 days to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code section 933.05, subdivisions (a), (b), and (c), provides as follows, the manner in which such comment(s) are to be made:

(a) As to each Grand Jury finding, the responding person or entity shall indicate one of the following:

(1) The respondent agrees with the finding

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

(b) As to each Grand Jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.

(c) If a finding or recommendation of the Grand Jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the Grand Jury, but the response of the Board of Supervisors shall address only those budgetary /or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with Penal Code section 933.05 and Penal Code 933(c) are required from the respondents listed in the following two Response Matrices (one for cities and County and one for Joint Powers Authorities):

Matrix 1 REQUIRED RESPONDENTS (Cities & County)

	Required Respondents	Findings										Recommendations							
		F 1	F 2	F 3	F 4	F 5	F 6	F 7	F 8	F 9	F 10	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8
1	City of Anaheim Mayor & City Council			X							X		X						X
2	City of Brea Mayor & City Council			X									X						
3	City of Buena Park Mayor & City Council	X		X								X	X						
4	City of Costa Mesa Mayor & City Council			X									X						
5	City of Fullerton Mayor & City Council	X		X								X	X						
6	City of Fountain Valley Mayor & City Council			X									X						
7	City of Garden Grove Mayor & City Council	X		X								X	X						
8	City of Huntington Beach Mayor & City Council			X									X						
9	City of La Habra Mayor & City Council			X									X						
10	City of Lake Forest Mayor & City Council			X									X						
11	City of Mission Viejo Mayor & City Council			X									X						
12	City of San Clemente Mayor & City Council			X									X						
13	City of San Juan Capistrano Mayor & City Council	X										X							
14	City of Santa Ana Mayor & City Council			X									X						
15	City of Seal Beach Mayor & City Council			X									X						
16	City of Stanton Mayor & City Council	X		X								X	X						
17	City of Tustin Mayor & City Council	X		X								X	X						

	Required Respondents	Findings										Recommendations							
		F 1	F 2	F 3	F 4	F 5	F 6	F 7	F 8	F 9	F 10	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8
18	City of Westminster Mayor & City Council	X		X								X	X						
19	City of Yorba Linda Mayor & City Council			X									X						
20	Orange County Auditor-Controller							X								X			

Matrix 2 REQUIRED RESPONDENTS (Joint Powers Authorities)

	Required Respondents	Findings										Recommendations							
		F 1	F 2	F 3	F 4	F 5	F 6	F 7	F 8	F 9	F 10	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8
1	Anaheim Community Center Authority				X	X								X					
2	Anaheim Housing and Public Improve. Auth.				X	X								X					
3	Anaheim Public Financing Authority			X	X	X					X		X	X					X
4	Big Independent Cities Excess Pool				X	X								X					
5	Bonita Canyon Public Facilities Fin. Auth.				X	X								X					
6	Brea Community Benefits Financing Auth.				X	X								X					
7	Brea Public Financing Authority			X	X	X							X	X					
8	Buena Park Public Financing Authority	X		X	X	X						X	X	X					
9	California Insurance Pool Authority				X	X								X					
10	Capistrano Unified Public Financing Auth.	X			X	X	X					X		X	X				
11	Central Net Operations Authority				X	X	X							X	X				
12	City of Brea Midbury Assessment Auth.				X	X	X						X	X	X				
13	City of Fullerton Public Financing Auth.			X	X	X	X						X	X	X				
14	City of San Clemente Public Fin. Auth.			X	X	X	X						X	X	X				
15	Coastal Animal Services Authority				X	X	X							X	X				

Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency

	Required Respondents	Findings										Recommendations							
		F 1	F 2	F 3	F 4	F 5	F 6	F 7	F 8	F 9	F 10	R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8
16	Coastal District Financing Authority				X	X								X					
17	Co-Op- Org. Develop. Employee Selec.Proced.				X	X								X					
18	Costa Mesa Public Finance Authority			X	X	X							X	X					
19	Countywide Public Finance Authority	X			X	X	X						X	X	X	X			
20	Fountain Valley Financing Authority			X	X	X	X						X	X	X				
21	Fullerton Arboretum Authority				X	X								X					
22	Fullerton Library Building Authority	X			X	X	X						X	X	X				
23	Fullerton School District Financing Auth.				X	X	X							X	X				
24	Garden Grove Public Financing Authority	X		X	X	X	X						X	X	X	X			
25	Huntington Beach Public Financing Auth.			X	X	X							X	X					
26	Independent Cities Risk Management Auth.				X	X	X							X	X				
27	Integrated Law and Justice Agency for OC				X	X	X							X	X				
28	Irvine Child Care Project				X	X	X							X	X				
29	Irvine Unified School District Financing Auth.				X	X								X					
30	Joint Powers Employee Benefit Authority				X	X								X					
31	La Habra Civic Improvement Authority			X	X	X	X						X	X	X				
32	Metro Cities Fire Authority				X	X	X							X	X				
33	Mission Viejo Commu. Devel. Fin. Auth.			X	X	X	X						X	X	X				
34	National Water Research Institute				X	X	X							X	X				
35	Newport-Mesa United School Fin. Auth.	X			X	X	X						X	X	X				
36	North Net Joint Powers Training Agree.				X	X	X							X	X				

Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency

	Required Respondents	Findings										Recommendations							
		<u>F</u> <u>1</u>	<u>F</u> <u>2</u>	<u>F</u> <u>3</u>	<u>F</u> <u>4</u>	<u>F</u> <u>5</u>	<u>F</u> <u>6</u>	<u>F</u> <u>7</u>	<u>F</u> <u>8</u>	<u>F</u> <u>9</u>	<u>F</u> <u>10</u>	<u>R</u> <u>1</u>	<u>R</u> <u>2</u>	<u>R</u> <u>3</u>	<u>R</u> <u>4</u>	<u>R</u> <u>5</u>	<u>R</u> <u>6</u>	<u>R</u> <u>7</u>	<u>R</u> <u>8</u>
37	Northern OC Self-Funded Workers Comp..Auth.				X	X								X					
38	Northern OC Lia. & Property Self-Insu.Auth.				X	X								X					
39	Orange County Cities Airport Authority				X	X								X					
40	Orange County Civic Center Authority				X	X	X							X	X				
41	Orange County Council of Governments				X	X	X							X	X				
42	Orange County Fire Authority				X	X				X				X				X	
43	Orange County Fringe Benefits Agreement				X	X								X					
44	Orange County Public Financing Authority				X	X								X					
45	Orange County-City Hazardous Matl. Auth.				X	X								X					
46	Orange Uni. School Distr. Public Fin. Auth.				X	X	X							X	X				
47	Public Cable Television Authority				X	X								X					
48	Rancho Canada Financing Authority			X	X	X							X	X					
49	Rancho Santa Margarita Public Fin. Auth				X	X	X							X	X				
50	Saddleback Valley Unified Sch. Fin. Auth.				X	X								X					
51	San Joaquin Trans. Corridor Agency				X	X			X					X			X		
52	San Juan Basin Authority				X	X								X					
53	Santa Ana Financing Authority			X	X	X	X						X	X	X				
54	Santa Ana River Flood Protection Agency				X	X								X					
55	Santa Margarita-Dana Point Authority				X	X								X					
56	Santiago Aqueduct Commission				X	X								X					
57	School Employers Association of California				X	X								X					
58	Seal Beach Public Financing Authority			X	X	X	X						X	X	X				
59	South Coast Water District Financing Auth.				X	X								X					
60	South Orange County Public Financing Auth.				X	X								X					

Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency

	Required Respondents	Findings										Recommendations							
		<u>F</u> <u>1</u>	<u>F</u> <u>2</u>	<u>F</u> <u>3</u>	<u>F</u> <u>4</u>	<u>F</u> <u>5</u>	<u>F</u> <u>6</u>	<u>F</u> <u>7</u>	<u>F</u> <u>8</u>	<u>F</u> <u>9</u>	<u>F</u> <u>10</u>	<u>R</u> <u>1</u>	<u>R</u> <u>2</u>	<u>R</u> <u>3</u>	<u>R</u> <u>4</u>	<u>R</u> <u>5</u>	<u>R</u> <u>6</u>	<u>R</u> <u>7</u>	<u>R</u> <u>8</u>
61	South Orange County Wastewater Auth.				X	X								X					
62	Southern Orange County Prop/Lia. Self Insu.				X	X								X					
63	Stanton Public Financing Authority	X		X	X	X	X						X	X	X	X			
64	The Foothill Trans. Corridor Agency				X	X			X					X			X		
65	Trabuco Canyon Public Financing Authority				X	X								X					
66	Tustin Public Financing Authority	X		X	X	X	X						X	X	X	X			
67	Tustin Unified School District Fin. Auth.				X	X	X							X	X				
68	West Cities Commun. Cntr. Joint Powers Auth.				X	X	X							X	X				
69	Western Orange County Self-Funded Comp				X	X								X					
70	Westminster Public Finance Authority	X		X	X	X	X						X	X	X	X			
71	Yorba Linda Public Finance Authority			X	X	X	X							X	X	X			

