



ORANGE COUNTY FIRE AUTHORITY

AGENDA

Pursuant to the Brown Act, this meeting also constitutes a meeting of the Board of Directors.

EXECUTIVE COMMITTEE REGULAR MEETING Thursday, September 22, 2016 5:30 P.M.

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

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 Executive 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 Fire Authority Executive 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 prior to being heard before the Committee. Speaker Forms are available at the counters of both entryways of the Board 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.

CALL TO ORDER

INVOCATION by OCFA Chaplain Robert Benoun

PLEDGE OF ALLEGIANCE by Director Spitzer

ROLL CALL

1. PRESENTATIONS

No items.

REPORT FROM THE BUDGET AND FINANCE COMMITTEE CHAIR

PUBLIC COMMENTS

Resolution No. 97-024 established rules of decorum for public meetings held by the Orange County Fire Authority. Resolution No. 97-024 is available from the Clerk of the Authority.

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.

The Agenda and Minutes are now available through the Internet at www.ocfa.org. You can access upcoming agendas on the Monday before the meeting. The minutes are the official record of the meeting and are scheduled for approval at the next regular Executive Committee meeting.

2. MINUTES

A. Minutes from the August 25, 2016, Regular Executive Committee Meeting

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT CALENDAR

All matters on the consent calendar are considered routine and are to be approved with one motion unless a Committee Member or a member of the public requests separate action on a specific item.

A. Monthly Investment Reports

Submitted by: Tricia Jakubiak, Treasurer

Budget and Finance Committee Recommendation: *APPROVE*

Recommended Action:

Receive and file the reports.

B. Annual Investment Report

Submitted by: Tricia Jakubiak, Treasurer

Budget and Finance Committee Recommendation: *APPROVE*

Recommended Action:

Receive and file the report.

C. Purchase of Type I Engines

Submitted by: Mike Schroeder, Assistant Chief/Support Services Department

Recommended Actions:

1. Approve and authorize the Purchasing Manager to issue a purchase order to Kovach Mobile Equipment Corp. for ten Type I Engines at the unit cost of \$567,752 during year-four of the contract (2016).
2. Approve and authorize the Purchasing Manager to purchase additional budgeted Type I Engines from Kovach Mobile Equipment Corp. during year-five of the contract (2017), with pricing escalation not-to-exceed PPI.

D. Purchase of 100' Tractor Drawn Aerials (Quints)

Submitted by: Mike Schroeder, Assistant Chief/Support Services Department

Recommended Action:

1. Approve and authorize the Purchasing Manager to issue a purchase order to Kovach Mobile Equipment Corp. for up to six Quints at the unit cost of \$1,379,684 during year-two of the contract (2016).
2. Approve and authorize the Purchasing Manager to purchase additional budgeted Quints from Kovach Mobile Equipment Corp. during year-three of the contract (2017), with pricing escalation not-to-exceed PPI.

END OF CONSENT CALENDAR

4. DISCUSSION CALENDAR

No items.

COMMITTEE MEMBER COMMENTS

CLOSED SESSION

No items.

ADJOURNMENT – The next regular meeting of the Executive Committee is scheduled for Thursday, October 27, 2016, at 5:30 p.m.

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 15th day of September 2016.

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

UPCOMING MEETINGS:

Human Resources Committee Meeting	Thursday, October 4, 2016, 6:00 p.m.
Budget and Finance Committee Meeting	Wednesday, October 12, 2016, 12 noon
Claims Settlement Committee Meeting	Thursday, October 27, 2016, 5:00 p.m.
Executive Committee Meeting	Thursday, October 27, 2016, 5:30 p.m.
Board of Directors Meeting	Thursday, October 27, 2016, 6:00 p.m.

MINUTES ORANGE COUNTY FIRE AUTHORITY

**Executive Committee Regular Meeting
Thursday, August 25, 2016
5:30 P.M.**

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

CALL TO ORDER

Chair Hernandez called the regular meeting of the Orange County Fire Authority Executive Committee to order at 5:30 p.m. on August 25, 2016.

INVOCATION

Chaplain Jim Gwaltney offered the invocation.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present: Carol Gamble, Rancho Santa Margarita
Noel Hatch, Laguna Woods
Gene Hernandez, Yorba Linda
Jeffrey Lalloway, Irvine
Ed Sachs, Mission Viejo
David Shawver, Stanton
Elizabeth Swift, Buena Park
Todd Spitzer, County of Orange

Absent: Al Murray, Tustin

Also present were:

Fire Chief Bowman
Assistant Chief Lori Zeller
Assistant Chief Brian Young
General Counsel David Kendig

Assistant Chief Dave Thomas
Assistant Chief Lori Smith
Director of Communications Sandy Cooney
Clerk of the Authority Sherry Wentz

1. PRESENTATIONS

No items.

REPORT FROM THE BUDGET AND FINANCE COMMITTEE CHAIR (F: 12.02A6)

No report due to the cancellation of the August meeting.

PUBLIC COMMENTS (F: 12.02A3)

Chair Hernandez opened the Public Comments portion of the meeting. Chair Hernandez closed the Public Comments portion of the meeting without any comments from the general public.

2. MINUTES

A. Minutes from the July 28, 2016, Regular Executive Committee Meeting (F: 12.02A2)

On motion of Vice Chair Swift and second by Director Lalloway, the Executive Committee voted unanimously by those present to approve the Minutes as submitted.

3. CONSENT CALENDAR

A. Monthly Investment Reports (F: 11.10D2)

Stephen Wontrobski, Mission Viejo resident, addressed the unfunded actuarial accrued liability impacts on member cities.

On motion of Vice Chair Swift and second by Director Shawver, the Executive Committee voted unanimously by those present to receive and file the Monthly Investment Reports.

4. DISCUSSION CALENDAR

No items.

COMMITTEE MEMBER COMMENTS (F: 12.02A4)

Director Spitzer inquired about the possibility of OCFA offering CPR training to the public. Staff reported CARE Ambulance offers CPR training to all of its contracted cities, noting administration and oversight of ambulance contracts has returned to the County of Orange. Staff also noted those cities which CARE Ambulance does not serve, may have similar services offered by their respective ambulance providers.

CLOSED SESSION

No items.

ADJOURNMENT – Chair Hernandez adjourned the meeting at 5:52 p.m. The next regular meeting of the Executive Committee is scheduled for Thursday, September 22, 2016, at 5:30 p.m.

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



Orange County Fire Authority
AGENDA STAFF REPORT

Executive Committee Meeting
September 22, 2016

Agenda Item No. 3A
Consent 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 – Committee Recommendation: *APPROVE*

At its regular September 14, 2016, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

RECOMMENDED ACTION(S)

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 July 31, 2016. A preliminary investment report as of August 26, 2016, is also provided as the most complete report that was available at the time this agenda item was prepared.

Attachment(s)

Final Investment Report – July 2016/Preliminary Report – August 2016

Orange County Fire Authority Monthly Investment Report



Final Report – July 2016

Preliminary Report – August 2016



Monthly Investment Report Table of Contents

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Orange County Fire Authority

Final Investment Report

July 31, 2016



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of July 2016, the size of the portfolio decreased substantially to \$158.8 million from \$177.9 million. Significant receipts for the month included cash contract payments, various tax apportionments, charges for current services and intergovernmental agency payments totaling \$11.6 million. Significant disbursements for the month included primarily biweekly payrolls; there were three pay periods in July (instead of the typical two per month) which were approximately \$9.4 million each with related benefits. Total July cash outflows for operating expenditures amounted to approximately \$31.9 million. The portfolio's balance is expected to decrease further in the following month as there are no major receipts expected for August.

In July, as the new fiscal year began, the portfolio's yield to maturity (365-day equivalent) rose to 0.63% which was 3 basis points higher than the prior month. The effective rate of return also increased rising to 0.60% from 0.54%, and the average maturity of the portfolio lengthened slightly to 165 days to maturity.

