ORANGE COUNTY FIRE AUTHORITY

AGENDA

BOARD OF DIRECTORS REGULAR MEETING

Thursday, November 15, 2018
6:00 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 Board of Directors 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 Board, 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 Board. 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 Brett Peterson

PLEDGE OF ALLEGIANCE by Director Deaton

ROLL CALL

1. PRESENTATIONS

A. Requests for Commendations and Proclamations

Submitted by: Sherry Wentz, Clerk of the Authority

Recognition of OCFA's Outgoing Directors.

Recommended Action:
Approve request as submitted and make presentations to those present.

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 Board on items within the Board'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 Board as a whole, and do not engage in dialogue with individual Board 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 Board of Directors meeting.

REPORTS

REPORT FROM THE BUDGET AND FINANCE COMMITTEE CHAIR

REPORT FROM THE HUMAN RESOURCES COMMITTEE CHAIR

REPORT FROM THE CLAIMS SETTLEMENT COMMITTEE CHAIR

REPORT FROM THE FIRE CHIEF

- Introduction of Division Chiefs Dossey and Sherwood
- Reserve Firefighter Graduation

2. MINUTES

A. Minutes from the October 25, 2018, Regular Board of Directors Meeting

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:
Approve as submitted.

3. CONSENT CALENDAR

A. Annual Statement of Investment Policy and Investment Authorization

Submitted by: Lori Zeller, Deputy Chief/Administration & Support Bureau

Budget and Finance Committee Recommendation: Pending Outcome of Budget and Finance Committee's November 14, 2018, Meeting

Recommended Actions:

1. Review and approve the submitted Investment Policy of the Orange County Fire Authority, to be effective January 1, 2019.
2. Pursuant to Government Code Sections 53601 and 53607, renew delegation of investment authority to the Treasurer for a one-year period, to be effective January 1, 2019.

B. Amendment to 2019 Board Meeting Schedule
Submitted by: Lori Zeller, Deputy Chief/Administration & Support Bureau

Recommended Action:
Adopt the proposed Resolution entitled A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS AUTHORIZING TO TEMPORARILY EXPAND THE REGULAR MEETING DATES OF THE BOARD OF DIRECTORS FOR CALENDAR YEAR 2019.

END OF CONSENT CALENDAR

4. PUBLIC HEARING(S)

No items.

5. DISCUSSION CALENDAR

A. 2018 Long Term Liability Study & Accelerated Pension Payment Plan
Submitted by: Lori Zeller, Deputy Chief/Administration & Support Bureau
Budget and Finance Committee Recommendation: Pending Outcome of Budget and Finance Committee's November 14, 2018, Meeting
Recommended Actions:

1. Direct staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to adjust the FY 2018/19 General Fund budget to increase expenditures by $10 million for the purpose of allocating $10 million of the $13 million of available unencumbered funds identified in the FY 2017/18 financial audit to OCFA's unfunded pension liability.
3. Direct staff to return to the Board of Directors in January, with the mid-year financial review, to consider any allocation of the remaining $3 million of available unencumbered funds identified in the FY 2017/18 financial audit.

B. Audited Financial Reports for the Fiscal Year Ended June 30, 2018
Submitted by: Lori Zeller, Deputy Chief/Administration & Support Bureau
Budget and Finance Committee Recommendation: Pending Outcome of Budget and Finance Committee's November 14, 2018, Meeting
Recommended Actions:

1. Receive and approve the reports.
2. Adopt the revised *Assigned Fund Balance Policy* effective November 14, 2018.
3. Review the calculations used to determine the fund balance amounts assigned to the capital improvement program and workers' compensation, and confirm the calculations' consistency with the OCFA's revised Assigned Fund Balance Policy.

C. Specialty Pay for Accelerant Detection Canine Handler and Canine Disaster Search Specialist
Submitted by: Dave Anderson, Deputy Chief/Emergency Operations Bureau

Recommended Action:
Receive and file the report.

BOARD MEMBER COMMENTS

CLOSED SESSION

CS1. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION
Name of Claim: Brian Coney v. OCFA
Case No. ADJ11054320
Authority: Government Code Section 54956.9(a)

CS2. CONFERENCE WITH LEGAL COUNSEL–ANTICIPATED LITIGATION
Authority: Government Code Section 54956.9(c) – Initiation of Litigation (1 case)

CS3. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Authority: Government Code Section 54956.9(d)(2) – Significant Exposure to Litigation (2 cases)

CLOSED SESSION REPORT

ADJOURNMENT - The meeting will be adjourned in the memory of OCFA retired Fire Apparatus Engineer Shawn Metcalf and Costa Mesa Fire Captain Mike Kreza. The next regular meeting of the Orange County Fire Authority Board of Directors is scheduled for January 24, 2019, at 6:00 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 8th day of November 2018.

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

UPCOMING MEETINGS:

All regular Board/Committee meetings go Dark in December. Should a need arise, a special meeting may be called at the direction of the Board Chair.

AGENDA ITEM NO. 2A

MINUTES
ORANGE COUNTY FIRE AUTHORITY

Board of Directors Regular Meeting
Thursday, October 25, 2018
6:00 P.M.

Regional Fire Operations and Training Center Board Room
1 Fire Authority Road
Irvine, CA 92602-0125

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Board of Directors was called to order on October 25, 2018, at 6:00 p.m. by Chair Sachs.

INVOCATION

Chaplain Robert Benoun offered the Invocation.

PLEDGE OF ALLEGIANCE

Director Villegas led the Assembly in the Pledge of Allegiance to the Flag.

ROLL CALL

Lisa Bartlett, County of Orange
Leah Basile, Lake Forest
Tim Brown, San Clemente
Ellery Deaton, Seal Beach
Sergio Farias, San Juan Capistrano
Carol Gamble, Rancho Santa Margarita
Shelley Hasselbrink, Los Alamitos
Noel Hatch, Laguna Woods
Gene Hernandez, Yorba Linda
Joe Muller, Dana Point
Al Murray, Tustin
Vince Rossini, Villa Park
Ed Sachs, Mission Viejo
Don Sedgwick, Laguna Hills
Dave Shawver, Stanton
Todd Spitzer, County of Orange
Michele Steggell, La Palma
Tri Ta, Westminster
Elizabeth Swift, Buena Park
Juan Villegas, Santa Ana

Absent:
Lori Davies, Laguna Niguel
Dave Harrington, Aliso Viejo
Robert Johnson, Cypress

Also present were:
Fire Chief Brien Fennessy
Deputy Chief Dave Anderson
Deputy Chief Lori Zeller
Assistant Chief Mark Sanchez
Human Resources Director Brigette Gibb
General Counsel David Kendig
Clerk of the Authority Sherry Wentz

Director Gamble arrived at this point (6:04 p.m.).

1. PRESENTATIONS

A. Requests for Commendations and Proclamations (F: 17.10I)

On motion of Director Rossini and second by Director Hernandez, the Board of Directors voted by those present to approve the request as submitted and make presentations to those present.

Directors Bartlett, Spitzer, Farias, and Brown were absent for the vote.

Chair Sachs, Fire Chief Fennessy, and Deputy Chief Lori Zeller presented the recognition to OCFA's Purchasing Division as recipient of the National Procurement Institute's 2018 Annual Achievement of Excellence in Procurement Award.

Director Bartlett arrived at this point (6:07 p.m.).

Director Spitzer arrived at this point (6:09 p.m.).

PUBLIC COMMENTS (F: 11.11)

Stephen Wontrobski, Mission Viejo resident, addressed the use of private paramedics, and his opposition to the Closed Session labor negotiations.

Director Farias arrived at this point (6:15 p.m.).

Reverend Susan Cho, addressed the application process for the OCFA Chaplains.

Director Brown arrived at this point (6:20 p.m.).

REPORTS

REPORT FROM THE BUDGET AND FINANCE COMMITTEE CHAIR (F: 11.12)

Budget and Finance Chair Joe Muller reported at the October 10, 2018, meeting, the Committee voted unanimously by those present to receive and file the Orange County Employees' Retirement System Quarterly Status Update, and send the Monthly Investment Reports to the Executive Committee for its approval. The Committee voted unanimously to send the Acceptance of Funds from the 2017 Homeland Security Grant Program for an Administrative Fire Captain Assigned to the Orange County Intelligence Assessment Center, Acceptance of 2018 Department of Homeland Security/Federal Emergency Management Agency's Urban Search & Rescue Readiness Cooperative Agreement Funding, Acceptance of 2017 CAL FIRE Fire Prevention Grant for Remote Wildfire Cameras and Meteorological Sensors, and the Acceptance of 2017 CAL FIRE Fire Prevention Grant for Invasive Tree Pest Mitigation and Fuels Reduction to the Board of Directors for approval of the recommended actions.

REPORT FROM THE CLAIMS SETTLEMENT COMMITTEE CHAIR (F: 11.12)
Chair Sachs reported the October Claims Settlement Committee meeting was cancelled; the next regular meeting will be held on November 15, 2018.

REPORT FROM THE FIRE CHIEF (F: 11.14)
Fire Chief Fennessy reported over 3,000 were in attendance at the RFOTC Open House Event; he along with other Executive staff by invitation, participated in the Gettysburg Leadership Staff Ride; an interactive seminar held at Gettysburg National Military Park; and thanked Vice Chair Muller and Director Basile for their support and attendance at the Urban Search and Rescue Task Force ribbon cutting ceremony.

2. MINUTES

A. Minutes from the September 27, 2018, Regular and Special Board of Directors Meetings (F: 11.06)

The minutes were corrected to reflect Director Bartlett's absence from the meeting.

On motion of Director Murray and second by Director Shawver, the Board of Directors voted unanimously by those present to approve the Minutes as amended.

3. CONSENT CALENDAR (Agenda Item Nos. 3D, 3E, and 3F were pulled for separate consideration)

A. Acceptance of 2018 Department of Homeland Security/Federal Emergency Management Agency's Urban Search & Rescue Readiness Cooperative Agreement Funding (F: 22.05A)

On motion of Director Murray and second by Director Hernandez, the Board of Directors voted unanimously by those present to:

1. Approve and adopt Resolution No 2018-05 entitled A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY ACCEPTING THE FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) NATIONAL URBAN SEARCH AND RESCUE (US&R) PROGRAM COOPERATIVE AGREEMENT TO PURCHASE US&R EQUIPMENT AND SUPPLIES, MAINTENANCE AND REPAIR OF US&R EQUIPMENT, TRAINING AND PROGRAM ADMINISTRATION to accept the Department of Homeland Security/Federal Emergency Management Agency's Grant Readiness Cooperative Agreement funding.
2. Approve a budget adjustment to the FY 2018/19 General Fund (121) budget increase revenues and expenditures by $1,204,990.

B. **Acceptance of Funds from the 2017 Homeland Security Grant Program for an Administrative Fire Captain Assigned to the Orange County Intelligence Assessment Center** (F: 16.02A1)

On motion of Director Murray and second by Director Hernandez, the Board of Directors voted unanimously by those present to:

1. Approve and authorize the Fire Chief to execute any necessary agreement(s) to accept and administer the FY 2017 Homeland Security Grant Program.
2. Approve a budget adjustment to the FY 2018/19 General Fund (121) budget to increase revenues and expenditures by $160,000.

C. **Acceptance of 2017 CAL FIRE Fire Prevention Grant for Remote Wildfire Cameras and Meteorological Sensors** (F: 16.02I1)

On motion of Director Murray and second by Director Hernandez, the Board of Directors voted unanimously by those present to:

1. Accept the 2017 CAL FIRE Fire Prevention Grant for Remote Wildfire Cameras and Meteorological Sensors.
2. Approve a budget adjustment to the FY 2018/19 General Fund (121) budget increasing revenues and expenditures by $90,000.

D. **Acceptance of 2017 CAL FIRE Fire Prevention Grant for Invasive Tree Pest Mitigation and Fuels Reduction** (F: 16.02I2)

Director Spitzer pulled this item to comment to the grant funding allocation.

On motion of Director Spitzer and second by Director Murray, the Board of Directors voted unanimously by those present to:

1. Accept the 2017 CAL FIRE Fire Prevention Grant for Invasive Tree Pest Mitigation and Fuels Reduction.
2. Approve a budget adjustment to the FY 2018/19 General Fund (121) budget increasing revenues and expenditures by $5,454,898.

E. **Reserve Firefighter Program Status Update** (F: 17.11A)

Stephen Wontrobski, Mission Viejo resident, pulled this item to address the use of reserve firefighters.

On motion of Director Rossini and second by Director Hatch, the Board of Directors voted unanimously by those present to receive and file the report.

F. Specialty Pay for Accelerant Detection Canine Handler and Canine Disaster Search Specialist (F: 17.04B1)

Director Bartlett pulled this item to discuss the compensation factors and need for a matrix providing comparables from similar agencies for review.

Discussion ensued.

On motion of Director Bartlett and second by Director Swift, the Board of Directors voted by those present to establish a 5% specialty compensation for personnel that are trained, certified and assigned canine handlers by the Alcohol, Tobacco and Firearms and the National Disaster Search Dog Foundation.

Directors Basile, Deaton, Gamble, Hernandez, Rossini, Sedgwick, Steggell, and Villegas voted in opposition.

END OF CONSENT CALENDAR

4. PUBLIC HEARING(S)

No items.

5. DISCUSSION CALENDAR

A. Adoption of Revised Conflict of Interest Code (F: 20.02A1)

Deputy Chief Zeller presented the Adoption of Revised Conflict of Interest Code and introduced General Counsel Kendig who provided an overview of the recommended revisions to the Code.

Stephen Wontrobski, Mission Viejo resident, spoke in opposition of the revised Conflict of Interest Code.

On motion of Director Hasselbrink and second by Director Basile, the Board of Directors voted by those present to:

1. Adopt the Resolution No. 2018-06 entitled A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ORANGE COUNTY FIRE AUTHORITY ADOPTING A CONFLICT OF INTEREST CODE WHICH SUPERSEDES ALL PRIOR CONFLICT OF INTEREST CODES AND AMENDMENTS PREVIOUSLY ADOPTED revising the Conflict of Interest Code, and direct the Clerk of the Authority to submit the adopted Resolution to the Orange County Board of Supervisors, as the Code reviewing body, for approval.
2. Instruct the Fire Chief and General Counsel to include appropriate standard language in all contracts that will prohibit contractors from retaining or employing Authority employees or officers.

Director Spitzer voted in opposition.

B. Fourth Amendment to Amended Joint Powers Authority Agreement Orange County Fire Authority (F: 10.02)

Deputy Chief Lori Zeller presented the Fourth Amendment to Amended Joint Powers Authority Agreement Orange County Fire Authority.

Stephen Wontrobski, Mission Viejo resident, addressed pension liability concerns.

On motion of Director Bartlett and second by Director Hasselbrink, the Board of Directors voted by those present to:

1. Approve the form of the Fourth Amendment to the Amended JPA Agreement.
2. Direct staff to submit the proposed Fourth Amendment to the Amended JPA Agreement to the OCFA's member agencies for consideration by each member agency's governing body.

Director Villegas voted in opposition.

C. City of Irvine Service Enhancement Seasonal Handcrew Program (F: 17.10D1)

Deputy Chief Lori Zeller presented the City of Irvine Service Enhancement Seasonal Handcrew Program.

On motion of Director Murray and second by Director Lisa Bartlett, the Board of Directors voted unanimously by those present to:

1. Authorize the addition of 10 limited-term Handcrew Firefighter positions to the Master Position Control list.
2. Approve an adjustment to the Fiscal Year 2018/19 Adopted Budget to increase General Fund (121) appropriations by $350,000 for partial year funding of the Irvine Seasonal Handcrew.

BOARD MEMBER COMMENTS (F: 11.13)

Director Sedgwick asked Chief Fennessy to consider what role private paramedics could have to increase efficiency, and at a future meeting provide his input and knowledge on the subject.

Director Murray reported attending the ribbon cutting of the US&R facility, and thanked all who were involved with its completion.

Director Swift reported attending the October 9 Firefighters Memorial Event in Santa Ana.

Vice Chair Muller attended the US&R ribbon cutting and commended staff for their work. He suggested moving the memorial piece currently located at the RFOTC from 9/11 to the US&R facility.

Director Hatch commended the Fire Captain and Battalion Chief Academy promotion ceremony noting it a great experience to attend and be among all the family members in the audience.

Director Bartlett thanked OCFA staff who were present for the Emergency Expo held in Mission Viejo recently.

Director Shawver commented that currently there is no existing ambulance service known in this region with private paramedics.

Chair Sachs reported both he and Director Bartlett recently attended an event at the White House at the invitation of the Office of Intergovernmental Affairs. He met with and addressed the need for rapid transport of Urban Search and Rescue Task Forces with the U.S. Department of Health and Human Services.

CLOSED SESSION (F: 11.15)
General Counsel David Kendig reported the Board of Directors would not be meeting in Closed Session this evening.

ADJOURNMENT – Chair Sachs adjourned the meeting at 7:54 p.m. The next regular meeting of the Orange County Fire Authority Board of Directors is scheduled for November 15, 2018, at 6:00 p.m.

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

In Connection with BOD
11/15/18 Fire Chief's Report

Orange County Fire Authority
Santa Ana Wind Briefing
November 15, 2018

Weather

- Red Flag Warning Sunday, November 10, through Wednesday, November 14
- Moderate-to-strong Santa Ana wind event over Southern California for strong gusty winds and low relative humidity
- Temperatures approached 80 degrees, relative humidity remained single digit with poor overnight recovery

Statewide Fire Activity

- Camp (Butte) - 138,000 acres – 35% contained; 5,139 firefighters; 6,782 structures destroyed; 56 fatalities and numerous unaccounted for
- Woolsey (Ventura) - 98,362 acres - 57% contained; 3,592 firefighters; 504 structures destroyed; 3 fatalities
- Hill (Ventura) - 4,531 acres - 97% contained; 40 firefighters; 2 structures destroyed
- Governor approved Presidential Major Disaster Declaration which makes individuals in the impacted counties eligible for a number of programs and support, including crisis counseling, housing and unemployment assistance and legal services.

Resources Assigned throughout the week

- OCFA
    - 5 Engines and K2 on Woolsey Fire
    - 5 Engines on Hill Fire
    - 5 engines backfilling LA County Fire Stations
    - 17 personnel in incident management positions

- Partner Agencies
    - 5 Engines on Hill Fire
    - 10 Engines on Woolsey Fire
    - 3 personnel in incident management positions

Prepositioned Resources

- 15 Engines
- 5 Patrols
- 3 Bull dozers
- 3 Water Tenders
- 8 Volunteer Patrols
- 3 Firefighting Helicopters
- Santiago Hand Crew
- Incident Management Team

Plan

- Resources started demobilization on Thursday, November 15
- CalOES augmentation funds used to support prepositioned resources

Orange County Fire Authority

AGENDA STAFF REPORT

Board of Directors Meeting
November 15, 2018

Agenda Item No. 3A
Consent Calendar

Annual Statement of Investment Policy and Investment Authorization

Contact(s) for Further Information

Lori Zeller, Deputy Chief Administration & Support Bureau	lorizeller@ocfa.org	714.573.6020
Tricia Jakubiak, Treasurer Treasury & Financial Planning	triciajakubiak@ocfa.org	714.573.6301

Summary

This annual agenda item is submitted to the Committee in compliance with the Authority's Investment Policy that requires the Statement of Investment Policy to be reviewed and approved annually by the Budget and Finance Committee and the Board of Directors. This item is also being submitted in compliance with Government Code provisions which require the Board of Directors to review and renew the annual delegation of investment authority to the Treasurer for a one-year period.

Prior Board/Committee Action

As this item is to be considered at the November 14, 2018, Budget and Finance Committee meeting, the Committee Chair will include the Committee's recommendation during his regular report at the November 15, 2018, Board of Directors meeting.

RECOMMENDED ACTION(S)

1. Review and approve the submitted Investment Policy of the Orange County Fire Authority, to be effective January 1, 2019.
2. Pursuant to Government Code Sections 53601 and 53607, renew delegation of investment authority to the Treasurer for a one-year period, to be effective January 1, 2019.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

The Statement of Investment Policy is reviewed annually and revised by the Treasurer, if needed. The proposed Policy is then submitted to the Budget and Finance Committee and Board of Directors for approval every November to become effective on January 1 for the calendar year.

During the past year, there were no significant legislative amendments to the California Government Code regarding investments. The Proposed Investment Policy for 2019 includes the recommended changes for Section 8 (Authorized Financial Dealers and Institutions) of the Policy as follows:

8 **Authorized Financial Dealers and Institutions**: To promote the optimum yield on the investment of Authority funds, investment procedures shall be designed to encourage competitive bidding on transactions from approved financial institutions or broker/dealers.

> 8.1.1 On a ~~biennial~~ triennial basis, the Treasurer shall recommend a list of at least three financial institutions and broker/dealers who are authorized to provide investment services. The list shall be approved by the Budget and Finance Committee and the Executive Committee.

This change is being proposed for the following reasons:

- ✓ improves efficiency and is consistent with OCFA's standard contract term of 3 years
- ✓ reflects the current investment environment - since the Local Agency Fund(LAIF) increased its account balance maximum from $50 to $65 million, there are fewer trades with broker/dealers
- ✓ maximizes the benefit of conducting an extensive review of broker/dealers
- ✓ retains the ability to remove a firm at any time

Recommended Action

The Proposed Investment Policy is attached for review and approval, to be effective January 1, 2019.

Attachment

Proposed Investment Policy (to be effective January 1, 2019)

Attachment

ORANGE COUNTY FIRE AUTHORITY

INVESTMENT POLICY

Calendar Year 2019

INVESTMENT POLICY

History of OCFA's Investment Policy & Cash Management Program

Following the formation of the Orange County Fire Authority in March 1995, OCFA funds were initially invested in the Orange County Investment Pool (OCIP) and the Local Agency Investment Fund (LAIF). At that time, investment options were limited since the Authority was using County services for treasury, banking, and accounting systems pending implementation of its own systems. During this transitional stage, OCFA staff worked to establish independent banking, custodian, and broker/dealer agreements, installed a portfolio management system, and implemented the Banner Financial System. Staff also researched and drafted a comprehensive Investment Policy. On January 1, 1997, the OCFA Board of Directors adopted the Investment Policy and appointed a Treasurer. Immediately thereafter, OCFA assumed in-house responsibility for Treasury services and implemented its own Cash Management & Investment Services Program.

As the Cash Management program evolved, all remaining funds in the OCIP were gradually withdrawn. The Treasurer invested these funds in individual securities and scheduled maturities to correspond with cash flow needs. Investments included Treasury and Federal Agency securities, prime quality commercial paper, money market mutual funds (U.S. Treasury Obligations), and LAIF.

Since inception in 1997, the Treasurer has continued to refine the Investment Policy on an annual basis to meet the changing needs of the Authority. The Policy has also been formally recognized by the Association of Public Treasurer's of the United States and Canada (APTA US&C). Certification is awarded when an investment policy meets the professional standards set forth by MTA US&C. Agencies may submit for re-certification after significant changes are made to the Policy.

During the past year, there were no significant legislative amendments to the California Government Code regarding investments that would require a change to last year's Investment Policy.

INVESTMENT POLICY

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INVESTMENT POLICY

ORANGE COUNTY FIRE AUTHORITY

1. **Policy:** The Orange County Fire Authority (the "Authority") shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives, in priority order, of safety, liquidity, and return on investment.

2. **Scope:** This Investment Policy applies to all financial assets of the Orange County Fire Authority which are available for investment by the Authority's Treasurer; except that funds in the Authority's deferred compensation plan, defined contribution plan**,** and security deposits held in escrow in lieu of retention are excluded from this investment policy. The funds governed by this policy may be referred to herein as the OCFA portfolio.

   2.1. The Authority's funds are accounted for in the Comprehensive Annual Financial Report (CAFR) and include the funds listed below and any new fund created by the Board of Directors unless specifically exempted.

Fund 121	General Fund
Fund 122	Facilities Maintenance and Improvements
Fund 123	Capital Projects
Fund 124	Communications and Information Systems Replacement
Fund 133	Vehicle Replacement
Fund 171	Structural Fire Fund Entitlement
Fund 190	Self-Insurance Fund
Fund 422	Extra-Help Retirement Trust

   2.2. Bond fund investments will be held separately and made in accordance with the bond debenture requirements.

   2.3. Retiree Medical Trust Funds may be held separately from the OCFA portfolio and invested in accordance with California Government Code Section 53620 to 53622 and/or Section 31694.3.

3. **Prudence:** The standard of prudence to be used shall be the "prudent investor" standard (in Probate Code Sections 16040-16042 and 16045-16054 cited as Uniform Prudent Investor Act) and shall be applied in the context of managing the overall portfolio, not to a single item within a diversified portfolio. Investments shall be made with judgment and care (under circumstances then prevailing) which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

4. **Objectives:** The primary objectives of investment activities, in order of priority, shall be:

   4.1. *Safety*: Safety of principal is the prime objective of the investment program. The investment program shall be designed and implemented to ensure preservation of capital in the overall portfolio. Invested funds shall be **diversified** to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities.

   4.2. *Liquidity*: The investment portfolio shall be structured in a manner which strives to time the maturity of securities with cash requirements. Additionally, since not all possible cash demands can be anticipated, the portfolio should consist of securities with an active secondary or resale market.

   4.3. *Return on investment*: The Authority shall attempt to obtain a reasonable return provided that the requirements of safety and liquidity are first met.

5. **Authorization and Delegation of Authority:** Under California Government Code Section 53601, the legislative body of a local agency (i.e., the Authority's Board of Directors) is authorized to invest surplus moneys as specified in that code section. In accordance with California Government Code Section 53607, this authority is delegated to the Treasurer of the Authority for a one-year period. Subject to review, the Board of Directors may renew the delegation of authority under this code section each year. The Treasurer will be responsible for all investment transactions and shall establish a system of controls to regulate the activities of officials involved in any aspect of the investment program.

   5.1. *Investment Procedures:* The Treasurer shall establish written procedures for the operation of the investment program consistent with this Investment Policy. The procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. The procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction, except as provided under the terms of this policy and the procedures established by the Treasurer.

   5.2. *Delegation in Treasurer's Absence*: In the Treasurer's absence, the Treasurer delegates investment authority in the following order to (1) the Assistant Chief, Business Services and (2) the Deputy Fire Chief or Fire Chief's designee.

6. **Duties and Responsibilities:**

6.1. *Treasurer*: Charged with responsibility for all public funds and securities belonging to or under the control of the Authority, and for the deposit and investment of those funds in accordance with the principles of sound treasury management and in accordance with the applicable laws, ordinances and policies adopted by the Authority.

6.2. *Auditor*: Charged with recording investment activity in the accounting records and with verifying the Treasurer's records with broker confirmations, bank statements and safekeeping records.

6.3. *Assistant Chief, Business Services*: Charged with responsibility (in the absence of the Treasurer) for all public funds and securities belonging to or under the control of the Authority and for their deposit. Duties related to investment activities shall be performed by staff other than those responsible for the accounting of those investments.

6.4. *Deputy Fire Chief or Fire Chief's designee*: Charged with responsibility (in the absence of the Treasurer and Assistant Chief, Business Services) for all public funds and securities belonging to or under the control of the Authority and for their deposit. Duties related to investment activities shall be performed by staff other than those responsible for the accounting of those investments.

6.5. *Fire Chief*: Charged with responsibility for implementation of and conformance to the policies and procedures approved by the Board of Directors for the investment of the Authority's funds.

6.6. *Budget and Finance Committee*: Charged with responsibility for investment oversight. The Committee shall review the monthly investment reports and significant investment activity being undertaken. The Committee's recommendations shall be reported in a monthly investment report to the Executive Committee.

6.7. *Executive Committee*: Charged with responsibility to receive, review and approve the monthly investment report, following review by the Budget and Finance Committee.

6.8. *Board of Directors*: May delegate to the Treasurer for a one-year period the authority to invest the Fire Authority's funds. Subject to review, the Board may renew the delegation of this authority each year. The Board shall also annually consider and approve a written Statement of Investment Policy at a public meeting. Any change to the Investment Policy at any time shall also be considered by the Board at a public meeting.

7. **Ethics and Conflicts of Interest**: All officers, employees, and participants in the Authority's investment process shall:

7.1. Act responsibly as custodians of the public trust.

7.2. Avoid any transaction that might impair the public confidence in the Authority's ability to serve the citizens of our area of responsibility.

7.3. Refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.4. Abide by the Authority's adopted Conflict of Interest Code, which by reference is incorporated into this Investment Policy.

7.5. The Treasurer, the Assistant Chief, Business Services, the Deputy Fire Chief or Fire Chief's designee and the Fire Chief shall be prohibited from doing personal investment transactions with any broker or securities dealer with whom OCFA does business, with the exception of the OCFA's primary bank for banking services. Employees shall subordinate their personal investment transactions to those of OCFA, particularly with regard to the time of purchases and sales.

8. **Authorized Financial Dealers and Institutions**: To promote the optimum yield on the investment of Authority funds, investment procedures shall be designed to encourage competitive bidding on transactions from approved financial institutions or broker/dealers.

8.1. On a ~~biennial~~ triennial basis, the Treasurer shall recommend a list of at least three financial institutions and broker/dealers who are authorized to provide investment services. The list shall be approved by the Budget and Finance Committee and the Executive Committee. All financial institutions and broker/dealers who wish to be considered for the list must meet the following minimum requirements:

8.1.1 Must certify that they have read and agree to comply with the investment policies of the Authority.

8.1.2 Must be a primary or regional dealer that qualifies under the Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule).

8.1.3 Must have a branch office in California.

8.1.4 Must be experienced in institutional trading practices and familiar with the California Government Code as related to investments for local governmental agencies.

8.1.5 Must have been in business for at least three years.

8.1.6 Must provide current audited financial statements.

8.1.7 Must provide proof of Financial Industry Regulatory Authority (FINRA) certification.

8.1.8 Other criteria as may be established in the *Investment Procedures Manual* of the Authority.

8.2. All financial institutions in which the Authority's public funds are deposited will supply the Treasurer with the following:

8.2.1 Current audited financial statements.

8.2.2 Depository contracts.

8.2.3 A copy of the latest FDIC call report.

8.2.4 Proof that the institution is state or federally chartered.

9. Authorized Investment Advisors and Investment Managers:

Authorized Investment Advisors

Although the Authority does not currently use an investment advisor, these policies and procedures shall be applicable if an investment advisor is utilized in the future to provide advice and guidance for the investment of OCFA portfolio funds**.** Under Government Code, the Authority is authorized to engage specially trained and experienced firms for economic advice and services. The Board of Directors must approve, in advance, all contracts with an investment advisor, after review by the Authority's Counsel. The investment advisor may only provide advice and may not effectuate trades; he/she may not make investment decisions. The Treasurer shall provide the investment manager with a copy of the Authority's Investment Policy.

Authorized Investment Managers

The provisions above for authorized investment advisors also apply to authorized investment managers. In addition, an investment manager may effectuate trades upon specific authorization for each transaction; however, he/she may not make investment decisions. All investment decisions must be made and approved by the Treasurer in advance, before the investment manager is authorized to execute a transaction. The Treasurer shall provide the investment manager with a copy of the Authority's Investment Policy. Upon execution of any trade, the Authority must receive confirmation directly from the broker/dealer and the custodian, not from the investment manager. Investments recommended by the investment manager should be safe kept by the Authority's regular custodian, and not with the investment manager.

10. **Authorized and Suitable Investments**: The Authority is empowered by statute (California Government Code Section 53600 et seq., 53620 et seq., and Section 5922[d]) to invest in the following types of securities (see Section 15 of this Policy for maximum percentage limits imposed under Authority Policy):

10.1. U.S Treasury or Federal Agency securities.

10.2. Collateralized or insured passbook savings accounts and demand deposits.

10.3. Collateralized or insured certificates of deposit (or time deposits) placed with commercial banks (maximum term five years).

10.4. Bankers acceptances (issued by one of the 10 largest domestic banks or 20 largest international banks based on assets) with maturities not to exceed 180 days. State statute restricts bankers' acceptances to no more than 40% of the agency's surplus funds and no more than 30% in any one commercial bank. Authority policy is more restrictive, with a maximum 25% limit (see Section 15.1.4). Bankers' acceptances are to be purchased only from institutions that are well capitalized as the term is defined in the glossary.

10.5. Money market mutual funds whose portfolio consists solely of short-term treasury securities (i.e., one year or less remaining until maturity, at purchase). Mutual funds must be AAA rated by at least 2 of the 3 largest rating agencies.

10.6. Repurchase agreements whose underlying collateral consists of U.S. Treasury obligations or U.S. government agency obligations and the collateralization level must be in accordance with Government Code section 53601(i)(2), effective January 1, 1996 (maximum maturity of 14 days). A Public Securities Association (PSA) Master Repurchase Agreement is required between the Authority and the bank or broker/dealer for all repurchase agreements transacted. Direct investment in reverse repurchase agreements is prohibited.

10.7. Local Agency Investment Fund (State of California Pool).

10.8. Commercial paper in compliance with the following requirements:

  10.8.1 Must be rated highest-quality by at least two of the following three nationally recognized rating agencies. Highest-quality ratings are defined as (1) Moody's Investor Services rating of P1; (2) Standard & Poor's rating of A1/A1+; (3) Fitch rating of F1/F1+.

  10.8.2 Investments will not be made with commercial paper issuers placed on negative credit watch by any one of the above rating agencies.

  10.8.3 Commercial paper issuers must be domestic corporations having assets in excess of $500,000,000 and having an AA or better rating on its long term debentures as provided by Moody's, Standard & Poor's, or Fitch.

  10.8.4 Purchases of eligible commercial paper may not: (a) exceed 270 days to maturity; or (b) exceed 15% of the cost value of the portfolio. Although Government Code allows a maximum investment in commercial paper of 25%, Authority Policy maintains a 15% maximum, which is more restrictive.

10.8.5 The Treasurer shall conduct research on commercial paper issuers prior to investing OCFA funds with those issuers. The Treasurer will avoid investing in issuers with current events that involve negative financial implications that could lead to a downgrade to their credit rating. Sources of research will include, at a minimum, WSJ.com, Bloomberg.com, Marketwatch.com, and CNNMoney.com.