REFERENCES

Cypher, T. & Grinnell, C. (2007). *Governments Working Together: A Citizen's Guide to Joint Powers Agreements*. California State Legislature, Senate Local Government Committee Report.

State of California Constitution. *Article XVI. Section 18. "Debt"*.

State of California Government Code Section 6500. *Joint Exercise of Powers Act*

State of California Senate Bill No. 282. (2001). *Chapter 288, Amended Section 12463.1* [Government Code].

**Grand Jury Response: “Joint Powers Authorities: Issues of Viability,
Control, Transparency, and Solvency”**

August 28, 2015

The Honorable Glenda Sanders
Presiding Judge
Orange County Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Your Honor,

The Orange County Fire Authority (OCFA) Board of Directors reviewed the 2014/15 Grand Jury report, “Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”, during its public meeting held on August 27, 2015. The Board has reviewed and authorized this formal response from our agency. We appreciate the time and effort the Grand Jury has dedicated to the citizens of Orange County in the pursuit of fair and transparent governance.

The OCFA continuously strives to improve the timeliness and quality of data reported to the public, providing for transparency of our organization. The enclosed responses describe the OCFA’s compliance with the Grand Jury’s recommendations.

If I may be of service in the clarification of this response, please feel free to contact me at jeffbowman@ocfa.org or (714) 573-6010.

Sincerely,

Jeff Bowman
Fire Chief

**Grand Jury Response: “Joint Powers Authorities: Issues of Viability,
Control, Transparency, and Solvency”**

Reserved for Board Recommendation/Action

Grand Jury Response: “Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”

Background and History of Compensation Cost Transparency at OCFA

The Orange County Grand Jury released a report entitled, “*Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency*” on June 29, 2015. The report addresses concerns with (1) the viability of the JPAs with Redevelopment Agencies as members since RDAs were eliminated in 2012, (2) the use of JPAs by government organizations to be controlled by a single governmental entity, (3) the lack of true disclosure and transparency of their organization and financial information to taxpayers, and (4) the extreme debt to revenue ratio of some JPAs, which brings into questions their solvency.

Summary

Since becoming a Joint Powers Authority in 1995, the Orange County Fire Authority has evolved from a start-up organization to one that has continually received awards for excellence in financial reporting. A key to the current success and recognition has been the involvement and oversight by our Board of Directors in fiscal responsibility and strategic planning.

Some of the key documents that ensure continued transparency of our organization and financial information, and which are made available annually to our Board of Directors and the public include:

- Average annual firefighter earnings presented every November since 2008 including:
 - Annual overtime costs
 - Top earners and reasons for overtime
- Since 2009, the OCFA has regularly forwarded all compensation information on an annual basis to the State Controller’s Office for posting on its website, and provides a web link on OCFA’s website to this information
- The OCFA posts all employee’s and director’s compensation information on its website as recommended by the 2012 Grand Jury Report using the Grand Jury’s model that was to be replicated by all Orange County local governments, since 2012
- Annual Budget Adoption (occurs annually each May or June)
 - While not required by law, the OCFA conducts a public hearing with each proposed budget adoption
 - Retirement and benefit costs are included in the publicly circulated budget documents, as well as retirement rate information
 - Future salary increases per labor agreements, if any, are disclosed within the budget documents
 - Five-year financial forecasts are provided in the budget documents, including a narrative which describes the detailed assumptions used within the forecast pertaining to salary and benefit costs
- Comprehensive Annual Financial Reports & Single Audit Reports
- The Orange County Retirement System (OCERS) posts retirement rate information on its website
- Since 2012, the OCFA has provided annual Liability Studies at public meetings of the Board of Directors, with the stated purpose “to ensure the long-term viability of the organization.”