Economic News

U.S. economic activity continued to grow moderately in July 2016, albeit overall activity remained mixed. Employment conditions remained strong with a better than expected jobs gain for the month. There were a total of 255,000 new jobs created in July while a consensus had expected the economy to add only 180,000 new jobs for July. The unemployment rate stayed unchanged at 4.9%, and durable goods orders grew better than expected in July. On the other hand, consumer confidence remained mixed and slightly weaker than expected, and retail sales also came in weaker than expected in July staying unchanged from the prior month. Both manufacturing and non-manufacturing sectors continued to expand, although at a slightly slower pace in July. The CPI (Consumer Price Index) remained low. Housing activity continued to improve but was mixed in July. As the economy continues its gradual growth pace, current expectations remain that the next possible rate hike will likely take place at the Fed's scheduled meeting in December.



BENCHMARK COMPARISON AS OF JULY 31, 2016

3 Month T-Bill: 0.30%

1 Year T-Bill: 0.51%

6 Month T-Bill: 0.40%

LAIF: 0.59%

OCFA Portfolio: 0.60%

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>	\$158,787,017	\$177,924,742	\$179,407,643
<i>Yield to Maturity (365 day)</i>	0.63%	0.60%	0.33%
<i>Effective Rate of Return</i>	0.60%	0.54%	0.32%
<i>Days to Maturity</i>	165	163	165



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
July 31, 2016

Orange County Fire Authority
1 Fire Authority Road
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	13,691,660.52	13,691,660.52	13,691,660.52	8.62	1	1	0.001	0.001
Federal Agency Coupon Securities	52,000,000.00	52,050,370.00	52,006,022.42	32.73	894	476	0.967	0.981
Federal Agency Disc. -Amortizing	29,000,000.00	28,989,470.00	28,985,506.11	18.24	122	48	0.387	0.393
Local Agency Investment Funds	64,195,460.68	64,235,340.31	64,195,460.68	40.41	1	1	0.580	0.588
Investments	158,887,121.20	158,966,840.83	158,878,649.73	100.00%	315	165	0.622	0.630
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	(See Note 4 on page 9) -224,831.64	-224,831.64	-224,831.64		0	0	0.000	0.000
Accrued Interest at Purchase		27,616.67	27,616.67					
Subtotal		-197,214.97	-197,214.97					
Total Cash and Investments	158,662,289.56	158,769,625.86	158,681,434.76		315	165	0.622	0.630

Total Earnings	July 31 Month Ending	Fiscal Year To Date
Current Year	85,230.04	85,230.04
Average Daily Balance	168,420,514.66	168,420,514.66
Effective Rate of Return	0.60%	0.60%

"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, 2016. 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 Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)

\$ 158,681,434.76

GASB 31 Adjustment to Books (See Note 3 on page 9)

\$ 105,582.35

Total

\$ 158,787,017.11

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
July 31, 2016

(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	Federated Treasury Obligations		(See Note 4 on page 9)	13,691,660.52	13,691,660.52	13,691,660.52	0.001	0.001	1	
Subtotal and Average			11,081,447.58		13,691,660.52	13,691,660.52	13,691,660.52		0.001	1	
Federal Agency Coupon Securities											
3133EEA75	861	Federal Farm Credit Bank		04/23/2015	9,000,000.00	9,000,090.00	9,000,000.00	0.990	0.998	539	01/22/2018
3133EFJP3	869	Federal Farm Credit Bank Callable anytime		10/15/2015	10,000,000.00	10,000,000.00	10,000,000.00	1.100	1.054	805	10/15/2018
3133EFAZ0	889	Federal Farm Credit Bank Callable 9-6-16		04/21/2016	8,000,000.00	8,003,600.00	8,003,588.15	1.280	1.206	768	09/06/2018
3134G7FK2	863	Fed Home Loan Mtg Corp		06/30/2015	9,000,000.00	9,045,540.00	9,000,000.00	1.100	1.065	599	03/23/2018
3134G3W63	892	Fed Home Loan Mtg Corp Callable 8-28-16		05/26/2016	10,000,000.00	10,000,300.00	10,001,526.09	1.030	0.827	27	11/28/2017
3130A67K7	884	Fed Home Loan Bank Callable 8-10-16		04/20/2016	6,000,000.00	6,000,840.00	6,000,908.18	1.270	0.862	9	08/10/2018
Subtotal and Average			62,009,670.09		62,000,000.00	62,060,370.00	62,006,022.42		0.981	476	
Federal Agency Disc. -Amortizing											
313396G98	888	Freddie Mac		04/21/2016	9,000,000.00	8,996,670.00	8,995,495.00	0.340	0.350	53	09/23/2016
313384D55	891	Fed Home Loan Bank		05/24/2016	10,000,000.00	9,998,700.00	9,997,083.33	0.420	0.432	25	08/26/2016
313384J75	893	Fed Home Loan Bank		06/09/2016	10,000,000.00	9,994,100.00	9,992,927.78	0.380	0.391	67	10/07/2016
Subtotal and Average			41,173,326.16		29,000,000.00	28,989,470.00	28,985,506.11		0.393	48	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			64,195,460.68	64,235,340.31	64,195,460.68	0.588	0.588	1	
Subtotal and Average			64,166,070.82		64,195,460.68	64,235,340.31	64,195,460.68		0.588	1	
Total and Average			168,420,814.66		168,887,121.20	168,966,840.83	168,878,649.73		0.630	166	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
July 31, 2016

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		07/01/2016	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2016	-244,831.64	-244,831.64	-244,831.64	(See Note 4 on page 9)	0.000	1
Average Balance			0.00	Accrued Interest at Purchase		27,616.67	27,616.67			0
				Subtotal		-197,214.97	-197,214.97			
Total Cash and Investments			168,420,514.66		158,662,289.56	158,769,625.86	158,681,434.76		0.630	165

**“We visualize problems and solutions
through the eyes of those we serve.”**



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of August 1, 2016

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	(08/01/2016 - 08/01/2016)	4 Maturities	0 Payments	77,662,289.56	48.95%	77,662,289.56	77,702,169.19
Aging Interval: 1 - 30 days	(08/02/2016 - 08/31/2016)	1 Maturities	0 Payments	10,000,000.00	6.30%	9,997,083.33	9,998,700.00
Aging Interval: 31 - 60 days	(09/01/2016 - 09/30/2016)	1 Maturities	0 Payments	9,000,000.00	5.67%	8,995,495.00	8,996,670.00
Aging Interval: 61 - 91 days	(10/01/2016 - 10/31/2016)	1 Maturities	0 Payments	10,000,000.00	6.30%	9,992,927.78	9,994,100.00
Aging Interval: 92 - 121 days	(11/01/2016 - 11/30/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 122 - 152 days	(12/01/2016 - 12/31/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 153 - 183 days	(01/01/2017 - 01/31/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(02/01/2017 - 05/02/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 275 - 365 days	(05/03/2017 - 08/01/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(08/02/2017 - 08/01/2019)	6 Maturities	0 Payments	52,000,000.00	32.78%	52,006,022.42	52,050,370.00
Aging Interval: 1096 days and after	(08/02/2019 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		13 Investments	0 Payments		100.00	158,653,818.09	158,742,009.19



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, 2016 includes an increase of \$39,825 to the LAIF investment and an increase of \$65,757 to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Local Agency Investment Fund (LAIF)

As of July 31, 2016, OCFA has \$64,195,460 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, 2016 is 1.000621222. When applied to OCFA's LAIF investment, the fair value is \$64,235,340 or \$39,880 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 July 31, 2016 is included on the following page.