10.9. Negotiable certificates of deposit, issued by national or state-chartered banks or state or federal savings institutions, commercial bank, savings bank (savings and loan association), or credit union that uses a private sector entity that assists in the placement of certificates of deposit under specified conditions. Government Code limits negotiable certificates of deposit to 30% of the portfolio. Authority Policy, which is more restrictive, limits investment in these securities to 25% (see Section 15.1.5).

10.10. Proceeds of bonds or other indebtedness and any moneys set aside and pledged to secure payment of the bonds may be invested in accordance with the resolution, indenture, or other statutory provisions governing the issuance of those bonds or indebtedness.

10.11. Retiree Medical Funds may be held in a separate trust fund and invested as permitted under California Government Code Section 53620 to 53622 and/or Section 31694.3 for the purpose of paying health insurance benefits to retirees.

11. **Unallowable Investments / Restrictions**: The Authority shall **not** invest OCFA portfolio funds in the following instruments:

11.1. Derivatives, except for indirect investment through the State's Local Agency Fund.

11.2. Reverse repurchase agreements, although indirect investment through a pool is allowable up to a maximum of ten percent (10%) of the pool's portfolio.

11.3. Financial futures or financial options.

11.4. Common stocks or corporate bonds.

12. **Investment Pools:** Governmental sponsored pools and/or mutual funds should be carefully reviewed prior to investing and should be monitored on an ongoing basis. Requisite information on the pool includes the following:

12.1. A statement of investment policy and objectives.

12.2. A list of allowable investments.

12.3. Disclosure regarding settlement and safeguarding of investments.

12.4. Description of securities pricing (fair value) and whether GASB 31 compliant.

12.5. An explanation of interest calculations and distributions, plus fee disclosures.

12.6. Deposit and withdrawal restrictions.

12.7. Disclosure of audit findings and reports.

13. **Collateralization:** Collateral must always be held by an independent third party with whom the Authority has a current custodial agreement.

13.1. State law regarding collateralization of deposits of public funds requires that securities be held by an agent (i.e., a trust company) of the bank, which may include the bank's trust department only if acceptable to both the bank and the Treasurer, pursuant to California Government Code Sections 53656 and 53658. Under the provisions of California Government Code Section 53652, banks are required to secure the deposits of public funds, including certificates of deposits, by: a) pledging government securities with a value of 110% of the principal and accrued interest; b) pledging first trust deed mortgage notes having a value of 150% of the total agency deposit; or c) a letter of credit drawn on the Federal Home Loan Bank at 105% of the total agency deposit. Deposits must be secured at all times with eligible securities pursuant to Section 53651. A copy of the Call Report of Local Agency's Deposits and Securities must be supplied to the Authority and retained to document compliance with the collateral requirements.

13.2. Collateralization of repurchase agreements must be at least 102% of the market value of principal and accrued interest. Collateral must consist of U.S. Treasury obligations or U.S. Agency obligations. Other specific requirements on repurchase agreements must be addressed in a master repurchase agreement between the Authority and the bank or broker/dealer.

13.3. The Treasurer, at his/her discretion, may waive the collateral requirements for deposits up to $250,000 which are fully insured by the Federal Deposit Insurance Corporation. The right of collateral substitution is granted.

14. **Safekeeping and Custody:** All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party qualified custodian and evidenced by safekeeping receipts. The trust department of the Authority's bank may act as third party custodian, provided that the custodian agreement is separate and apart from the banking agreement.

15. **Diversification**: The Authority shall maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or security type.

15.1. *Restrictions on Securities*: At no time shall the Authority's portfolio be invested in a single security type or in a single financial institution or pool in excess of 15% of the total investment portfolio, with the following exceptions:

15.1.1	Treasury securities	100%
15.1.2	Local Agency Investment Fund	75% *(Excludes moneys deposited in LAIF bond funds.)*
15.1.3	Federal Agency securities	75%
15.1.4	Bankers' Acceptances	25%
15.1.5	Negotiable CD's	25%

15.2. *Exception for Automatic Overnight Sweep*: There shall be no restriction on the amount that is automatically swept from the Authority's bank into the Highmark Money Market Mutual Fund of U.S. Treasury Obligations *on an overnight basis*, in order to accommodate immediate investment of large inflows of property taxes or other receipts, pending diversified investment into other securities by the Treasurer.

15.3. *Maturity Diversification*: Every effort will be made to match investment maturities to cash flow needs. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing the market risk. Maximum maturities shall be as follows:

15.3.1 At least 50% of the portfolio is limited to a period of one year or less.

15.3.2 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.

16. **Internal Control**:

16.1. Internal policies and procedures shall be developed to assure that appropriate controls are in place to document and confirm all transactions. A separate *Investment Procedures Manual* shall be established to assist Treasury staff with daily operations and shall be reviewed at least annually by the Treasurer.

16.2. An independent analysis by an external auditor shall be conducted annually to review internal control, account activity and compliance with policies and procedures.

16.3. To provide further protection of the Authority funds, written instructions require the Authority's bank to obtain verification of all wire transfers from two of the three following officers:

16.3.1 Treasurer.

16.3.2 Assistant Chief, Business Services.

16.3.3 Deputy Fire Chief, or Fire Chief's designee.

17. **Performance Standards**: The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with investment risk constraints and cash flow needs.

17.1. *Investment Strategy:* The Authority's basic investment strategy is to buy and hold investments until maturity. However, the Treasurer may sell a security due to adverse changes in credit or market risk or due to unexpected cash flow needs.

17.2. *Market Yield (Benchmark):* The basis used by the Treasurer to determine whether market yields are being achieved shall be the rates of return from the following combination of indices: Local Agency Investment Fund (LAIF) and 3-month, 6-month and 1-year Treasury Bills (constant maturity).

17.3. *Review*: The investment policy shall be reviewed at least annually by the Budget and Finance Committee and approved by the Board of Directors to ensure its consistency with the overall objectives of safety (including diversification), liquidity and return, as well as its relevance to current law and financial/economics trends. The Authority's philosophy prohibits speculation (i.e., purchasing securities with the intent to profit from anticipated changes in future market conditions). Leveraging or borrowing money for the purpose of investing is specifically prohibited.

18. **Reporting:**

18.1. *Monthly Reports*: In compliance with Government Code Sections 53607 and 53646**,** the Treasurer shall file a monthly investment report with the Clerk of the Board, who will submit copies to the Board of Directors, the Executive Committee, the Budget and Finance Committee, the Fire Chief, the Assistant Chief of Business Services, the Auditor, and the Authority's outside auditor (as required). The investment report will be agendized for the monthly meetings of the Budget and Finance Committee and the Executive Committee, and any Board member may request inclusion of the report on the Board's agenda at any time. This report shall certify that the Treasurer has complied with the Authority's *Investment Procedures Manual* and will include an *Executive Summary,* which provides a condensed summary of the most important information in the report, plus a detailed report covering the following elements:

18.1.1 Type of investments and percent that each type represents in the portfolio.

18.1.2 Issuer.

18.1.3 Purchase date.

18.1.4 Date of maturity.

18.1.5 Amount of deposit.

18.1.6 Face value of the securities.

18.1.7 Current market value of securities.

18.1.8 Portfolio yield and comparison to benchmark.

18.1.9 Interest earnings.

18.1.10 Percentage of portfolio maturing within one year, 1-3 years, 3-5 years and over 5 years.

18.1.11 Statement relating the report to the Investment Policy.

18.1.12 Statement on availability of funds to meet its obligations for the next 30 days and the next 6 months.

18.1.13 Description of funds, investments, or programs managed by contracted parties.

18.1.14 Statement of compliance of the portfolio with the investment policy or manner in which the portfolio is out of compliance.

18.1.15 GASB 31 effects on financial statements.

18.1.16 Comments on the fixed income markets and economic conditions.

18.1.17 Potential changes in future portfolio structure (if any), including risk factors.

18.1.18 Any other information required by the Board.

18.2. *Annual Reports*: The Treasurer shall submit an annual report to the Budget and Finance Committee and the Executive Committee, following the close of the fiscal year which shall certify that the Treasurer has complied with the Authority's investment procedures and detail the following:

18.2.1 Analysis of the composition of the investment fund.

18.2.2 Discussion of investment risk in the portfolio.

18.2.3 GASB 31 impacts.

18.2.4 A review of trends regarding the size of the investment fund.

18.2.5 Portfolio performance and comparison to benchmark.

18.2.6 Investment income.

18.2.7 A statement of anticipated investment fund activity in the next fiscal year.

18.3 **Investment Policy Adoption:** The Treasurer shall annually render to the Fire Chief, the Budget and Finance Committee, and the Board of Directors a Statement of Investment Policy.

Glossary

Active Deposits. Funds which are immediately required for disbursement.

Active investment management. An investment strategy that involves the active trading of securities in an attempt to earn above-average returns on a portfolio. Active investment management requires frequent monitoring of financial markets.

Agency. A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of an FSA is the Federal National Mortgage Association (FNMA).

Arbitrage. Generally, transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a difference in prices in the two markets.

Bankers' Acceptances (BA's). Time drafts or bills of exchange that are accepted payment by banks engaged in the financing of international trade. BA's finance the importation, exportation, shipment or storage of foreign and domestic goods. BA's are usually backed by documentation such as invoices, bills of lading, or warehouse receipts. Upon acceptance by a bank, a BA becomes an irrevocable and unconditional obligation of the accepting bank, while it is also an obligation of the drawer as well as any endorser thereof.

Basis point. By common agreement, .01% of yield on a fixed income security (1/100 of 1%).

Bond Equivalent Yield (BEY). An annual yield, expressed as a percentage, describing the return provided to bond holders. A bond equivalent yield is double the simple interest, semiannual yield. Since Treasury and agency notes and bonds pay interest semiannually, the bond equivalent yield is a way to compare yields from discount securities, such as Treasury bills and bankers' acceptances with yields available from coupon securities. From that usage, this yield measure is also known as the coupon yield equivalent. For securities that pay daily, monthly or quarterly interest, the bond equivalent yield understates the benefits obtained from the compounding of those investments.

Book-entry clearance. A system for the transfer of ownership of securities through entries on the records of a centralized agency. The centralized agency holds securities on behalf of their owners; when the securities are sold, ownership is transferred by bookkeeping entry from the seller to the purchaser. In the case of U.S government securities, securities certificates are not issued, and ownership of the securities is evidenced in computer records maintained by the Federal Reserve System. For other types of securities, book entry clearance is made available through linked or interfaced systems maintained by four securities depositories, which hold securities and act on behalf of their participants.

Book-entry security. A security which is not available to purchasers in physical form. Such a security may be held either as a computer entry on the records of a central holder (as is the case with U.S. certain government securities) or in the form of a single, global certificate.

Book value. The value at which a security is carried on the inventory lists or other financial records of an investor. 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.

Broker. A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not position or take ownership of the security.

Certificate of Deposit (CD). A deposit of funds, in a bank or savings and loan association, for a specified term that earns interest at a specified rate or rate formula.

Collateralization. Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

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. Firms with lower ratings or without well known names usually back their commercial paper with guarantees or bank letters of credit.

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

Credit Risk. The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return). A measure of the simple interest annual yield for interest-bearing investments with maturities of one year or more. To calculate the current yield, the annual coupon interest income is divided by the amount paid to acquire the investment. It is important to note that the current yield is only accurate for investments purchased at par. The current yield calculation includes just one income cash flow - the annual interest income. It ignores the profit or loss resulting from discounts and premiums.

Custody. The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the **custodian**.

Dealer. An individual or firm who, as a matter of regular business, purchases or sells securities for his account and risk.

Delivery versus payment (DVP). A settlement procedure where payment for a securities purchase is made simultaneously with the transfer of the purchased securities. The same procedure applies for a securities sale; the securities are transferred as payment is made.

Derivative instrument. A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivative instruments can be highly volatile and result in a loss of principal in changing interest rate environments.

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.

Diversification. Dividing investment funds among a variety of securities, offering independent returns, to reduce risk inherent in particular securities.

Effective Annual Yield. A seldom used expression to refer to the yield on an investment expressed on a compound interest basis.

Fed Wire. Computerized network linking the Fed with its district banks, member banks, and primary dealers in government securities.

Federal Agency Securities. A variety of securities issued by several Federally sponsored agencies. Some are issued on a discount basis and some are issued with coupons. Several have the full faith and credit guarantee of the U.S. government, although others do not.

Federal Deposit Insurance Corporation (FDIC). A federal agency that insures bank deposits, currently up to $250,000 per deposit.

Federal funds (Fed 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 - Interest rate charged by one institution lending federal funds to another.

Floater. A floating rate security with an interest rate that resets at specified intervals according to an underlying index, such as LIBOR (the London Interbank Offered Rate), and is based on a predetermined formula. The value of a floater will fluctuate as interest rates change and therefore can be very volatile.

Inactive deposits. Funds not immediately needed for disbursement.

Interest rate risk. The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Inverse floater. A security that reacts inversely to the direction of interest rates. These securities can be very volatile and can lose value in a rising interest-rate environment.

Leverage. An attempt to increase the rate of return on an investment by buying securities on margin or using borrowed funds for investment purposes. This practice can be risky if interest rates rise or if investment yields are lower than expected.

Liquidity. The quality of an asset that permits it to be converted quickly into cash without a significant loss of value.

Local Agency Investment Fund (LAIF). A special fund in the State Treasury which local agencies may use to deposit funds for investment and for reinvestment. There is no minimum investment period and the minimum transaction is $5,000, in multiples of $1,000 above that, 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. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via a check, warrant, or direct deposit to the agency's State Pooled Fund account. The State keeps an amount for reasonable costs of making the investments, not to exceed 1/4 of a percent of the earnings.

Marketability. The measure of ease with which a security can be sold in the secondary market.

Mark-to-Market. The practice of valuing a security of portfolio according to its market value, rather than its cost or book value.

Market Rate of Return. The average yield of the 3-month U.S. Treasury Bill or other index that closely matches the average maturity of the portfolio.

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, a 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, repos and federal funds).

Mutual Fund. An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines.

Negotiable. Salable.

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

Passive investment management. An investment strategy where securities are bought with the intention of holding them to maturity or investments in benchmark products designed to yield a market rate of return.

Principal. The face amount or par value of a debt instrument.

Primary Dealer. A small group of large banks and brokers that have pledged to make a market for any Treasury securities at any time. They are required to report their inventory positions and volume of activities to the Federal Reserve. Because of this, they are given the right to deal directly with the Federal Reserve in their daily operations.

Prudent Investor Standard. A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

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.

Public Securities Association. The bond market trade association, which publishes a Master Repurchase Agreement that is widely accepted as the industry standard.

Rating. Judgment of creditworthiness of an issuer made by an accepted rating service.

Repurchase Agreement (Repo). A form of secured, short-term borrowing in which a security is sold with a simultaneous agreement to buy it back from the purchaser at a future date. A *master repurchase agreement* is a written contract governing all future transactions between the parties and seeks to establish each party's rights in the transaction.

Reverse Repurchase Agreement. A form of secured, short-term investment in which a security is purchased with a simultaneous agreement to sell it back to the seller at a future date.

Safekeeping. A procedure where securities are held by a third party acting as custodian for a fee.

Secondary Market. Markets for the purchase and sale of any previously issued financial instrument. The first sale of a financial instrument by the original issuer is said to be done a primary market. All subsequent trades are said to be secondary market.

Securities Investors Protection Corporation (SIPC). A private corporation providing insurance to brokerage firms to cover customer accounts up to $500,000 in securities which includes a $250,000 for cash.

Swap. The trading of one asset, or cash flows, for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another. Also used to manage risk; for example, swapping fixed interest rate payments for floating rate payments.

Total return. Interest income paid on the invested principal, plus interest income earned from the successive reinvestment of that interest income, plus projected capital gains (or minus losses) on the investment. Differs from yield to maturity because (1) it can include gains or losses from sales prior to maturity, and (2) it permits the assumption of a reinvestment rate different from the yield earned on the underlying principal.

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 ten years or longer.

Uniform Net Capital Rule. Securities and Exchange Commission 15C3-1 outlining capital requirements for brokers.

Weighted Average Maturity (WAM). The average maturity of all the securities that comprise a portfolio.

Yield. Loosely refers to the annual return on an investment expressed as a percentage on an annual basis. For interest-bearing securities, the yield is a function of the rate, the purchase price, the income that can be earned from the reinvestment of income received prior to maturity, call or sale and the time from purchase to maturity, call or sale. Different formulas or methods are used to calculate yield. See Yield to Maturity and Total Return Analysis.

Yield-to-maturity. The rate of return yielded by a debt security held to maturity when both the interest payments and the investor's potential capital gain or loss are included in the calculation of the return.

Orange County Fire Authority

AGENDA STAFF REPORT

Board of Directors Meeting
November 15, 2018

Agenda Item No. 3B
Consent Calendar

Amendment to 2019 Board Meeting Schedule

Contact(s) for Further Information

Lori Zeller, Deputy Chief Administration & Support Bureau	lorizeller@ocfa.org	714.573.6020
Sherry Wentz, Clerk of the Authority	sherrywentz@ocfa.org	714.573.6041

Summary

This item is submitted for approval of the regular meeting schedule for the Board of Directors for calendar year 2019.

Prior Board/Committee Action

On September 28, 2017, the Board approved expanding its regular meeting schedule for the purpose of the completion of the labor negotiation process with the Orange County Employees Association and the Orange County Fire Authority Managers Association.

RECOMMENDED ACTION(S)

Adopt the proposed Resolution entitled A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS AUTHORIZING TO TEMPORARILY EXPAND THE REGULAR MEETING DATES OF THE BOARD OF DIRECTORS FOR CALENDAR YEAR 2019.

Impact to Cities/County

Not Applicable.

Fiscal Impact

The costs associated with the recommended action would be approximately $11,000. This amount would cover additional Board Member stipend payments and increase in meal service associated with holding six additional meetings. If approved, the additional cost would be included in the mid-year budget adjustment.

Background

In 2017, the labor contract negotiation process was underway with the Orange County Employees Association, with potential continuation into 2018. In addition, the Orange County Fire Authority Managers Association's Memorandum of Understanding (MOU) was due to expire in June 2018. OCFA staff recommended that the Board expand its regular 2018 Meeting Schedule and the remainder of 2017 to temporarily hold its regular Board meetings on monthly-basis until the labor negotiation process had been completed with the new MOUs approved and implemented.

The current labor contact with the Orange County Professional Firefighters Association, Local 3631, is due to expire in August 2020, with the negotiation process scheduled to begin in 2019. These additional meetings will enable the Authority's labor negotiators and staff to obtain direction from the Board regarding desired objectives for negotiations and to report progress during on-going negotiations. OCFA staff recommends that the Board expand its regular 2019 Meeting Schedule to temporarily hold its regular Board meetings on monthly-basis until the labor negotiation process is complete.

In keeping with the Board Rules of Procedure, the Board Chair has the discretion to cancel any meeting should there be a lack of business.

The proposed Resolution adheres to the established meeting schedule of meeting on the fourth Thursday of the month, apart from the November meeting. The meeting for the month of November has been scheduled for the third Thursday, due to the Thanksgiving holiday. The temporary schedule will continue the Board’s tradition of going dark in the month of December.

Attachment(s)
Proposed Resolution

Attachment

RESOLUTION NO. 2018-XX

A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS AUTHORIZING TO TEMPORARILY EXPAND THE REGULAR MEETING DATES OF THE BOARD OF DIRECTORS FOR CALENDAR YEAR 2019

WHEREAS, the Orange County Fire Authority was established on March 1, 1995; and

WHEREAS, a Board of Directors was established; and

WHEREAS, as such, a schedule of the dates, times, and location of the Regular meetings of the Board is required, and

WHEREAS, due to continued labor negotiations it has been determined that it would be in the Board's interest to temporarily meet on a monthly-basis during the 2019 calendar year to utilize these additional meetings for staff to obtain direction from the Board regarding its desired objectives and to report on progress during the on-going labor negotiations.

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of the Orange County Fire Authority does hereby adopt the attached exhibit establishing meeting dates for calendar year 2019.

PASSED, APPROVED and ADOPTED this 15th day of November 2018.

ED SACHS, CHAIR
Board of Directors

ATTEST:

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

Exhibit

2019 MEETING SCHEDULE

ORANGE COUNTY FIRE AUTHORITY
Board of Directors

MEETING DATES

January 24

February 28

March 28

April 25

May 23

June 27

July 25

August 22

September 26

October 24

November 21*

December – Dark

***Meeting will be held one week early,**
due to the upcoming Thanksgiving holiday.

MEETING TIME – PER CURRENT BOARD RULES OF PROCEDURE
LOCATION OF MEETINGS:
RFOTC – Board Room
1 Fire Authority Road
Irvine, California 92602
(714) 573-6000

(Red identifies additional meetings.)

Orange County Fire Authority

AGENDA STAFF REPORT

Board of Directors Meeting **Agenda Item No. 5A**
November 15, 2018 **Discussion Calendar**

2018 Long Term Liability Study & Accelerated Pension Payment Plan

Contact(s) for Further Information

Lori Zeller, Deputy Chief Administration & Support Bureau	lorizeller@ocfa.org	714.573.6020
Tricia Jakubiak, Treasurer Treasury & Financial Planning	triciajakubiak@ocfa.org	714.573.6301

Summary

This annual agenda item is submitted to provide information on the Orange County Fire Authority's (OCFA) total long-term liabilities and strategies for mitigating and/or funding the liabilities.

Prior Board/Committee Action

As this is an annual report, the last presentation to the Board of Directors was at its October 26, 2017, meeting.

This item is to be considered at the November 14, 2018, Budget and Finance Committee meeting, the Committee Chair will include the Committee's recommendation during his regular report at the November 15, 2018, Board of Directors meeting.

RECOMMENDED ACTION(S)

1. Direct staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to adjust the FY 2018/19 General Fund budget to increase expenditures by $10 million for the purpose of allocating $10 million of the $13 million of available unencumbered funds identified in the FY 2017/18 financial audit to OCFA's unfunded pension liability.
3. Direct staff to return to the Board of Directors in January, with the mid-year financial review, to consider any allocation of the remaining $3 million of available unencumbered funds identified in the FY 2017/18 financial audit.

Impact to Cities/County

Strategic planning to reduce liabilities where possible, and provide early funding for those liabilities which cannot be reduced, will assist OCFA in sustaining frontline emergency services for our member agencies and the citizens we serve.

Fiscal Impact

During the past five years, the OCFA Board of Directors' support of the Accelerated Pension Payment Plan has enabled OCFA to make accelerated payments totaling $75.6 million, resulting in interest savings of $18.3 million on behalf of the Orange County citizens and taxpayers whom fund our services.

Background

In order to determine an agency's financial stability, one must look at all of its long-term obligations or liabilities, not just pensions. The Liability Study (Attachment 1) examines all of OCFA's long-term liabilities, with primary focus on pension liability.

Accelerated Pension Payment Plan

During FY 2017/18, OCFA made additional payments towards its Unfunded Actuarially Accrued Liability (UAAL) totaling $19.9 million. To evaluate progress associated with the accelerated funding of OCFA's pension liability, OCFA requested OCERS' actuary, Segal Consulting, to update the following:

At the request of the Board of Directors, Segal Consulting was also asked to determine the following:

- How much OCFA saved in interest annually since 2013 by making additional payments towards its UAAL?
- When would OCFA achieve 85% funding and 100% funding if it continued to make additional UAAL payments under its Snowball Plan?

The actuary reported back that OCFA has saved $18.3 million in interest by making additional payments towards its UAAL and will achieve 85% funding by December 31, 2020, and 100% funding by December 31, 2026, assuming all other actuarial inputs are held constant (Attachment 2).

The OCFA has already taken steps to reduce some of its long-term liabilities and accelerate funding of other liabilities. Staff is committed to continue seeking additional ways to mitigate liability impacts, fund the accrued liabilities, and ensure the long-term viability of the organization.

At the request of Director Spitzer, attached is a hypothetical allocation of OCFA's pension liability to our member cities (Attachment 3).

Attachment(s)

1. 2018 Long Term Liability Study
2. Updated Snowball Strategy
3. Hypothetical Allocation of Pension Liability Per City

Attachment 1

ORANGE COUNTY FIRE AUTHORITY

2018

LIABILITY STUDY

OCFA'S LONG TERM LIABILITES

NOVEMBER 2018

OCFA'S LONG TERM LIABILITY STUDY

I. OBJECTIVE

One of the key components of fiscal responsibility is prudent management of long-term liabilities. The objective of this annual study is to provide an accurate assessment of the OCFA's ***total*** long-term obligations and continuously identify strategies to reduce and/or fund the liabilities.

II. BACKGROUND

OCFA's long term liabilities include:

1. Defined Benefit Pension Plan
2. Defined Benefit Retiree Medical Plan
3. Lease Purchase Agreements (helicopters)
4. Workers Compensation Claims
5. Accrued Compensated Absences (accumulated sick and vacation payouts)

OCFA's biggest long-term challenges are pensions, retiree medical for retired employees, and workers' compensation claims. Both the Defined Benefit Pension Plan and the Defined Benefit Retiree Medical Plan currently have unfunded liability balances, as further described below.

DEFINED BENEFIT PENSION PLAN

In a *defined benefit plan,* employees receive *specific benefits* upon retirement, based on a pre-established formula. For example, a pension plan may provide retirees an annual retirement income which is determined in accordance with an agreed-upon formula, such as a predetermined percentage of annual earnings multiplied by the number of years of service.

The OCFA participates in the Orange County Employees' Retirement System (OCERS), a cost sharing multiple-employer, defined benefit pension plan. All OCFA regular, full-time and part-time employees become members of OCERS upon employment, and the OCFA makes periodic contributions to OCERS as part of the funding process. The contributions submitted to OCERS are divided into employer and employee contributions. The combination of these contributions and investment income from OCERS' investments are structured to fund the employees' retirement benefits by the time the employees retire.

The OCFA's employees are distributed into two employee categories for purposes of retirement benefits, identified as Safety members and General members. Both the Safety and General categories include three tiers of retirement benefit formulas each, depending on date of hire:

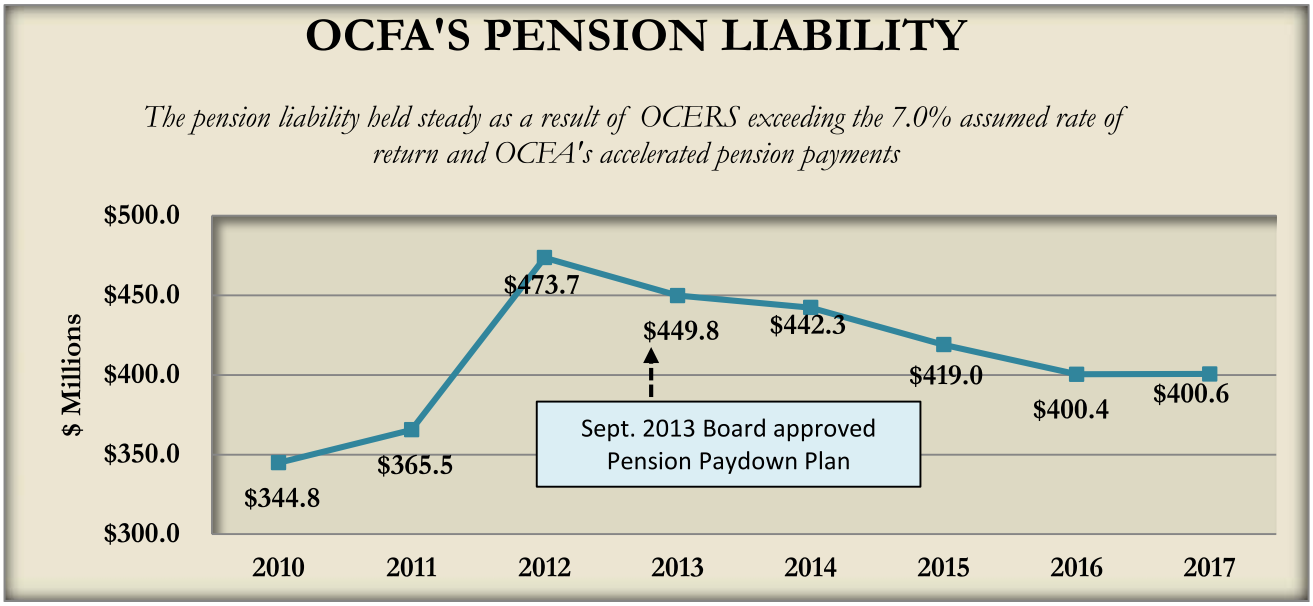
	Hired Prior to July 1, 2012	**Hired Between July 1, 2012 – Dec. 31, 2012**	**Hired on or after Jan. 1, 2013 (w/out reciprocity)**
Safety	3% @ 50	3% @ 55	2.7% @ 57

	Hired Prior to July 1, 2011	**Hired Between July 1, 2011 – Dec. 31, 2012**	**Hired on or after Jan. 1, 2013 (w/out reciprocity)**
General	2.7% @ 55	2% @ 55	2.5% @ 67

OCFA Retirement Costs, Liabilities and Funding

OCFA's annual retirement costs (mandatory costs plus voluntary accelerated payments) represent approximately $85 million or 23% of the Authority's FY 2018/19 General Fund budget. Each year, the Authority receives its retirement rates from OCERS. The total retirement rate has two components: the Normal Cost Component plus the current year's cost for the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost Component is the cost to pay for the current year's value of retirement benefits as earned. The UAAL Component is the accrued liability for past services which were not funded by prior contributions and investments.

The UAAL is determined by the actuary and is the difference between the present value of accrued liabilities and the value of assets as of a specific date. This amount changes over time as a result of changes in accrued benefits, pay levels, rates of return on investments, changes in actuarial assumptions, and changes in the demographics of the employee base.



Based on the December 31, 2017, valuation by OCERS, the Authority's total UAAL was $400.6 million with $345.4 million or 86% attributed to Safety members and $55.2 million or 14% attributed to General members. OCFA's plan is 78.6% funded. The OCFA reduces its UAAL over time as part of the annual required pension contribution to OCERS as shown below:

General Members (2.7% @ 55, 2.0% @ 55, and 2.5% @ 67 combined)

*Employer Rate **	**2017 Valuation** (FY 19/20 rates)	**2016 Valuation** (FY 18/19 rates)
Normal Cost	13.22%	12.05%
UAAL	15.74%	18.35%
Total	28.96%	30.40%

Safety Members (3.0% at 50, 3% @ 55 and 2.7% @ 57 combined)

*Employer Rate **	**2017 Valuation** (FY 19/20 rates)	**2016 Valuation** (FY 18/19 rates)
Normal Cost	25.44%	25.04%
UAAL	20.80%	22.27%
Total	46.24%	47.31%

* Totals do not include *Employee Rates*, which vary based on age of entry and retirement formula. *Employee Rates* range from 7.52% - 17.76% for General and 11.41% - 21.22% for Safety. Rates are also after adjustment for additional UAAL contributions made in 2014, 2015, 2016 and 2017.

Two events have the greatest impact on plan funding: (1) plan changes, namely benefit formula changes and (2) differing actual experience requiring a modification in assumptions to reflect reality such as life expectancy. Other assumptions that impact the funding and UAAL include:

1. The assumed rate of return
2. The rate of increase in salaries
3. Member mortality
4. The age at which members choose to retire
5. How many members become disabled
6. How many members terminate their service earlier than anticipated

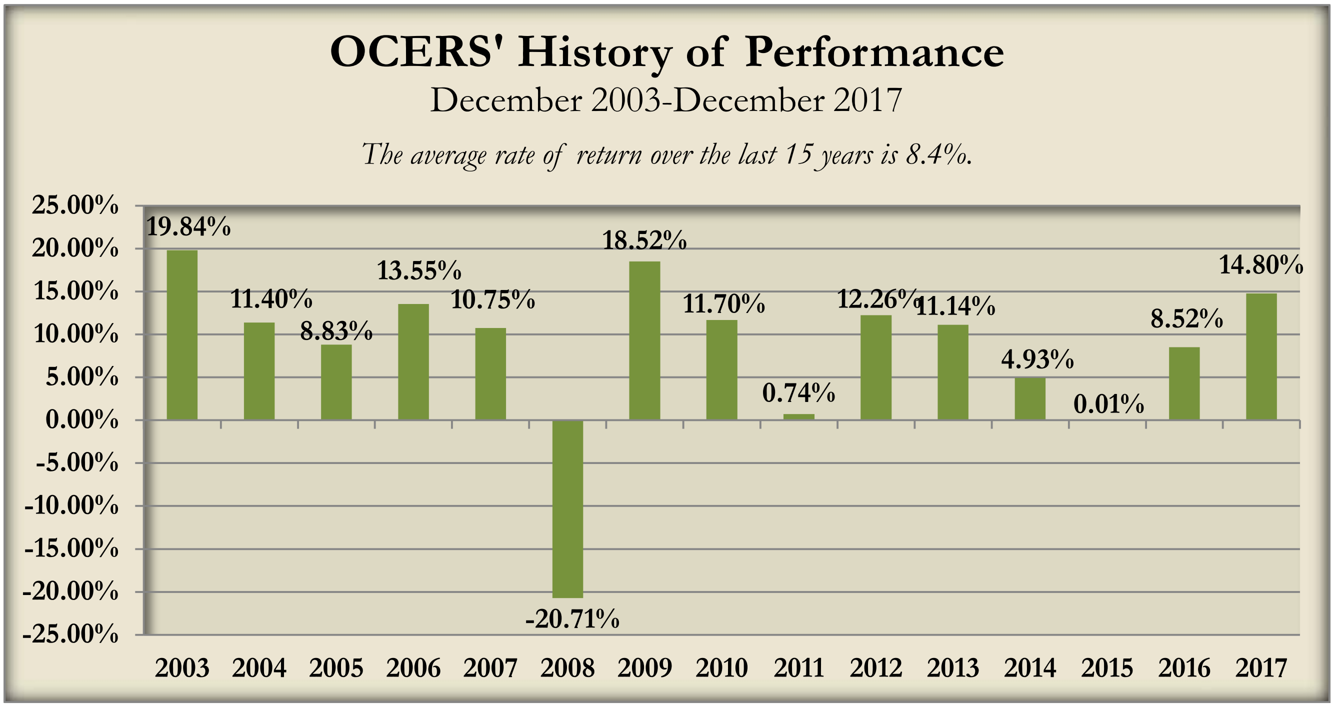
The assumed rate of return, also known as the discount rate, is a critical issue impacting OCFA's UAAL. The higher the discount rate, the lower the present value of pension assets needed to meet future pension obligations. A lower discount rate increases the current unfunded pension liabilities.