**Grand Jury Response: “Joint Powers Authorities: Issues of Viability,
Control, Transparency, and Solvency”**

Response to Findings and Recommendations

Finding 4. Vertical Joint Powers Authorities with a single controlling entity, such as a city council, have the potential to use this organizational structure as a shell company to avoid other legal constraints on the controlling entity and to obfuscate taxpayer visibility.

The OCFA partially disagrees with this finding because the above finding is not applicable to the OCFA. Based upon the criteria provided in the Grand Jury report, the OCFA is a horizontal JPA, not a vertical JPA, since our members are composed of multiple similar entities that share a common problem or opportunity.

The OCFA membership is made up of 23 Orange County cities and the County of Orange for the purpose of providing public safety through shared fire prevention, suppression and emergency medical services. Each member agency has delegated these functions to the OCFA, reduced the cost of service through economies of scale, and has representation on its Board of Directors. The OCFA provides regional services, including specialty resources that would be difficult (financially) for many of our individual member agencies to provide on their own, such as air operations, hazardous materials response, hand crew and heavy equipment (bulldozer) services, etc. Each member agency also has the ability to withdraw from the OCFA JPA, if it so chooses. As a result, there are organizational checks and balances that allow for self-correction and accountability. As cited in the Grand Jury report as an example of horizontal JPAs, the OCFA JPA *does* provide a real service to the community.

Finding 5: Vertical Joint Powers Authorities in which the controlling entity transfers assets from itself to a Joint Powers Authority for the purpose of obtaining additional funding, or signs a long-term lease to a Joint Powers Authority to obtain assets, are avoiding transparency and are not acting in the best financial interest of the taxpayers.

The OCFA partially disagrees with this finding because the above finding is not applicable to the OCFA. As explained in Finding 4, the OCFA is not a vertical JPA structure, but a horizontal JPA structure.

Finding 9: The Orange County Fire Authority has an off-the-books unfunded debt liability of \$577 million which the Grand Jury has determined to be of concern since it is a real liability on the County taxpayers.

The OCFA disagrees partially with this finding. The OCFA complies with all requirements issued by the Government Accounting Standards Board (GASB). GASB previously required governmental agencies to disclose pension contribution information in the footnotes of their financial statements; however, GASB did not require liabilities to be recognized for the local government’s obligations in a pension plan. Under new GASB Statement 68 (*Accounting and Financial Reporting for Pensions*) effective fiscal year ended June 30, 2015, OCFA will begin reporting a liability in its financial statements for the unfunded portion of its pension liability. This action is described in greater detail in the response to Recommendation 7, below.

Separate from the financial statement reporting discussed above, the OCFA has routinely provided disclosure and transparency of its liabilities well-beyond GASB requirements by

Grand Jury Response: “Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”

issuing an annual Liability Study at public meetings and making the Study available on its website.

<http://www.ocfa.org/Transparency/Transparency.aspx#financial>

Further, the OCFA has taken a proactive role in paying down this debt. See response to Recommendation 7.

Recommendation 3. All Joint Powers Authorities should take the following actions to insure transparency to the taxpayers: (1) have an annual outside audit, (2) post the complete audit on their city website as a separate Joint Powers Authority entity, (3) send the audit to the County Controller and the State Auditor, and (4) ensure the required reports are filed annually to the County and the State.

The OCFA has previously and routinely followed these recommended practices; therefore, the recommendation has been implemented.

Since its creation, the OCFA has regularly conducted annual financial audits performed by an outside Certified Public Accounting (CPA) firm, with the results presented to its Budget and Finance Committee and Board of Directors for approval. These audit reports are routinely included as attachments to the corresponding staff reports for the public meetings, and are made available on the OCFA’s website. In addition, the audit reports are posted as independent documents on the OCFA’s webpage dedicated to “transparency.” OCFA staff routinely forwards these audit and financial reports to each member agency, which includes the County of Orange’s CEO and the State Controller’s Office. The Grand Jury report is recommending that audits be transmitted specifically to the County Controller and the State Auditor. While the OCFA already transmits its audits with the County CEO and the State Controller, we will also add the County Controller and State Auditor to future transmittals.