State of California
Pooled Money Investment Account
Market Valuation
7/31/2016

Carrying Cost Plus			
Description	Accrued Interest Purch.	Fair Value	Accrued Interest
United States Treasury:			
Bills	\$ 11,504,294,495.82	\$ 11,533,485,500.00	NA
Notes	\$ 21,048,104,424.04	\$ 21,068,356,000.00	\$ 37,803,907.50
Federal Agency:			
SBA	\$ 733,575,756.69	\$ 727,232,735.96	\$ 465,338.50
MBS-REMICs	\$ 58,552,739.48	\$ 62,184,419.52	\$ 277,184.19
Debentures	\$ 1,025,156,399.61	\$ 1,025,881,250.00	\$ 1,935,332.75
Debentures FR	\$ -	\$ -	\$ -
Discount Notes	\$ 7,677,401,847.13	\$ 7,687,069,000.00	NA
GNMA	\$ -	\$ -	\$ -
Supranational Debentures	\$ 599,982,831.85	\$ 601,347,000.00	\$ 1,549,653.00
CDs and YCDs FR	\$ 400,000,000.00	\$ 400,000,000.00	\$ 441,349.17
Bank Notes	\$ 800,000,000.00	\$ 799,626,987.52	\$ 1,303,861.11
CDs and YCDs	\$ 12,825,007,758.81	\$ 12,821,149,153.48	\$ 16,550,909.66
Commercial Paper	\$ 7,136,668,986.19	\$ 7,141,920,902.85	NA
Corporate:			
Bonds FR	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -
Time Deposits	\$ 5,330,440,000.00	\$ 5,330,440,000.00	NA
AB 55 & GF Loans	502,313,000.00	\$ 502,313,000.00	NA
TOTAL	\$ 69,641,498,239.62	\$ 69,701,005,949.33	\$ 60,327,535.88

Fair Value Including Accrued Interest \$ 69,761,333,485.21

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



Orange County Fire Authority

Preliminary Investment Report

August 26, 2016



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
August 26, 2016

Orange County Fire Authority
 1 Fire Authority Road
 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	11,595,737.43	11,595,737.43	11,595,737.43	8.24	1	1	0.001	0.001
Federal Agency Coupon Securities	46,000,000.00	45,979,210.00	46,000,979.19	32.67	901	511	1.008	1.022
Federal Agency Disc. -Amortizing	19,000,000.00	18,995,090.00	18,993,377.22	13.49	137	34	0.367	0.372
Local Agency Investment Funds	64,195,460.68	64,235,340.31	64,195,460.68	45.60	1	1	0.580	0.588
Investments	140,791,198.11	140,805,377.74	140,785,554.52	100.00%	313	172	0.643	0.652
Cash and Accrued Interest								
Passbook/Checking (See Note 4 on page 18) (not included in yield calculations)	-231,137.97	-231,137.97	-231,137.97		0	0	0.000	0.000
Accrued Interest at Purchase		12,800.00	12,800.00					
Subtotal		-218,337.97	-218,337.97					
Total Cash and Investments	140,560,060.14	140,587,039.77	140,567,216.55		313	172	0.643	0.652

Total Earnings	August 26 Month Ending	Fiscal Year To Date
Current Year	67,993.20	153,223.24
Average Daily Balance	153,715,071.65	161,712,768.72
Effective Rate of Return	0.62%	0.61%

"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, 2016. 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 Jakubiak 9/2/16
 Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 140,567,216.55
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ 105,582.35
Total	<u>\$ 140,672,798.90</u>

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
August 26, 2016

(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											
(See Note 4 on page 18)											
SYS528	528	Federated Treasury Obligations			11,595,737.43	11,595,737.43	11,595,737.43	0.001	0.001	1	
Subtotal and Average			12,834,547.24		11,595,737.43	11,595,737.43	11,595,737.43		0.001	1	
Federal Agency Coupon Securities											
3133EEA75	881	Federal Farm Credit Bank		04/23/2015	9,000,000.00	8,992,530.00	9,000,000.00	0.990	0.998	513	01/22/2018
3133EFJP3	869	Federal Farm Credit Bank Callable anytime		10/15/2015	10,000,000.00	9,968,200.00	10,000,000.00	1.100	1.054	779	10/15/2018
3133EFAZ0	889	Federal Farm Credit Bank Callable 9-6-16		04/21/2016	8,000,000.00	8,000,480.00	8,000,922.67	1.280	1.206	740	09/06/2018
3134G7FK2	863	Fed Home Loan Mtg Corp		06/30/2015	9,000,000.00	9,018,000.00	9,000,000.00	1.100	1.065	573	03/23/2018
3134G3W63	892	Fed Home Loan Mtg Corp Callable 8-28-16		05/26/2016	10,000,000.00	10,000,000.00	10,000,056.52	1.030	0.827	1	11/28/2017
Subtotal and Average			48,080,029.99		46,000,000.00	45,979,210.00	46,000,979.19		1.022	511	
Federal Agency Disc. -Amortizing											
313396G98	888	Freddie Mac		04/21/2016	9,000,000.00	8,998,290.00	8,997,705.00	0.340	0.350	27	09/23/2018
313384J75	893	Fed Home Loan Bank		06/09/2016	10,000,000.00	9,996,800.00	9,995,672.22	0.380	0.391	41	10/07/2016
Subtotal and Average			28,805,033.74		19,000,000.00	18,995,090.00	18,993,377.22		0.372	34	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			64,195,460.68	64,235,340.31	64,195,460.68	0.588	0.588	1	
Subtotal and Average			64,195,460.68		64,195,460.68	64,235,340.31	64,195,460.68		0.588	1	
Total and Average			163,715,071.65		140,791,198.11	140,805,377.74	140,785,554.52		0.682	172	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
August 26, 2016

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		07/01/2016	20,000.00	20,000.00	20,000.00	(See Note 4 on page 18)	0.000	1
SYS4	4	Union Bank		07/01/2016	-251,137.97	-251,137.97	-251,137.97		0.000	1
Average Balance			0.00	Accrued Interest at Purchase		12,800.00	12,800.00			0
				Subtotal		-218,337.97	-218,337.97			
Total Cash and Investments			153,715,071.85		140,560,060.14	140,587,039.77	140,587,216.55		0.652	172

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of August 27, 2016

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

					Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(08/27/2016 - 08/27/2016)	4 Maturities	0 Payments	75,560,060.14	53.76%	75,560,060.14	75,599,939.77
Aging Interval:	1 - 30 days	(08/28/2016 - 09/26/2016)	1 Maturities	0 Payments	9,000,000.00	6.40%	8,997,705.00	8,998,290.00
Aging Interval:	31 - 60 days	(09/27/2016 - 10/26/2016)	1 Maturities	0 Payments	10,000,000.00	7.11%	9,995,672.22	9,996,800.00
Aging Interval:	61 - 91 days	(10/27/2016 - 11/26/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	92 - 121 days	(11/27/2016 - 12/26/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	122 - 152 days	(12/27/2016 - 01/26/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	(01/27/2017 - 02/26/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(02/27/2017 - 05/28/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(05/29/2017 - 08/27/2017)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(08/28/2017 - 08/27/2019)	5 Maturities	0 Payments	46,000,000.00	32.73%	46,000,979.19	45,979,210.00
Aging Interval:	1096 days and after	(08/28/2019 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			11 Investments	0 Payments		100.00	140,554,416.55	140,574,239.77



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, 2016 includes an increase of \$39,825 to the LAIF investment and an increase of \$65,757 to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

GLOSSARY

INVESTMENT TERMS

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

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

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

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

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

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

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

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

Federal Funds. Funds placed in Federal Reserve banks by depository 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

Executive Committee Meeting
September 22, 2016

Agenda Item No. 3B
Consent Calendar

Annual Investment Report

Contact(s) for Further Information

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Summary

This annual agenda item is submitted in compliance with Section 18.2 of the Orange County Fire Authority's Investment Policy.

Prior Board/Committee Action – Committee Recommendation: *APPROVE*

At its regular September 14, 2016, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

RECOMMENDED ACTION(S)

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 2015/16

Treasury and Financial Planning



Annual Investment Report – FY 2015/16

Orange County Fire Authority Annual Investment Report

Fiscal Year 2015/16

The Annual Investment Report for the fiscal year ended June 30, 2016 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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PORTFOLIO PERFORMANCE AND COMPARISON TO BENCHMARK

OCFA's portfolio performance was in line with LAIF and 1-year Treasury benchmark comparisons as listed below for FY 2015/16.