In 2013, the OCERS Board voted to lower the interest rate assumption from 7.75% to 7.25% which increased OCFA's annual retirement costs by $7.5 million. This increase was phased in over a two-year period starting in FY 2014/15.

In October 2017, the OCERS Board voted to lower the interest rate assumption again from 7.25% to 7.0%. It also voted to update the mortality tables based on generational mortality. The updated mortality tables indicate that people are living longer which means they will collect a pension longer resulting in an increase in retirement costs. These new assumption changes will increase OCFA's retirement contribution rates by 3.73% of pay or approximately $5 million per year beginning in July 2019.

In 2017, OCERS actual return was 14.8%, double its assumed rate of return of 7.0% which helped to offset the increases in the UAAL due to the change in assumptions. In addition, OCFA paid $32.1 million in additional contributions which kept its UAAL almost flat. OCFA's UAAL increased slightly from $400.4 million in 2016 to $400.6 million in 2017.

The following chart shows a history of OCERS' investment performance over the past fifteen years. Although there have been years in which OCERS exceeded its assumed rate of return, the years in which OCERS incurred significant losses, such as the 21% loss in 2008, have a dramatic negative impact. OCERS' average return for the 15 years reflected below is 8.4%, which is above its assumed rate of return of 7.0%. When OCERS' actual return falls below its assumed rate of return, OCFA incurs higher retirement rates/costs.



OCERS' History of Performance

December 2003-December 2017

The average rate of return over the last 15 years is 8.4%.

OCERS' investment return also impacts the funding level of the entire system, as demonstrated in the following chart. After the 21% loss in 2008, OCERS UAAL increased and its funding level began to drop. The funding level started to improve in 2013 when OCERS rate of return exceeded the assumed rate of return. In 2017, the funding level declined mostly as a result of assumption changes previously discussed.

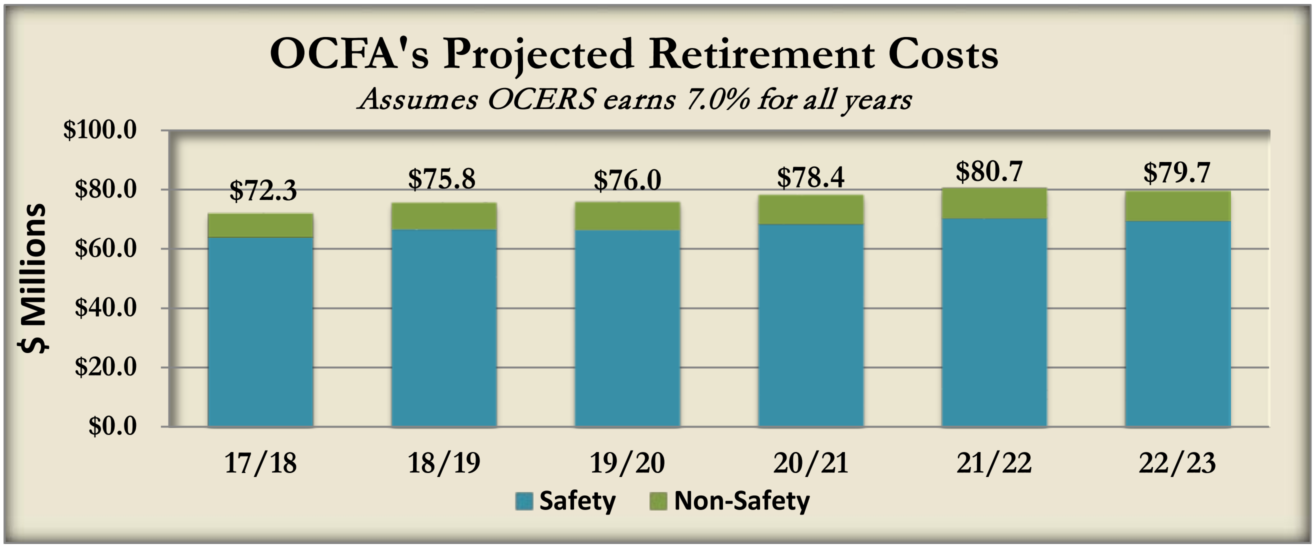
OCERS' Schedule of Funding Progress

(Dollars in Thousands)

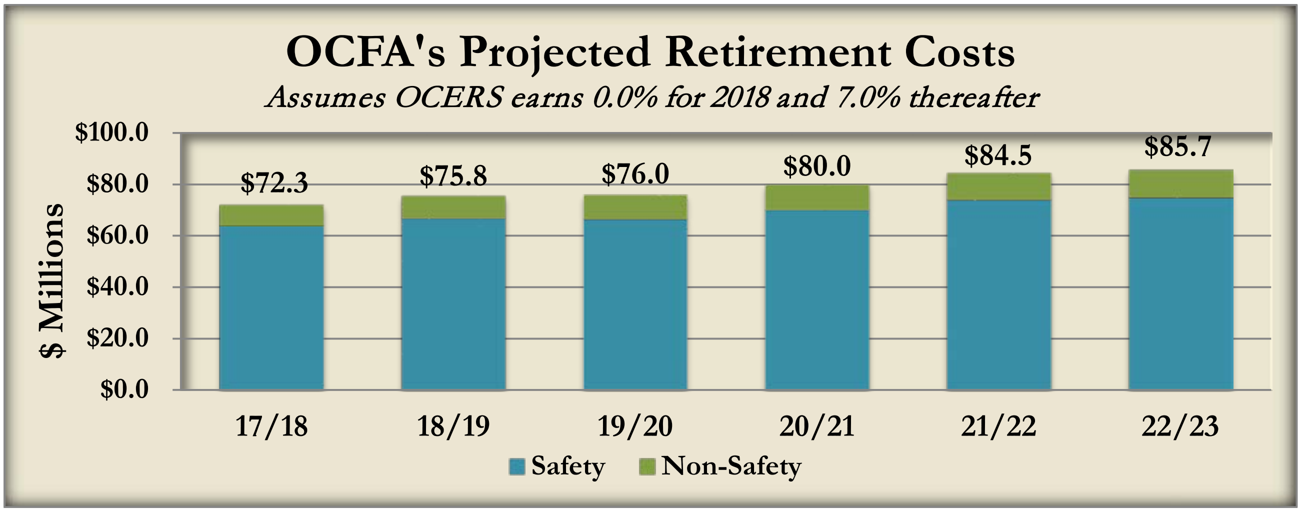
OCERS' funding level declined slightly

Actuarial Valuation Date December 31	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total UAAL (b-a=c)	Funded Ratio (a/b)
2001	$4,586,844	$4,843,899	$257,055	94.69%
2002	4,695,675	5,673,754	978,079	82.76%
2003	4,790,099	6,099,433	1,309,334	78.53%
2004	5,245,821	7,403,972	2,158,151	70.85%
2005	5,786,617	8,089,627	2,303,010	71.53%
2006	6,466,085	8,765,045	2,298,960	73.77%
2007	7,288,900	9,838,686	2,549,786	74.08%
2008	7,748,380	10,860,715	3,112,335	71.34%
2009	8,154,687	11,858,578	3,703,891	68.77%
2010	8,672,592	12,425,873	3,753,281	69.79%
2011	9,064,355	13,522,978	4,458,623	67.03%
2012	9,469,208	15,144,888	5,675,680	62.52%
2013	10,417,125	15,785,042	5,367,917	65.99%
2014	11,449,911	16,413,124	4,963,213	69.76%
2015	12,228,009	17,050,357	4,822,348	71.72%
2016	13,102,978	17,933,461	4,830,483	73.06%
2017	14,197,125	19,635,427	5,438,302	72.30%

The chart below assumes OCERS will earn its assumed rate of return of 7.0% in 2018 and future years. This chart should be contrasted with the second chart below to demonstrate the significant impact on retirement contribution rates, when OCERS does not earn its assumed rate of return.



The chart below assumes OCERS will not earn its assumed rate of return, and instead will earn 0.0% in 2018 and 7.0% in future years. Note the increased retirement contributions that would result starting in FY 2020/21 in the event OCERS has a year of 0.00% returns. This data is presented to demonstrate the potential negative impacts that can (and do) occur from time to time when the system earns less than assumed. OCERS' year-to-date 2018 preliminary return as of September is 3.16%. It has an assumed rate of 7.0% and is on a calendar year basis.



OCFA has taken steps to increase employee contributions, reduce benefits by establishing new tiers, and accelerate the paydown of the UAAL with the long-term goal to ensure adequate pension funding. However, other factors (such as OCERS' investment performance) are beyond the OCFA's control, yet these factors have a significant impact on determining retirement rates, and ensuring adequate funding.

Accelerated Pension UAAL Payment Plan

In September 2013, the OCFA Board of Directors approved an Accelerated Pension UAAL Payment Plan. The accelerated plan has the following benefits:

- Results in OCFA's pension liability being paid off sooner
- Earlier and larger contributions into the pension system result in greater investment income earned
- Greater investment income earned results in less money paid by the employer over the long term

OCFA's accelerated payment plan originally involved three components including (1) use of year-end fund balance available, (2) contributing additional funds each year using savings achieved under PEPRA or other annual actuarial gains, and (3) contributing an additional $1 million per year in budgeted funds, with the annual budget allocation building to $5 million per year by year five.

In FY15/16, the plan was modified to include the following:

- Contributing an additional $1 million each year starting in 2016/17 and increasing by $2 million each year until it reaches $15 million and continuing at $15 million thereafter
- Contributing $1 million per year from surplus fund balance available in the Workers' Compensation Self Insurance Fund starting in 2016/17 for five years

In FY16/17, the plan was modified again to include the following:

- Contributing $7,633,021 in FY 2017/18 from General Fund surplus and continuing in different amounts until OCFA's funding goal is achieved
- Reduced the accelerated funding goal from 100% to 85% for OCFA's pension liability with the added policy to redirect expedited payment dollars to OCFA's retiree medical liability after achieving the 85% target for the pension liability.

To date, OCFA has made the following additional payments towards its UAAL:

FY 13/14	$ 5.5 million
FY 14/15	21.3 million
FY 15/16	15.4 million
FY 16/17	13.5 million
FY 17/18	19.9 million
Total	**$75.6 million**

The outcomes from the accelerated payment plan implementation in FY 2013/14 through Fiscal year 2017/18 along with OCFA's anticipated future year accelerated payments were submitted to OCERS' actuary to determine:

1. How much OCFA saved in interest annually since 2013 by making additional payments towards its UAAL?
2. When would OCFA achieve 85% funding and 100% funding if it continued to make additional UAAL payments under its Snowball Plan?

The actuary reported back that OCFA has saved $18.3 million in interest by making additional payments towards its UAAL and will achieve 85% funding by December 31, 2020 and 100% funding by December 31, 2026, assuming all other actuarial inputs are held constant. The noted $18.3 million in interest savings has accumulated, as shown below, in correlation with our accelerated payments:

CY 2014	$ 1,337,082
CY 2015	2,565,428
CY 2016	3,781,337
CY 2017	4,625,500
CY 2018	6,022,737
Total	**$18,332,084**

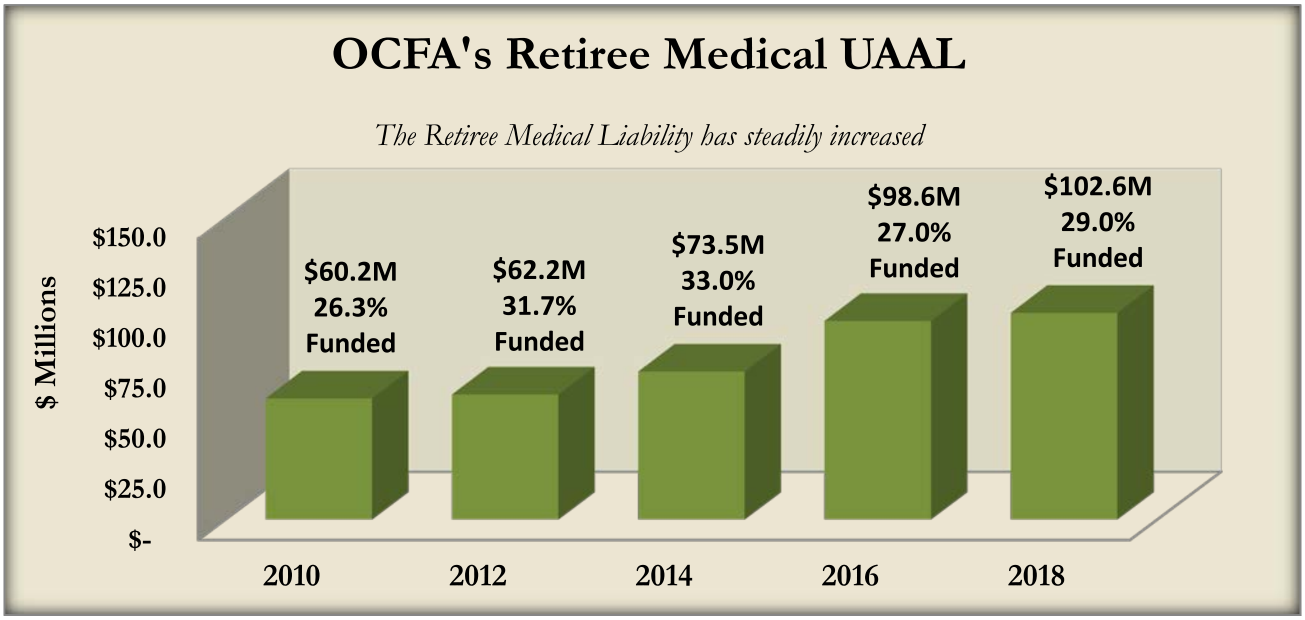
All of the above strategies will reduce the OCFA's existing UAAL more rapidly, and effectively shorten the weighted-average amortization period. Shortening the amortization period will have many benefits to OCFA. Although it causes our employer contributions to rise during the expedited payment period, it results in our liability being paid off sooner. Earlier payments of contributions will result in greater investment income earned and less money paid from the employer over the long-term.

DEFINED *BENEFIT* RETIREE MEDICAL PLAN

In addition to the OCFA's retirement plan administered by OCERS, the OCFA provides a post-employment medical retirement plan (Retiree Medical Plan) for certain employees. Employees hired prior to January 1, 2007, are in a *defined benefit plan* that provides a monthly grant toward the cost of retirees' health insurance coverage based on years of service. The Plan's assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are invested by OCERS. As such, if OCERS does not earn its assumed rate of return of 7.0%, the UAAL increases. Current active employees hired prior to January 1, 2007, are required to contribute 4% of their gross pay toward the Retiree Medical Plan.

Based on an actuarial study prepared by Nyhart Epler as of July 1, 2018, the OCFA's Unfunded Actuarial Accrued Liability (UAAL) for the Retiree Medical defined benefit plan is $102.6 million. The UAAL is impacted by future retirees, spouses of retirees, a maximum 5% annual increase in the medical grant, the investment return of the trust, and the underlying assumptions such as the mortality tables.

Under the Government Accounting Standards Board (GASB) Statement No. 45, OCFA was required to have an actuarial valuation performed on its Retiree Medical Plan every two years. Even though GASB 45 has now been replaced by GASB 74 and 75, OCFA will continue its practice of updating the funding analysis every two years.



Note: Does not include implicit subsidy and uses OCERS assumed rate of return of 7.75% up to 2012, 7.25% up to 2016, and 7.00% thereafter.

The benefit provided under the OCFA's Retiree Medical Plan is a negotiated benefit included in the various Memorandums of Understanding and the Personnel & Salary Resolution for employees hired prior to January 1, 2007.

The OCFA has previously approached funding issues and plan sustainability issues relating to this Plan collaboratively with its labor groups in order to identify options for improving the funding status. Similar to previous approaches, following receipt of the 2012 Actuarial Study for this Plan, management met with representatives of all three labor groups to review the findings. In 2013, we gathered ideas from labor for options that may be considered in the future to improve the funding status of the Plan and had the actuary perform a special actuarial study to evaluate the various options and associated impacts on plan funding. The results of the special study were shared with each of the labor groups.

On November 17, 2016, the OCFA Board directed staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy, with a modification to alter the funding target from 100% to 85%, and redirect expedited payment dollars to Retiree Medical after achieving the 85% target.

In April 2017, the OCFA Board approved the renewed Health Plan Agreement with the Orange County Professional Firefighters Association. The 5 year term of the Agreement is from January 1, 2017 to December 31, 2021. One of the related provisions is as follows:

> *… to continue return of "excess fund balance" to OCFA with returned funds to be allocated to OCFA's Retiree Medical Trust Fund.*

2016 Firefighter Medical Trust Review: An excess fund balance in the amount of $2,275,829 was credited to OCFA and used as a payment to the Retiree Medical Trust per the Firefighter Medical Agreement. The payment was approved by the Board as part of the FY 2017/18 Mid-Year Budget Adjustments.

Management and labor will continue to meet on this topic as needed.

DEFINED *CONTRIBUTION* RETIREE MEDICAL PLAN

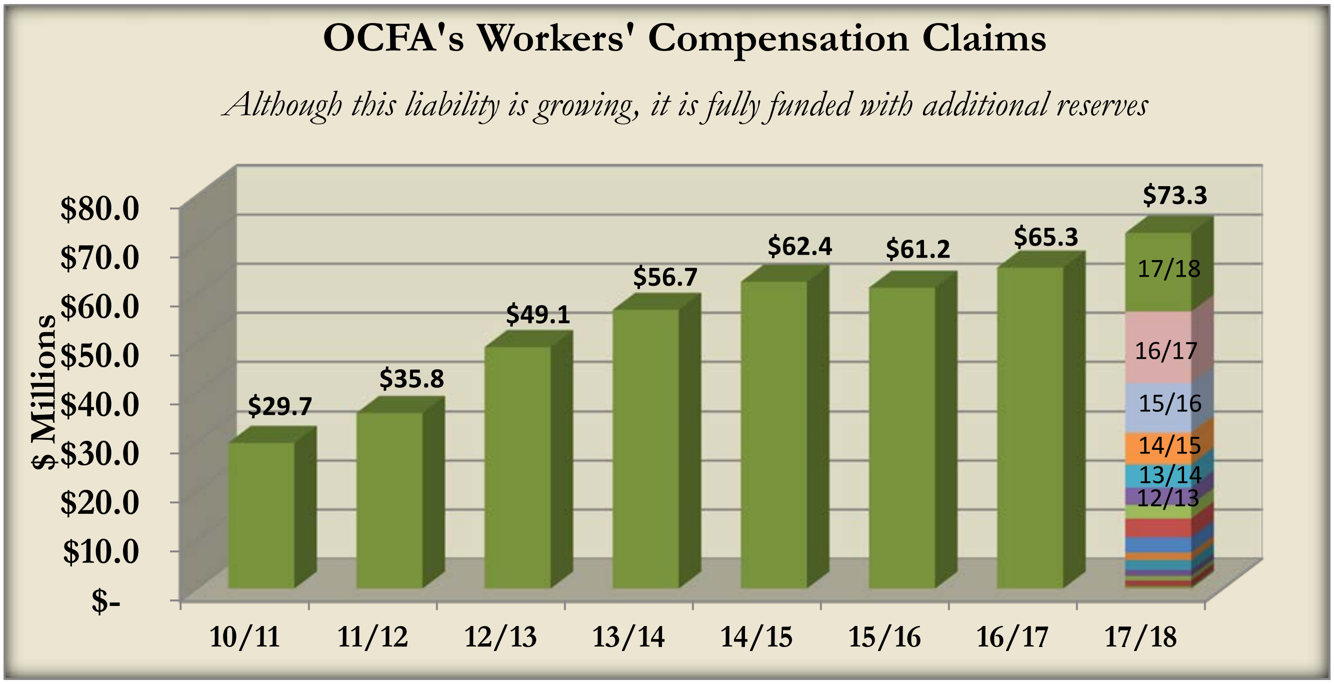
For employees hired on or after January 1, 2007, the OCFA created a *defined contribution plan* that is administered by Further. The Plan provides for the reimbursement of medical, dental, and other healthcare expenses of retirees. Employees are required to contribute 4% of their gross pay. Account assets are invested as directed by the participant and all contributions, investment income, realized gains and losses are credited to the individual's account. Under this plan structure, there is no UAAL.

LEASE PURCHASE AGREEMENTS

A Lease Purchase Agreement is a form of long-term debt used by government agencies to acquire buildings, vehicles, equipment and other capital assets. Within this type of lease, a lessee can apply lease payments annually toward the purchase of the property. In December 2008, the OCFA entered into a ten-year Lease Purchase Agreement to purchase two helicopters and related equipment for a purchase price of $21.5 million. In 2011, OCFA refinanced the helicopters and lowered its interest rate from 3.76% to 2.58% saving $444,000 over the remaining six years of the lease. As of June 30, 2018 $1.2 million remains due, including interest and principal. The final payment will be made in December 2018, therefore it is no longer a long term liability.

WORKERS' COMPENSATION CLAIMS

In March 2002, OCFA implemented a workers' compensation self-insurance program. A separate fund called Fund 190: Self Insurance was established in May 2003 to track funding and expenditures for workers' compensation claims liability. The funding sources include revenue from the General Fund and interest earnings. The required funding levels are determined by an independent actuarial study. As of June 30, 2018, OCFA's total workers' compensation liability is $73.3 million. Although the workers' compensation program represents a large liability for OCFA, it is important to note that it is a ***fully-funded*** liability. OCFA has $81.9 million set-aside in reserves to pay this liability as the various medical claims and bills become due, reflecting a funding surplus of $8.6 million.



The outstanding liability reflected in the above chart reflects the fact that although the entire future cost of claims are recorded in the year of injury, the actual payment of that claim does not occur immediately. The cash flow payments for many workers' compensation cases occur slowly over time; therefore, it is a natural occurrence that the unpaid liability for a self-insured system will grow as the unpaid liabilities stack on top of each other over the years (as demonstrated by the color-coding of the FY 17/18 bar in the above chart). Upon maturity of a self-insured system, the amount of unpaid liability should level out (as demonstrated in the above chart in the most recent years), and continued increases at that point in time are more likely driven by other forces, such as increased medical costs, increased claim activity, legislative changes and case law.

The workers' compensation liability reflects the present value of estimated outstanding losses at the 50% confidence level. A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, a 50% confidence level means that the actuary believes funding will be sufficient in five out of ten years. OCFA's Board-adopted Workers' Compensation Funding Policy sets the funding at the 50% confidence level

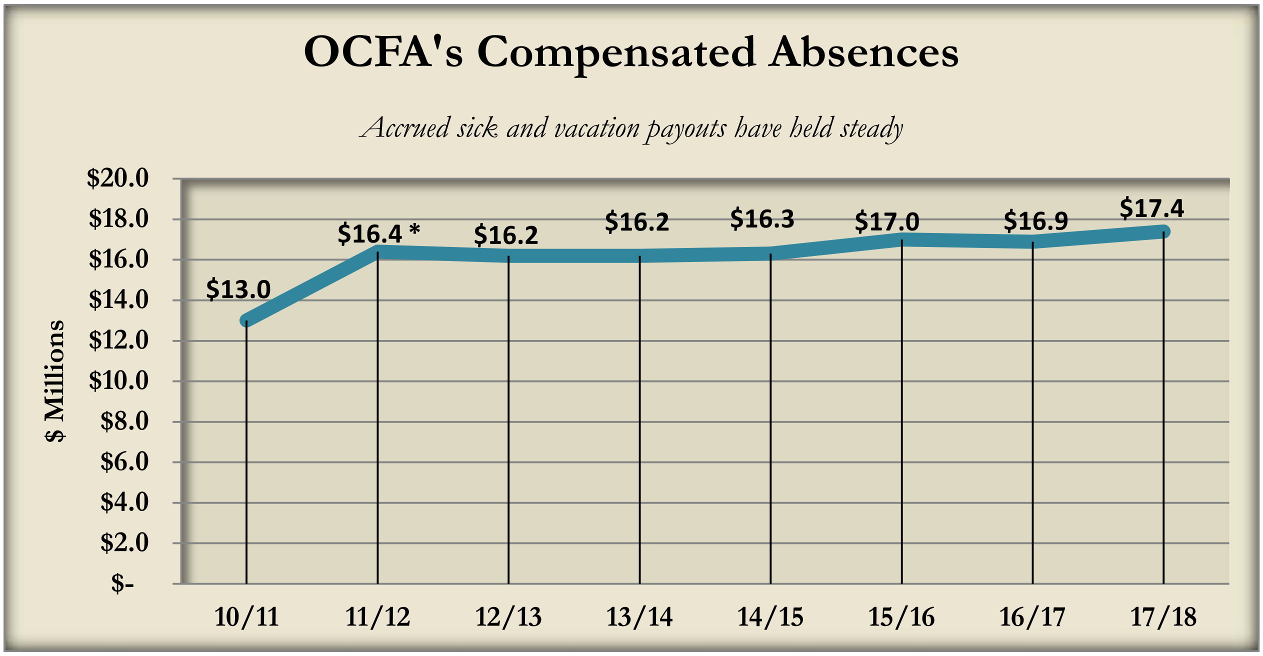
There are several factors that contribute to the liability including workers' compensation reform that increased the statute of limitation for cancer from five to ten years; injury presumption for safety personnel; an aging workforce which contributes to a longer recovery time and higher permanent disability benefits; increased medical costs; and an increase to the workforce in 2012 with the addition of the City of Santa Ana. Santa Ana reimburses OCFA for injuries that initially occurred on or before April 20, 2012.

ACCRUED COMPENSATED ABSENCES

Compensated absences are commonly described as paid time off made available to employees in connection with sick and vacation time. If employees do not use all of such compensated absences, a liability is accrued for the unused portion. The OCFA's policy allows employees to accumulate earned but unused sick and vacation pay benefits.

OCFA's labor agreements allow employees to cash out sick and vacation time throughout their career with the exception of Local 3631 Firefighter unit which can only cash out vacation time. However, the majority of sick and vacation payouts occur at the time an employee retires.

The OCFA has budgeted $4.0 million for sick and vacation payouts in FY 2018/19 based on historical trends and expected retirements. OCFA's total liability for compensated absences as of June 30, 2018, is $17.4 million.



** FY 11/12 includes Santa Ana General Leave Balances; Santa Ana reimburses OCFA for uses of transferred Leave Balances.*

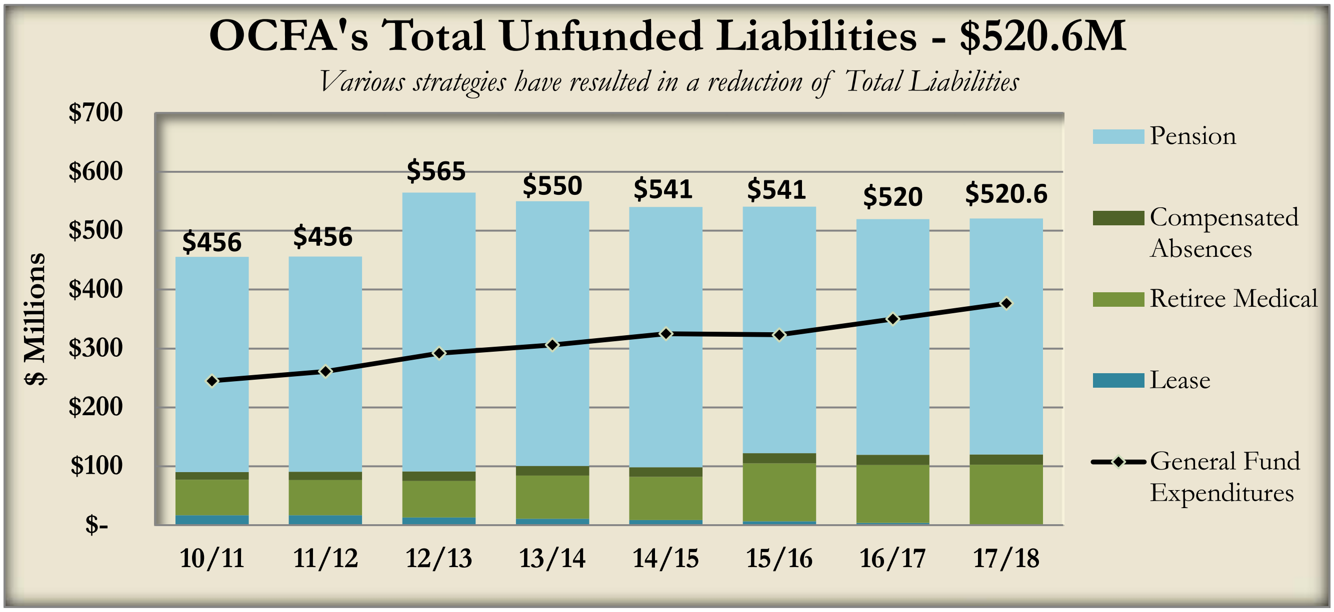
III. SUMMARY

OCFA's total long term, unfunded liabilities as of June 30, 2018,* are as follows:

	$ Amount in Millions	*% of Total*
Defined Benefit Pension Plan *	$ 400.6	77.0%
Defined Benefit Retiree Medical Plan	102.6	19.7
Accrued Compensated Absences	17.4	3.3
Total	**$ 520.6**	**100.0%**

*Note: the valuation date for the pension plan is December 31, 2017, instead of June 30, 2018, consistent with OCERS' calendar year basis for financial reporting.

When OCFA presented its first Liability Study to the Board in September 2012, the Board directed staff to identify strategies to lower and/or mitigate OCFA's long term liabilities. As shown in the chart below, as some of these strategies have been implemented, OCFA has reduced its total long term, unfunded obligations in the last few years.



Note: Workers Compensation was removed since it is fully funded by a reserve fund.

ACTIONS TAKEN

OCFA has taken several additional steps to manage its long-term obligations:

1. In 2017, OCFA negotiated a five year Health Plan Agreement with the firefighter labor group which contained a provision to return excess fund balance and allocate those funds to the Retiree Medical Trust Fund.
2. In FY 2015/16 and again in FY 2016/17, OCFA modified its Accelerated Pension Paydown Plan to include additional sources of funding.
3. During 2015 and 2016, OCFA completed negotiations with all four labor groups resulting in increased employee contributions towards retirement.
4. On June 26, 2014, the Board approved an Alternative Dispute Resolution process for disputed workers' compensation cases, also known as a Carve-Out program. The State has approved the program and it was implemented on October 1, 2014.
5. On September 26, 2013, the Board approved a strategy to accelerate the pay down of OCFA's pension liability. Under this Plan, the actuary, the Segal Company, estimates this liability will be paid by 2026/27. To date, OCFA has made an additional $75 million in payments to OCERS to lower its UAAL.
6. Completed 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. The results of the study were shared with the labor groups.
7. Evaluated 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.

8. Directed 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.
9. Used a trigger formula during down economic cycles to connect pay raises for all OCFA employees to OCFA's financial health.
10. Implemented lower retirement formulas for all labor groups.
11. Refinanced the helicopter lease to lower the interest rate.
12. Implemented annual prepayment of retirement contributions to achieve a discount.
13. Provided a study to the Board of Directors regarding the feasibility of Pension Obligation Bonds.
14. Provided a study to the Board of Directors regarding the feasibility of changing automatic Cost of Living Allowance (COLA) increases for pensions; transmitted a copy of the report to the County Board of Supervisors and OCERS Board of Retirement, for their consideration of potential cost-containment actions relating to Pension COLAs under the authority granted by the '37 Act.

RECOMMENDATIONS

Recommended actions pending approval of this staff report include:

1. Direct staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to adjust the FY 2018/19 General Fund budget to increase expenditures by $10 million for the purpose of allocating $10 million of the $13 million available unencumbered funds identified in the FY 2017/18 financial audit to OCFA's unfunded pension liability.
3. Direct staff to return with the mid-year financial review to consider any allocation of the remaining $3 million of available unencumbered funds identified in the FY 2017/18 financial audit.

CONCLUSION

In order to strategically fund long-term liabilities, OCFA must continue to strategically balance present-day needs with future commitments. The goal is for OCFA's budget over the long-term to fund all of its long-term liabilities

Exhibit A

OCFA Member Retirement Contributions

Safety Members' Retirement

Firefighter Safety members:
Effective September 2016, 2017, 2018, and 2019, employees will pay an additional 3.50%, 3.49%, 2.00%, and 0.54% in employee retirement contributions, respectively, increasing their employee contributions from 11% to 20.53% depending upon their age of entry. Employees hired on or after January 1, 2013, when PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

Chief Officer Safety members:
Effective July 2016, 2017, 2018, and 2019,employees will pay an additional 3.50%, 3.49%, 3.30%, and 0.93% in employee retirement contributions, respectively, increasing the employee contributions from 9% to 20.22% depending upon their age of entry. Thereafter, these employees will pay any subsequent increases in the employee retirement contributions. Employees hired on or after January 1, 2013, when PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

General Members' Retirement

OCEA members:
Effective March 2015, 2016 and 2017, employees hired prior to January 1, 2013, will pay an additional 2%, 2.5% and 3% in employee retirement contributions, respectively, increasing the employee contributions from 9% to 16.5%, depending upon their age of entry. Thereafter, these employees will pay any subsequent increases in the cost for employee retirement contributions. Employees hired after PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

Administrative Management members:
Effective July 2015, January 2016, and January 2017, employees hired prior to January 1, 2013, will pay an additional 4%, 2%, and 2.25% in employee retirement contributions, respectively, increasing the employee retirement contributions from 8.25% to 16.5%, depending upon their age of entry. Thereafter, these employees will pay any subsequent increases in the cost for employee retirement contributions. Employees hired after PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

Executive Management:

Some members of Executive Management fall under Safety and others fall under General member categories. Regardless, all Executive Management employees who are not subject to the provisions of PEPRA were paying 9% in employee retirement contributions prior to March 2015. Effective March 2015, they began phased-in increases to their contribution rate with a 2% increase in employee contributions in year one, a 2.5% increase in year two and payment of full member contributions in year three, which vary based on age of entry.