Recommendation 7. The Orange County Fire Authority should address their lack of transparency by providing public disclosure of their off-the-books unfunded public liability in their financial statements and address their solvency by an aggressive plan to reduce their unfunded liabilities.

The recommendation has not yet been fully implemented, but will be in the future.

Although we believe there has been no lack of transparency by OCFA concerning its long-term liabilities due to our reporting process through an annual Liability Study, we agree that OCFA’s pension liability was not included in the financial statements, as discussed under Finding 9. Under new GASB Statement 68 (*Accounting and Financial Reporting for Pensions*) effective fiscal year ended June 30, 2015, OCFA will begin reporting a liability in its financial statements for the unfunded portion of its pension liability. The financial statements will be presented to the Budget and Finance Committee and Board of Directors for approval in November 2015, after the completion of the annual audit.

OCFA’s Annual Liability Study

In July 2012, OCFA staff presented a comprehensive Liability Study to its Budget and Finance Committee specifically highlighting long term liabilities facing the OCFA. This Study was reviewed by the OCFA Board of Directors at its September 2012, meeting. The Liability Study

Grand Jury Response: “Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”

not only included pension liabilities, but also included retiree medical liabilities, workers compensation liabilities, and compensated absences. This report exceeded the then current GASB reporting requirements and was intended to keep the Board of Directors and members of the public aware of significant financial challenges facing OCFA so that appropriate plans could be developed for addressing these liabilities. This report was updated and again presented to both the OCFA Budget and Finance Committee and Board of Directors in September 2013 and October 2014.

Actions taken based on these public reports included (1) directing staff to transmit a copy of the report to the County Board of Supervisors and the OCERS Board of Retirement, for its consideration of potential cost-containment actions relating to Pension Cost of Living Adjustments (COLAs) under the authority granted by the '37 Retirement Act, (2) directing staff to pursue a special actuarial study relating to the OCFA's Retiree Medical Defined Benefit Plan to evaluate options for potential plan amendments which could improve plan funding, subject to future negotiation with OCFA's labor groups, (3) directing staff to evaluate the financial feasibility of paying off the outstanding lease financing obligations associated with the OCFA's helicopters, as part of the 2014/15 budget development process, and (4) directing staff to evaluate options for mitigating the budget and liability impacts of payouts for accumulated sick and vacation balances, subject to future negotiation with OCFA's labor groups.

Governmental Accounting Standards Board Statement 68

The following information was presented to the OCFA Budget and Finance Committee at its May 14, 2015, meeting in connection with its regular communication with its independent financial auditor in accordance with Statements on Auditing Standards (SAS) No. 114 for the FY 2014/15 Financial Audit:

“On June 25, 2012, the Governmental Accounting Standards Board (GASB) issued new Statement No. 68, Accounting and Financial Reporting for Pensions, which affects the government-wide financial statements of governmental employers that sponsor or contribute to pension plans. OCFA is required to implement this new standard as part of the Fiscal Year 2014/15 financial audit for its full-time employee pension plan with the Orange County Employees' Retirement System (OCERS).

OCERS utilizes an actuary to annually calculate its Total Pension Liability (TPL) for the pension system. The TPL accounts for all future benefit payments that will be made, decades into the future, to current employees of all OCERS plan sponsors. The difference between the pension plan's assets and its TPL is the Net Pension Liability (NPL), also commonly referred to as the “unfunded liability.” With GASB Statement No. 68, OCFA will now be required to report its proportionate share of the overall NPL as a long-term liability on its financial statements.

Previously, there had been a close relationship between how governments fund pensions and how they account and report pension information in their financial statements. A pension liability was only reported if there was a cumulative difference between the required and actual contributions made to the pension plan. For OCFA, the amount of any pension liability reported in its financial statements has always been \$0, since all required contributions determined by the OCERS actuary have been contributed each year. Under GASB Statement No. 68, the funding

Grand Jury Response: “Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”

of OCFA’s pension liability is now completely disconnected from how the liability and related pension expense is reported in the financial statements. It is anticipated that OCFA will begin reporting a Net Pension Liability of approximately \$450 million in its Fiscal Year 2014/15 financial statements.