In FY 2015/16, the Federal Reserve Board continued to keep the federal funds rate, the overnight bank lending rate, at a low level, approving only one modest rate increase in almost 10 years at their December 2015 meeting bringing the federal funds rate from a target range of 0.0% - 0.25% to 0.25% - 0.50%. The economy grew moderately during the FY 2015/16. Employment conditions strengthened further and the unemployment rate dropped to 4.9% in June from 5.3% a year ago; housing market conditions also improved despite concerns regarding possible fallout from China's slow growth, low oil prices and the UK's June 2016 "Brexit"/"Leave" vote. OCFA's portfolio began the fiscal year with a maturity of 165 days and an effective rate of return of 0.32%. As the economy continued to improve, albeit modestly, expectations for the Fed to raise rates also increased, resulting in higher yield rates throughout most of the year. Thus, the portfolio performance ended in June 2016 with a higher return rate of 0.54% on a portfolio balance of \$178 million. The portfolio performance exceeded the 3-month and 6-month Treasury benchmarks and was closely aligned with LAIF and the 1-year Treasury performance; actual portfolio earnings also exceeded the final budget projection for the fiscal year.

<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>
July	179,407,643	165	0.32%	0.03%	0.12%	0.30%	0.32%
August	165,512,055	161	0.34%	0.07%	0.22%	0.38%	0.33%
September	158,324,031	149	0.36%	0.02%	0.18%	0.37%	0.34%
October	132,679,458	77	0.31%	0.02%	0.11%	0.26%	0.36%
November	143,085,788	66	0.35%	0.13%	0.33%	0.48%	0.37%
December	208,214,408	165	0.40%	0.23%	0.50%	0.65%	0.40%
January	176,489,384	227	0.52%	0.26%	0.43%	0.54%	0.45%
February	166,188,999	224	0.60%	0.31%	0.45%	0.53%	0.47%
March	170,899,245	199	0.60%	0.30%	0.47%	0.66%	0.51%
April	228,589,030	186	0.60%	0.23%	0.37%	0.56%	0.53%
May	219,421,789	147	0.63%	0.28%	0.42%	0.59%	0.55%
June	177,924,742	163	0.54%	0.27%	0.40%	0.55%	0.58%
Fiscal Year	177,228,048	161	0.46%	0.18%	0.33%	0.49%	0.43%

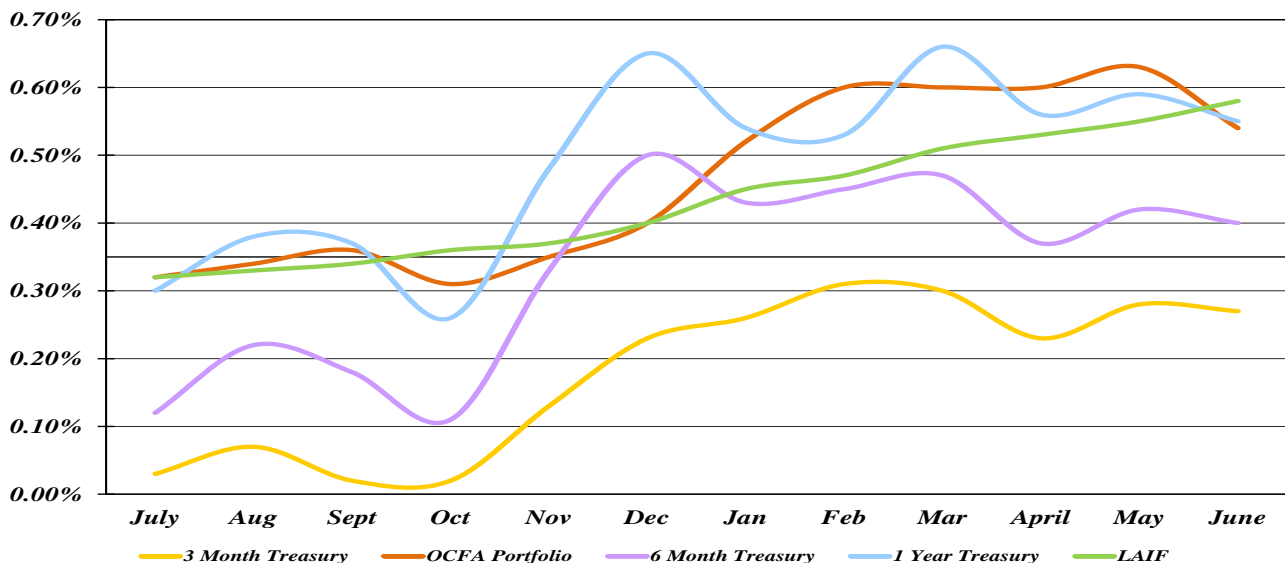


PORTFOLIO PERFORMANCE AND COMPARISON TO BENCHMARKS

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 overall portfolio yield exceeded the 3-month and 6-month Treasury benchmarks and was in line with the LAIF and 1-year Treasury performance during FY 2015/16.

- During FY 2015/16, Treasury yields increased modestly from the prior year as a result of a modest rate increase by the Fed in December 2015.
- In a declining/rising interest rate environment, LAIF's return tends to lag the market in declining/rising due to their maturity structure. As such, LAIF's return gradually rose throughout the fiscal year, reflecting a consistent and 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 2015/16

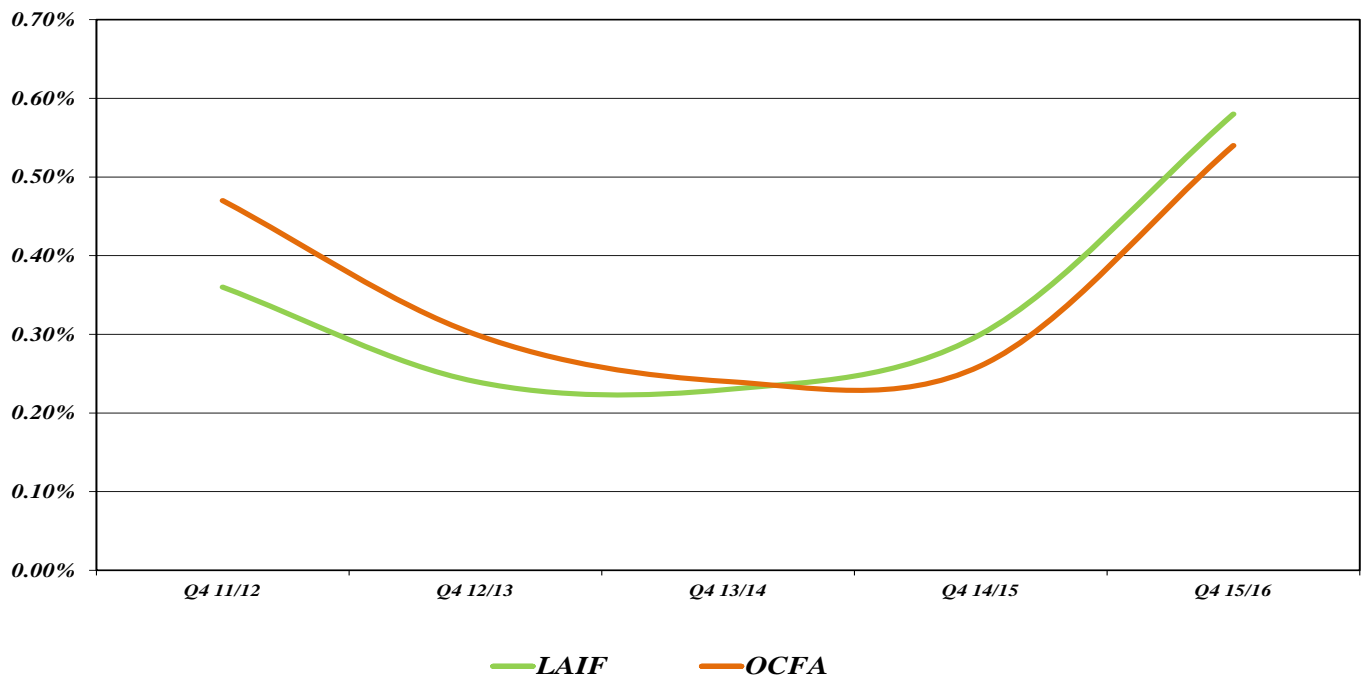




PORTFOLIO PERFORMANCE AND COMPARISON TO BENCHMARKS

The following chart provides a 5-year history of the Authority's portfolio yield from FY 2011/12 through FY 2015/16 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 2015/16 were mostly higher than FY 2014/15.

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.