Attachment 2

Orange County Fire Authority
Accelerated Payment of UAAL
Snowball Effect of Multiple Strategies
Updated August 2018

			Estimated Annual UAAL Payments from Various Strategies / Sources						
Years From Start of Plan	Remaining Years to Completion	Fiscal Year	Unencumbered Fund Balance Available	Annual Savings from PEPRA Reductions to Retirement Contribution Rates	Budget Increase of $1M, grows by $2M/year to $15M	Budget Increase of $1M/year Funded by Excess W/C Reserves	50% of General Fund Surplus	Annual Snowball Amount	Cumulative Accelerated UAAL Payment
			Part A	Part B	Part C	Part D	Part E		
1		13/14	3,000,000	2,500,000	-	-	-	5,500,000	5,500,000
2		14/15	21,290,238	-	-	-	-	21,290,238	26,790,238
3		15/16	12,609,380	2,802,122	-	-	-	15,411,502	42,201,740
4		16/17	9,814,477	1,653,114	1,000,000	1,000,000		13,467,591	55,669,331
5		17/18	13,174,516	1,886,420	3,000,000	1,000,000	870,041	19,930,977	75,600,308
6	1	18/19	3,000,000	3,167,397	5,000,000	1,000,000	5,842,013	18,009,410	93,609,718
7	2	19/20	3,000,000	1,648,658	7,000,000	1,000,000	12,422,707	25,071,365	118,681,083
8	3	20/21	3,000,000	2,368,859	9,000,000	1,000,000	8,067,604	23,436,463	142,117,546
9	4	21/22	3,000,000	3,279,280	11,000,000		7,533,927	24,813,207	166,930,753
10	5	22/23	3,000,000	4,787,217	13,000,000		12,909,405	33,696,622	200,627,375
11	6	23/24	3,000,000	5,772,547	15,000,000		10,821,745	34,594,292	235,221,667
12	7	24/25	3,000,000	6,814,115	15,000,000		8,330,262	33,144,377	268,366,044
13	8	25/26	3,000,000	14,242,631	15,000,000		5,071,625	37,314,256	305,680,300
14	9	26/27	3,000,000	19,647,456	15,000,000		2,625,756	40,273,212	345,953,512
			86,888,611	70,569,816	109,000,000	5,000,000	74,495,085	345,953,512	

Orange County Fire Authority
Distribution of Liabilities by Member Agency
As of June 30, 2018

				Proportional Share		
Member Agency	**# of EEs**	**2018 Incidents**	**% of Total EEs**	**Pension UAAL**	**Retiree Medical**	**Total**
County Unincorporated (SFF)	105		12.54%	50,250,717	12,869,501	63,120,217
Station 8, 15, 18, 21, 25, 33, 40, 58, 56						
Aliso Viejo (SFF)	15		1.79%	7,178,674	1,838,500	9,017,174
Station 57					-	
					-	
Buena Park (CCC)	48		5.73%	22,971,756	5,883,200	28,854,957
Stations 61, 62, 63					-	
					-	
Cypress (SFF)	24		2.87%	11,485,878	2,941,600	14,427,478
Station 17					-	
					-	
Dana Point (SFF)	24		2.87%	11,485,878	2,941,600	14,427,478
Stations 29, 30					-	
					-	
Placentia (CCC)	36		4.30%	17,228,817	4,412,400	21,641,217
Stations 34, 35					-	
					-	
Irvine (SFF)	174		20.79%	83,272,616	21,326,601	104,599,218
Stations 4, 6, 20, 26, 27, 28, 36, 38, 47, 51, 55					-	
					-	
Laguna Hills (SFF)	36	3,078	1.52%	6,085,644	1,558,569	7,644,212
Station 22 (serving both LGH & LGW)					-	
					-	
Laguna Woods (SFF)		5,636	2.78%	11,143,173	2,853,831	13,997,005
Station 22 (serving both LGH & LGW)					-	
					-	
Laguna Niguel (SFF)	36		4.30%	17,228,817	4,412,400	21,641,217
Stations 5, 39, 49					-	
					-	
Lake Forest (SFF)	33		3.94%	15,793,082	4,044,700	19,837,783
Stations 19, 42, 54					-	
					-	
La Palma (SFF)	12		1.43%	5,742,939	1,470,800	7,213,739
Station 13					-	
					-	
Los Alamitos (SFF)	12		1.43%	5,742,939	1,470,800	7,213,739
Station 2					-	
					-	
Mission Viejo (SFF)	48		5.73%	22,971,756	5,883,200	28,854,957
Stations 9, 24, 31					-	
					-	
Rancho Santa Margarita (SFF)	27		3.23%	12,921,613	3,309,300	16,230,913
Station 45					-	
					-	

Attachment 3

Orange County Fire Authority
Distribution of Liabilities by Member Agency
As of June 30, 2018

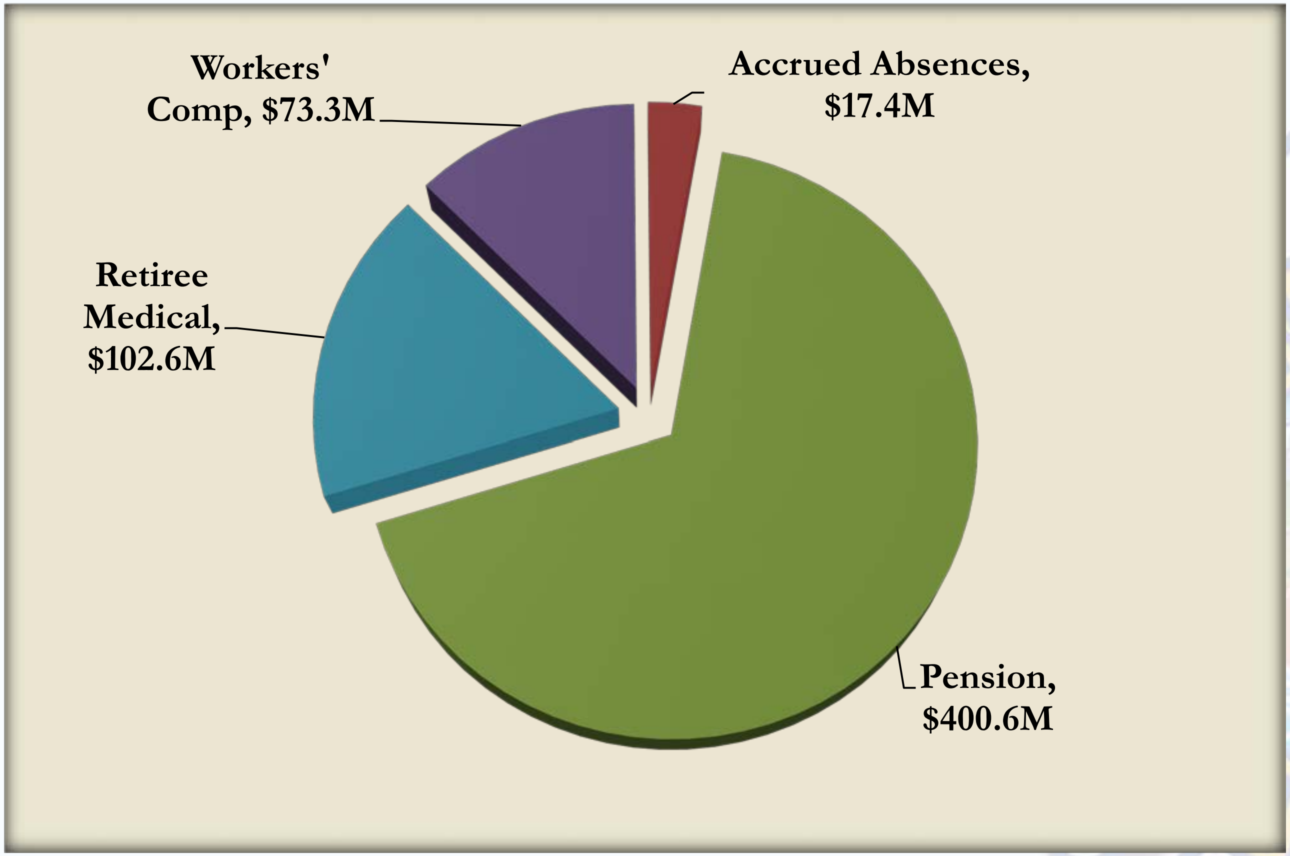
				Proportional Share		
Member Agency	**# of EEs**	**2018 Incidents**	**% of Total EEs**	**Pension UAAL**	**Retiree Medical**	**Total**
San Clemente (CCC)	36		4.30%	17,228,817	4,412,400	21,641,217
Stations 50, 59, 60					-	
					-	
San Juan Capistrano (SFF)	15		1.79%	7,178,674	1,838,500	9,017,174
Station 7					-	
					-	
Seal Beach (CCC)	24		2.87%	11,485,878	2,941,600	14,427,478
Stations 44, 48					-	
					-	
Stanton (CCC)	15		1.79%	7,178,674	1,838,500	9,017,174
Station 46					-	
					-	
Tustin (CCC)	24		2.87%	11,485,878	2,941,600	14,427,478
Stations 37, 43					-	
					-	
Villa Park (SFF)	12		1.43%	5,742,939	1,470,800	7,213,739
Station 23					-	
					-	
Westminster (CCC)	48		5.73%	22,971,756	5,883,200	28,854,957
Stations 64, 65, 66					-	
					-	
Yorba Linda (SFF)	33		3.94%	15,793,082	4,044,700	19,837,783
Stations 10, 32, 53						
Totals	**837**		**100.00%**	**400,570,000**	**102,588,305**	**503,158,305**

In Connection with the 11/15/18
BOD Agenda Item No. 5A

Orange County Fire Authority

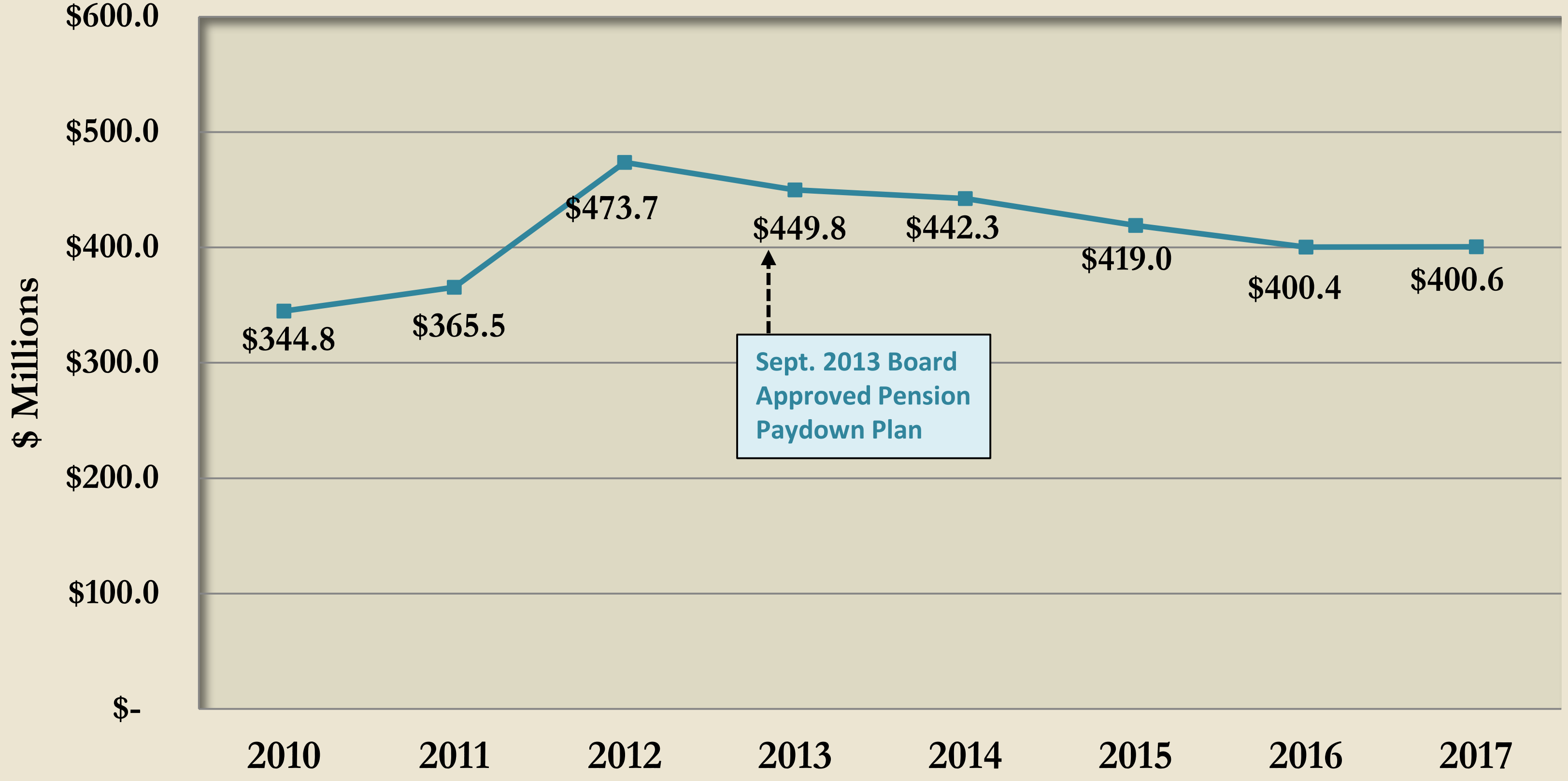
Long Term
Liability Study – 2018

OCFA's Long Term Liabilities



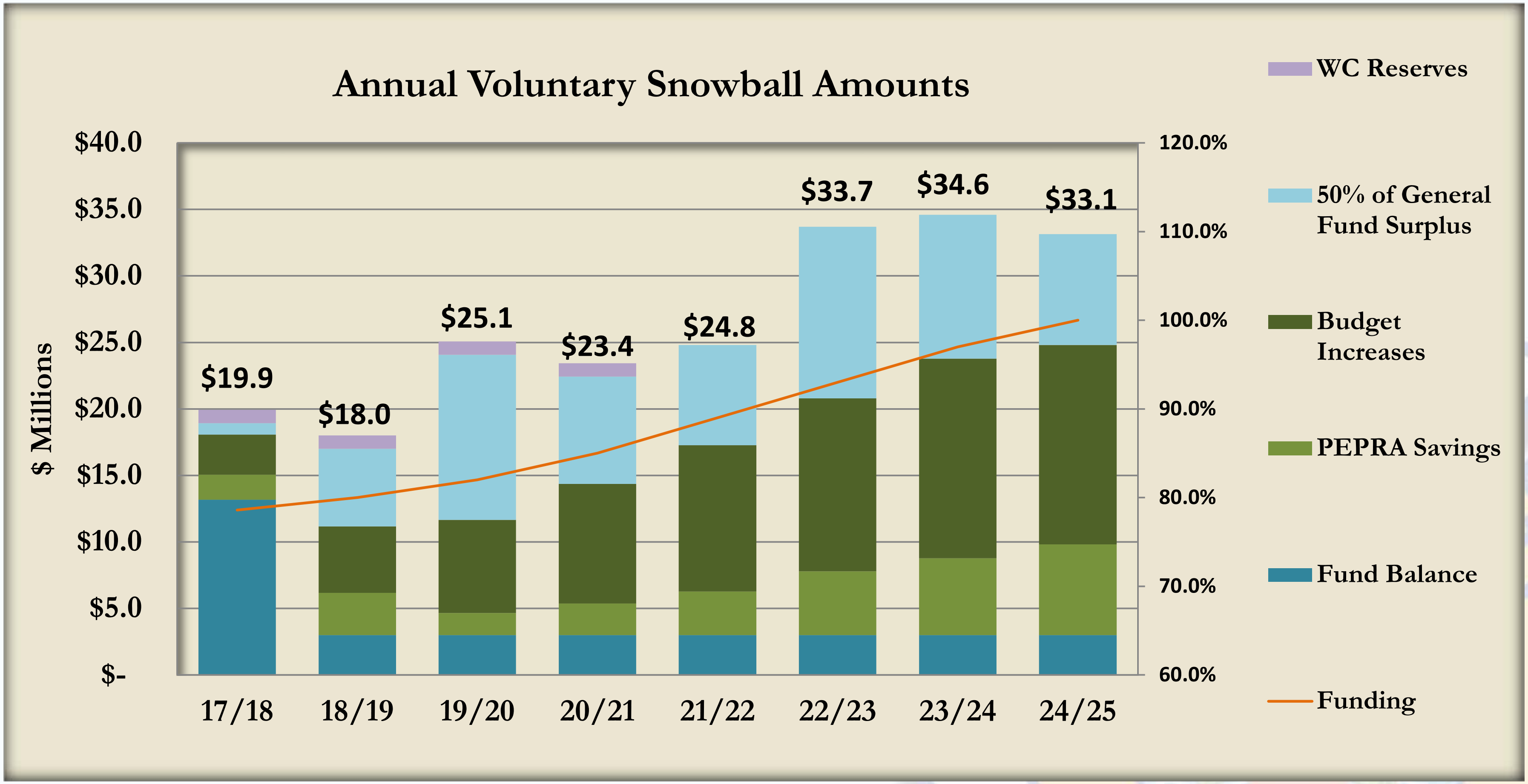
OCFA's Pension Liability

The pension liability held steady as a result of OCERS exceeding the 7.0% assumed rate of return and OCFA's accelerated pension payments



Sept. 2013 Board Approved Pension Paydown Plan

Accelerated Pension Paydown Plan

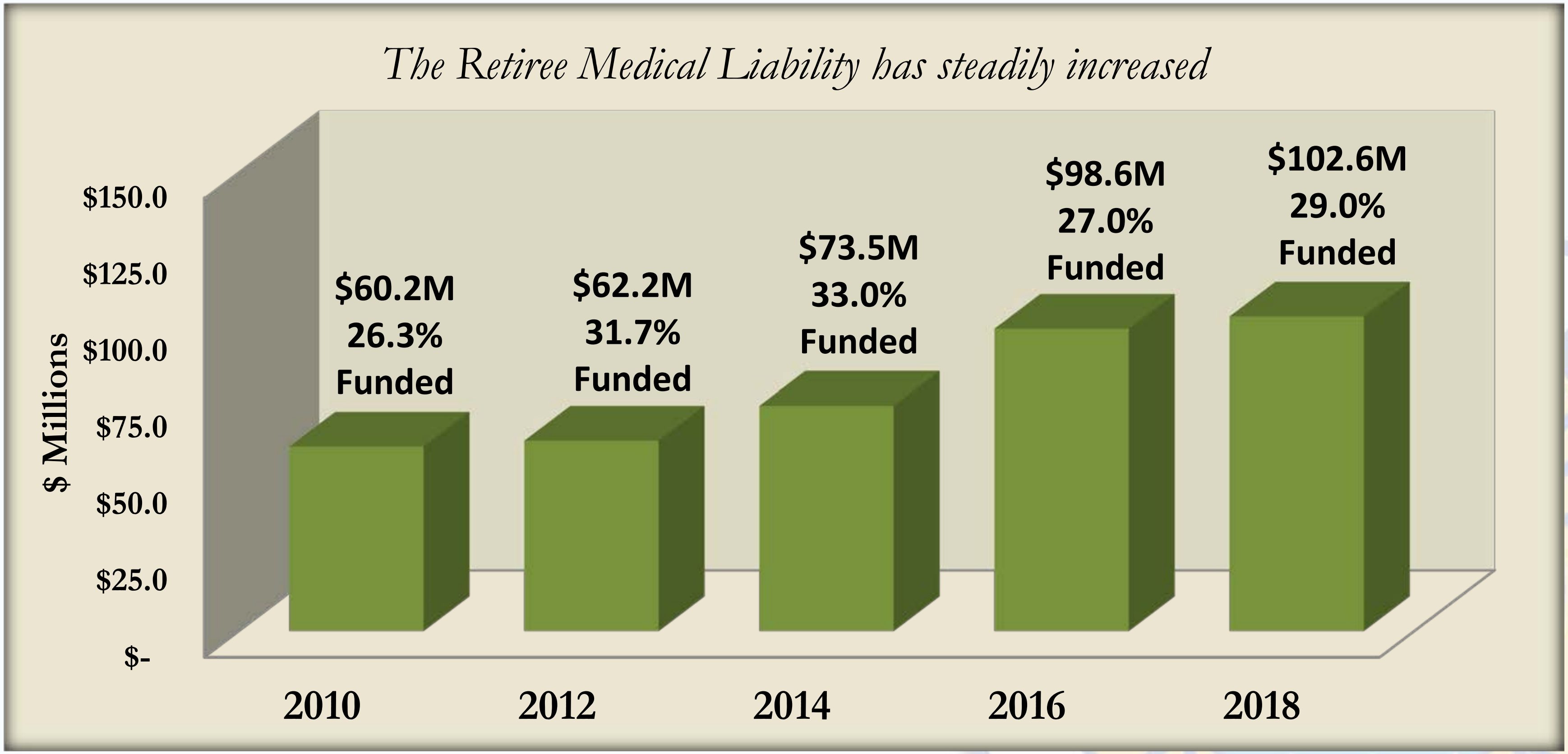


$75.6M in additional payments saved $18.3M in interest

OCFA's Pension is currently 78.6% funded

85% funding projected by 12/31/2020, 100% funding by 12/31/2026

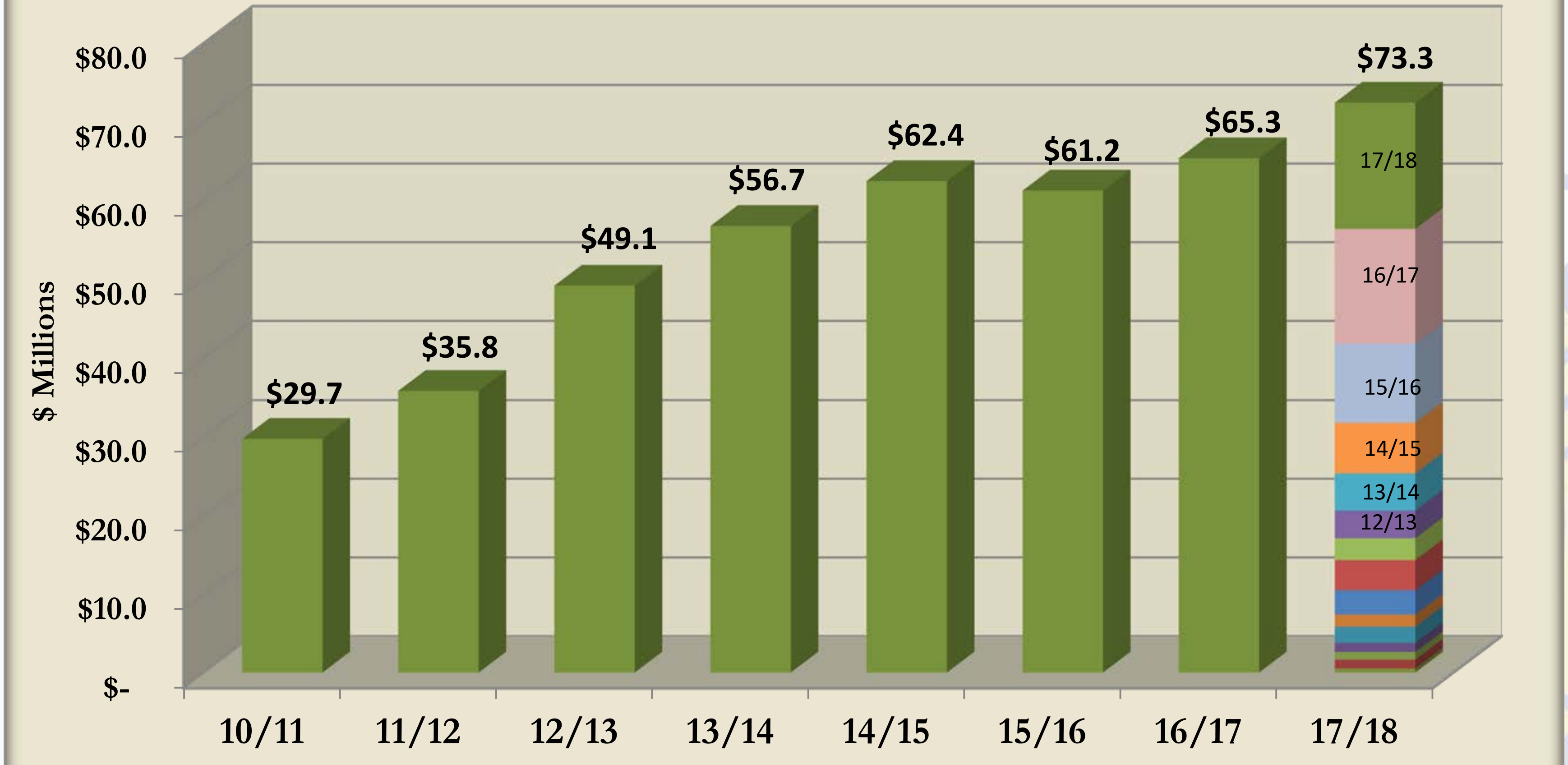
OCFA's Retiree Medical Liability



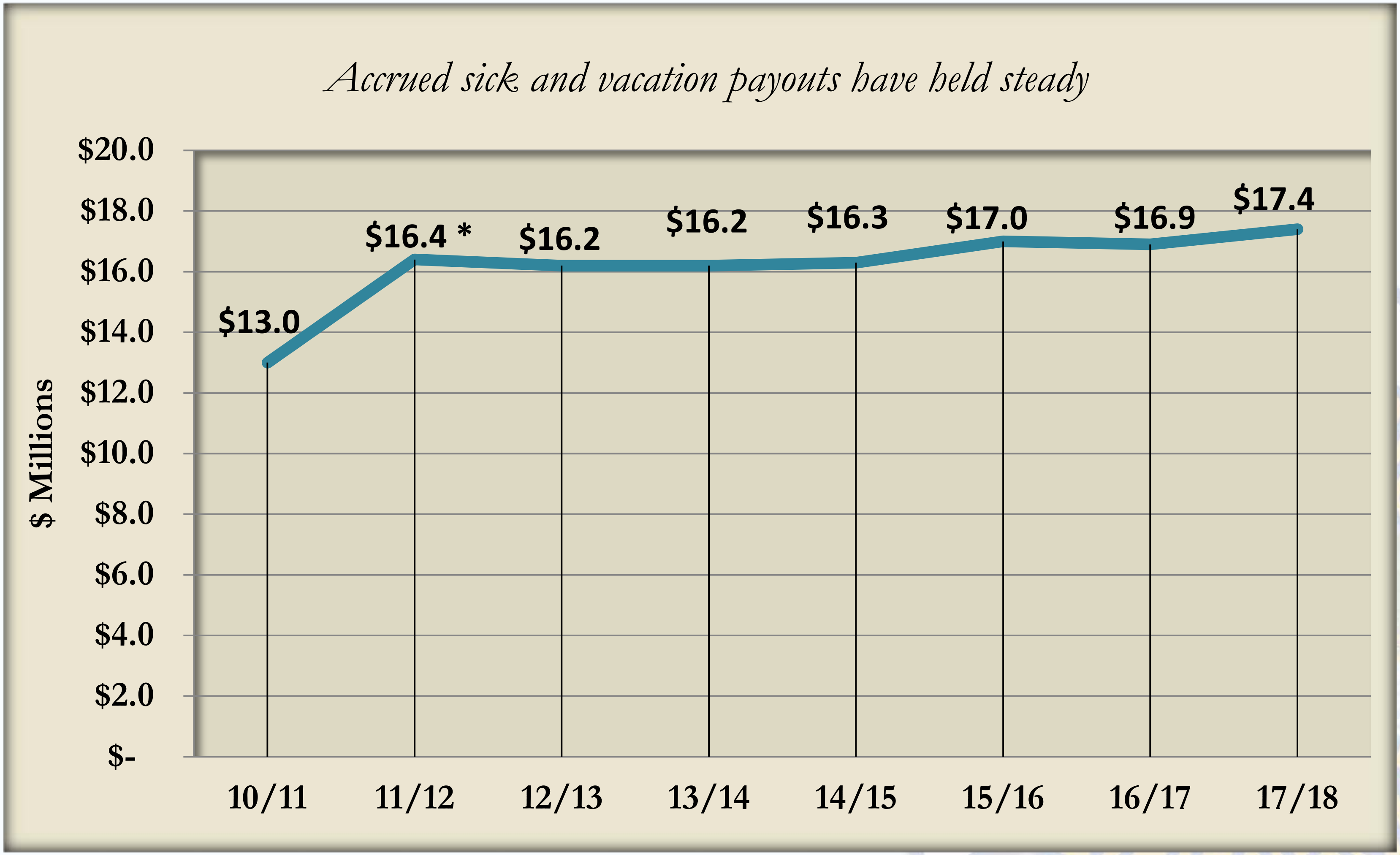
Note: Does not include implicit subsidy and uses OCERS assumed rate of return of 7.75% up to 2012, 7.25% up to 2016 and 7.0% thereafter.

OCFA's Workers' Compensation Claims

Although this liability is growing, it is fully funded with additional reserves

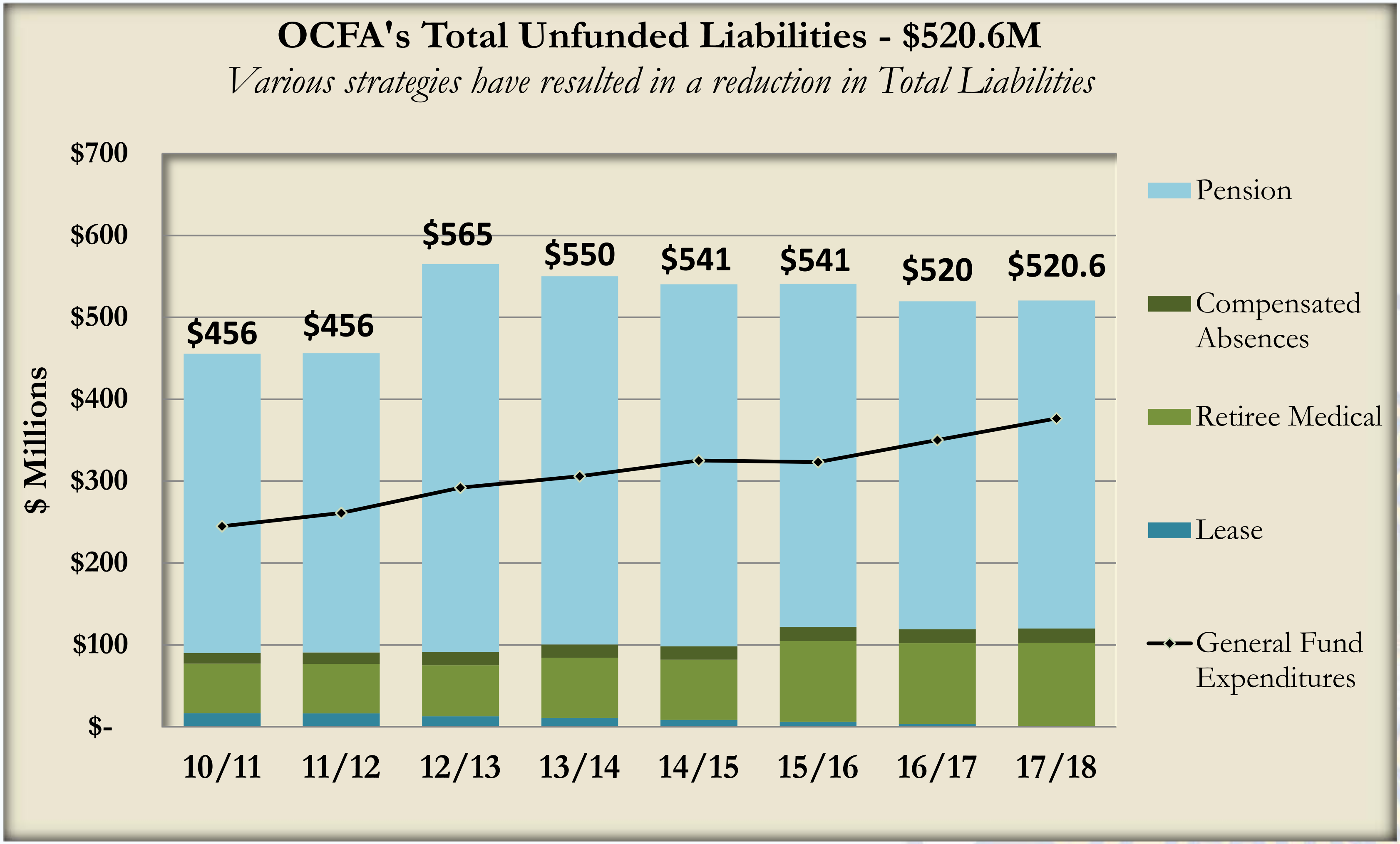


OCFA's Compensated Absences



*FY 11/12 corrected to include Santa Ana Leave Balances; the City reimburses OCFA for uses of transferred Leave Balances.

OCFA's Total Unfunded Liabilities



Note: Workers Compensation was removed since it is fully funded by a reserve fund.

Recommended Actions
Direct Staff to :

1. Continue the Accelerated Pension Liability Paydown Plan.

2. Adjust FY 2018/19 General Fund budget to increase expenditures by $10 million of the $13 million available unencumbered funds from FY 2017/18 financial audit towards the OCFA's unfunded pension liability.

3. Return with the mid-year financial review to consider any allocation of the remaining $3 million.

Orange County Fire Authority

AGENDA STAFF REPORT

Board of Directors Meeting	**Agenda Item No. 5B**
November 15, 2018	**Discussion Calendar**

Audited Financial Reports for the Fiscal Year Ended June 30, 2018

Contact(s) for Further Information

Lori Zeller, Deputy Chief Administration & Support Bureau	lorizeller@ocfa.org	714.573.6020
Jim Ruane, Finance Manager/Auditor	jimruane@ocfa.org	714.573.6304
Tammie Pickens, General Accounting Manager	tammiepickens@ocfa.org	714.573.6320

Summary

This annual agenda item is submitted to present the OCFA's audited Comprehensive Annual Financial Report (CAFR) and other audited financial reports for the fiscal year ended June 30, 2018, in compliance with the provisions of Section 6505 of the California Government Code and the Amended Joint Powers Agreement.

Prior Board/Committee Action

As this item is to be considered at the November 14, 2018, Budget and Finance Committee meeting, the Committee Chair will include the Committee's recommendation during his regular report at the November 15, 2018, Board of Directors meeting.