It is important to note that the factual situation of OCFA’s pension plan has not changed. Only the way the plan is accounted for and reported in the financial statements is changing. The new guidance provided in GASB Statement No. 68 is a definitive shift from a *funding-based approach* to an *accounting-based approach*. This shift will improve the decision-usefulness of employer-level reported pension information and increase the transparency, consistency, and comparability of pension information across governments.

OCERS has worked with Segal Consulting to develop an actuarial valuation that includes all of the elements necessary for a successful implementation of GASB Statement No. 68 by both OCERS and the various plan sponsors. As part of OCERS’ 2014 financial audit, its auditors Macias Gini & O’Connell, LLP, (MGO) completed additional audit tests that directly relate to the pension plan as a whole. In addition, OCFA’s financial auditors Lance, Soll & Lunghard, LLP, (LSL) will also be increasing the scope of its audit testing that directly relates to OCFA’s portion of the pension plan. The increase in audit test work by both firms (MGO and LSL) will likely include additional steps to test the census data provided to the actuary, as well as any new schedules and disclosures required to be included in the financial statements.”

Accelerated Pay Down of OCFA’s Unfunded Pension Liability

At its September 26, 2013 Board of Director’s meeting, the following strategies for expedited payment of OCFA’s unfunded pension liability were approved. These actions were originally estimated to reduce OCFA’s amortization period significantly, with payoff anticipated in less than 16 years instead of the 29 year amortization period that was in place by OCERS when this plan was adopted. In 2014, updated actuarial reviews indicated that OCFA’s accelerated pay down plan would result in full payment of OCFA’s unfunded pension liability within 13 years.

The accelerated pay down strategies that have been operational for the past two years include:

1. Contribute additional amounts each year using the unencumbered fund balance available following the close of the prior fiscal year, estimated at approximately \$3 million per year.
2. Contribute additional funds each year, using the savings that will be realized under PEPRA and savings from reductions to OCFA’s retirement contribution rates, based on recent 15-year rate projections provided by Segal Consulting.
3. Beginning in FY 2016/17, contribute an additional \$1 million per year building to \$5 million in annual payments over 5 years; at year 5, pause to reassess whether the annual increases should continue to build, remain at \$5 million, or be adjusted otherwise.

In addition, the Board of Directors took the following actions at its public meeting:

**Grand Jury Response: “Joint Powers Authorities: Issues of Viability,
Control, Transparency, and Solvency”**

1. Directed staff to provide updates to the Board each year as part of the mid-year budget presentation, indicating the amount of Fund Balance Available (FBA) from the prior fiscal year, and directing those amounts to be paid to OCERS as annual lump-sum payments towards the OCFA’s UAAL.

2. Directed staff to include additional payments towards the OCFA’s UAAL in the annual budget, including the following factors:
 - a. Savings that result from the new Public Employees’ Pension Reform Act provisions and other reductions in OCFA’s retirement contribution rates shall be used as a source for additional UAAL payments.

 - b. Beginning in FY 2016/17, an additional \$1 million should be added to the OCFA’s annual budget each year for 5 years, for retirement contributions to OCERS as a base-building source for additional UAAL payments.

 - c. Provide updates to the Board each year as part of the annual budget presentation, indicating the amount planned in each yearly budget as additional payments towards the OCFA’s UAAL, resulting from the factors above.

The OCFA has been proactive in disclosing its pension liability to the Board of Directors, making the information transparent to the public, and developing creative plans to pay down the pension liability, thereby enhancing the organization’s financial strength.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
August 12, 2015

Agenda Item No. 4D
Discussion Calendar

**Acceptance of 2015 Department of Homeland Security/Federal
Emergency Management Agency's Urban Search & Rescue
Preparedness Grant**

Contact(s) for Further Information

Dave Thomas, Assistant Chief
Operations Department davethomas@ocfa.org 714.573.6012

Jeff Adams, Battalion Chief
US&R Program Manager jeffadams@ocfa.org 949.837.7468

Summary

This item is submitted for approval and acceptance of the 2015 Preparedness Grant from the Department of Homeland Security/Federal Emergency Management Agency's (DHS/FEMA) National Urban Search and Rescue (US&R) Program.