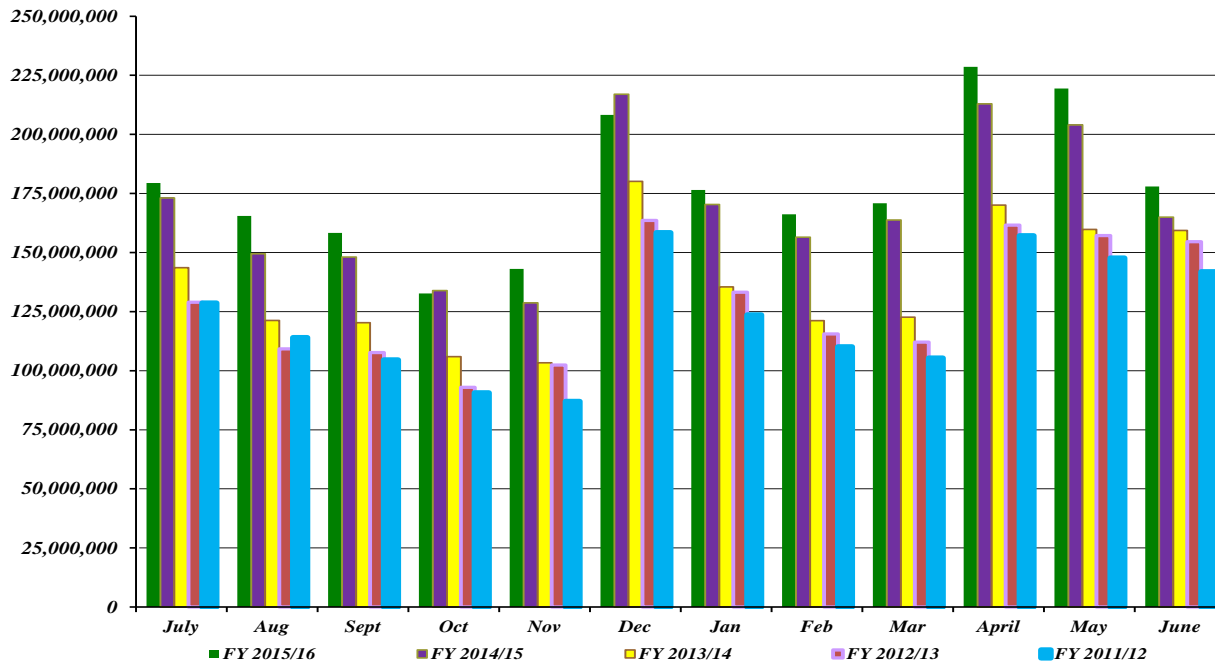
To resolve the temporary cash shortages in the General Fund, OCFA has issued Tax and Revenue Anticipation Notes (TRANs) on an as-needed basis. In FY2015/16, in order to fund its General Fund's expected cashflow timing deficit, OCFA issued a \$36.3 million TRANs, which contributed to higher portfolio 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 cashflow timing shortages through use of a General Fund cashflow reserve, combined with interfund borrowing; thus cashflow balances for those years (without TRANs proceeds) were significantly lower than the FY's 2014/15 and 2015/16. 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 OCFA's portfolio. Beginning in FY 2012/13 portfolio balances increased due to higher revenues and steady increase in the General Fund cashflow reserve. Additionally, due to the projected seasonal/short-term cashflow needs, the OCFA resumed issuing TRANs in FY's 2014/15 and 2015/16, which contributed to the significantly higher portfolio balances for those years. 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:

- Ø Limiting investments to the safest types of securities and highest quality issuers.
- Ø Specifically excluding investments in equities, corporate bonds, derivatives, reverse repurchase agreements and financial futures or options.
- Ø Avoiding investment in issuers placed on negative credit watch or with current events that involve negative financial implications.
- Ø Pre-qualifying financial institutions and broker/dealers for competitive bidding of individual investment transactions.
- Ø Diversifying investments so that potential losses on individual securities will be minimized.
- Ø Reviewing monthly reports from the State Treasurer's Office regarding the Local Agency Investment Fund.
- Ø Requiring collateralization of demand deposits and certificates of deposit. MUFG Union Bank, as OCFA's bank, complies with all collateralization requirements for demand deposits.
- Ø 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 2015/16 due to persistently low yields offered for longer-term maturities, callable securities, and continued 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 2015/16.*

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:

Ø US Treasury Securities	100%
Ø Local Agency Investment Fund	75%
Ø Federal Agency Securities	75%
Ø Bankers' Acceptances	25%
Ø 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>
Maximum	100%	75%	75%	15%	15%	100%
FY Average	2.63%	31.51 %	57.25%	2.05%	6.56%	100%
July	0.00%	27.83%	61.77%	5.33%	5.07%	100%
August	0.00%	30.75%	57.20%	5.89%	6.16%	100%
September	0.00%	31.82%	47.74%	6.10%	14.34%	100%
October	0.00%	37.85%	46.95%	7.25%	7.95%	100%
November	0.00%	35.63%	51.30%	0.00%	13.07%	100%
December	4.84%	24.10%	68.85%	0.00%	2.21%	100%
January	5.70%	28.41%	61.84%	0.00%	4.05%	100%
February	6.12%	30.53%	60.95%	0.00%	2.40%	100%
March	5.93%	37.88%	48.48%	0.00%	7.71%	100%
April	4.40%	28.15%	59.26%	0.00%	8.19%	100%
May	4.57%	29.30%	62.17%	0.00%	3.96%	100%
June	0.00%	35.88%	60.45%	0.00%	3.67%	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 2015/16.

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, 2016, 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 increase of \$105,582 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 2015 of (\$19,436); therefore, a gain of \$125,018 was recorded to investment earnings at June 2016 to reflect the change in fair value.

<i>GASB 31 Adjustment to Books – Beginning of year</i>	<i>\$ (19,436.00)</i>
<i>Net Change in Fair Value (increase to earnings)</i>	<i>\$ 125,018.00</i>
<i>GASB 31 Adjustment to Books – End of year gain</i>	<i>\$ 105,582.00</i>

***INVESTMENT INCOME***

Portfolio investment income in FY 2015/16 amounted to \$846,963 (pre-GASB 31 adjustment) compared to \$453,988 in FY 2014/15. The increase in investment income was due to both higher average portfolio balances in FY 2015/16 and higher investment yield compared to FY14/15. The effective yield for the portfolio was 0.46% in FY 2015/16 compared to 0.27% in FY 2014/15. This increase in the overall effective yield from the prior year was due to the gradually rising interest rate environment which was consistent with the overall bond market performance.

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

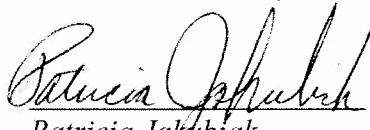
Cash forecasts for FY 2016/17 are based primarily on the FY 2016/17 Adopted Budget. OCFA's Adopted Budget reflects revenues which are in balance with expenditures for the year, and the Budget will enable OCFA to sustain its reserves at the Board-mandated policy level. It is anticipated that the CIP Reserves will continue to be spent down this year on planned projects. However, due to improved overall cashflow projections for FY 2016/17, OCFA did not issue TRANs for the FY 2016/17. As a result, the portfolio's balance is expected to decrease throughout the FY 2016/17, but would level off at the end of the fiscal year (when TRANs proceeds would be paid off and not reflected in the portfolio).

In addition, based on the Fed's latest assessment of the economy, market expectations are that the Fed's next rate increase will likely take place later this year. Thus, interest rates are expected to rise gradually during FY 2016/17, which may result in an increase in investment income (net of TRANs) over the prior 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, 2015 and January 1, 2016."


Patricia Jakubiak
Treasurer


Date

***"We visualize problems and solutions through
the eyes of those we serve."***



Orange County Fire Authority
AGENDA STAFF REPORT

Executive Committee Meeting
September 22, 2016

Agenda Item No. 3C
Consent Calendar

Purchase of Type I Engines

Contact(s) for Further Information

Mike Schroeder, Assistant Chief Support Services Department	michaelschroeder@ocfa.org	714.573.6008
Rick Oborny, Fleet Services Manager	rickoborny@ocfa.org	714.573.6651
Debbie Casper, Purchasing Manager Business Services Department	debbiecasper@ocfa.org	714.573.6641

Summary

This item is submitted for approval to modify the pricing index contract term, enabling the continued purchase of standardized Type I Engines from Kovach Mobile Equipment Corp. (KME) during the two remaining annual renewal options on the contract.