RECOMMENDED ACTION(S)

1. Receive and approve the reports.
2. Adopt the revised *Assigned Fund Balance Policy* effective November 14, 2018.
3. Review the calculations used to determine the fund balance amounts assigned to the capital improvement program and workers' compensation, and confirm the calculations' consistency with the OCFA's revised Assigned Fund Balance Policy.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

See attached expanded background.

Attachment(s)

1. Comprehensive Annual Financial Report (CAFR) for the Year Ended June 30, 2018
2. Single Audit Report for the Year Ended June 30, 2018
3. Audit Communication Letter for the Year Ended June 30, 2018
4. Revised Assigned Fund Balance Policy (redline)
5. Assigned Fund Balance Calculations as of June 30, 2018 for:
   A. Capital Improvement Program
   B. Workers Compensation
6. Calculation of Unencumbered Fund Balance as of June 30, 2018

Background

Financial Audit and Reports

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, performed OCFA's annual financial audit for Fiscal Year 2017/18. Their work included an audit of OCFA's Financial Statements in accordance with generally accepted auditing standards (GAAS); a review of internal controls to determine the depth of planned audit procedures; and a Single Audit of federal grant expenditures. The following Fiscal Year 2017/18 audit reports are being submitted for approval:

- **Comprehensive Annual Financial Report (CAFR)** (Attachment 1) – OCFA's Finance Division staff has prepared the CAFR for the fiscal year ended June 30, 2018, which includes OCFA's audited Financial Statements, as well as additional background and multi-year statistical information covering OCFA's financial trends, revenue and debt capacity, demographic and economic information, and operating information. The CAFR includes an unmodified or "clean" opinion letter from the auditors, which states that OCFA's Financial Statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles (GAAP).

- **Single Audit Report** (Attachment 2) – This report includes a review of federal grant funds expended by OCFA during the fiscal year. The major program selected for more in-depth testing was the National Urban Search & Rescue (US&R) Response System. Below is a summary of the auditors' results as described in the report:

	Financial Statements (Financial Reporting)	**Federal Awards (Major Federal Programs)**
Type of opinion	Unmodified	Unmodified
Internal control:		
Material weakness identified?	No	No
Significant deficiency identified?	No	Yes
Noncompliance material to the financial statements identified?	No	n/a
Findings required to be reported in accordance with 2 CFR Section 200.516(a)?	n/a	Yes

The auditors identified a significant deficiency in internal control pertaining to the US&R major federal program. The deficiency related to lack of documentation in OCFA's purchasing files to prove that a review of the Excluded Parties List System (EPLS) had been completed at the time of selecting a vendor for contract award. We note that, although documentation was lacking to document that a review of the EPLS was performed, our purchasing staff has indicated that these reviews are routinely performed. Furthermore, the audit confirmed that OCFA did not award contracts to vendors who were suspended or debarred. In order to maintain and document compliance with regulations, OCFA management has created a form that will be utilized for all federally funded procurement contracts.

- **Audit Communication Letter** (Attachment 3) – Professional standards require the auditors to communicate certain information pertaining to the audit directly to those charged with the

OCFA's governance. This letter includes information about the auditors' responsibilities, the planned scope and timing of the audit, and required communications in several areas.

The CAFR will be distributed to each OCFA member agency and published electronically on OCFA's website along with the Single Audit Report. The CAFR and other audit reports will be filed with the County Auditor-Controller, the State Controller's Office, the State Auditor, the Federal Audit Clearinghouse, and other grant agencies, as applicable. Copies for public review are available at the office of the Clerk of the Authority.

Assigned Fund Balance

The Board of Directors has adopted an *Assigned Fund Balance Policy* (Attachment 4), which delegates authority to assign fund balance amounts for the capital improvement program and workers' compensation from the Board of Directors to the Assistant Chief of Business Services, or her designee, with a final review of the calculation by the Budget and Finance Committee. Due to recent promotions and changes in OCFA's organizational structure, the Assistant Chief of Business Services position is currently vacant. Proposed revisions to the policy would delegate authority to assign fund balance, as described within the policy, to the Deputy Chief of the Administration & Support Bureau or his/her designee, which could include the Assistant Chief of Business Services once the position is filled.

The Budget and Finance Committee's review of the calculation occurs each year at the time the audited financial statements are approved, and confirms the calculation's consistency with the provisions of the policy. OCFA's fund balance as of June 30, 2018, includes assignments for the capital improvement program ($46,885,104) and workers' compensation ($80,515,844), with detailed calculations included as Attachments 5A and 5B.

Current Year Changes in Financial Statement Reporting

During Fiscal Year 2017/18, OCFA implemented Governmental Accounting Standards Board (GASB) Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and Statement No. 85 *Omnibus 2017*. These accounting statements established new accounting and financial reporting requirements for other postemployment benefit (OPEB) plans and replaced GASB Statements No. 43 and No. 45, which had been implemented by OCFA in Fiscal Year 2006/07 and Fiscal Year 2007/08, respectively. Detailed information regarding the impact of the required changes in financial reporting can be found in the Notes to the Financial Statements (Attachment 1) No. 3, 15, 22, and 23. Key changes include the following:

- OCFA's other postemployment benefits include the Retiree Medical Plan for employees hired prior to January 1, 2007, as well as OCFA's employer obligation toward monthly healthcare premiums per the Public Employees' Medical and Hospital Care Act (PEMHCA) for employees who were hired on or after January 1, 2007 and participate in the Defined Contribution Healthcare Expense Reimbursement Plan.

- OCFA's net OPEB liability is now reported in the financial statements on the Statement of Net Position at its full amount (total OPEB liability less plan fiduciary net position), as determined by an actuarial valuation. Previously, the amount of the liability had been calculated as the cumulative shortfall of actual annual contributions as compared to the actuarially-determined Annual Required Contribution (ARC), commencing in Fiscal Year 2007/08 (i.e., not retroactive). A net prior period adjustment has been reported in the Fiscal Year 2017/18 financial statements that reduces the beginning net position of governmental activities by $153,157,808.

- Amounts held in trust by the Orange County Employees Retirement System (OCERS) for OCFA's Retiree Medical Plan are now reported within OCFA's pension and other employee benefit trust funds. Amounts are obtained from OCERS' audited Comprehensive Annual Financial Report on a calendar-year basis (i.e., December 31, 2017). A net prior period adjustment has been reported in the Fiscal Year 2017/18 financial statement that increases the beginning net position of OCFA's fiduciary funds by $36,839,189.

Net Pension Liability vs. Unfunded Actuarial Accrued Liability

OCFA follows GASB Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Under these accounting standards, the ***funding*** or paying of OCFA's pension liability is disconnected from the ***reporting*** of the liability and related pension expense in the audited financial statements.

Each year OCFA receives two separate and distinct actuarial valuations from the Orange County Employees Retirement System (OCERS) that are used to identify OCFA's annual costs and future obligations pertaining to the retirement plan for its full-time employees. Both actuarial valuations are prepared by Segal Consulting (Segal) on behalf of OCERS using a "measurement date" of December 31.

- **Funding Valuation:** The "funding valuation" is used to determine OCFA's Unfunded Actuarial Accrued Liability (UAAL) and to set required contribution rates for the upcoming fiscal year. The method in which governmental employers fund their UAAL is systematic and assumed to occur over a long period of time. Contributions paid annually over the UAAL's amortization period are intended to accumulate to an amount necessary to fund the UAAL over time. OCFA's UAAL as reported in the December 31, 2017, funding valuation totaled $401 million.

- **GASB Reporting Valuation:** The "GASB reporting valuation" is used to determine OCFA's Net Pension Liability (NPL), annual pension expense, and related calculations for financial reporting purposes in compliance with GASB Statement No. 68. The actuarial assumptions in this report differ from the "funding valuation" since they must comply with national GASB standards that are consistently applied by all governments. Amounts in this valuation may materially change from one year to the next, creating more volatility in the pension expense recognized in the financial statements (as compared to the required contributions identified in the "funding valuation"). OCFA's NPL for its OCERS pension plan reported in the June 30, 2018, audited financial statements totaled $371 million. More detailed information regarding this long-term net liability can be found on the Statement of Net Position and in the Notes to the Financial Statements No. 15 and 20 (Attachment 1).

Currently, the net difference between OCFA's UAAL (funding) and NPL (reporting) is $30 million, which is the result of different liability and asset values used in measuring these amounts in the separate actuarial valuations. The primary differences are attributed to the NPL being calculated using the plan's current market value of assets, and the UAAL being calculated by adjusting the market value of assets for asset smoothing per the OCERS Actuarial Funding Policy.

Differences are also created by timing differences of when actuarial gains and losses are recognized in the liability calculation for financial reporting purposes compared to funding valuation purposes.

Segal has provided OCERS with a reconciliation to assist in understanding the underlying differences between the UAAL and the NPL for the retirement plan as a whole. Following is a recap of the Segal reconciliation including only the rate groups applicable to OCFA:

	Rate Group #8 (Safety)	**Rate Group #10 (General)**	**OCFA Total**
Liability Reconciliation			
Actuarial accrued liability (L1)	$1,647,414,000	$230,576,000	$1,877,990,000
Gains (losses) from lower (higher) than expected:			
Salary increases	15,942,000	793,000	16,735,000
Cost of living increases	8,621,000	1,043,000	9,664,000
Other experience gain or (loss)	(1,025,000)	(1,598,000)	(2,623,000)
Impact from assumption changes	(6,347,441)	(101,245)	(6,448,686)
Gain (loss) from rolled forward to actual liabilities	126,399	50,567	176,966
Total pension liability (L2)	$1,664,730,958	$230,763,322	$1,895,494,280
Asset Reconciliation			
Valuation of assets (A1)	$1,302,004,000	$175,416,000	$1,477,420,000
Adjustment for deferred investment return and non-valuation reserve	41,771,794	5,627,818	47,399,612
Market value of assets (A2)	$1,343,775,794	$181,043,818	$1,524,819,612
Net Reconciliation			
Unfunded Actuarial Accrued Liability (UAAL) (L1-A1)	$345,410,000	$55,160,000	$400,570,000
Net Pension Liability (NPL) (L2-A2)	$320,955,164	$49,719,504	$370,674,668
Net Difference (UAAL – NPL)	**$24,454,836**	**$5,440,496**	**$29,895,332**
Difference in Liabilities	**$(17,316,958)**	**$(187,322)**	**$(17,504,280)**
Difference in Assets	**$41,771,794**	**$5,627,818**	**$47,399,612**

Structural Fire Fund

The Amended Joint Powers Agreement gives the Board of Directors the sole discretion to determine if sufficient unencumbered funds from the prior fiscal year are available for OCFA-related services or resource enhancements to over-funded Structural Fire Fund (SFF) members. This determination is made after consideration of the audited Financial Statements and after consideration of the OCFA's financial needs. Based on the audited Financial Statements for the fiscal year ended June 30, 2018, the unencumbered fund balance is $13,057,131 (Attachment 6), which is 3.57% of the General Operating Fund budget for Fiscal Year 2018/19. Staff will make recommendations regarding the use and/or distribution of the unencumbered fund balance as part of the 2018 Long-term Liability Study and when the mid-year budget update is provided to the Board of Directors in January 2019.

Attachment 1

CAFR 2018

FISCAL YEAR ENDED JUNE 30

COMPREHENSIVE ANNUAL FINANCIAL REPORT

ORANGE COUNTY FIRE AUTHORITY

ORANGE COUNTY, CALIFORNIA
BUSINESS SERVICES DEPARTMENT/FINANCE DIVISION

Orange County Fire Authority
Comprehensive Annual Financial Report
Year ended June 30, 2018

Board of Directors
As of June 2018

Ed Sachs, Chair
City of Mission Viejo
(Board Member Since 2015)

Joseph Muller, Vice Chair
City of Dana Point
(Board Member Since 2015)

Dave Harrington
City of Aliso Viejo
(Board Member Since 2017)

Elizabeth Swift
City of Buena Park
(Board Member Since 2011)

Rob Johnson
City of Cypress
(Board Member Since 2013)

Michele Steggell
City of La Palma
(Board Member Since 2015)

Don Sedgwick
City of Laguna Hills
(Board Member Since 2015)

Laurie Davies
City of Laguna Niguel
(Board Member Since 2016)

Noel Hatch
City of Laguna Woods
(Board Member Since 2013)

Leah Basile
City of Lake Forest
(Board Member Since 2017)

Shelley Hasselbrink
City of Los Alamitos
(Board Member Since 2015)

Carol Gamble
City of Rancho Santa Margarita
(Board Member Since 2011)

Tim Brown
City of San Clemente
(Board Member Since 2017)

Sergio Farias
City of San Juan Capistrano
(Board Member Since 2017)

Juan Villegas
City of Santa Ana
(Board Member Since 2016)

Ellery Deaton
City of Seal Beach
(Board Member Since 2017)

David Shawver
City of Stanton
(Board Member Since 1995)

Al Murray
City of Tustin
(Board Member Since 2011)

Vince Rossini
City of Villa Park
(Board Member Since 2017)

Tri Ta
City of Westminster
(Board Member Since 2009)

Gene Hernandez
City of Yorba Linda
(Board Member Since 2013)

Lisa Bartlett
County of Orange
(Board Member Since 2015)

Todd Spitzer
County of Orange
(Board Member Since 2013)

Brian Fennessy
Fire Chief

Prepared by OCFA Finance Division
Photos provided by OCFA Multimedia
Additional photos provided by Urban Search and Rescue (USAR) California Task Force 5

On the Cover: USAR Deployments for Hurricane Harvey, TX and the Santa Barbara Mudslides, CA

Orange County Fire Authority

Mission

We enhance public safety and meet the evolving needs of our communities through education, prevention, and emergency response.

Vision

OCFA is a premier public service agency providing superior services that result in no lives or property lost. We reach this through exceptional teamwork and strong partnerships in our community.

Guiding Principles

The Board, management, and members of OCFA are committed to upholding the following guiding principles in how we run our organization and work with each other:

- Service
- Safety
- Financial Responsibility
- Teamwork
- Trust
- Excellence
- Ethics
- Personal Responsibility
- Care and Respect
- Honesty and Fairness
- Reliability
- Diversity
- Integrity

Customer Service Motto

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

ORANGE COUNTY FIRE AUTHORITY
Comprehensive Annual Financial Report
Year ended June 30, 2018

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INTRODUCTORY SECTION

NEW FIRE CHIEF BRIAN FENNESSY

BADGE PINNING CEREMONY
APRIL 26, 2018

ORANGE COUNTY FIRE AUTHORITY
P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Rd., Irvine, CA 92602
(714) 573-6000 www.ocfa.org

October 15, 2018

The Board of Directors
Orange County Fire Authority
1 Fire Authority Road
Irvine, California 92602

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orange County Fire Authority (OCFA) for the fiscal year ended June 30, 2018. This report consists of management's representations concerning the finances of the OCFA and is presented using the financial reporting model outlined in statements issued by the Governmental Accounting Standards Board (GASB). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

To provide a reasonable basis for making its representations, OCFA management has established a comprehensive internal control framework. This framework is designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting transactions are executed in accordance with management's authorization and properly recorded so that the financial statements can be prepared in conformity with generally accepted accounting principles (GAAP). Because the cost of a control should not exceed the benefits to be derived, the objective of the internal control framework is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The design and operation of internal controls also ensures that federal and state financial assistance funds are expended in compliance with applicable laws and regulations related to those programs.

OCFA's financial statements have been audited by Vavrinek, Trine, Day & Company, LLP, a firm of certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the OCFA's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The Management's Discussion and Analysis (MD&A) narrative provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. The MD&A is also intended to disclose any known significant events or decisions that affect the financial condition of the OCFA. The MD&A complements, and should be read in conjunction with, this letter of transmittal.

Serving the Cities of: Aliso Viejo • Buena Park • Cypress • Dana Point • Irvine • Laguna Hills • Laguna Niguel • Laguna Woods • Lake Forest •
La Palma • Los Alamitos • Mission Viejo • Placentia •Rancho Santa Margarita • San Clemente • San Juan Capistrano • Santa Ana • Seal Beach • Stanton •
Tustin • Villa Park • Westminster • Yorba Linda and Unincorporated Areas of Orange County

RESIDENTIAL SPRINKLERS AND SMOKE ALARMS SAVE LIVES

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Background Information on the OCFA

OCFA was formed on March 1, 1995, transitioning from the Orange County Fire Department to a joint powers authority (JPA) as allowed by California State Government Code 6500 et seq. OCFA is an independent entity similar to a special district. The service area includes twenty-three member cities and the unincorporated areas of Orange County. A twenty-three member Board of Directors governs the OCFA, including an elected official appointed to represent each member city, with the exception of the cities of Irvine and Placentia, and two representatives from the County Board of Supervisors. The cities of Irvine and Placentia do not currently have representatives on the OCFA Board of Directors since those cities issued notices of withdrawal to the OCFA, as allowed per the Joint Powers Agreement, prior to June 30, 2018. OCFA is managed by an appointed Fire Chief who reports to the Board of Directors.

The annual budget serves as the foundation for OCFA's financial planning and control. The budget development process begins in November. The budget team compiles the input received from the section/division managers who follow the policies and guidelines established by Executive Management. The results are presented to Executive Management for review and prioritization. The draft budget is further refined through various committee reviews, including a City Managers' Budget and Finance Committee, a Capital Improvement Program Ad Hoc Committee, and the OCFA Budget and Finance Committee. The OCFA Budget and Finance Committee recommends the budget for approval by the Board of Directors in May or June. The Board has the option of holding a public hearing on the proposed budget, and is required to adopt a final budget by no later than June 30, the close of the OCFA's fiscal year. The appropriated budget is allocated by fund and department. Department Chiefs may make transfers of appropriations between sections within a department. Transfers of appropriations between departments require the approval of Executive Management, and transfers between funds require the approval of the Board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. A Budgetary Comparison Statement for the General Fund is presented in the governmental funds section of the accompanying financial statements. Budgetary Comparison Schedules for all remaining governmental funds with appropriated annual budgets are presented in the supplementary schedules section of the accompanying financial statements.

Information on Orange County and the Local Economy[1]

The information presented in the financial statements is best understood when it is considered from the broader perspective of the local economic environment within which the OCFA operates.

Orange County Profile:

Orange County is located along the southern coast of California, with Los Angeles County to the north; San Diego County to the south; and Riverside and San Bernardino counties to the east. Orange County covers an area of 799 square miles, with 42 miles of coastline along the Pacific Ocean, and is home to over 3.1 million people. There are thirty-four cities in Orange County. OCFA provides regional fire services to twenty-three of those cities, along with the unincorporated areas throughout the county.

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[1] Portions throughout this section obtained from the *2018 Community Indicators Report* published by the Children & Families Commission of Orange County, released July 2018. The report may be viewed in its entirety at *http://occhildrenandfamilies.com/wp-content/uploads/2018/07/OCCIR_2018_webready.pdf*.

Population and Demographics:

Residents over the age of sixty-five currently comprise 15% of Orange County's population, a number that is expected to rise to 26% by the year 2040. All other age groups are expected to proportionately shrink in comparison. The growth in Orange County's senior population mirrors national and statewide trends, but is more pronounced and may have significant ramifications. Having fewer residents of working age may impact the long-term ability to sustain schools, pensions, and other government support to members of the community. Dependent residents (ages 0-17 and 65+) as a percentage of working age residents was 60% in 2016, but is projected to increase to 79% by the year 2040.

Employment and Income:

Orange County's unemployment rate has achieved pre-recession levels and a low not seen since December 2000. The unemployment rate in April 2018 was 2.6%, which was well below the ten-year high of 10.1% from March 2010. There has been a positive trend in job growth, with Orange County's four largest employment sectors – health services, tourism, business/professional, and construction – all adding jobs since the end of the recession. The average annual salary in 2016 ranged from $31,371 for low-skill jobs, up to $53,110 and $83,321 for middle-skill and high-skill jobs, respectively. The medium household income is $83,837 as most households require two incomes to afford housing within the county.

Orange County does experience geographic concentrations of wealth and poverty. Approximately 30% of neighborhoods have high concentrations of families that are considered financially challenged based on their income, employment status, and housing expenses. This is an improvement from 34% reported in the previous year, as the decline in the unemployment rate and recent increases in the California minimum wage have helped to improve the financial stability of these residents.

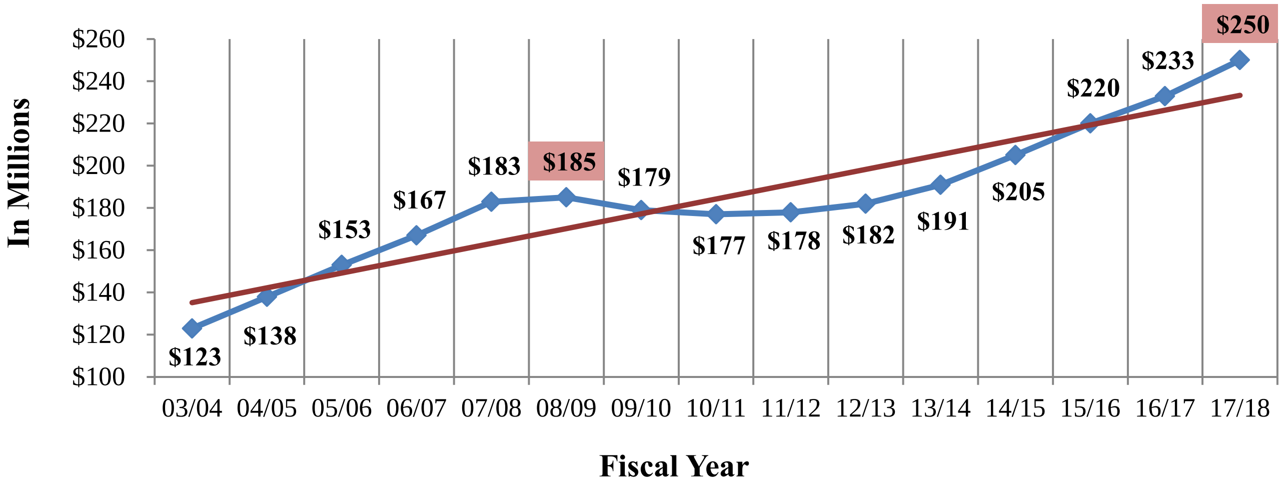
Housing Affordability:

There continues to be a shortage of affordable housing in Orange County, as salaries are not keeping up with rising home prices. The median price for a single-family home in Orange County was $785,500 in December 2017, an increase of 5.4% from the prior year. As home prices have continued to rise, the number of Orange County households that can afford to purchase at this price has fallen to 40%. First-time homebuyers need a minimum household income of $102,000 to qualify to purchase a single-family home priced at 85% of the Orange County median. Only one of ten common and growing Orange County occupations – software engineers – makes a large enough median income to afford an entry-level home. The remaining occupations would not qualify, including nurses, biomedical engineers, teachers, and carpenters. Orange County also has the most expensive rental market in Southern California, with a median-priced, one-bedroom apartment priced at just under $60,000 per year. This places a high rent burden on workers, especially those making lower wages or who are early in their careers, potentially leading to economic insecurity, overcrowding, and homelessness.

Property Taxes:

The most significant local economic factor impacting OCFA is Orange County's housing market, including fluctuations in new construction activities and housing prices. Property taxes derived from these activities comprised 61.2% of the OCFA's total governmental funds revenues in Fiscal Year 2017/18. As shown in the chart below, OCFA's property tax revenues have been steadily increasing post-recession for the last seven fiscal years.

Property Tax Revenue
(Last Fifteen Fiscal Years)



Property tax revenues in Fiscal Year 2017/18 totaling $250 million surpassed the pre-recession peak from Fiscal Year 2008/09 by over $65 million (35.5%). This increase is attributed primarily to appreciation in Orange County's housing prices and new housing development. Orange County's real estate market continues to improve. Housing prices have risen substantially, and now exceed the levels that existed prior to the 2007 housing downturn. In December 2017, Orange County's median single-family home price was $785,500. For comparison purposes, the price peak was $747,260 in April 2007, and the price low was $432,100 in January 2009.

Long-term Financial Planning

Since its formation in 1995, OCFA has been preparing multi-year projections of its revenues and expenditures. A firm of property tax consultants has been retained to assist in the projection of the OCFA's single largest revenue source – property taxes. With these projections and a collection of conservative assumptions, the OCFA forecasts its financial condition five years into the future. Various scenarios can be developed from the forecast to assess the impact of proposed or impending changes to the budget, the economy or the underlying assumptions. As a result, this tool provides an early warning of potential financial difficulties.

Historically, OCFA's method of projecting its property tax revenue was to increase the value of existing structures by the 2% constitutional maximum, increase these values to account for re-sales, and add in the value of any new development. During the recession, those techniques were adjusted to incorporate the appreciation or depreciation rate set by the State Board of Equalization, the potential for the County Assessor to reassess existing structures, and the possibility that re-sales might actually decrease the assessed values. However, with the recession ended and housing showing signs of recovery, OCFA has, in conjunction with its property tax consultant, returned to its previous practice for estimating property tax growth.

Relevant Financial Policies

The OCFA Board of Directors has adopted the following formal budgetary and fiscal policies:

Financial Stability Budget Policy – This policy is intended to guide the OCFA budget actions toward maintaining long-term financial stability and to establish fund balance levels and annual funding targets for the General Fund and Capital Improvement Program (CIP). The policy was updated in 2017 to include guidance on facilitating the accelerated payment of OCFA's unfunded liabilities for improved fiscal health.

Fiscal Health Plan – The purpose of this plan is to establish a framework for ensuring an ongoing focus on fiscal health and a general process to ensure timely and appropriate response to adverse fiscal circumstances. The cornerstones of this plan are a set of strong fiscal policies and a comprehensive system for monitoring OCFA's fiscal performance. Financial indicators are monitored through frequent updates of the OCFA's five-year financial forecast to evaluate stability, strength, or weaknesses of OCFA's finances.

Investment Policy – This policy is updated annually to reflect changes in legislation and the changing needs of the OCFA. It specifies the types of investments allowed in the OCFA portfolio, as well as the diversification and maturity requirements for investments.

Roles/Responsibilities/Authorities for the OCFA – This document identifies those roles and responsibilities that have been retained by the Board, as well as responsibilities that have been delegated. All authority rests with the Board unless it is delegated by statute or Board action. When delegated, these authorities are further defined by contracts, resolutions, policies and/or other Board actions.

Accounts Receivable Write-off Policy for Uncollectible Accounts – This policy establishes the criteria and procedures for requesting uncollectible amounts to be written off.

Short-term Debt Policy – This policy establishes guidelines for managing the OCFA's cash flow position in a fiscally conservative manner through the issuance of short-term debt.

Emergency Appropriations Policy – This policy, which was adopted in September 2008, establishes guidelines for increasing appropriations in the event of extraordinary fire or emergency activity following the last Board meeting of the fiscal year.

Assigned Fund Balance Policy – This policy, which was adopted in April 2011 and amended effective July 2014, establishes the authority by which OCFA may set aside cumulative resources in fund balance for an intended future use.

Grants Management Policy – This policy, which was effective January 2012, establishes an overall framework for guiding OCFA's use and management of grant resources.

Capital Projects Fund Policy – This policy, which was effective July 2014, defines the types of allowable activities that may be accounted for in OCFA's capital projects funds, as defined by Governmental Accounting Standard Board (GASB) Statement No. 54.

Major Initiatives Expected to Affect Future Financial Positions

OCFA has established the following strategic goals:

1. ***Our Service Delivery*** **–** Our service delivery model is centered on continuous improvement. All services are sustainable through a range of economic environments and focused on our mission.
2. ***Our People*** **–** Promote a highly skilled, accountable, and resilient workforce that is united in our common mission.
3. ***Our Technology*** **–** Implement and utilize emerging technologies that support the needs of the organization by maximizing operational efficiency and improving our quality of service.

Various objectives, along with performance measures designed to document and assess progress toward their completion, have been identified for each strategic goal. Highlights of select objectives that have the potential to impact OCFA's future financial positions are described below.

Focus on Long-term Fiscal Health for OCFA and Its Members – OCFA remains focused on the pursuit of fiscal health, seeking to ensure that services delivered are sustainable into the future. OCFA's objective is to recognize and respond to changing budgetary conditions, considering both OCFA and its financial impact on its member agencies. The Fiscal Year 2018/19 budget was adopted by the Board of Directors in May 2018, reflecting a balanced General Fund; cash contract increases to member cities that were capped at the 4.5% allowable maximum, with the excess banked for recapture in the subsequent fiscal year; a revised base service charge methodology for the City of Santa Ana which removes voluntary UAAL payments from the calculation of budget increase; and a flow of surplus funds from the General Fund to the Capital Improvement Program (50%) and for the pay-down of the UAAL (50%) as outlined in the Financial Stability Budget Policy approved by the Board of Directors in March 2017.

Accelerated Pay-Down of Pension Liability with the Orange County Employees Retirement System – OCFA continues its policy efforts and Board actions to reduce its unfunded liabilities, thereby improving the sustainability of services. In September 2013, the Board of Directors approved several strategies to accelerate funding OCFA's Unfunded Actuarial Accrued Liability (UAAL) with the Orange County Employees Retirement System (OCERS). Those strategies, referred to as the "Snowball Plan," have been subsequently revised to currently include the following:

(A) Use unencumbered fund balance available at the close of each fiscal year to make annual lump sum payments, estimated at an average amount of $3 million annually;

(B) Include savings from reduced retirement rates resulting from the implementation of the Public Employees' Pension Reform Act;

(C) Budget an additional $1 million beginning in Fiscal Year 2016/17, and increase by $2 million each subsequent fiscal year until reaching an annual amount of $15 million;

(D) Contribute $1 million annually for five years, beginning in Fiscal Year 2016/17, from surplus fund balance available from the General Fund's fund balance assignment for workers' compensation; and

(E) Contribute 50% of General Fund surplus annually beginning in Fiscal Year 2017/18.

In November 2016, the Board of Directors also authorized modifications of the “Snowball Plan” to (1) alter the funding target from 100% to 85%; and (2) to redirect expedited payments from the UAAL to the OCFA’s unfunded liability for the Retiree Medical Plan after achieving that 85% target.

OCFA has been making additional payments toward its UAAL annually since Fiscal Year 2013/14, with additional payments made during Fiscal Year 2017/18 totaling $23.1 million. The Board of Directors is updated annually on the status of the pay-down plan. As of October 2017, estimates received from the OCERS actuary indicated that accelerated payments have saved OCFA $11.5 million in interest, and that OCFA will achieve 85% funding by December 31, 2020, and 100% funding by December 31, 2027. Following is a summary of additional payments made toward the UAAL under the “Snowball Plan” since Fiscal Year 2013/14:

	Part A	Part B	Part C	Part D	Part E			
Fiscal Year	Available Fund Balance	Annual PEPRA Savings	Annual Budget Increases	Budget Increases from Workers Comp Assignment	50% of General Fund Surplus	Total Snowball Plan Payments	Other UAAL Rate Savings Payments	Total Additional Payments Toward the UAAL
2013/14	$ 3,000,000	$2,235,753	$ -	$ -	$ -	$ 5,235,753	$ -	$ 5,235,753
2014/15	21,290,238	86,061	-	-	-	21,376,299	-	21,376,299
2015/16	12,609,380	2,802,122	-	-	-	15,411,502	-	15,411,502
2016/17	9,814,477	1,653,114	1,000,000	1,000,000	-	13,467,591	3,128,369	16,595,960
2017/18	13,174,516	1,886,420	3,000,000	1,000,000	870,041	19,930,977	3,164,819	23,095,796
Total	$59,888,611	$8,663,470	$4,000,000	$2,000,000	$870,041	$75,422,122	$6,293,188	$81,715,310

Labor Negotiations for Expiring Non-Safety MOU’s – Memorandums of Understanding (MOU) with the Orange County Employees Association (OCEA) and the Orange County Fire Authority Management Association (OCFAMA) expired on December 15, 2017, and June 24, 2018, respectively. Negotiation sessions between OCFA management and both labor groups were in progress throughout Fiscal Year 2017/18 and were approved in August 2018. OCFA’s objective was to negotiate and implement successor MOU’s with both labor groups which focused on OCFA’s mission and the sustainability of services.

Organizational Reassessment and Restructure – OCFA has completed an evaluation of its organizational structure that considers the growth in the number of member agencies and the population served since OCFA’s inception in 1995, along with the corresponding growth in OCFA’s workforce. The evaluation focused on organizational changes that enable improved delegation, organization of activities, and service delivery. The organizational restructure was approved by OCFA’s Board of Directors in August 2018. Key in the proposed organizational restructure was re-establishment of the former Deputy Chief rank, which was previously eliminated in 2015, with implementation of two Deputies both reporting directly to the Fire Chief. Organizational activities will be organized under the two Deputies as the “Emergency Operations Bureau” and the “Administration & Support Bureau.” Multiple changes of reporting structure to place Departments, Divisions, and Sections under the two Deputy Chiefs are anticipated to occur throughout Fiscal Year 2018/19.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the OCFA for its Fiscal Year 2016/17 Comprehensive Annual Financial Report (CAFR), the twentieth consecutive year OCFA has received this prestigious award. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements. The certificate is valid for a period of one year. We believe our Fiscal Year 2017/18 CAFR continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for this year's award.

The timely preparation of the CAFR was made possible by the dedicated efforts of the staff of the Finance Division. We acknowledge the support and direction provided to OCFA staff by the accounting firm of Vavrinek, Trine, Day & Company, LLP. We would also like to express our appreciation to the Board of Directors and Budget and Finance Committee for their leadership and support in planning and conducting the financial operations of the OCFA in a responsible and progressive manner.