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 August 27, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Adopt the proposed Resolution to accept the Department of Homeland Security/Federal Emergency Management Agency's Administrative Preparedness Grant.
2. Direct staff to increase revenue and appropriations in the amount of \$1,312,082 in the General Fund (Fund 121).

Impact to Cities/County

Not Applicable.

Fiscal Impact

\$1,312,082 increase in General Fund (Fund 121) revenue and appropriations in the FY 2015/16 budget.

Background

California Task Force Five (CA TF-5), located in Orange County and sponsored by the Orange County Fire Authority, is one of 28 National US&R Task Forces. CA TF-5 has used past grant funds and activation reimbursements to equip and train the task force members for the mission of rescuing victims in collapsed structures and for weapons of mass destruction/terrorist responses.

Currently, CA TF-5 maintains a response capability that includes apparatus and equipment supply inventory worth approximately \$8 million. There is also a personnel cadre of over 220

members, composed of a civilian element of structural engineers, disaster canines, and physicians, as well as firefighters from the participating agencies of Anaheim, Orange, and the OCFA.

DHS/FEMA has authorized a grant award of \$1,154,582 to each US&R Task Force for the administration of an approved National Urban Search and Rescue Response System. In addition to this \$1.1 million grant that has been awarded to each US&R Task Force, our OCFA sponsored CA TF-5 will receive additional funding for our members' participation and support of the national program. Total grant funding for CA TF-5 is as follows:

Grant Funding Component	Component Amount	Total Grant Funding
<u>Base grant provided to each US&R Task Force:</u>		
· Administration	354,332	
· Training (including travel expenses)	246,302	
· Equipment/Cache (acquisition, modifications)	203,084	
· Storage and Maintenance	350,864	
<i>Subtotal</i>		\$1,154,582
<u>Additional grant components provided to CA TF-5 only:</u>		
· Administration – National US&R Logistics Leader	12,000	
· Administration – Two National Incident Support Team Leaders	12,000	
· Administration – Deputy Operations Leader	4,000	
· Administration – Documentation Sub Group Leader	4,500	
· Training – National Course, Task Force Leader	25,000	
· Training – National Course, S-420 Command and General Staff	100,000	
<i>Subtotal</i>		\$157,500
Total Grant Funding Awarded to CA TF-5		\$1,312,082

The final grant total of \$1,312,082 for CA TF-5 is the second highest total provided to any National US&R Team. Through the leadership of OCFA's immediate-past Board Chair, Al Murray, OCFA was able to enhance relationships with Congressional representatives. This effort not only helped to broaden appreciation for OCFA's US&R program, it may have facilitated additional funding in HR 1471. The legislation, currently moving through Congress, identifies \$50M nationally for the country's 28 US&R teams. This is an increase of \$15M from the previous year, and may result in an additional \$500,000 for CA TF-5.

The grant funding continues the development and maintenance of the National US&R Response System resources to be prepared to provide qualified, competent US&R personnel in support of all US&R activities/incidents under the Federal Response Plan.

This grant funding is available for use beginning October 1, 2015 through December 31, 2016.

Attachment(s)

Proposed Resolution for Acceptance of FEMA US&R Grant

RESOLUTION NO. 2015-XX

**A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY
ACCEPTING THE FEMA NATIONAL URBAN SEARCH AND RESCUE
(US&R) PROGRAM GRANT TO PURCHASE US&R EQUIPMENT AND
SUPPLIES, MAINTENANCE AND REPAIR OF US&R EQUIPMENT,
TRAINING AND PROGRAM ADMINISTRATION**

WHEREAS, the Orange County Fire Authority is one of only 28 agencies in the country selected to participate in the FEMA's National US&R Response System; and

WHEREAS, OCFA entered into a tri-party agreement with FEMA and Cal-OES, who provides oversight and additional support for the program; and

WHEREAS, currently Orange County US&R Task Force 5 maintains a response capability including apparatus and equipment supply inventory worth approximately \$8 million; and

WHEREAS, Orange County US&R Task Force 5 maintains a personnel cadre of over 220 members that includes a civilian element of structural engineers, disaster search canines, physicians, as well as firefighters from the participating agencies of Anaheim, Orange and the OCFA; and

WHEREAS, FEMA has authorized a grant award of \$1,312,082 which is available for use beginning September 30, 2015, through December 31, 2016, for preparedness issues related to the Urban Search and Rescue Program.