Prior Board/Committee Action

Pursuant to a competitive bid process (RFP DC1820), on January 24, 2013, the Executive Committee approved the purchase of four Type I Engines from KME, and authorized use of the contract to purchase additional budgeted Type I engines for up to four additional one-year options with annual price escalation based on the Producer Price Index (PPI) or 3%, whichever is less.

RECOMMENDED ACTION(S)

1. Approve and authorize the Purchasing Manager to issue a purchase order to Kovach Mobile Equipment Corp. for ten Type I Engines at the unit cost of \$567,752 during year-four of the contract (2016).
2. Approve and authorize the Purchasing Manager to purchase additional budgeted Type I Engines from Kovach Mobile Equipment Corp during year-five of the contract (2017), with pricing escalation not-to-exceed PPI.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Funding for four Type I Engines was included in the FY 2015/16 CIP (Fund 133) Vehicle Replacement Budget, and is pending approval for carry-over (or re-budget) to FY 2016/17 at the September 22, 2016, Board of Directors meeting. In addition, funding for six Type I Engines is included in the FY 2016/17 Vehicle Replacement Budget.

Background

This year (2016) is year-four of a competitively bid contract that allows for purchase of budgeted Type I Engines for up to five years from KME. The Executive Committee approved the contract award on January 24, 2013, for the initial purchase of four Type I Engines, and authorized use of the contract for up to four additional years, upon mutual agreement of OCFA and KME, so long

as the annual price escalation does not exceed PPI or 3%, whichever is less. The RFP solicitation stated that an additional 18 units could be purchased during the term of the contract, based on the five-year CIP budget.

OCFA manages a fleet of 100 Type I Engines. Each year, the Fleet Services Manager reviews the vehicles identified for replacement in the Fire Authority's Vehicle Replacement Plan, taking into consideration the vehicle's age, mileage, and repair history in order to determine which units should proceed with recommended replacement. Attachment 1 is a list of the engines scheduled for replacement for fiscal years 2015/16 and 2016/17, as recommended in this agenda staff report. Once the ten units are replaced, the old units will be rotated into relief status for five to seven years. The ten oldest relief engines will be removed from the fleet and sold.

When the initial KME contract was awarded, the economy was down and the average price increase from suppliers was about 3%. This KME contract was the first that OCFA awarded with a pricing index based on "PPI or 3%, whichever is less." The contract did not require KME to commit to pricing that would remain below "PPI or 3%, whichever is less," but rather the contract allowed for future-optional purchases under those terms only upon mutual agreement of both parties. KME has provided pricing that remained within those parameters during years one-three of the contract; however, they have indicated they cannot offer additional purchases under the "3%-maximum" price increase. Purchasing staff, Fleet Management staff, and the Assistant Chief of Support Services have all spoken with senior KME representatives in attempt to hold the pricing; however, KME has indicated that the additional purchase cannot be offered under the former pricing term.

Staff has given significant consideration to issuing a new RFP solicitation vs. recommending modification to the pricing index. Time spent researching the proposed price increase and PPI caused delay of the 2015/16 purchase, now carried-over to 2016/17. Staff's current recommendation to modify the pricing index was not taken lightly. Ultimately, as a result of the discussions with KME, review of market conditions, and most importantly, further review of PPI, staff has concluded that inclusion of a "3%-maximum" parameter is not ideal when combined with a PPI parameter. If PPI is found to be a reasonable index, then adding the 3% ceiling with PPI ultimately negates the use of PPI.

The request to purchase additional engines under this agreement is submitted to the Executive Committee for approval since the pricing offered by KME (3.1% average annual increase over the 2013 contract price) is higher than the 3% maximum, even though the price is equivalent to the PPI increase (aggregate 9.3% since 2013). Attachment 2 provides additional details relating to PPI, how it is calculated, and the components used to determine PPI.

Staff recommends the Executive Committee approve the purchase of ten Type I Engines at the cost of \$567,752 per unit, or a total cost of \$5,677,520. In addition, staff requests approval to modify the KME contract for year-five (2017) to use PPI as the not-to-exceed pricing index, and exclude the 3% cap. The advantages of using this contract for additional units includes ability to place orders immediately since lead-time for these units is approximately 360 days; standardization of engines; savings of time in preparing a new solicitation; and opportunity to coordinate pre-construction travel in order to realize savings.

Attachment(s)

1. Summary of Type I Engines Scheduled for Replacement
2. Explanation of PPI/Calculation
3. KME Letter dated September 8, 2016

ORANGE COUNTY FIRE AUTHORITY
Type I Engines Scheduled for Replacement (Year 4, 2016)

Type I Engines Scheduled for Replacement (2016)

FY 2015/16 Budget Carry-Over

• Unit# 5133 - 2000 Pierce	114,000 miles
• Unit# 5244 - 2007 E-One	126,000 miles
• Unit# 5223 - 2007 E-One	122,000 miles
• Unit# 5158 - 2009 KME	131,000 miles

FY 2016/17 Adopted Budget

• Unit# 5217 - 2007 E-One	137,000 miles
• Unit# 5206 - 2005 KME	109,000 miles
• Unit# 5156 - 2009 KME	119,000 miles
• Unit# 5205 - 2005 KME	108,000 miles
• Unit# 5207 - 2005 KME	125,000 miles
• Unit# 5249 - 2001 American LaFrance	105,000 miles

ORANGE COUNTY FIRE AUTHORITY
Explanation of Producer Price Index and Pricing Calculation for Additional Units

This document provides details on Producer Price Index (PPI) and the basis for the proposed cost for the additional units that are being requested.

1. What is the Producer Price Index (PPI)?

Answer: PPI is a set of indexes that measure the average change over time in selling prices that domestic producers of goods, services and construction receive for their output.

2. How does PPI differ from Consumer Price Index (CPI)?

Answer: PPI includes goods and services for the entire marketed output of U.S. producers. CPI measures the value of goods and services that consumers bought. PPI differs from CPI in that PPI measures price change from the seller's perspective, measuring what the seller is experiencing from the increase in prices of raw materials being fed to the seller/producer. CPI measures inflation from the buyer's perspective, measuring the difference between the cost for a basket of goods bought this year, compared to the cost for the same basket of goods bought a year ago.

3. What is included in the PPI measure?

Answer: Prices of goods and services sold by domestic producers of goods, services and construction.

4. What are the PPI measure's primary uses?

Answer: PPI data is widely used by the government as well as the business community as a basis for contract escalation on purchase and sales contracts. PPI data for capital equipment is used by the federal government to calculate the nation's gross domestic product. PPI data is also used as an economic indicator to assist in operations, especially with long-term sales or purchase contracts to account for changes in costs.

5. How is a PPI price defined?

Answer: Net selling prices, including discounts and surcharges, excluding taxes and delivery charges.

6. How is PPI applied in the price calculation for the proposed KME Type I Engines?

Answer: See Page 2 of this Attachment for the detailed calculation.

ORANGE COUNTY FIRE AUTHORITY
Explanation of Producer Price Index and Pricing Calculation for Additional Units

Calculation of PPI & Application to KME Type I Engine Price

Adjustment Period			PPI Increase
Current PPI Index	Jan 2016	208.4	
Base PPI Index	Jan 2013	190.7	
Subtract Base Index from Current		17.7	
Divide the result by the base	17.7/190.7	0.092815941	
Multiply the result by 100 to obtain %	.09282*100	9.281594127	9.3%
Multiply the price to be adjusted by the % increase	460,674.00	42,759.76	
Add increase to the initial price to be adjusted		503,433.76	
C/O to Specs approved by Exec Comm Jan 2015	C/O	13,612.00	
	2016 NFPA	1,200.00	
		518,245.76	
Non-taxable	Transportation	4,326.00	
Non-taxable	Tire Fees	12.25	
Non-taxable	Inspections	3,708.00	
Reconciled Sub-total to KME Offer	Subtotal	526,292.01	
	Sales Tax (8%)	41,459.66	
	Total Unit Cost	\$ 567,751.67	
	Purchase Price (10 units)	\$5,677,516.70	



Rick Oborny, Fleet Services Manager
Orange County Fire Authority
One Fire Authority Road
Irvine, CA 92602

September 8, 2016

Dear Rick,

KME is pleased to offer the Orange County Fire Authority an opportunity to add ten (10) additional pumpers on to your previous purchase. The proposed units would be the same configuration as the most recent deliveries of GSO 10063-66. Delivery is approximately 360-390 days after order. Pricing is \$526,290.25 each (not including sales tax) using a yearly 3% increase.