Respectfully submitted,

Lori Zeller

Brian Fennessy
Fire Chief

Lori Zeller
Deputy Chief, Administration & Support Bureau

ORANGE COUNTY FIRE AUTHORITY
Organization Chart
As of June 30, 2018

The Public

Board of Directors — **Legal Counsel**

Fire Chief
Brian Fennessv

Human Resources

Brigette Gibb
Director

- ~ Employee Benefits
- ~ Employee Relations
- ~ Organizational Development & Training
- ~ Risk Management

Operations

Mark Sanchez
Assistant Chief

Division I
~ Battalion 1

Division II
~ Battalion 5
~ John Wayne Airport

Division III
~ Battalions 6 & 7

Division IV
~ Battalions 2 & 3
~ CVS

Division V
~ Battalion 4
~ US&R
~ Swift Water Rescue

Division VI
~ Battalion 9
~ EMS
~ Hazardous Materials

Division VII
~ Battalion 8

Division X
~ Air Operations
~ EPAC
~ Pre-Fire Management / Crews & Equipment
~ Strategic Services

Communications and Legislative Affairs

Operations Training and Safety
~ Multimedia

PIO and Media Relations

Community Risk Reduction
Lori Smith
Assistant Chief

Investigation Services

Planning & Development

Prevention Field Services

Business Services

Lori Zeller
Assistant Chief

Clerk of the Authority

Finance Division

Purchasing and Materiel Management

Treasury & Financial Planning

Support Services

Dave Anderson
Assistant Chief

Emergency Command Center

Fleet Services

Information Technology

Property Management

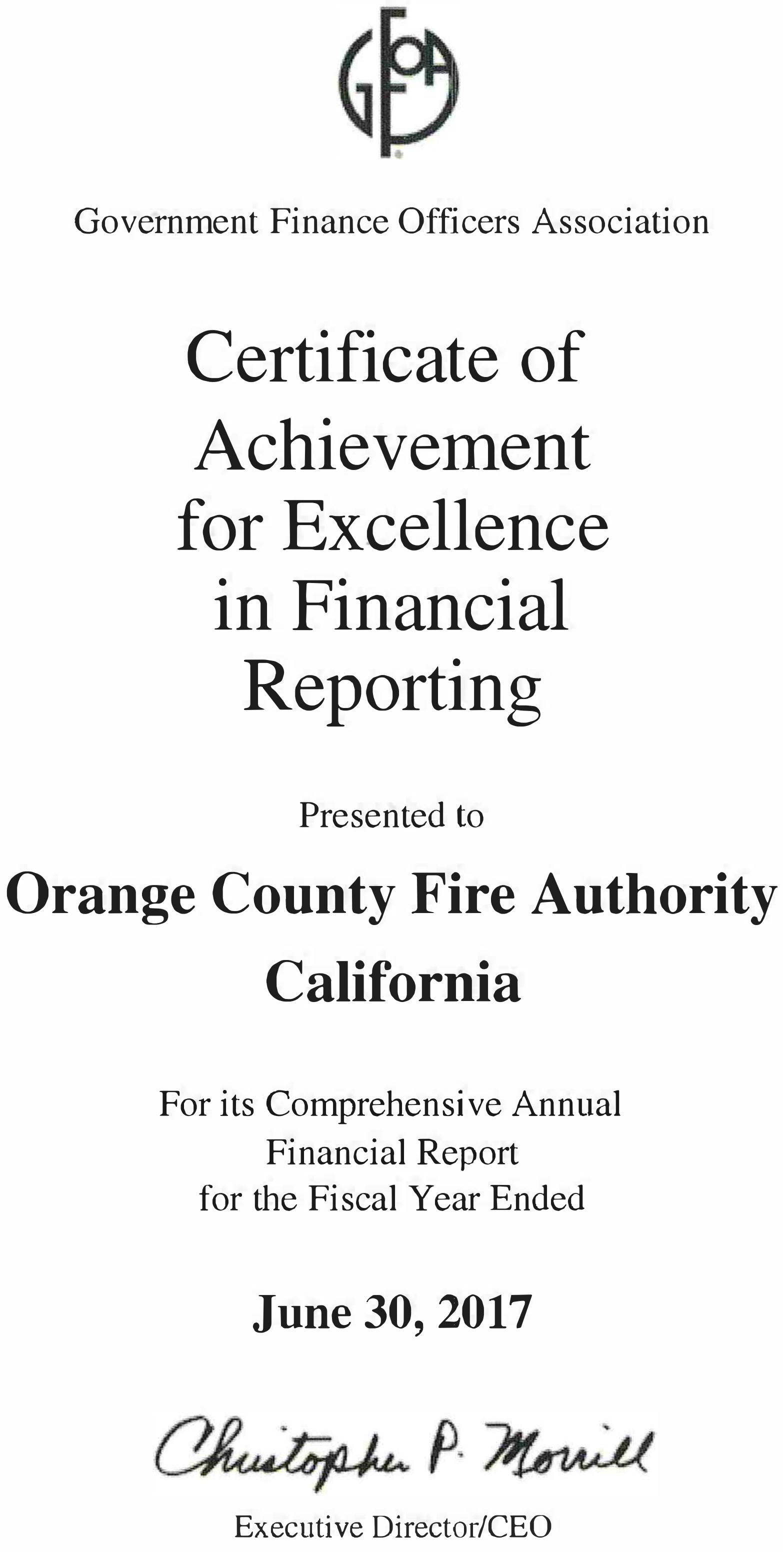
ORANGE COUNTY FIRE AUTHORITY
Management Staff and Appointed Officials
As of June 30, 2018

Brian Fennessy	Fire Chief
Mark Sanchez	Assistant Chief Operations Department
Lori Smith	Assistant Chief Community Risk Reduction Department
Lori Zeller	Assistant Chief Business Services Department
Dave Anderson	Assistant Chief Support Services Department
Brigette Gibb	Director Human Resources Division
Sherry A.F. Wentz	Appointed – Clerk of the Authority
Jim Ruane	Appointed – Auditor
Patricia Jakubiak	Appointed – Treasurer
Woodruff, Spradlin, & Smart	General Counsel

ORANGE COUNTY FIRE AUTHORITY
Organization of Board of Directors
As of June 30, 2018

The Orange County Fire Authority Board of Directors has twenty-three members. Twenty-one of the members represent member cities and two members represent the county unincorporated area. The Board of Directors meets monthly. Following are descriptions of each committee that has been established by the Board of Directors:

> The **Executive Committee** conducts all business of the OCFA, with the exception of policy issues, including labor relations, budget issues and other matters specifically retained by the Board of Directors. The Executive Committee consists of no more than nine members of the Board of Directors. The committee membership is comprised of the following designated positions: the Chair and Vice Chair of the Board of Directors, the immediate past Chair of the Board, and the Chair of the Budget and Finance Committee. In addition, the Chair appoints five at-large members, subject to the approval of the Board of Directors. At least one member of the Board of Supervisors serves on this committee. In addition, the ratio of committee members representing cash contract cities to the total committee membership will be as close as reasonably possible to the ratio of the number of cash contract cities to total member agencies. The Chair of the City Managers Technical Advisory Committee serves as an ex officio non-voting member of the Executive Committee.
>
> The **Budget and Finance Committee** advises staff and makes recommendations to the Board of Directors on matters related to financial and budget policies, development of budgets for the General Fund and capital expenditures, assignment of fund balances, budget balancing measures, evaluation and development of plans to meet long-term financing needs, investment oversight and purchasing policies. The Chair of the Board makes appointments to the Committee on an annual or as-needed basis. The Chair of the City Manager Budget and Finance Committee serves as an ex officio non-voting member of this committee. The Budget and Finance Committee is also designated to serve as the OCFA’s audit oversight committee.
>
> The **Claims Settlement Committee** has the authority to settle claims and lawsuits and pre-litigation claims for amounts above $50,000, not to exceed $250,000, including insurance pool settlements, workers’ compensation settlements, and the initiation and settlement of subrogation claims. Settlements of lawsuits in amounts exceeding $250,000 are approved by the Board of Directors. The Claims Settlement Committee consists of the Board Chair and Vice Chair, the Budget and Finance Committee Chair, the Fire Chief, and the Human Resources Director.
>
> The **Human Resources Committee** advises OCFA staff and makes recommendations to the Board of Directors on matters regarding human resources policies; job class specifications; compensation programs; benefit changes and renewals; staff training, development and recognition programs; succession planning; risk management and workers’ compensation policies; and development of management/performance evaluation and information systems. The committee consists of five members of the Board of Directors, all of which are appointed by the Chair of the Board.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Fire Authority
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill
Executive Director/CEO

FINANCIAL SECTION

OCFA'S 10TH ANNUAL BEST & BRAVEST

BEST & BRAVEST AWARDS DINNER
FEBRUARY 23, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Orange County Fire Authority
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority (Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2018, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, the Authority adopted Governmental Accounting Standards Boards (GASB) Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5 through 28), the schedule of the Authority's proportionate share of the net pension liability and schedule of contributions for the OCERS Retirement plan (pages 104 through 107), schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of money weighted rate of return for the Extra Help Retirement plan (pages 108 through 112), schedule of changes in net OPEB liability and related ratios, schedule of contributions, and schedule of money weighted rate of return for the Retiree Medical plan (page 113 through 115) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, individual fund budgetary comparison schedules, combining general fund statements, combining fiduciary fund statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary comparison schedules, combining general fund statements, and combining fiduciary fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary comparison schedules, combining general fund statements, and combining fiduciary fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2017, from which such summarized information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 15, 2018

Orange County Fire Authority Safety Message

Holiday Cooking Fire Safety

(Part 1 of 3)

More cooking fires are reported on Thanksgiving than any other day of the year, followed by Christmas and Christmas Eve.

Safety Tips

Whether you're baking cookies or preparing a family feast, following a few safety tips will help you spend time with loved ones, not firefighters, in the kitchen this holiday season.

- ✓ Stay in the kitchen when frying, grilling, or broiling food.
- ✓ Check food often while cooking. If you're entertaining guests, use a timer to remind you that the stove or oven is on.
- ✓ Wear short, close fitting, or tightly rolled sleeves when cooking.

(Continued on Page 29)

MANAGEMENT'S DISCUSSION AND ANALYSIS

CANYON AND CANYON 2 FIRES
SEPTEMBER-OCTOBER 2018

ORANGE COUNTY FIRE AUTHORITY
Management's Discussion and Analysis
Year ended June 30, 2018

As management of the Orange County Fire Authority (OCFA), we offer readers of OCFA's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2018.

Financial Highlights

Governmental Activities: OCFA's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $299,453,446 at the end of the current fiscal year. Net position consisted of net investment in capital assets totaling $207,951,822; restricted for capital projects and other purposes totaling $3,953,884; and an unrestricted deficit totaling $511,359,152. The result of current fiscal year operations caused total net position to increase by $30,478,409 from the prior fiscal year.

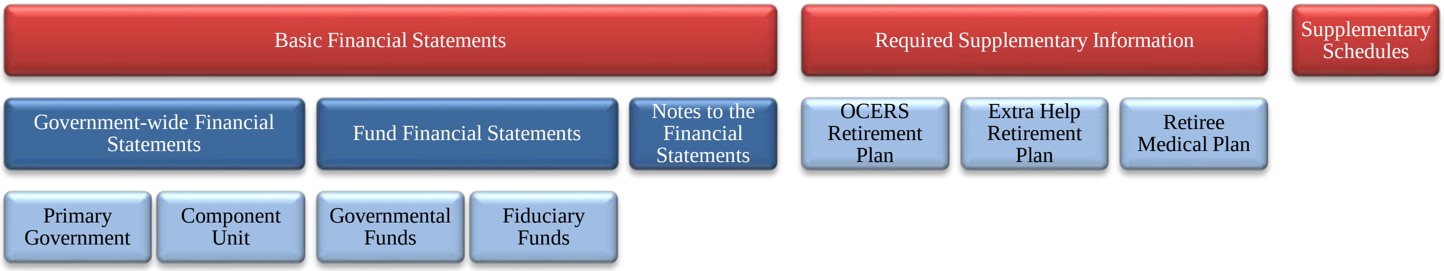
Governmental Funds: As of the close of the current fiscal year, OCFA's governmental funds showed combined ending fund balances totaling $218,584,516, an increase of $5,673,938 from the prior fiscal year. Of the total ending fund balance, $35,352,256 (16.2%) was available for funding future operational needs.

General Fund: At the end of the current fiscal year, total fund balance for the General Fund was $158,101,290, and was categorized as follows:

➢ Nonspendable	$ 34,800,682
➢ Restricted	3,420,652
➢ Committed	1,496,954
➢ Assigned	83,030,746
➢ Unassigned	35,352,256
Fund balance of the General Fund as of June 30, 2018	$158,101,290

Overview of the Financial Statements

This discussion and analysis serves as an introduction to OCFA's basic financial statements. The basic financial statements are comprised of the following three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This financial report also contains required supplementary information and other supplementary schedules in addition to the basic financial statements.



Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of OCFA's and the OCFA Foundation's finances, in a manner similar to a private-sector business. Public safety activities are reported as governmental activities, since they are principally supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 30-33.

Statement of Net Position: The statement of net position presents information on all of OCFA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of OCFA is improving or deteriorating.

Statement of Activities: The statement of activities presents information showing how OCFA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. OCFA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. OCFA's funds can be divided into two categories – governmental funds and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of OCFA's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison.

OCFA reports four governmental funds. Information is presented separately in the fund financial statements for all four governmental funds, since OCFA has elected to classify all governmental funds as major funds. The OCFA adopts an annual appropriated budget for each governmental fund. Budgetary comparison statements and schedules have been provided for the governmental funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 36-44.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support OCFA's own programs. Combined basic fiduciary fund financial statements can be found on pages 45-46.

Notes to the Financial Statements and Required Supplementary Information (RSI): The notes and RSI provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, including additional information about OCFA's retirement and other postemployment benefit plans. The notes to the financial statements can be found on pages 47-101, while RSI can be found on pages 103-115.

Supplementary Schedules: The budgetary schedules referred to earlier in connection with governmental funds are presented in the supplementary schedules section. Combining and individual fund schedules can be found on pages 117-133.

Government-wide Financial Analysis

Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of OCFA, net position totaled a deficit of $299,453,446 at the end of the most recent fiscal year, a 69.4% decline from the prior fiscal year. Following is a summary of OCFA's net position as of June 30, 2018 and 2017:

ORANGE COUNTY FIRE AUTHORITY's Net Position

			Increase (Decrease)	
Governmental Activities	June 30, 2018	June 30, 2017	Amount	%
Assets:				
Current and other assets	$ 217,366,652	$ 211,898,221	$ 5,468,431	2.6%
Capital assets, net	209,205,540	196,143,774	13,061,766	6.7%
Total assets	426,572,192	408,041,995	18,530,197	4.5%
Deferred outflows of resources:				
Related to pensions/OPEB	114,184,983	122,197,259	(8,012,276)	-6.6%
Total deferred outflows of resources	114,184,983	122,197,259	(8,012,276)	-6.6%
Liabilities:				
Long-term liabilities	707,604,967	638,389,128	69,215,839	10.8%
Other liabilities	13,956,836	13,419,726	537,110	4.0%
Total liabilities	721,561,803	651,808,854	69,752,949	10.7%
Deferred inflows of resources:				
Related to pensions/OPEB	118,648,818	55,204,447	63,444,371	114.9%
Total deferred inflows of resources	118,648,818	55,204,447	63,444,371	114.9%
Net position:				
Net investment in capital assets	207,951,822	192,430,467	15,521,355	8.1%
Restricted for capital projects	536,207	533,232	2,975	0.6%
Restricted for drought augmentation activities	3,371,348	3,307,509	63,839	1.9%
Restricted for grants, donations, and other purposes	46,329	56,873	(10,544)	-1.9%
Unrestricted	(511,359,152)	(373,102,128)	(138,257,024)	-37.1%
Total net position	$(299,453,446)	$(176,774,047)	$(122,679,399)	-69.4%

Net Investment in Capital Assets: At June 30, 2018, the largest portion of OCFA's net position reflects its investment in capital assets, less related outstanding debt used to acquire those assets. OCFA uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although OCFA's investment in its capital assets is reported net of related debt, it should be noted that the repayment of any debt issued to acquire capital assets must be from other sources. OCFA cannot sell the assets to obtain funding.

Net Position Restricted for Capital Projects and Other Purposes: An additional portion of OCFA's net position represents resources that are subject to external restrictions on how they may be used. As of June 30, 2018, restricted net position relates to CALFIRE contract revenues that are legally restricted for new fire station development or improvements to existing fire stations; state funding restricted for drought augmentation activities; donations received for specific programs; and unperformed purchase orders for grant-funded programs.

Unrestricted Net Position: The remaining balance of net position is considered unrestricted. A positive unrestricted balance would represent amounts that may be used to meet OCFA's ongoing obligations to citizens and creditors. A deficit unrestricted balance, as reported on June 30, 2018 and June 30, 2017, indicates that OCFA's obligations currently exceed its resources. This deficit is due to the implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 75 during Fiscal Year 2014/15 and Fiscal Year 2017/18, respectively. These statements required OCFA to begin reporting its net pension liabilities and the full amount of its net other postemployment benefit liabilities (OPEB) on the Statement of Net Position.

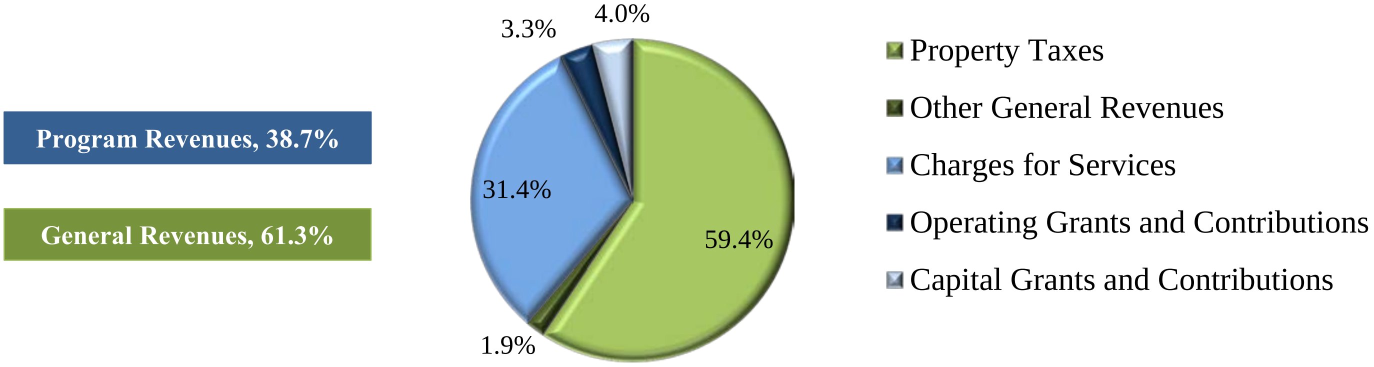
Changes in Net Position: Governmental activities from the current year's activities increased OCFA's net position by $30,478,409 during the most recent fiscal year, an indication that OCFA's financial position has improved. As previously noted, the reason for the overall deficit in net position is due to a change in financial reporting requirements under GASB Statement No. 75, not the result of a change in OCFA's financial situation.

Governmental activities are divided into two categories – program and general. Program revenues are those derived directly from a government program itself, or from parties outside the government's taxpayers, and thus reduce the net cost of providing that program. Any program expenses that are not offset by program revenues must essentially be financed by general revenues, such as taxes and investment earnings. Following is a summary of OCFA's changes in net position for Fiscal Year 2017/18 and Fiscal Year 2016/17, followed by explanations for the increases or decreases in revenues and expenses between fiscal years.

ORANGE COUNTY FIRE AUTHORITY's Changes in Net Position

			Increase (Decrease)	
Governmental Activities	June 30, 2018	June 30, 2017	Amount	%
Program revenues:				
Charges for services	$ 132,634,280	$ 121,875,157	$ 10,759,123	8.8%
Operating grants and contributions	13,920,686	11,992,438	1,928,248	16.1%
Capital grants and contributions	16,875,139	1,040,129	15,835,010	1522.4%
Total program revenues	163,430,105	134,907,724	28,522,381	21.1%
General revenues:				
Property taxes	250,326,172	232,832,758	17,493,414	7.5 %
Investment income	2,188,611	990,851	1,197,760	120.9%
Gain on disposal of capital assets	719,372	657,944	61,428	9.3%
Miscellaneous	5,089,603	4,480,901	608,702	13.6%
Total general revenues	258,323,758	238,962,454	19,361,304	8.1%
Total revenues	421,753,863	373,870,178	47,883,685	12.8%
Public safety expenses:				
Salaries and benefits	323,845,042	327,515,166	(3,670,124)	-1.1%
Services and supplies	57,275,465	52,819,125	4,456,340	8.4%
Depreciation and amortization	10,084,196	9,512,777	571,419	6.0%
Interest on long-term debt	70,751	133,239	(62,488)	-46.9%
Total expenses	391,275,454	389,980,307	1,295,147	0.3%
Change in net position	30,478,409	(16,110,129)	46,588,538	
Net position, beginning of year	(176,774,047)	(160,663,918)	(16,110,129)	
Prior period adjustment	(153,157,808)	-	(153,157,808)	
Net position, end of year	$(299,453,446)	$(176,774,047)	$(122,679,399)	-69.4%

Revenues of Governmental Activities - by Source
Fiscal Year 2017/18



Program Revenues: Program revenues, which totaled $163,430,105 for Fiscal Year 2017/18 and accounted for 38.7% of total revenues, increased by $28,522,381 from the prior fiscal year.

Charges for Services include amounts received from those who purchase, use, or directly benefit from or are affected by a program. These revenues increased by $10,759,123 over the prior fiscal year.

Amount (Rounded)	Reason for Increase / Decrease
+$7,145,000	Reimbursements for state and federal incidents vary each year depending on fire and emergency response activity. State assistance performed for CALFIRE and the California Emergency Management Agency (CAL EMA) increased by $5,550,000. Reimbursements for state incidents were higher in the current fiscal year due to the in-county Canyon and Canyon 2 Fires from September to October 2017, as well as the Ventura County Thomas Fire in December 2017. Federal assistance performed for Cleveland National Forest decreased by $305,000 primarily due to the Holy Fire in September 2016. Federal responses to national incidents increased by $1,900,000 due to the response for Hurricanes Irma and Harvey in September 2017, as well as federal public assistance received for the in-county Canyon 2 Fire.
+$4,630,000	Fire service contracts increased for cash contract city charges per terms of the Joint Powers Agreement (+$5,045,000) and the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport (+$280,000); but decreased for OCFA's contract with California Department of Forestry (CALFIRE) for the protection of State Responsibility Area (SRA) lands (-$695,000). In the prior fiscal year, there was a decrease in cash contract city contract revenues due to accrual-based adjustments for revenues from the City of Santa Ana to reimburse OCFA for usage of employee general leave balances.
-$755,000	Revenues for ambulance transport and supplies reimbursement were lower in Fiscal Year 2017/18 due to a decrease in transport activity, as well as discontinuation of OCFA's emergency transport services in the City of San Clemente effective September 2017.
-$270,000	Fee-based fire prevention revenues decreased primarily due to higher-than-anticipated assembly inspections completed in the prior fiscal year. Completion of various inspections had been delayed in Fiscal Year 2015/16, resulting in higher than normal inspections in Fiscal Year 2016/17.
+$10,000	Road maintenance, fuel reduction, and other contract revenues generated by the hand crew increased due to more work performed for the Orange County Parks Department.
+$10,760,000	**Program Revenues: Charges for Services – Net Increase**

Operating Grants and Contributions include grants, contributions, donations, and similar items that are restricted to one or more specific program. These revenues increased by $1,928,248 from the prior fiscal year.

Amount (Rounded)	Reason for Increase / Decrease
+$1,680,000	Tax increment passed through from member cities increased by $1,120,000, and one-time tax increment passed through from the County of Orange increased by $560,000. In Fiscal Year 2011/12, the State of California dissolved its sixty year-old redevelopment program, and city redevelopment agencies were replaced with successor agencies to manage the wind-down of the program. Property tax increment that was formerly passed through to OCFA by various member cities has now been deposited into the newly formed Redevelopment Property Tax Trust Fund, from which the County of Orange Auditor/Controller makes disbursements.
+$330,000	Other miscellaneous operating revenues increased, primarily due to an increase in the number of reimbursable instructional hours per a contract with Santa Ana College and reimbursable projects approved by the California Firefighter Joint Apprenticeship Committee.
-$80,000	Federal and state operating grants decreased due to a one-time federal grant for the development of wildland urban interface pre-fire plans (-$50,000) and a decline in the ongoing federal Urban Search and Rescue cooperative agreement grants (-$330,000). These declines were offset by an increase for the new Assistance to Firefighters grant that commenced in Fiscal Year 2017/18, which reimburses OCFA for the cost of certain firefighter positions (+$300,000).
+$1,930,000	**Program Revenues: Operating Grants and Contributions – Net Increase**

Capital Grants and Contributions include grants, contributions, donations, and similar items that are restricted to one or more specific capital-related programs. These revenues increased by $15,835,010 from the prior fiscal year.

Amount (Rounded)	Reason for Increase / Decrease
+$13,250,000	Capital assets contributed to OCFA increased primarily due to Fire Station No. 20 (Irvine), which was acquired from The Irvine Company in June 2018 at a value of $13,330,000. This permanent facility replaced a temporary fire station facility that had previously served the Great Park area in the City of Irvine. During Fiscal Year 2016/17, the cities of Anaheim and Newport Beach contributed four pairs of night vision goggles and one search camera, respectively, valued at a combined $80,000.
+$2,585,000	Revenues from developers increased per the terms of various Secured Fire Protection Agreements. Contributions varied between prior and current fiscal years based on construction projects in the cities of Aliso Viejo, Dana Point, Irvine, Lake Forest, and Yorba Linda. The individual developments having the greatest impact on the increase were the Great Park and Fire Station No. 20 (Irvine).
+$15,835,000	**Program Revenues: Capital Grants and Contributions – Net Increase**

General Revenues: General revenues, which totaled $258,323,758 for Fiscal Year 2017/18 and accounted for 61.3% of total revenues, increased by $19,361,304 over the prior fiscal year.

<table>
<tr><th>Amount (Rounded)</th><th>Reason for Increase / Decrease</th></tr>
<tr><td>+$17,495,000</td><td>The largest general revenue, property taxes, increased by $17,495,000 over the prior fiscal year, primarily due to increases in secured property taxes.</td></tr>
<tr><td>+$1,195,000</td><td>Investment income increased by $1,195,000. OCFA’s year-to-date effective rate of return on its investment portfolio was 1.78% as of June 30, 2018, as compared to 0.74% as of June 30, 2017. This increase in the annual rate of return created a $965,000 increase to overall interest earnings. However, OCFA adjusts its investments to market value as of June 30 each year. This resulted in an overall investment loss in Fiscal Year 2017/18, but generated a $150,000 increase in total investment income as compared to the prior fiscal year’s greater market value loss. The market value adjustment is a “paper only” transaction, and no actual investment gains or losses have been recognized since OCFA typically holds its investments to maturity. These components of investment income are summarized below:
<table>
<tr><th></th><th>FY 2017/18</th><th>FY 2016/17</th><th>Increase (Decrease)</th></tr>
<tr><td>Portfolio earnings</td><td>$2,162,548</td><td>$1,197,588</td><td>$ 964,960</td></tr>
<tr><td>Market value gain (loss)</td><td>(162,490)</td><td>(311,586)</td><td>149,096</td></tr>
<tr><td>Interest on property taxes</td><td>188,553</td><td>104,849</td><td>83,704</td></tr>
<tr><td>Total investment income</td><td>$2,188,611</td><td>$ 990,851</td><td>$1,197,760</td></tr>
</table></td></tr>
<tr><td>+$610,000</td><td>Miscellaneous revenues increased by $610,000 due to insurance settlements recognized in Fiscal Year 2017/18 for non-capital items lost during a fire that destroyed Fire Station No. 61 (Buena Park) in January 2017 (+$1,010,000); final receipt of bankruptcy loss recoveries from the County of Orange (+255,000); sale of non-capital surplus items (+$130,000); and a one-time fee paid by the City of Garden Grove for a fire service proposal (+$75,000). These increases were offset by a decline in amounts received from the Orange County Professional Firefighters Association IAFF Local 3631 in connection with the contract governing OCFA’s contributions to the firefighter medical trust.</td></tr>
<tr><td>+$60,000</td><td>The gain on disposal of capital assets increased by $60,000, primarily due to a Fiscal Year 2017/18 gain on the trade-in of 108 cardiac monitors in conjunction with a replacement purchase project conducted in the prior fiscal year. The trade-in credit received from the vendor for these items exceeded their net book value, producing a combined $620,000 gain on their disposal. There was also an increase in the number of vehicles and equipment sold at public auction or disposed because they were obsolete or broken beyond repair. Most of these items were fully depreciated, generating a $130,000 increase in the combined gain on disposal. In Fiscal Year 2016/17, various capital vehicles and equipment items were destroyed in a fire at Fire Station No. 61 (Buena Park) in January 2017. Insurance proceeds received for these items exceeded their net book value, producing a combined $690,000 gain on their disposal in the prior fiscal year.</td></tr>
<tr><td>+$19,360,000</td><td>General Revenues – Net Increase</td></tr>
</table>

Expenses of Governmental Activities - by Type
Fiscal Year 2017/18

Public Safety Expenses: Total public safety expenses increased by $1,357,635 from the prior fiscal year.

<table>
<tr><th>Amount (Rounded)</th><th>Reason for Increase / Decrease</th></tr>
<tr><td>+$22,965,000</td><td>Reasons for increases and decreases to the following categories of salaries and benefits are further explained in the <i>Major Governmental Funds – General Fund</i> portion of this Management's Discussion and Analysis: regular pay, FICA, and Medicare (+$11,940,000); overtime costs (+$8,385,000); other pay (+$1,340,000); employee health insurance and other benefits (+$740,000); vacation and sick leave payouts (+$630,000); and temporary "extra help" salaries (-$70,000).</td></tr>
<tr><td>-$22,200,000</td><td>Retirement contributions remitted to the Orange County Employees Retirement System (OCERS) increased by $5,975,000. Reasons for the increase in actual plan contributions are further explained in the <i>Major Governmental Funds – General Fund</i> portion of this Management's Discussion and Analysis. In addition, under the requirements of GASB Statement No. 68, the amount of pension expense recognized during Fiscal Year 2017/18 in order to fully capture OCFA's share of the net pension liability in its governmental activities, was $28,175,000 less than the prior fiscal year.</td></tr>
<tr><td>-$4,975,000</td><td>Other postemployment benefit (OPEB) contributions remitted to the Defined Benefit Retiree Medical Plan Trust increased by $2,275,000. Reasons for the increase in actual plan contributions are further explained in the <i>Major Governmental Funds – General Fund</i> portion of this Management's Discussion and Analysis. In addition, under the requirements of GASB Statement No. 75, the amount of OPEB expense recognized during Fiscal Year 2017/18 in order to fully capture OCFA's net OPEB liability in its governmental activities, was $7,250,000 less than the prior fiscal year.</td></tr>
<tr><td>+$540,000</td><td>The net change in long-term liabilities for various employee leave balances increased by $540,000 as compared to the prior fiscal year, and is recognized as an expense in the governmental activities.</td></tr>
<tr><td><i>-$3,670,000</i></td><td><i>Subtotal for Public Safety Salaries and Benefits – Net Decrease</i></td></tr>
<tr><td>-$5,795,000</td><td>During Fiscal Year 2016/17, OCFA purchased radios and accessories as part of the 800 MHz Countywide-Coordinated Communications (CCCS) System upgrade and replacement project, including (1050) encrypted portable radios; (460) encrypted mobile radios; (110) chargers; (1050) batteries; and (800) speaker microphones at a total cost of $6,500,000. During Fiscal Year 2017/18, OCFA's costs for contracted information technology support increased in order to program and deploy the radios purchased in the prior fiscal year, and to provide support for other information technology projects such as the updated CAD2CAD and the Orange County Fire Incident Reporting Systems (OCFIRS) (+$705,000).</td></tr>
<tr><td>+$5,755,000</td><td>OCFA's long-term liability for workers' compensation reflects the present value of estimated outstanding losses, as determined by an actuarial valuation and the "confidence level" set by the Board of Directors. The change in the actuarial liability estimate, plus actual cash claims paid, is recognized as an expense.
<table>
<tr><th></th><th>FY 2017/18</th><th>FY 2016/17</th><th>Increase (Decrease)</th></tr>
<tr><td>Actual claims paid</td><td>$13,300,000</td><td>$10,200,000</td><td>$3,100,000</td></tr>
<tr><td>Change in actuarial estimate</td><td>7,400,000</td><td>4,745,000</td><td>2,655,000</td></tr>
<tr><td>Total fiscal year expense</td><td>$20,700,000</td><td>$14,945,000</td><td>$5,755,000</td></tr>
</table></td></tr>
<tr><td>+$4,495,000</td><td>Reasons for increases and decreases to the following categories of services and supplies are further explained in the <i>Major Governmental Funds – General Fund</i> portion of this Management's Discussion and Analysis: professional services other than workers' compensation (+$2,840,000); equipment and vehicle maintenance (+$800,000); Fire Station No. 61 fire (-$500,000); employee travel, training, and meetings (+$320,000); transportation (+$260,000); special department expenses (+$240,000); office supplies (-$235,000); clothing and personal supplies (+$155,000); medical, dental, and lab supplies (+$130,000); utilities (+$120,000); food (+$100,000); communications (+$90,000); building maintenance (+$90,000); insurance (-$75,000); equipment rent (+$75,000); household items (+$50,000); and small tools and instruments (+$35,000).</td></tr>
<tr><td><i>+$4,455,000</i></td><td><i>Subtotal for Public Safety Services and Supplies – Net Increase</i></td></tr>
</table>

(Continued)

(Continued)

Amount (Rounded)	Reason for Increase / Decrease
+$570,000	***Public Safety Depreciation and Amortization Expense***, which had no impact on OCFA's cash balances, increased by $570,000, and pertained primarily to depreciation on equipment and vehicles. Fiscal Year 2017/18 was the first full year of depreciation expense on 120 cardiac monitors that were placed into service in May 2017, and the final year of depreciation on various cardiac monitors that were disposed of in July 2017. In addition, Fiscal Year 2017/18 vehicle depreciation increased for four 100' tractor drawn aerials that were placed into service throughout calendar year 2017.
+$1,355,000	**Total Public Safety Expenses – Net Increase**

Interest on Long-term Debt: Interest on long-term debt decreased by $62,488 from the prior fiscal year. Interest expense on the 2008 helicopter lease purchase agreement decreased by approximately $60,000 as principal was paid down per the debt-to-maturity schedule.