NOW, THEREFORE, the Board of Directors of the Orange County Fire Authority does hereby resolve to accept the FEMA US&R grant to be utilized for such things as procurement of US&R equipment and supplies, maintenance and repair of US&R equipment, training and program administration. Additionally, these funds can be used for associated travel expenses for task force personnel to attend US&R related training courses, exercises, meetings, and for the management and administration of US&R activities. This includes expenses relating to task force maintenance, development, record-keeping, and correspondence.

PASSED, APPROVED, AND ADOPTED this 27th day of August 2015.

GENE HERNANDEZ, CHAIR
Board of Directors

ATTEST:

SHERRY A. F. WENTZ, CMC
Clerk of the Authority



In connection with Agenda Item No. 4E
08/12/15 BFC Meeting

Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
August 12, 2015

Agenda Item No. 4E
Discussion Calendar

**Start-Up ~~Matching~~ Funds/Orange County Task Force on Drowning
Prevention**

Contact(s) for Further Information

Sandy Cooney, Director sandycooney@ocfa.org 714.573.6801
Communications and Public Affairs

Jim Ruane, Finance Manager/Auditor jimruane@ocfa.org 714.573.6304
Business Services Department

Summary

This agenda item is submitted to request an appropriation of \$25,000 for start-up costs (including focus groups and market research) for the Orange County Task Force on Drowning Prevention. ~~This amount will be matched by the Orange County Health Care Agency (or several county agencies) to reach the equivalent share of \$25,000. The total anticipated start-up cost is expected to be \$50,000.~~

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 August 20, 2015~~ Board of Directors meeting of August 27, 2015, with the Budget and Finance Committee's recommendation that the ~~Executive Committee Board~~ authorize the following:

1. Increase appropriations in the FY 2015/16 General Fund budget by \$25,000 for seed funding for the Orange County Drowning Prevention Task Force.
2. Approve and authorize the Fire Chief, or his designee, to forward the funds to the appropriate agency that will be responsible for the program. This will be determined at a future date.
3. Direct staff, in collaboration with county agencies, to develop a plan for use of the funds for start-up expenses, to include market research and focus groups.

Impact to Cities/County

None.

Fiscal Impact

Appropriations in the FY 2015/16 General Fund budget will be increased by \$25,000.

Background

The Orange County Task Force on Drowning Prevention was created by OCFA leadership, with support from the OCFA Board of Directors Executive Committee, to identify and implement countywide methods and strategies to reduce drowning incidents and fatalities. The 24-member

panel includes the heads of public health, public safety, government, and non-profit organizations, parents of victims, and Olympic medal-winning swimmers.

The group is currently exploring ways to increase public awareness of drowning prevention that include: community and media outreach, consistent messaging in materials, and a unified approach on all countywide drowning prevention efforts. Establishing multiple demographic focus groups and market research has been identified as a first step. This funding supports that process.

Attachment(s)

None



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
August 12, 2015

Agenda Item No. 4E
Discussion Calendar

**Start-Up Matching Funds/Orange County Task Force on Drowning
Prevention**

Contact(s) for Further Information

Sandy Cooney, Director sandycooney@ocfa.org 714.573.6801
Communications and Public Affairs

Jim Ruane, Finance Manager/Auditor jimruane@ocfa.org 714.573.6304
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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 August 20, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee authorize the following:

1. Increase appropriations in the FY 2015/16 General Fund budget by \$25,000 for seed funding for the Orange County Drowning Prevention Task Force.
2. Authorize the Fire Chief, or his designee, to forward the funds to the appropriate agency that will be responsible for the program. This will be determined at a future date.
3. Direct staff, in collaboration with county agencies, to develop a plan for use of the funds for start-up expenses, to include market research and focus groups.

Impact to Cities/County

None.

Fiscal Impact

Appropriations in the FY 2015/16 General Fund budget will be increased by \$25,000.

Background

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Attachment(s)

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