Orig Bid/PO Amount (ea)	\$460,674.00	(does not include change orders, 5 year warranty, transportation, tire tax fee or CA Tax)
+ Change Orders	\$13,612.00	(change orders for GSO 8986-89 \$1,321 + GSO 9574-9578 \$11,650 + GSO 10063-66 \$641.00)
+ 3% Increase for 4 years	\$42,758.00	
+NFPA 1901 Change, 2016	\$1,200.00	2016 NFPA Standard Change
+Transportation (ea)	\$4,326.00	
+Tire Fee (ea)	\$12.25	
+Inspection (mid & final) (ea*)	\$3,708.00	based upon 10 unit order

Total **\$526,290.25 ea plus Sales Tax**

This pricing is available to the OCFA through October 14, 2016. After that time, an increase to the purchase price may apply.

Given that annual price increases from component vendors have ranged between 5 and 8% per year since your last purchase and given that KME would end up acquiring many components for a new order approximately 18-24 months after January 2015, we believe our price increase is quite reasonable. In addition, a tag on purchase would save the City the costs associated with the administration of a new bid, which many industry statistics show to be between \$3,000 and \$8,000 in labor and legal costs.

In addition to regular component price increases since your last purchase, the new purchase cost is also affected by compliance to the NFPA change. As you know, the fire service is now adhering to a new NFPA 1901, 2016 standard which carries increased costs in order to comply. New requirements include additional safety and warning labels and additional safety testing on apparatus doors and handles.

The PPI index is listed below however all increases have been capped at the maximum 3% per the original PO.

Producer Price Index Industry Data
Original Data Value

Series Id: PCU3361203361202
Industry: Heavy duty truck mfg
Product: Trucks, truck tractors, and bus chassis (chassis of own manufacture) 33,001 lb or more
Base Date: 198706
Years: 2006 to 2016

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	150.2	150.7	150.9	153.9	153.9	154.0	153.9	154.5	154.1	154.3	157.8	157.4
2007	157.4	157.4	157.4	164.0	164.0	164.0	164.0	164.0	164.0	164.0	164.0	164.0
2008	166.1	166.1	166.1	166.1	166.1	166.1	166.1	166.1	166.8	169.6	169.6	169.6
2009	172.9	172.9	172.9	172.9	174.4	174.4	174.4	174.4	174.4	174.4	173.4	173.4
2010	173.4	173.4	173.4	173.4	173.4	180.8	180.8	180.8	180.8	180.8	180.8	180.8
2011	180.8	180.8	180.8	180.8	180.8	180.8	182.3	182.3	182.3	184.9	184.9	184.9
2012	186.7	187.1	187.1	187.1	187.8	187.6	187.3	187.3	187.0	187.0	188.3	190.1
2013	190.7	190.7	190.7	190.7	192.2	193.6	194.0	193.8	193.9	196.8	197.1	196.8
2014	196.7	197.6	197.7	197.3	197.2	197.0	197.0	197.7	197.6	197.8	198.1	198.1
2015	200.4	201.1	203.2	203.3	203.1	203.3	204.4	204.6	204.5	204.8	205.4	205.3
2016	208.4	208.3	208.4			208.8						

Thank you for the opportunity to present you with this proposal and we greatly value the business we've done with you over the years.

Sincerely,



Philip J. Gerace
Sales and Marketing Manager



Orange County Fire Authority
AGENDA STAFF REPORT

Executive Committee Meeting
September 22, 2016

Agenda Item No. 3D
Consent Calendar

Purchase of 100' Tractor Drawn Aerials (Quints)

Contact(s) for Further Information

Mike Schroeder, Assistant Chief Support Services Department	michaelschroeder@ocfa.org	714.573.6008
Rick Oborny, Fleet Services Manager	rickoborny@ocfa.org	714.573.6651
Debbie Casper, Purchasing Manager Business Services Department	debbiecasper@ocfa.org	714.573.6641

Summary

This item is submitted for approval to modify the pricing index term, enabling the continued standardized purchase of 100' Tractor Drawn Aerials (Quints) from Kovach Mobile Equipment Corp. (KME) during the two remaining annual renewal options on the contract.

Prior Board/Committee Action

Pursuant to a competitive bid process (RFP DC1957), on January 15, 2015, the Executive Committee approved the purchase of four Quints from KME and authorized use of the contract to purchase additional budgeted Quints for up to two additional one-year options with annual price escalation based on the Producer Price Index (PPI) or 3% whichever is less.

RECOMMENDED ACTION(S)

1. Approve and authorize the Purchasing Manager to issue a purchase order to Kovach Mobile Equipment Corp. for up to six Quints at the unit cost of \$1,379,684 during year-two of the contract (2016).
2. Approve and authorize the Purchasing Manager to purchase additional budgeted Quints from Kovach Mobile Equipment Corp. during year-three of the contract (2017), with pricing escalation not-to-exceed PPI.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Funding for three Quints was included in the FY 2015/16 CIP (Fund 133) Vehicle Replacement Budget and is pending approval for carry-over (or re-budget) to FY 2016/17 at the September 22, 2016, Board of Directors meeting. In addition, funding for one Quint is included in the FY 2016/17 Vehicle Replacement Budget. Further, staff has included a request in the Board of Directors agenda for additional budgeted funds mid-year FY 2016/17 for two additional units, bringing the total count to six.

Background

This year (2016) is year-two of a competitively bid contract that allows for annual purchase of budgeted Quints for up to three years from KME. The Executive Committee approved the

contract award on January 15, 2015, for the initial purchase of four Quints, and authorized use of the contract for up to two additional years, upon mutual agreement of OCFA and KME, so long as the annual price escalation does not exceed PPI or 3%, whichever is less. The RFP solicitation stated that additional units could be purchased during the term of the contract.

OCFA manages a fleet of 21 Quints. Each year, the Fleet Services Manager reviews the vehicles identified for replacement in the Fire Authority's Vehicle Replacement Plan, taking into consideration the vehicle's age, mileage, and repair history in order to determine which units should proceed with recommended replacement. Attachment 1 is a list of units scheduled for replacement for fiscal years 2015/16 and 2016/17, as recommended in this agenda staff report. Two of the Quints scheduled for replacement have been accelerated from the normal replacement schedule of 17 years for front line service. This is being done at the request of Operations in order to move from a 75' Quint straight chassis to a 100' Tractor Drawn Aerial (TDA) based on a truck study completed in 2013. The study recommended that the majority of the OCFA fleets trucks should be 100' TDAs. Fleet will replace some of the 1991 and 1992 aging platforms with later model units better serving the agency's mission. Once units are replaced, the old units will be evaluated, rotated into relief status for five to seven years or sold and removed from the OCFA fleet.

This vehicle replacement contract was the second that OCFA awarded with a pricing index based on "PPI or 3%, whichever is less." The contract did not require KME to commit to pricing that would remain below "PPI or 3%, whichever is less," but rather the contract allowed for future-optional purchases under those terms only upon mutual agreement of both parties. KME has indicated that they cannot offer additional purchases under the "3%-maximum" price increase. Purchasing staff, Fleet Management staff, and the Assistant Chief of Support Services have all spoken with senior KME representatives in attempt to hold the pricing; however, KME has indicated that the additional purchase cannot be offered under the former pricing term.

As stated in the staff report relating to purchase of Type I Engines, staff has given significant consideration to issuing a new RFP versus recommending modification to the pricing index. Ultimately, staff has concluded that inclusion of a "3%-maximum" parameter is not ideal when combined with a PPI parameter.

The request to purchase additional Quints under this agreement is submitted to the Executive Committee for approval since the pricing offered by KME of 4.9% is higher than the 3% maximum, although the increased price is below the adjustments made in PPI, which were 5.9% over the period that has lapsed since the pricing date established in the 2014 RFP. Attachment 2 provides additional details relating to PPI.

Staff recommends the Executive Committee approve the purchase of up to six Quints (not to exceed the number of units approved in the budget) at the cost of \$1,379,684 per unit, or a total not-to-exceed amount of \$8,278,104. The advantages of using this contract for the additional units includes ability to place orders immediately since lead-time for these units is approximately 360 days; standardization of fire trucks; savings of time in preparing a new solicitation; and the opportunity to coordinate pre-construction travel in order to realize savings.

Attachment(s)

1. Summary of 100' Quints/TDA Scheduled for Replacement
2. Explanation of PPI/Calculation
3. KME Letter dated September 8, 2016

ORANGE COUNTY FIRE AUTHORITY
Quints Scheduled for Replacement

Quints Scheduled for Replacement

FY 2015/16 Budget Carry-Over

- | | |
|---|---------------|
| • Unit #5132 – 2000 KME 75' Quint | 111,000 miles |
| • Unit #5232 – 2007 American LaFrance | 70,089 miles |
| • Unit #TBD – New Developer Funded Unit for FS 20 | N/A |

FY 2016/17 Adopted Budget

- | | |
|--------------------------------------|--------------|
| • Unit #5235 – 2006 Pierce 75" Quint | 95,000 miles |
|--------------------------------------|--------------|

Pending Request for Additional Budgeted Funds

- | | |
|---------------------------------------|--------------|
| • Unit #5230 – 2004 American LaFrance | 79,000 miles |
| • Unit #5252 – 2004 American LaFrance | 64,253 miles |

ORANGE COUNTY FIRE AUTHORITY
Explanation of Producer Price Index and Pricing Calculation for Additional Units
Quint – 100' Tractor Drawn Aerial (DC1957)

This document provides details on Producer Price Index (PPI) and the basis for the proposed cost for the additional units that are being requested.

1. What is the Producer Price Index (PPI)?

Answer: PPI is a set of indexes that measure the average change over time in selling prices that domestic producers of goods, services and construction receive for their output.

2. How does PPI differ from Consumer Price Index (CPI)?

Answer: PPI includes goods and services for the entire marketed output of U.S. producers. CIP measures the value of goods and services that consumers bought. PPI differs from CPI in that PPI measures price change from the seller's perspective, measuring what the seller is experiencing from the increase in prices of raw materials being fed to the seller/producer. CIP measures inflation from the buyer's perspective, measuring the difference between the cost for a basket of goods bought this year, compared to the cost for the same basket of goods bought a year ago.

3. What is included in the PPI measure?

Answer: Prices of goods and services sold by domestic producers of goods, services and construction.

4. What are the PPI measure's primary uses?

Answer: PPI data is widely used by the government as well as the business community as a basis for contract escalation on purchase and sales contracts. PPI data for capital equipment is used by the federal government to calculate the nation's gross domestic product. PPI data is also used as an economic indicator to assist in operations, especially with long-term sales or purchase contracts to account for changes in costs.

5. How is a PPI price defined?

Answer: Net selling prices, including discounts and surcharges, excluding taxes and delivery charges.

6. How is PPI applied in the price calculation for the proposed purchase of Quints?

Answer: See Page 2 of this Attachment for the detailed calculation.

ORANGE COUNTY FIRE AUTHORITY
Explanation of Producer Price Index and Pricing Calculation for Additional Units
Quint – 100' Tractor Drawn Aerial (DC1957)

Calculation of PPI & Application to Quint Price

Adjustment Period		<i>Calculation with PPI Increase</i>	KME Price Increase
Current PPI Index	Jan 2016	208.4	
Base PPI Index	Jan 2014	196.7	
Subtract Base Index from Current		11.7	
Divide the result by the base	11.7/208.4	0.059481444	
Multiply the result by 100 to obtain %	.05948*100	5.9%	4.94%
Multiply the price to be adjusted by the % increase	1,199,298	71,335.98	59,202.15
Add increase to the initial price to be adjusted		1,270,633.98	1,258,500.15
Additional compartment added to initial order with no additional cost to OCFA	C/O	10,000.00	10,000.00
	2016 NFPA	1,200.00	1,200.00
		1,281,833.98	1,269,700.15
Non-taxable	Transportation	4,635.00	4,635.00
Non-taxable	Tire Fees	22.75	22.75
Non-taxable	Inspections	3,750.00	3,750.00
Reconciled Sub-total to KME Offer	Subtotal	1,290,241.73	1,278,107.90
	Sales Tax (8%)	102,546.72	101,576.01
	Total Unit Cost	1,392,788.44	\$1,379,683.91
	Purchase Price	(4 units)	\$5,518,735.63
	Purchase Price	(6 units)	\$8,278,103.45



September 8, 2016

Rick Oborny, Fleet Services Manager
Orange County Fire Authority
One Fire Authority Road
Irvine, CA 92602

Dear Rick,

KME is pleased to offer the Orange County Fire Authority an opportunity to add (3-4) additional tractor drawn aerials on to your previous TDA purchase. The proposed units would be the same configuration as the most recent deliveries of GSO 10059-62. Delivery is approximately 360-390 days after order and any inspection trips would be priced separately at the same rate as charged for GSO 10059-62 (\$14,400). Below is our pricing structure:

Orig 2014 bid price	\$1,199,298.00
	<u>x 1.0188¹ (PPI Rate since it is less than 3%)</u>
2015 Price:	\$1,221,844.80
2015 price:	\$1,221,844.80
	<u>x 1.030² (3% Flat since PPI increase exceeds 3%)</u>
2016 Price:	\$1,258,500.14
2016 Base price	\$1,258,500.14
+ Body Change	\$10,000.00
+ NFPA Change	\$1,200.00
+ Transportation	\$4,635.00
+ Tire Fee	\$22.75
+ Inspection (mid & final) ea	\$3,750.00 based upon a 4 unit order

2016 Base Price: \$1,278,107.89 plus Sales Tax

¹ PPI Rate to Establish 2015 price

Jan 2014 – Jan 2015 Escalator: $200.4 / 196.7 = 1.0188$ (1.88%)

² PPI Rate to Establish 2016 price

Jan 2015 – Jan 2016 Escalator: $208.4 / 200.4 = 1.0399$ (3.99%)

Producer Price Index Industry Data**Original Data Value**

Series Id: PCU3361203361202
Industry: Heavy duty truck mfg
Product: Trucks, truck tractors, and bus chassis
(chassis of own manufacture) 33,001 lb or
more
Base Date: 198706
Years: 2006 to 2016

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	150.2	150.7	150.9	153.9	153.9	154.0	153.9	154.5	154.1	154.3	157.8	157.4
2007	157.4	157.4	157.4	164.0	164.0	164.0	164.0	164.0	164.0	164.0	164.0	164.0
2008	166.1	166.1	166.1	166.1	166.1	166.1	166.1	166.1	166.8	169.6	169.6	169.6
2009	172.9	172.9	172.9	172.9	174.4	174.4	174.4	174.4	174.4	174.4	173.4	173.4
2010	173.4	173.4	173.4	173.4	173.4	180.8	180.8	180.8	180.8	180.8	180.8	180.8
2011	180.8	180.8	180.8	180.8	180.8	180.8	182.3	182.3	182.3	184.9	184.9	184.9
2012	186.7	187.1	187.1	187.1	187.8	187.6	187.3	187.3	187.0	187.0	188.3	190.1
2013	190.7	190.7	190.7	190.7	192.2	193.6	194.0	193.8	193.9	196.8	197.1	196.8
2014	196.7	197.6	197.7	197.3	197.2	197.0	197.0	197.7	197.6	197.8	198.1	198.1
2015	200.4	201.1	203.2	203.3	203.1	203.3	204.4	204.6	204.5	204.8	205.4	205.3
2016	208.4	208.3	208.4			208.8						

Thank you for the opportunity to present you with this proposal and we greatly value the business we've done with you over the years. This offer is good through October 14, 2016.

Sincerely,



Philip J. Gerace
Director of Sales and Marketing