OCFA Foundation: OCFA reports the financial activities of the OCFA Foundation as a discretely presented component unit in its government-wide financial statements. The net position of the OCFA Foundation totaled $139,223 at the end of the most recent fiscal year, a 1.7% decrease from the prior fiscal year. Following is a summary of the OCFA Foundation's net position as of and for the changes thereof for the fiscal years ending June 30, 2018 and 2017:

OCFA FOUNDATION's Condensed Financial Activity

			Increase (Decrease)	
Component Unit	June 30, 2018	June 30, 2017	Amount	%
Assets:				
Current and other assets	$127,088	$126,706	$ 382	0.3%
Capital assets, net	15,113	15,912	(799)	-5.0%
Total assets	142,201	142,618	(417)	-0.3%
Liabilities:				
Other liabilities	2,978	1,038	1,940	186.9%
Total liabilities	2,978	1,038	1,940	186.9%
Net position:				
Net investment in capital assets	15,113	15,912	(799)	-5.0%
Restricted for grants, donations and other programs	38,199	49,518	(11,319)	-22.9%
Unrestricted	85,911	76,150	9,761	12.8%
Total net position	$139,223	$141,580	$ (2,357)	-1.7%
Program revenues:				
Operating grants and contributions	$ 43,198	$ 55,149	$(11,951)	21.7%
Capital grants and contributions	-	8,000	(8,000)	-100.0%
Total revenues	43,198	63,149	(19,951)	-31.6%
Public safety expenses:				
Services and supplies	44,756	31,183	13,573	43.5%
Depreciation and amortization	799	67	732	1092.5%
Total expenses	45,555	31,250	14,305	45.8%
Change in net position	(2,357)	31,899	(34,256)	
Net position, beginning of year	141,580	109,681	31,899	
Net position, end of year	$139,223	$141,580	$ (2,357)	-1.7%

Net Position: At June 30, 2018, a portion of OCFA Foundation's net position reflects its investment in capital assets, which are used to provide services to citizens and are not available for future spending. An additional portion of net position represents resources that are subject to external donor-imposed restrictions that will be met through the actions of the Foundation or the passage of time. As of June 30, 2018, restricted net position related to unspent amounts received for various programs, including the Smoke Alarm Outreach Program, Drowning Prevention, Fire F.R.I.E.N.D.S., Spark of Love, the Fire Exploring Academy, and the September 11th Memorial Project. The remaining balance and largest portion of the OCFA Foundation's net position is considered unrestricted and may be used to meet the ongoing obligations to citizens and creditors.

Changes in Net Position: During Fiscal Year 2017/18, operating grants and contributions included $18,382 in general contributions and $24,816 in donations and other revenues restricted for various OCFA Foundation programs. Services and supplies expenses included $3,025 in administrative costs, with the balance relating to various OCFA Foundation programs.

Financial Analysis of OCFA's Governmental Funds

Governmental Funds: As noted earlier, OCFA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of OCFA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the OCFA's financing requirements. Fund balance is divided into the following five categories:

Category	Description
Nonspendable	Not in a spendable form, or legally or contractually required to remain intact
Restricted	Subject to externally enforceable legal restrictions
Committed	Use is constrained by specific limitations that the Board of Directors imposes upon itself by a formal action
Assigned	Intended to be used by the government for specific purposes, subject to change, as established by the governing body itself or by management officials who have been delegated authority by the governing body
Unassigned	Residual amounts in the General Fund available for any purpose (may serve as a useful measure of a government's net resources available for funding future operational needs)

At the end of Fiscal Year 2017/18, OCFA's governmental funds reported combined ending fund balances of $218,584,516, an increase of $5,673,938 in comparison with the prior fiscal year. Approximately 16.2% constitutes unassigned fund balance, which is available for spending for any purpose. The remaining 83.8% of fund balance is not available for spending on any new purpose, because it has already been restricted, committed, or assigned for specific purposes, or it is in a nonspendable form.

Major Governmental Funds: If the assets, liabilities, revenues, or expenditures of a governmental fund exceed 10% of the total of all governmental funds, that fund is reported as a major governmental fund in the fund financial statements. Because OCFA has elected to classify all of its governmental funds as major, regardless of the calculation, four major funds are reported during the current fiscal year. Following is a description of the changes in each fund's revenues, expenditures, and transfers from the prior to the current fiscal year, and how those changes impacted net fund balance. Increases to revenues and transfers in impact fund balance positively, while increases to expenditures and transfers out impact fund balance negatively.

The ***General Fund*** is the chief operating fund of OCFA. At the end of Fiscal Year 2017/18, the General Fund's fund balance totaled $158,101,290. Unassigned fund balance totaling $35,352,256 (22.4%) is available for future spending. The remaining $122,749,034 (77.6%) is not available for spending on any new purpose, because it has already been restricted, committed or assigned for specific purposes, or is in a nonspendable form. Total fund balance of OCFA's General Fund increased by $10,743,938 during the current fiscal year. The prior fiscal year's fund balance decreased by $5,700,353, a difference of $16,444,291. The significant reason(s) for that net difference are identified in the following table.

Impact on Fund Balance (Rounded)	**Description**
+$17,495,000	Revenue from property taxes increased primarily due to secured property taxes.
+$7,995,000	The increase in intergovernmental revenue related primarily to state and federal assistance by hire revenues for increased emergency response activity; federal reimbursements for emergency response on hurricanes and other disasters; and tax increment passed through from member cities and the County of Orange. These increases totaled over $8.8 million, but were offset by over $800,000 in decreases relating to contract revenues and drought augmentation funds for the protection of State Responsibility Area; various federal grants; and SB90 claims reimbursed from the State of California.
+$2,730,000	The most significant increase in charges for services was over $3.4 million for operating and facilities charges to cash contract cities per terms of the Joint Powers Agreement. Other revenue increases included the Airport Rescue Firefighting (ARFF) Services contract with John Wayne Airport; and contract work generated by the hand crew. The most significant decrease in charges for services was $495,000 for the emergency transport program in the City of San Clemente, which was discontinued in September 2017. Other revenue decreases included private ambulance transport and supplies reimbursements; planning and development fees; and inspection fees.
+$910,000	The increase in use of money and property primarily pertained to increases for investment portfolio earnings, net of a market value investment loss, allocated to the fund (+$830,000), as well as interest earnings related to property taxes (+$80,000).
-$345,000	The change in miscellaneous revenue related primarily to a decline in amounts received from the Orange County Professional Firefighters Association IAFF Local 3631 in connection with OCFA's contract governing contributions to the firefighter medical trust. This was offset by various revenue increases, including billable hours under OCFA's tuition contract with Santa Ana College; a one-time fee paid by the City of Garden Grove for a fire service proposal; bankruptcy proceeds; and reimbursable projects approved by the California Firefighter Joint Apprenticeship Committee.
+$28,785,000	***Subtotal – Impact of Revenues***
-$11,940,000	Regular pay, as well as related costs such as FICA and Medicare, increased by nearly $3.4 million due to scheduled pay increases per labor contracts negotiated with various employee groups. Pay increases that went into effect during Fiscal Year 2017/18 included chief officers (3.99% effective July 2017) and firefighters (4.20% effective September 2017). In addition, there was an $8.5 million increase in the net year-end estimate for accrued but unpaid payroll costs. The year-end estimates vary each year depending on the timing of the bi-weekly pay period calendar.
-$8,385,000	Overtime costs increased by over $8.3 million, which included non-discretionary backfill for open/vacant suppression positions; overtime and backfill for suppression personnel responding to emergency incidents; and backfill for suppression personnel on workers' compensation or those utilizing leave balances. The number of in-county and out-of-county emergency incidents to which OCFA provided state "assistance by hire" support doubled during Fiscal Year 2017/18 as compared to the prior year.

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Impact on Fund Balance (Rounded)	**Description**
-$5,975,000	One-time employer pension contributions increased by $6.5 million in accordance with OCFA's "snowball" plan to expedite the paydown of its net unfunded pension liability. Actuarially required pension contributions based on employee compensation, net of savings achieved by pre-paying a portion of the subsequent fiscal year's contribution to OCERS, decreased by $525,000. Employer retirement rates for safety employees decreased by an average of 2.21% during Fiscal Year 2017/18 as compared to the prior year.
-$2,275,000	In April 2018, OCFA made an employer contribution totaling $2,275,000 to the Defined Benefit Retiree Medical Trust. This payment was made in accordance with the terms of the updated Health Plan Agreement between OCFA and the Orange County Professional Firefighters Association (OCPFA) effective January 1, 2017, and represented "excess fund balance" held by the OCPFA health plan trust as of December 31, 2016.
-$1,340,000	Other pay – which includes pay to employees on workers' compensation, educational incentives, paramedic/EMT bonuses, bilingual pay, and other specialty pay – increased or decreased as follows: ➢ Special assignment pay for staff positions +$300,000 ➢ Paramedic specialty pay +$295,000 ➢ Emergency medical technician (EMT) pay +$85,000 ➢ Special assignment pay for manpower coordinators +$75,000 ➢ Special assignment pay for other safety specialties +$120,000 Subtotal – increase in specialty pay for safety employees +$875,000 ➢ Workers' compensation pay +$260,000 ➢ Education incentives +$200,000 ➢ Military leave +$75,000 ➢ Miscellaneous taxable and nontaxable pay -$70,000 Total – net increase in expenditures +$1,340,000 Specialty pay for safety employees was the most significant contributor to the overall increase. These amounts are calculated as a percentage of regular pay, which increased during Fiscal Year 2017/18 due to renegotiated labor contracts with chief officers and firefighters. In addition, special assignment pay for safety employees in staff positions increased from 7.5% to 10.0% of regular pay per renegotiated labor contracts. Finally, effective September 2017 the Board of Directors approved a new 7.5% special assignment pay for designated manpower coordinators at Fire Station No. 22 (Laguna Hills).
-$740,000	Employee health insurance and other benefits increased primarily due to firefighter health insurance premiums. OCFA contributes toward the cost of firefighter health insurance premiums at a rate of $1,900 per month, per employee. The number of new firefighter recruits has outpaced the number of retirements. Sixty-eight firefighters participated in firefighter academies in Fiscal Year 2017/18 (Academies 45 and 46), as compared to fifty-five in Fiscal Year 2016/17 (Academies 43 and 44).
-$630,000	Vacation and sick leave payouts increased primarily due to a greater number of long-term employees with significant balances retiring during Fiscal Year 2017/18.
+$70,000	Salary costs for temporary, "extra help" employees decreased by $70,000 primarily due to two helicopter pilots who were hired as extra help during Fiscal Year 2016/17 before being transitioned to full-time employee positions.
-$31,215,000	***Subtotal – Impact of Salaries and Benefits***

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Impact on Fund Balance (Rounded)	Description
-$5,940,000	The most significant increases in professional services pertained to workers compensation claims paid, which increased by over $3.1 million in Fiscal Year 2017/18. Other significant increases included partnership costs paid to the Orange County Sheriff’s Department for OCFA’s proportionate share of the 800 MHz Countywide-Coordinated Communications System (CCCS) replacement, and the annual property tax administrative fee paid to the County of Orange. These increases were offset by a decline in contracted information technology services, as one contracted position was eliminated and three were converted to full-time employees at the beginning of Fiscal Year 2017/18. Below is a summary of these and other net increases and decreases in Fiscal Year 2017/18 professional service expenditures: ➢ Workers’ compensation claims paid +$3,100,000 ➢ 800 MHz CCCS replacement +1,390,000 ➢ Property tax administrative fee +$650,000 ➢ Contracted information technology services -$300,000 ➢ Legal fees +$285,000 ➢ Annual workers’ compensation assessment fee +$250,000 ➢ Employee physicals +$110,000 ➢ Consultants for Canyon and Canyon 2 Fires independent review +$110,000 ➢ Non-employee members of federal activations +$100,000 ➢ Other professional services +$245,000 Total – net increase in expenditures +$5,940,000
-$800,000	Vehicle maintenance was higher in Fiscal Year 2017/18 due to general vehicle repairs and maintenance of the Bell 412 helicopter fleet. Significant helicopter maintenance in Fiscal Year 2017/18 included the five-year inspection of Helicopter 1 and the repair of four blade assemblies. In addition, equipment maintenance was higher in Fiscal Year 2017/18 due to repairs and installation services on the First-In Alerting System and Stations No. 22 (Laguna Hills) and No. 20 (Irvine).
+$500,000	A fire destroyed Fire Station No. 61 (Buena Park) in January 2017. Most costs relating to this fire were incurred during Fiscal Year 2016/17 within the first six months of the fire; however, some services and supplies costs were incurred during Fiscal Year 2017/18 as additional items needing replacement were identified. Below is a summary of net changes to services and supplies costs relating to recovery from the fire: ➢ Employee claims for loss of personal property and tools -$185,000 ➢ Replacement of specialized tools and supplies -$145,000 ➢ Uniforms and other personal protective equipment -$125,000 ➢ Establishment of a temporary fire station -$85,000 ➢ Security services -$85,000 ➢ Self-contained breathing apparatus and related items +$70,000 ➢ Gym equipment +$35,000 ➢ Desktop computers and tablets +$30,000 ➢ Initial incident response -$20,000 ➢ Other services and supplies +$5,000 ➢ Medical supplies +$5,000 Total – net decrease in expenditures -$500,000

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Impact on Fund Balance (Rounded)	**Description**
-$320,000	The cost of employee travel, training, and meetings increased for a variety of reasons, including incident-related travel for strike teams deployed on fires throughout the state; changes to hours owed under OCFA's tuition contract with Santa Ana College; and an increase in the number of out-of-county training trips completed by personnel in the Training & Safety Services section.
-$260,000	Transportation costs increased due to an increase in fuel prices. Fiscal Year 2016/17 diesel and regular fuel purchases averaged $2.23 and $2.26 per gallon, respectively. Fiscal Year 2017/18 diesel and regular fuel purchases were 14%-26% higher at average prices of $2.81 and $2.59 per gallon, respectively. An eighteen-cent state gas tax increase effective November 2017 contributed to the rising fuel prices. In addition, there was an increase in the use of OCFA's fuel cards, which are generally charged a higher rate per gallon as compared to bulk diesel and regular fuel purchases.
-$240,000	Increases in special department expenditure pertained primarily to a one-time payment to the City of San Clemente upon discontinuation of the city's emergency ambulance service program; purchase of front-line extrication tools including twenty-five hydraulic rams and related accessories; and lumber purchases for use in academies and firefighter training. These increases were offset by a Fiscal Year 2016/17 project to purchase and replace (180) automated external defibrillators (AED's) and (20) simulators for AED's and cardiac monitors, along with related supplies such as batteries and electrodes.
+$235,000	Office supply expenditures declined due to the Fiscal Year 2016/17 project to replace Electronic Pre-Hospital Care Report (EPCR) tablets and related accessories on frontline units.
-$155,000	Clothing and personal supply costs increased due to the purchase of firefighter turnouts. In an effort to improve firefighter safety with regard to cancer risk, OCFA set a goal to issue a second set of turnouts to every firefighter. Roll-out of a second set to all suppression personnel occurred throughout Fiscal Year 2016/17 and Fiscal Year 2017/18, with more coats and pants being purchased in the current year.
-$130,000	More medical, dental, and lab supplies were purchased in Fiscal Year 2017/18, including pharmaceuticals, catheters, defibrillator supplies, needles, glucose test strips, and other supplies. Purchases of these supplies vary each year as stock is replenished and expiring items are replaced. In addition, during Fiscal Year 2017/18 OCFA purchased (95) suction units and various airway and CPR trainer manikins for the Emergency Management Services section.
-$120,000	Utility costs increased during Fiscal Year 2017/18, primarily due to electricity at the RFOTC during the four-month period from July 2017 through October 2017. Costs are generally higher due during warm weather months in the summer and fall. Water costs increased during Fiscal Year 2017/18 due to high usage during several months at Fire Station No. 19 (Lake Forest). Trash costs increased during Fiscal Year 2017/18 due to an increase in the number of temporary bins ordered by the Training & Safety Services section.
-$100,000	Food costs were higher in Fiscal Year 2017/18 because of box lunches and meals for significant local fire incidents, including the Aliso Fire and Santiago Fire in June 2018.
-$90,000	The increase in utilities and communications charges related to the monthly service with AT&T and Cogent for fax, phone, alarm, 911 boxes, and data circuits.
-$90,000	Increases in building maintenance were attributed primarily to roofing, door, and gate projects. There were several significant repair projects in Fiscal Year 2017/18, including roof repair and restoration services and apparatus door repairs at Fire Station No. 54 (Foothill Ranch).
+$75,000	Fiscal Year 2017/18 insurance premiums decreased for aviation (-$35,000) and excess workers' compensation coverage (-$8,000), but increased for general liability coverage (+$24,000). There were also fewer out-of-pocket deductibles and other payments made for vehicle and property damage (-$64,000), and an increase in the number of surviving spouses receiving insurance benefits (+$8,000).
-$75,000	Equipment rentals increased in Fiscal Year 2017/18 due to the in-county Canyon 2 Fire in October 2017, which required the rental of fuel tenders, a tractor truck and trailer, an excavator, a water truck, and a lowbed trailer.

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Impact on Fund Balance (Rounded)	**Description**
-$50,000	Expenditures increased for household items needed at OCFA's 72 fire stations. The most significant purchases in Fiscal Year 2017/18 included various items needed to furnish developer-built Fire Station No. 20 (Irvine), including appliances, ice makers, recliners, window coverings, and mattresses. In addition, OCFA replaced ice makers at nine fire stations due to normal wear and tear.
-$35,000	Small tools and instruments expenditures increased in Fiscal Year 2017/18, primarily due to various purchases made for the hand crew, including chainsaws, trimmers, brush cutters, welding equipment, axes, and various small hand tools.
-$7,595,000	***Subtotal – Impact of Services and Supplies***
+$2,725,000	Capital outlay varies each fiscal year based on organizational needs for new and replacement equipment. During Fiscal Year 2016/17, significant equipment purchases included the replacement of 120 cardiac monitors on all frontline units at a cost of nearly $3.8 million. The most significant equipment purchase in Fiscal Year 2017/18 was for extrication tools for use on frontline units (19 each of spreaders, cutters, rams, and power units) at a total cost of $575,000. There were also several capital projects in process during Fiscal Year 2017/18, including a wildfire detection and monitoring system and the acquisition of various network switches.
-$120,000	Interest and fiscal charges increased due interest on amounts borrowed by the General Fund from other funds, a mechanism OCFA utilizes to manage its short-term cash flow needs. Although the amount borrowed decreased by $4 million, the short-term borrowing rate increased from 0.73% in Fiscal Year 2016/17 to 1.03%-1.23% in Fiscal Year 2017/18. The interfund borrowing rate is based on the effective rate of return on OCFA's investment portfolio.
+$75,000	OCFA replaced equipment in both Fiscal Year 2017/18 and Fiscal Year 2016/17 relating to a fire that destroyed Fire Station No. 61 (Buena Park) in January 2017. Below is a summary of net changes to capital outlay costs relating to recovery from the fire: ➢ Temporary apparatus bay -$35,000 ➢ First-in alerting system for temporary station -$30,000 ➢ Swift water boat -$15,000 ➢ Combination hydraulic tool for Truck 61 -$10,000 ➢ Thermal imaging camera for Truck 61 +$10,000 ➢ Manikin +$5,000 Total – net (decrease) in expenditures -$75,000
+$2,680,000	***Subtotal – Impact of Capital Outlay, Interest, and Fiscal Charges***
-$36,130,000	***Subtotal – Impact of Expenditures***
+$22,615,000	Net interfund transfers increased and decreased as follows: ➢ Transfers made from the General Fund to the capital projects funds to fund current and future projects in the Capital Improvement Program decreased by a combined $28,170,000. ➢ During Fiscal Year 2016/17, net resources that had accumulated in the Communications and Information Systems Fund exceeded projects identified in the upcoming five-year capital improvement program, resulting in a transfer back to the General Fund totaling $5,555,000 in accordance with OCFA's *Assigned Fund Balance Policy*.
+$935,000	There was an increase in the proceeds from sale of capital and other assets, primarily due to the trade-in of (294) automated external defibrillators (AED's) and cardiac monitors and (79) related chargers. OCFA purchased replacements for all of its AED's and cardiac monitors in Fiscal Year 2016/17; however, the collection and trade-in of the old equipment did not take place until Fiscal Year 2017/18.

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Impact on Fund Balance (Rounded)	Description
+$240,000	Insurance recoveries increased in Fiscal Year 2017/18 due to proceeds from OCFA's excess workers' compensation policy for a long-term case. This was offset by a decline in amounts recovered due to property damage incurred during a fire at Fire Station No. 61 (Buena Park) during Fiscal Year 2016/17.
+$23,790,000	***Subtotal – Impact of Other Financing Sources and Uses***
+$16,445,000	**General Fund – Net Impact on Fund Balance**

The ***Communications and Information Systems Fund*** had total fund balance of $11,066,203 at the end of Fiscal Year 2017/18. Fund balance was assigned to the Capital Improvement Program ($10,587,511) and communications and information technologies projects ($453,476). The remaining $25,216 is not available for spending on any new purpose, because it is in a nonspendable form. Total fund balance decreased by $326,983 during the current fiscal year. The prior fiscal year's fund balance decreased by $7,609,086, a difference of $7,282,103. The significant reason(s) for that net difference are identified in the following table.

Impact on Fund Balance (Rounded)	Description
+$6,470,000	Expenditures for services and supplies and capital outlay decreased due to four significant, multi-year capital improvement projects as follows: ➢ The 800 MHz Countywide-Coordinated Communications (CCCS) System is administered by the Orange County Sheriff's Department. The upgrade and replacement of the original system, which was implemented from 1999 to 2001, is being implemented in various phases. Individual participating agencies are responsible for purchasing their own radios and dispatch consoles that are compatible with the new system. During Fiscal Year 2016/17, OCFA purchased over 1,500 encrypted portable, mobile, and base station 800 MHz radios, along with accessories such as chargers, batteries, and speaker microphones (-$6,715,000). During Fiscal Year 2017/18, OCFA utilized third-party vendors to augment in-house staff in configuring, installing, and deploying those radios purchased in the prior fiscal year (+$530,000). ➢ The Regional Fire Operations and Training Center (RFOTC) Audio Visual Upgrade project consists of the upgrade and replacement of various audio visual equipment used in the RFOTC board room and five classrooms. The project includes the purchase and installation of mixing boards, microphones, projectors, computers, controllers, and cabling; the addition of video teleconferencing capabilities; and an automated voting system for the board room. The majority of project costs were incurred during Fiscal Year 2016/17 at the peak of the project's activity, with some additional work completed on the board room voting system during Fiscal Year 2017/18 (-$450,000). ➢ OCFA maintains a regional CAD2CAD system that integrates all fire and emergency medical dispatch centers in Orange County and functions as an intelligent "hub" that translates business rules; processes dispatch requests, mutual aid, status updates, and automatic vehicle location (AVL); and tracks every unit and incident. During Fiscal Year 2017/18, OCFA incurred computer programming costs to update the CAD2CAD system to support features such as multi-threading, direct connection of AVL with each of the CAD systems, and an increase in the speed of processing transactions (+$110,000).

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Impact on Fund Balance (Rounded)	Description
	➢ During Fiscal Year 2017/18, OCFA began a new project to replace the Orange County Fire Incident Reporting System (OCFIRS) and Investigations Case Management System (iCMS), as well as implement Electronic Plans Review (EPR) and Pre-Fire Management Geographic Information Systems (GIS) tools for inspections and wildland management activities (+$55,000).
+$690,000	Net transfers in and out of the Communications and Information Systems Fund changed as follows: ➢ Transfers in from the General Fund for current and future projects in the Capital Improvement Program decreased by $4,865,000 from the amount transferred in the prior fiscal year. ➢ During Fiscal year 2016/17, net resources that had accumulated in the Communications and Information Systems fund exceeded projects identified in the upcoming five-year capital improvement program, resulting in a transfer back to the General Fund totaling $5,555,000 in accordance with OCFA's *Assigned Fund Balance Policy*.
+$90,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2017/18.
+$30,000	Revenues for use of money and property increased due to portfolio earnings, net of the market value investment loss, allocated to the fund.
+$7,280,000	**Communications and Information Systems Fund – Net Impact on Fund Balance**

The ***Fire Apparatus Fund*** had total fund balance of $23,591,323 at the end of Fiscal Year 2017/18. Fund balance was assigned to the Capital Improvement Program ($9,501,481) and purchase of fire apparatus and vehicles ($14,089,842). Total fund balance decreased by $6,412,720 during the current fiscal year. The prior fiscal year's fund balance increased by $8,551,782, a difference of $14,964,502. The significant reason(s) for that net difference are identified in the following table.

Impact on Fund Balance (Rounded)	Description
-$15,405,000	Transfers in from the General Fund for current and future projects in the Capital Improvement Program decreased by $15,405,000 from the amount transferred in the prior fiscal year.
+$1,615,000	During Fiscal Year 2017/18, a developer reimbursed OCFA for its cost to purchase and outfit a new 100' tractor drawn aerial to be placed into service at Fire Station No. 20 (Irvine) in July 2018.
-$1,390,000	Expenditures for services and supplies and capital outlay to purchase and outfit vehicles vary each fiscal year based on organizational needs for new and replacement vehicles. Expenditures were higher in Fiscal Year 2017/18 primarily due to the purchase of eight type 1 engines (+$4,600,000). In addition, OCFA purchased four 100' tractor drawn aerials and one paramedic squad in Fiscal Year 2016/17, as compared to one 100' tractor drawn aerial and four paramedic squads in the current year (-$3,210,000).
+$195,000	Revenues for use of money and property increased due to portfolio earnings, net of the market value investment loss, allocated to the fund.
+$55,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2017/18.
-$40,000	Charges for services were for vehicle charges to cash contract cities, which decreased in accordance with the terms of the Joint Powers Agreement. The most significant decreases were for the City of San Clemente, which discontinued its emergency transport ambulance in September 2017, and the City of Seal Beach, which deactivated Medic 48 in March 2017 in conjunction with OCFA's service delivery enhancements.
-$14,970,000	**Fire Apparatus Fund – Net Impact on Fund Balance**

The ***Fire Stations and Facilities Fund*** had total fund balance of $25,825,700 at the end of Fiscal Year 2017/18. Amounts pertaining to CALFIRE revenues received for future fire station construction ($533,232) were classified as restricted. Remaining amounts were assigned to the Capital Improvement Program ($25,223,149) and construction projects ($69,319). Total fund balance increased by $1,669,703 during the current fiscal year. The prior fiscal year's fund balance increased by $8,297,350, a difference of $6,627,647. The significant reason(s) for that net difference are identified in the following table.

Impact on Fund Balance (Rounded)	**Description**
-$7,900,000	Transfers in from the General Fund for current and future projects in the Capital Improvement Program decreased by $7,900,000 from the amount transferred in the prior fiscal year.
+$970,000	Developer contribution revenue generated by Secured Fire Protection Agreements with developers vary each fiscal year based on housing development projects being completed throughout the county. Increases in Fiscal Year 2017/18 developer activity primarily related to projects in the City of Irvine.
+$180,000	Revenues for use of money and property increased due to portfolio earnings, net of the market value investment loss, allocated to the fund.
+$70,000	Expenditures for services and supplies and capital outlay decreased due to various multi-year capital improvement projects as follows: ➢ The RFOTC Emergency Power Circuit Extension project is for the construction and installation of emergency power circuits that would energize the entire RFOTC facility in the event of a power disruption. The majority of project costs were incurred during Fiscal Year 2016/17 at the peak of the project's activity, with some additional work completed during Fiscal Year 2017/18 (-$210,000). ➢ A warehouse was purchased during Fiscal Year 2014/15, and various tenant improvement projects have been in process since that time to convert it into a fully-functioning, centralized facility for the Urban Search and Rescue (USAR) program. Tenant improvement include engineering, expansion and installation of roll-up doors, exhaust systems, phone and information technology upgrades, and various other facility repairs. Work was completed and the warehouse placed into service as a USAR facility in March 2018 (-$115,000). Subsequently, OCFA began an additional tenant improvement project to further utilize the building as a training center, including the addition of classrooms and office space (+$165,000). ➢ During Fiscal Year 2017/18, OCFA began a project to drill and grout the ground under Fire Station No. 42 (Portola Hills) to help stabilize the property and foundation caused by long-term soil erosion. Costs incurred thus far are primarily for permits and geotechnical engineering services (+$50,000). ➢ During Fiscal Year 2017/18, OCFA began a multi-year project to enhance security infrastructure at its fire stations and the Regional Fire Operations Training Center (RFOTC) through a variety of measures. Expenditures in Fiscal Year 2017/18 primarily included card readers and locks for the RFOTC and a security camera system at the Urban Search and Rescue warehouse (+$40,000).
+$55,000	Miscellaneous revenues pertaining to bankruptcy proceeds increased during Fiscal Year 2017/18.
-$6,625,000	**Fire Stations and Facilities Fund – Net Impact on Fund Balance**

General Fund Budgetary Highlights

The following table summarizes the changes in General Fund appropriations, as well as the variance between the final budget and actual amounts for Fiscal Year 2017/18.

	Original Budget	Increase (Decrease)	Final Budget	Variance Positive (Negative)	Actual Amounts
Salaries and benefits	$305,032,086	$37,155,885	$342,187,971	$ 1,467,704	$340,720,267
Services and supplies	42,790,209	15,162,873	57,953,082	8,825,733	49,127,349
Capital outlay	851,800	2,306,532	3,158,332	1,320,876	1,837,456
Interest and fiscal charges	31,250	493,750	525,000	137,210	387,790
	$348,705,345	$55,119,040	$403,824,385	$11,751,523	$392,072,862

Adjustments to Appropriations: Budgeted General Fund appropriations increased by $55,119,040 from the time the original budget was adopted until the end of the fiscal year. Adjustments typically pertained to activities that occurred throughout the year but were either unknown or for which reliable estimates could not be determined at the time of the original budget adoption. Significant adjustments are listed below:

Reason for Adjustment to Original Budget	Increase (Decrease) (Rounded)
Overtime and backfill for response to out-of-county and other incidents	$14,660,000
Contributions toward unfunded pension liability	14,040,000
Workers compensation	7,910,000
Staffing changes, reconfigurations, and service enhancements	5,990,000
Employer contributions to retiree medical trust	2,280,000
Grant activities	1,890,000
Various equipment (including extrication tools)	1,430,000
Vehicles (funded by restricted resources)	1,340,000
Information Technology Division CIP projects	1,290,000
Station 61 fire replacement and other costs	620,000
Helicopter maintenance and training	550,000
Structural fire entitlement projects	550,000
Interest on interfund borrowing	490,000
Various professional services	490,000
Firefighter academies (personal protective equipment and uniforms)	420,000
Information Technology Division maintenance and support	310,000
Various other appropriations	840,000
Total adjustments	**$55,100,000**

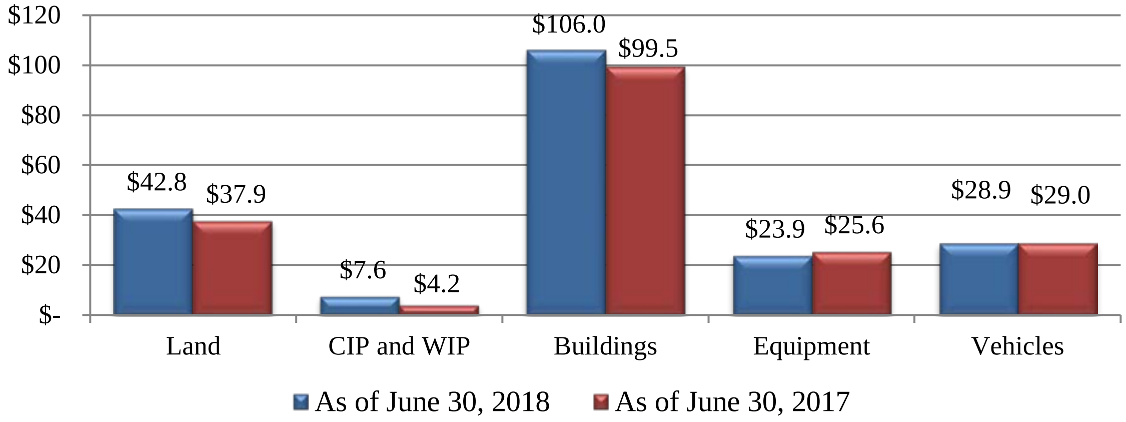
Variance Between Final Budget and Actual Amounts: Final, budgeted General Fund expenditures exceeded actual amounts, resulting in a positive budget variance totaling $11,751,523. Over $8.8 million of this variance related to various operating costs, projects, and other purchases and for services and supplies that were budgeted but not completed during Fiscal Year 2017/18. In some cases, uncompleted projects were delayed due to project complexity or time requirements and will be re-budgeted, if needed, to Fiscal Year 2018/19. Individually significant services and supplies variances are summarized below:

Department	Amount (Rounded)
The amount budgeted for workers' compensation is based on an actuarially-determined estimate. Actual expenditures for workers' compensation cases typically occur over multiple years, which often attributes to a difference between budgeted costs and actual expenditures during any given fiscal year. During Fiscal Year 2017/18, actual claims paid from the General Fund were nearly $2.7 million less than the actuarial estimate, creating a positive budget variance.	$2,670,000
During Fiscal Year 2017/18, amounts budgeted to operate and maintain OCFA's fire stations and the Regional Fire Operations and Training Center (RFOTC) exceeded actual expenditures by nearly $1.2 million. The majority of the positive budget variance related to general building maintenance and repair.	1,075,000
OCFA's extrication tools reached the end of their useful lives and were replaced during Fiscal Year 2017/18 for a total cost of $665,000, including items totaling $575,000 that were classified as capital outlay. The entire project was budgeted as services and supplies, creating a positive variance within that category.	575,000
The entire balance of funds committed for Structural Fire Fund projects was budgeted during Fiscal Year 2017/18; however, eligible cities submitted reimbursement requests only for those projects completed.	480,000
OCFA budgeted two projects that were not completed during Fiscal Year 2017/18, which would reimburse the City of Irvine for the purchase of communications equipment and bidirectional amplifiers.	445,000
In January 2017, the Board of Directors authorized appropriations totaling $3 million for unanticipated purchases relating to the fire at Fire Station No. 61. A balance of $425,000 remains unspent in the General Fund. Reimbursements to employees for loss of personal property and replacement of some additional equipment items are expected to extend into Fiscal Year 2018/19.	425,000
Other variances combined	3,155,000
Total services and supplies variance	**$8,825,000**

Capital Assets and Debt Administration

Capital Assets: OCFA's net investment in capital assets for its government activities at the end of Fiscal Year 2017/18 totaled $207,951,822 (net of accumulated depreciation and amortization and related outstanding debt). This investment in capital assets includes land, buildings, equipment, vehicles, work in progress and construction in progress, net of outstanding capital-related debt for the 2011 aircraft lease refinance. Net capital assets increased from the prior fiscal year by $15,521,355 (8.1%). Following is a summary of net capital assets by type for the current and prior fiscal years.

Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2018 and 2017
(In Millions)



Land and Buildings: Land and building additions totaled $14.6 million during Fiscal Year 2017/18. The most significant addition was Fire Station No. 20 (Irvine), which was acquired as a developer contribution from The Irvine Company in June 2018. The station was valued at $4.9 million and $8.4 million for the land and building, respectively. Other building improvement additions included over $1 million for the initial USAR warehouse tenant improvements and $300,000 for audio visual upgrades made in the RFOTC board room, both of which were transferred in from CIP upon completion.

Construction in Progress (CIP) and Work in Progress (WIP): Construction projects completed over the span of multiple fiscal years are classified as CIP at year-end if they are not yet completed and placed into service. Fire engines, trucks, and other vehicles, are classified as WIP at year-end if they are in the process of being outfitted for operation and will be completed over the span of multiple fiscal years. WIP also includes multi-year communications and information systems projects. CIP and WIP accounted for forty-four projects during Fiscal Year 2017/18, nine of which were placed into service and thirty-five of which were still in progress at year-end.

- CIP additions totaling nearly $800,000 included initial tenant improvements at the Urban Search and Rescue (USAR) warehouse in Foothill Ranch; additional classroom and office spaces at the USAR warehouse; a generator upgrade project at the Regional Fire Operations and Training Center (RFOTC); audio visual upgrades in the RFOTC board room; and site stabilization work at Fire Station No. 42 (Portola Hills). The board room audio visual upgrades and the initial USAR Warehouse tenant improvements were placed into service February 2018 and March 2018, respectively, while the other three projects remain in progress at fiscal year-end.

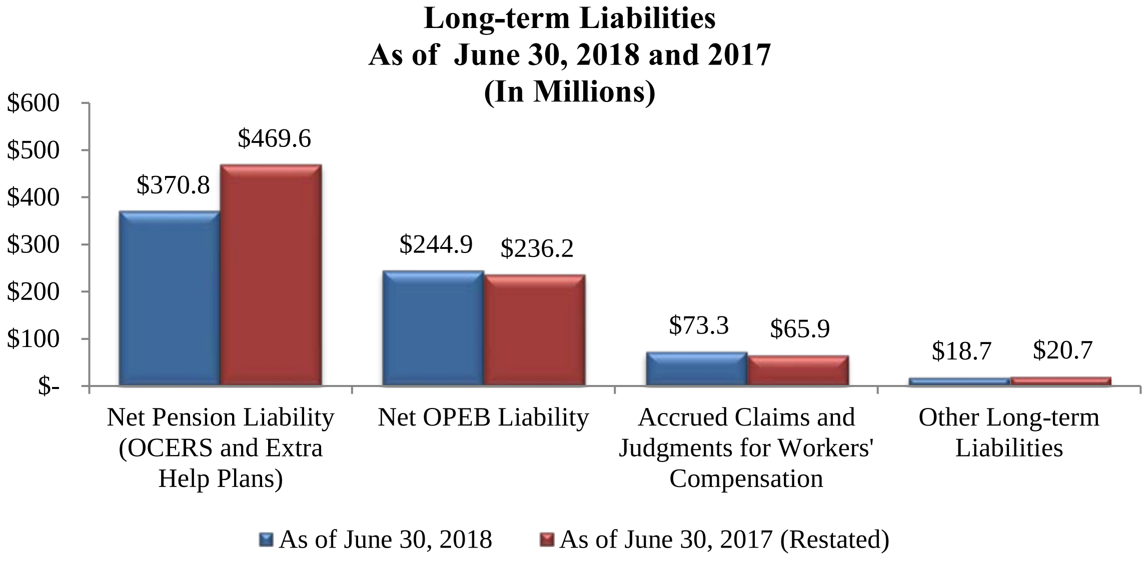
- WIP additions totaled over $6.8 million during Fiscal Year 2017/18, including costs pertaining to seventeen type one engines ($4.6 million); nine 100’ tractor drawn aerials ($1.4 million); two Dodge crew cab truck paramedic squads ($200,000); two front-line Chevrolet Suburban sport utility vehicles ($130,000); one Chevrolet Tahoe sport utility vehicle ($50,000); a wildfire detection monitoring system ($230,000); various network switches ($200,000); a phone system ($25,000); and a temperature monitoring system for the RFOTC data center ($10,000). Two 100’ tractor drawn aerials, three Chevrolet Suburban sport utility vehicles, one Chevrolet Silverado pickup truck, and the temperature monitoring system were all placed into service during the fiscal year, while the remaining projects were still in progress as of June 30, 2018.

Equipment: Equipment additions totaled over $1.3 million for 124 items acquired during Fiscal Year 2017/18. The most individually significant additions included seventy-six extrication tools for use on frontline units ($575,000), consisting of spreaders, cutters, rams, and power units; fifteen infrastructure servers ($215,000); and two helicopter flight directors components for Helicopters 1 and 2 ($170,000). Fiscal Year 2017/18 disposals totaled $1.6 million for 113 items, including 108 cardiac monitors ($1.5 million) that were traded into the vendor in conjunction with a replacement purchase project conducted in the prior fiscal year.

Vehicles: Vehicle additions during Fiscal Year 2017/18 totaled $3.9 million, consisting of $1.1 million in new purchases plus $2.8 million of completed vehicles transferred in from WIP. The most individually significant additions were two 100’ tractor drawn aerials ($2.6 million). Twenty-six vehicles were removed from OCFA’s fleet during Fiscal Year 2017/18 as part of OCFA’s ongoing vehicle replacement plan. Twenty-two of these vehicles had reached the end of their useful service lives and were fully or mostly depreciated. These vehicles were either sold at public auction, donated to another agency, or returned to the City of Santa Ana for disposal. Four support vehicles were in vehicle accidents and deemed total losses by OCFA’s insurance provider.

Additional information pertaining to OCFA’s capital assets can be found in Note 14 of the accompanying Notes to the Financial Statements.

Long-term Debt: Total long-term liabilities decreased by net $84,743,738 (10.7%) during Fiscal Year 2017/18.



Long-term Liabilities
As of June 30, 2018 and 2017
(In Millions)

The most significant change to long-term liabilities pertained to the net pension liability for the Orange County Employees Retirement System (OCERS) pension plan, which is reported in the financial statements as a long-term liability in conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. As of June 30, 2018, OCFA’s share of the plan’s net pension liability at OCERS, as determined by an actuarial valuation for the plan as a whole, totaled $370.6 million, a net decline of $98.8 million from the prior fiscal year’s ending balance. The increases and decreases reported for the long-term pension liability are reported using an “accounting-based approach” to fully capture OCFA’s net liability and related pension expense incurred during each fiscal year. This differs from the “funding-based approach” used to calculate annual retirement rates and the amount of required employer and employee contributions due from OCFA to OCERS.

Net pension liability represents the amount of the total pension liability that exceeds the market value of assets as of June 30. The following table summarizes the changes in the components of the OCERS net pension liability from June 30, 2018 to June 30, 2017.

Component of OCERS Net Pension Liability	As of June 30, 2018	As of June 30, 2017	Increase (Decrease) Amount	%
Safety				
Total pension liability	$1,664,730,958	$1,538,421,214	$ 126,309,744	8.2%
Market value of assets	1,343,775,794	1,135,946,972	207,828,822	18.3%
Net pension liability	$320,955,164	$ 402,474,242	$(81,519,078)	-20.3%
General				
Total pension liability	$ 230,763,322	$207,636,277	$ 23,127,045	11.1%
Market value of assets	181,043,818	140,679,859	40,363,959	28.7%
Net pension liability	$ 49,719,504	$66,956,418	$(17,236,914)	-25.7%
Total				
Total pension liability	$1,895,494,280	$1,746,057,491	$ 149,436,789	8.6%
Market value of assets	1,524,819,612	1,276,626,831	248,192,781	19.4%
Net pension liability	$ 370,674,668	$ 469,430,660	$(98,755,992)	-21.0%

Additional information on the OCFA's long-term liabilities can be found in Note 15 of the accompanying Notes to the Financial Statements.

Next Year's Budget

The Fiscal Year 2018/19 General Operating Fund adopted expenditure budget is approximately $365.8 million, which is a net decrease of $15.2 million (4.3%) from the final Fiscal Year 2017/18 General Operating Fund budget totaling $350.6 million. (These amounts exclude one-time and grant-related items, as well as unspent, encumbered appropriations from the prior fiscal year that are effectually re-appropriated in the ensuing year's budget). Highlights of the Fiscal Year 2018/19 General Operating Fund Budget are as follow:

- Budgeted salaries and benefits increased by $14.4 million. The budget reflects annual costs in accordance with approved Memorandums of Understanding for the Fire Management and Firefighter Units, but no increases for non-safety employees and members of Executive Management. The proposed budget also reflects the addition of four post positions for Fire Station No. 20 (Irvine); three Battalion Chiefs for a new battalion in the City of Irvine; three Firefighter positions for service enhancements in Midway City; one Accountant; one Fire Delivery Driver; and one Fire Equipment Technician. The retirement budget for Fiscal Year 2018/19 is based on rates provided by the Orange County Employees Retirement System (OCERS).

- Budgeted services and supplies, capital outlay, and debt service increased by $800,000. Overall, budgets were held flat as compared to Fiscal Year 2017/18, unless specific increases were identified by OCFA management or one-time grant proceeds were received. In general, the base Fiscal Year 2018/19 budget excluded one-time, grant-related, and assistance by hire expenditures at the time of adoption, as these projects will be budgeted as-needed throughout the upcoming fiscal year.

Requests for Information

This financial report is designed to provide a general overview of OCFA's and the OCFA Foundation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager/Auditor, Orange County Fire Authority, 1 Fire Authority Road, Irvine, California 92602.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FIREFIGHTER ACADEMY 45
ACADEMY 45 GRADUATION
DECEMBER 20, 2017

Orange County Fire Authority Safety Message

Holiday Cooking Fire Safety

(Part 2 of 3)

(Continued from Page 4)

More cooking fires are reported on Thanksgiving than any other day of the year, followed by Christmas and Christmas Eve.

Safety Tips

Whether you're baking cookies or preparing a family feast, following a few safety tips will help you spend time with loved ones, not firefighters, in the kitchen this holiday season.

- ✓ Keep cooking areas clear. Pot holders, paper towels, wooden utensils, and even cookbooks can be fire hazards if left too close to the stove, oven, or other kitchen appliances.

- ✓ Clean cooking surfaces regularly to prevent grease buildup.

- ✓ Make sure children and pets stay at least three feet from the oven, stove, hot food, and hot liquids.

- ✓ Test your smoke alarms, and never disable them while cooking.

(Continued on Page 34)

ORANGE COUNTY FIRE AUTHORITY
Statement of Net Position
June 30, 2018
(With Comparative Data for Prior Year)

	Primary Government	
	Governmental Activities	
	2018	2017
Assets:		
Cash and investments (Note 4)	$ 176,445,670	$ 178,194,261
Receivables:		
Accounts, net (Note 5)	5,360,817	3,132,852
Accrued interest	431,089	249,934
Prepaid costs and other assets (Note 6)	19,677,189	19,157,452
Due from other governments, net (Note 7)	15,451,887	11,163,722
Capital assets (Note 14):		
Land	42,757,850	37,887,850
Construction in progress	608,020	1,152,458
Work in progress	7,026,302	3,031,036
Capital assets, net of accumulated depreciation/amortization	158,813,368	154,072,430
Total assets	**426,572,192**	**408,041,995**
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions/OPEB (Note 15b)	114,184,983	122,197,259
Total deferred outflows of resources	**114,184,983**	**122,197,259**
Liabilities:		
Accounts payable	3,361,546	3,999,597
Accrued liabilities	8,899,638	8,293,131
Accrued interest	700	2,083
Unearned revenue (Note 9)	27,927	972,723
Due to other governments (Note 8)	1,667,025	152,192
Long-term liabilities (Note 15a):		
Other due within one year	19,661,008	16,972,087
Other due in more than one year	72,322,425	69,607,212
Proportionate share net pension liability	370,760,715	469,555,119
Net OPEB liability	244,860,819	82,254,710
Total liabilities	**721,561,803**	**651,808,854**
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions/OPEB (Note 15b)	118,648,818	55,204,447
Total deferred outflows of resources	**118,648,818**	**55,204,447**
Net position:		
Net investment in capital assets (Note 14b)	207,951,822	192,430,467
Restricted for capital projects	536,207	533,232
Restricted for drought augmentation activities	3,371,348	3,307,509
Restricted for grants, donations, and other programs	46,329	56,873
Unrestricted	(511,359,152)	(373,102,128)
Total net position	**$(299,453,446)**	**$(176,774,047)**

See Notes to the Financial Statements

Component Unit	
OCFA Foundation	
2018	**2017**
$ 126,642	$ 122,585
-	3,557
-	-
446	564
-	-
-	-
-	-
-	-
15,113	15,912
142,201	**142,618**
-	-
-	**-**
178	1,038
-	-
-	-
2,800	-
-	-
-	-
-	-
-	-
-	-
2,978	**1,038**
-	-
-	**-**
15,113	15,912
-	-
-	-
38,199	49,518
85,911	76,150
$ 139,223	**$ 141,580**

ORANGE COUNTY FIRE AUTHORITY
Statement of Activities
Year ended June 30, 2018
(With Comparative Data for Prior Year)

	Primary Government	
	Governmental Activities	
	2018	2017
Expenses:		
Public safety:		
Salaries and benefits	$ 323,845,042	$ 327,515,166
Services and supplies	57,275,465	52,819,125
Depreciation and amortization (Note 14d)	10,084,196	9,512,777
Interest on long-term debt	70,751	133,239
Total program expenses	**391,275,454**	**389,980,307**
Program revenues:		
Public safety:		
Charges for services	132,634,280	121,875,157
Operating grants and contributions	13,920,686	11,992,438
Capital grants and contributions	16,875,139	1,040,129
Total program revenues	**163,430,105**	**134,907,724**
Net program (expenses) revenues	(227,845,349)	(255,072,583)
General revenues:		
Property taxes	250,326,172	232,832,758
Investment income	2,188,611	990,851
Gain on disposal of capital assets	719,372	657,944
Miscellaneous	5,089,603	4,480,901
Total general revenues	**258,323,758**	**238,962,454**
Change in net position	30,478,409	(16,110,129)
Net position at beginning of year, as restated (Note 3)	(329,931,855)	(160,663,918)
Net position at end of year	**$ (299,453,446)**	**$ (176,774,047)**

Component Unit	
OCFA Foundation	
2018	**2017**
$ -	$ -
44,756	31,183
799	67
-	-
45,555	**31,250**
-	-
43,198	55,149
-	8,000
43,198	**63,149**
(2,357)	31,899
-	-
-	-
-	-
-	-
-	**-**
(2,357)	31,899
141,580	109,681
$ 139,223	**$ 141,580**

See Notes to the Financial Statements

Orange County Fire Authority Safety Message

Holiday Cooking Fire Safety

(Part 3 of 3)

(Continued from Page 29)

More cooking fires are reported on Thanksgiving than any other day of the year, followed by Christmas and Christmas Eve.

Safety Tips

It's important to know what to do if a fire starts in your kitchen. A quick and safe response can allow you to put a small fire out before it has a chance to spread.

- ✓ If there's a fire on the stove, cover the pan with the lid and turn off the stove. Never try to move the pan to the sink, and NEVER pour water on a grease fire.
- ✓ If there's a fire in the oven or microwave, keep the door closed and turn off the appliance.
- ✓ A multipurpose (A-B-C) fire extinguisher can also be used on a small cooking fire but only if it's not spreading, smoke and heat have not filled the area, and you have a clear escape path.

FUND FINANCIAL STATEMENTS

NEW CRASH UNIT AT JOHN WAYNE AIRPORT

CRASH 2 PRESS CONFERENCE
MARCH 29, 2018

Orange County Fire Authority Safety Message

Holiday Fire Safety

(Part 1 of 4)

Don't let a preventable fire take the joy out of your holiday season. Protect your family and home this winter by following a few simple safety tips.

Candle Safety

Holiday decorations are responsible for more than $13 million in home fire damages each year.

✓ Consider using flameless candles to reduce holiday fire risk.

✓ Keep candles at least 12 inches from decorations, curtains, or other material that might catch fire.

✓ Always use fire-resistant candleholders specifically designed for candle use.

(Continued on Page 48)

ORANGE COUNTY FIRE AUTHORITY

Governmental Funds

Balance Sheet

June 30, 2018

(With Comparative Data for Prior Year)

	General Fund
Assets:	
Cash and investments (Note 4)	$ 117,844,174
Receivables:	
Accounts, net (Note 5)	3,477,078
Accrued interest	285,258
Prepaid costs and other assets (Note 6)	34,825,973
Due from other governments, net (Note 7)	15,384,420
Total assets	**$ 171,816,903**
Liabilities:	
Accounts payable	$ 3,121,023
Accrued liabilities	8,899,638
Unearned revenue (Note 9)	27,927
Due to other governments (Note 8)	1,667,025
Total liabilities	**13,715,613**
Deferred Inflows of Resources:	
Unavailable revenue	-
Total deferred inflows of resources	**-**
Fund balances:	
Nonspendable - prepaid costs (Note 6)	34,800,682
Restricted for (Note 10):	
Capital improvement program	-
Various departments	3,417,677
Communications and IT projects	2,975
Fire station construction	-
Committed to - SFF cities enhancements (Note 11)	1,496,954
Assigned to (Note 12):	
Capital improvement program	1,572,963
Workers' compensation	80,515,844
Various departments	603,301
Facilities projects	102,875
Communications and IT projects	235,763
Fire apparatus and other vehicles	-
Construction projects	-
Unassigned (Note 13)	35,352,256
Total fund balances	**158,101,290**
Total liabilities, deferred inflows of resources, and fund balances	**$ 171,816,903**

See Notes to the Financial Statements

Capital Projects Funds			**Total Governmental Funds**	
Communications and Information Systems	**Fire Apparatus**	**Fire Stations and Facilities**	**2018**	**2017**
$ 11,223,500	$ 21,880,204	$ 25,497,792	$ 176,445,670	$ 178,194,261
-	1,613,739	270,000	5,360,817	3,132,852
24,636	35,095	86,100	431,089	249,934
25,216	-	-	34,851,189	33,777,452
-	67,467	-	15,451,887	11,163,722
$ 11,273,352	**$ 23,596,505**	**$ 25,853,892**	**$ 232,540,652**	**$ 226,518,221**
$ 207,149	$ 5,182	$ 28,192	$ 3,361,546	$ 3,999,597
-	-	-	8,899,638	8,293,131
-	-	-	27,927	972,723
-	-	-	1,667,025	152,192
207,149	**5,182**	**28,192**	**13,956,136**	**13,417,643**
-	-	-	-	190,000
-	**-**	**-**	**-**	**190,000**
25,216	-	-	34,825,898	33,755,156
-	-	433,080	433,080	533,232
-	-	-	3,417,677	3,364,382
-	-	-	2,975	-
-	-	100,152	100,152	-
-	-	-	1,496,954	549,651
10,587,511	9,501,481	25,223,149	46,885,104	49,146,633
-	-	-	80,515,844	75,375,829
-	-	-	603,301	1,764,652
-	-	-	102,875	89,361
453,476	-	-	689,239	141,410
-	14,089,842	-	14,089,842	16,533,144
-	-	69,319	69,319	310,456
-	-	-	35,352,256	31,346,672
11,066,203	**23,591,323**	**25,825,700**	**218,584,516**	**212,910,578**
$ 11,273,352	**$ 23,596,505**	**$ 25,853,892**	**$ 232,540,652**	**$ 226,518,221**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018
(With Comparative Data for Prior Year)

	2018	2017
Fund balances of governmental funds	**$ 218,584,516**	**$ 212,910,578**
Capital Assets		
When capital assets that are to be used in governmental activities are purchased or constructed, their costs are recorded as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the OCFA as a whole, net of accumulated depreciation/amortization.		
Capital assets	347,912,465	327,630,789
Accumulated depreciation/amortization	(138,706,925)	(131,487,015)
Long-term Liabilities and Receivables		
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.		
OCERS pension plan:		
Net pension liability	(370,674,668)	(469,430,660)
Prepaid costs and other assets	(15,174,000)	(14,620,000)
Deferred outflows of resources	111,040,750	122,180,027
Deferred inflows of resources	(116,561,628)	(55,142,127)
Extra Help pension plan:		
Net pension liability	(86,047)	(124,459)
Deferred outflows of resources	5,157	17,232
Deferred inflows of resources	(33,664)	(62,320)
Other postemployment benefits (OPEB):		
Net OPEB liability	(244,860,819)	(82,254,710)
Deferred outflows of resources	3,139,076	-
Deferred inflows of resources	(2,053,526)	-

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018
(Continued)

	2018	2017
Long-term Liabilities and Receivables, (Continued)		
Capital lease purchase agreements	(1,253,718)	(3,713,307)
Accrued claims and judgments	(73,331,644)	(65,928,152)
Compensated absences	(17,398,071)	(16,937,840)
Accrued Interest		
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds. Accrued interest was calculated and reported in the Statement of Net Position.	(700)	(2,083)
Unavailable Revenues		
Unavailable revenues are reported in the governmental funds if not collected or expected to be collected within the OCFA's availability period. However, amounts relating to unavailable revenues are not reported in the Statement of Net Position since revenue recognition is not based upon measurable and available criteria.		
Accounts receivable, net - Station 61 fire insurance claim	-	190,000
Net position of governmental activities	**$ (299,453,446)**	**$ (176,774,047)**

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2018
(With Comparative Data for Prior Year)

	General Fund
Revenues:	
Taxes	$ 250,326,172
Intergovernmental	37,063,147
Charges for services	107,440,415
Use of money and property	1,742,245
Miscellaneous	3,775,973
Developer contributions	-
Total revenues	**400,347,952**
Expenditures:	
Current - public safety:	
Salaries and benefits	340,720,267
Services and supplies	49,127,349
Capital outlay	1,837,456
Debt service:	
Principal retirement	-
Interest and fiscal charges	387,790
Total expenditures	**392,072,862**
Excess (deficiency) of revenues over (under) expenditures	8,275,090
Other financing sources (uses):	
Transfers in	-
Transfers out	-
Sale of capital and other assets	1,012,581
Insurance recoveries	1,456,267
Total other financing sources (uses)	**2,468,848**
Net change in fund balances	10,743,938
Fund balances, beginning of year	147,357,352
Fund balances, end of year	**$ 158,101,290**

See Notes to the Financial Statements

Capital Projects Funds			Total Governmental Funds	
Communications and Information Systems	Fire Apparatus	Fire Stations and Facilities	2018	2017
$ -	$ -	$ -	$ 250,326,172	$ 232,832,758
-	-	-	37,063,147	29,069,065
-	1,310,005	-	108,750,420	106,061,060
152,409	361,452	320,295	2,576,401	1,257,155
294,763	180,883	174,597	4,426,216	4,571,977
-	1,613,739	1,931,400	3,545,139	962,627
447,172	**3,466,079**	**2,426,292**	**406,687,495**	**374,754,642**
-	-	-	340,720,267	309,507,433
711,543	-	33,081	49,871,973	48,087,618
62,612	7,347,076	723,508	9,970,652	12,116,937
-	2,459,589	-	2,459,589	2,397,140
-	72,134	-	459,924	400,887
774,155	**9,878,799**	**756,589**	**403,482,405**	**372,510,015**
(326,983)	(6,412,720)	1,669,703	3,205,090	2,244,627
-	-	-	-	33,724,099
-	-	-	-	(33,724,099)
-	-	-	1,012,581	76,633
-	-	-	1,456,267	1,218,433
-	**-**	**-**	**2,468,848**	**1,295,066**
(326,983)	(6,412,720)	1,669,703	5,673,938	3,539,693
11,393,186	30,004,043	24,155,997	212,910,578	209,370,885
$ 11,066,203	**$ 23,591,323**	**$ 25,825,700**	**$ 218,584,516**	**$ 212,910,578**

ORANGE COUNTY FIRE AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2018

(With Comparative Data for Prior Year)

	2018	2017
Net change in fund balances - total governmental funds	**$ 5,673,938**	**$ 3,539,693**
Capital Assets		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.		
Capital outlay	9,970,652	12,116,937
Depreciation/amortization expense	(10,084,196)	(9,512,777)
Capital assets received through grant or donation are recognized as revenue in the Statement of Activities at their estimated acquisition value at time of receipt.		
From developers, grantors, and donors	13,330,000	77,502
Governmental funds report the proceeds from disposal of capital and other assets as other financing sources. In the Statement of Activities, those proceeds are offset by the net book value of the asset, resulting in a gain or loss on the sale.		
Capital asset disposals	(3,018,976)	(2,628,016)
Accumulated depreciation/amortization on disposals	2,864,286	2,069,004
Long-term Liabilities and Receivables		
Repayment of long-term debt principal on the capital lease purchase agreements is reported as an expenditure in governmental funds. Principal payments reduce the long-term liability in the Statement of Net Position and do not result in an expense in the Statement of Activities.	2,459,589	2,397,140
Other long-term liabilities are reported in the Statement of Net Position. The net annual change in the liability is recognized as an expense in the Statement of Activities. Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.		
OCERS pension plan	25,643,214	(2,529,025)
Extra Help pension plan	54,993	51,238
Other postemployment benefits (OPEB)	(8,362,751)	(15,611,314)
Accrued claims and judgments - workers' compensation	(7,403,492)	(4,731,507)
Compensated absences - Santa Ana general leave	-	1,621,716
Compensated absences - other leave balances	(460,231)	(1,540,348)

ORANGE COUNTY FIRE AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2018
(Continued)

	2018	2017
Long-term Liabilities and Receivables, (Continued)		
A long-term receivable was established in the Statement of Net Position for the portion of compensated absences reimbursable by the City of Santa Ana. The receivable balance was reduced over time as leave balances were used by employees and subsequently reimbursed by the city. Those reimbursements were reported as revenue in the governmental funds.	-	(1,621,716)
Accrued Interest		
Interest expenditures are reported when paid in the governmental funds, while the net change in accrued interest incurred for the period is recognized as interest expense in the Statement of Activities.	1,383	1,344
Unavailable Revenues		
Certain receivables and grants that have been accrued but not collected are reflected as unavailable revenue in the governmental funds. All earned revenue is recognized in the Statement of Activities regardless of when collected.		
Insurance recoveries - Station 61 fire insurance claim	(190,000)	190,000
Interfund Transactions		
Transactions between governmental funds are eliminated for presentation in the government-wide financial statements.		
Transfers in	-	(33,724,099)
Transfers out	-	33,724,099
Use of money and property	(387,790)	(266,304)
Interest and fiscal charges	387,790	266,304
Change in net position of governmental activities	**$ 30,478,409**	**$ (16,110,129)**

ORANGE COUNTY FIRE AUTHORITY
General Fund
Budgetary Comparison Statement
Year ended June 30, 2018
(With Comparative Data for Prior Year)

	2018				2017
	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
	Original	Final			
Budgetary fund balance, July 1	**$ 147,357,352**	**$ 147,357,352**	**$ 147,357,352**	**$ -**	**$ 153,057,705**
Resources (inflows):					
Taxes	242,371,052	244,761,645	250,326,172	5,564,527	232,832,758
Intergovernmental	15,729,661	33,124,464	37,063,147	3,938,683	29,069,065
Charges for services	107,076,852	106,390,732	107,440,415	1,049,683	104,710,870
Use of money and property	1,850,784	1,540,982	1,742,245	201,263	830,271
Miscellaneous	799,248	3,724,705	3,775,973	51,268	4,123,033
Transfers in	-	-	-	-	5,552,492
Sale of capital and other assets	50,000	967,045	1,012,581	45,536	76,633
Insurance recoveries	-	34,875	1,456,267	1,421,392	1,218,433
Total resources (inflows)	**367,877,597**	**390,544,448**	**402,816,800**	**12,272,352**	**378,413,555**
Amounts available for appropriations	**515,234,949**	**537,901,800**	**550,174,152**	**12,272,352**	**531,471,260**
Charges to appropriation (outflows):					
Salaries and benefits	305,032,086	342,187,971	340,720,267	1,467,704	309,507,433
Services and supplies	42,790,209	57,953,082	49,127,349	8,825,733	41,531,206
Capital outlay	851,800	3,158,332	1,837,456	1,320,876	4,637,358
Interest and fiscal charges	31,250	525,000	387,790	137,210	266,304
Transfers out	-	-	-	-	28,171,607
Total charges to appropriations	**348,705,345**	**403,824,385**	**392,072,862**	**11,751,523**	**384,113,908**
Budgetary fund balance, June 30	**$ 166,529,604**	**$ 134,077,415**	**$ 158,101,290**	**$ 24,023,875**	**$ 147,357,352**

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018
(With Comparative Data for Prior Year)

	Pension and Other Employee Benefit Trust Funds	Total Fiduciary Funds	
		2018	2017
Assets:			
Cash and investments (Note 4):			
Local Agency Investment Fund:			
Domestic fixed income	$ 62,324	$ 62,324	$ 67,754
Pooled amounts held in trust with OCERS	40,111,053	40,111,053	-
Total cash and investments	40,173,377	40,173,377	67,754
Receivables:			
Other receivables	537,657	537,657	-
Total assets	**40,711,034**	**40,711,034**	**67,754**
Liabilities:			
Accrued liabilities	317,648	317,648	-
Total liabilities	**317,648**	**317,648**	**-**
Net position restricted for pensions and other postemployment benefits	**$ 40,393,386**	**$ 40,393,386**	**$ 67,754**

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2018
(With Comparative Data for Prior Year)

	Pension and Other Employee Benefit Trust Funds	Total Fiduciary Funds	
		2018	2017
Additions:			
Contributions:			
Employer	$ 1,605,056	$ 1,605,056	$ 839
Plan members	2,396,306	2,396,306	21,080
Total contributions	4,001,362	4,001,362	21,919
Net investment income:			
Total investment income	5,328,967	5,328,967	2,407
Investment fees and expenses	(210,977)	(210,977)	-
Total net investment income	5,117,990	5,117,990	2,407
Total additions	**9,119,352**	**9,119,352**	**24,326**
Deductions:			
Benefits and refunds paid to plan members and beneficiaries	5,605,841	5,605,841	31,370
Administrative expenses	27,068	27,068	-
Total deductions	**5,632,909**	**5,632,909**	**31,370**
Change in net position	3,486,443	3,486,443	(7,044)
Net position, beginning of year, as restated (Note 3)	36,906,943	36,906,943	74,798
Net position, end of year	**$ 40,393,386**	**$ 40,393,386**	**$ 67,754**

See Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 11TH REMEMBRANCE CEREMONY

SEPTEMBER 11, 2017

ORANGE COUNTY FIRE AUTHORITY

Index to Notes to the Financial Statements

Year ended June 30, 2018

Orange County Fire Authority Safety Message

Holiday Fire Safety

(Part 2 of 4)

(Continued from Page 35)

Don’t let a preventable fire take the joy out of your holiday season. Protect your family and home this winter by following a few simple safety tips.

Candle Safety

Holiday decorations are responsible for more than $13 million in home fire damages each year.

- ✓ Place candles on stable, heat-resistant surfaces where they can’t be easily knocked over.
- ✓ Keep candles out of reach of children and pets.
- ✓ Avoid using candles in bedrooms or other areas where people may fall asleep.
- ✓ Extinguish all candles before leaving a room or going to sleep.

(Continued on Page 102)

ORANGE COUNTY FIRE AUTHORITY

Notes to the Financial Statements

Year ended June 30, 2018

(1) Summary of Significant Accounting Policies

(a) Description of the Reporting Entity

Effective March 1, 1995, the County of Orange (County) and the cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda entered into a Joint Powers Agreement (JPA) to create the Orange County Fire Authority (OCFA). Since the creation of the OCFA, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita, Santa Ana, and Westminster have also joined as members.

The purpose of OCFA is to provide fire suppression, protection, prevention, and related and incidental services including, but not limited to, emergency medical and transport services and hazardous materials regulation, as well as providing facilities and personnel for such services. The OCFA's governing board consists of one representative from each member city, with the exception of the cities of Irvine and Placentia, and two from the County. As of June 30, 2018, a representative from the cities of Irvine and Placentia no longer serve on the governing board in accordance with the provisions of the JPA because both of those cities have issued notices of withdrawal from OCFA. Issuance of the notice of withdrawal (1) does not become effective until July 1, 2020; (2) can be rescinded by the member agency at any time before July 1, 2020, upon approval by the OCFA Board of Directors; and (3) results in removal of the member agency's representative from the OCFA Board of Directors until the notice is rescinded.

The operations of OCFA are funded with a portion of property taxes collected by the County (Structural Fire Fund) for the unincorporated area and on behalf of all member cities except for the cities of Buena Park, Placentia, San Clemente, Santa Ana, Seal Beach, Stanton, Tustin, and Westminster, which are considered to be cash contract cities. The County pays all Structural Fire Fund taxes it collects to the OCFA. The cash contract cities make cash contributions based on OCFA's annual budget. Upon dissolution, all surplus money and property of OCFA will be conveyed or distributed to each member in proportion to all funds provided to OCFA by that member or by the County on behalf of that member during its membership. Each member must execute any instruments of conveyance necessary to effectuate such distribution or transfer.

As required by generally accepted accounting principles, these financial statements present both the OCFA as the primary government, as well as any of its component units. A component unit is an entity for which a primary government entity is considered to be financially accountable.

- The primary government is considered to be financially accountable for an organization if it appoints a voting majority of that organization's governing body, and (1) if the primary government is able to impose its will on that organization or (2) there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

- The primary government may also be considered financially accountable for an organization if that organization is fiscally dependent on the primary government (i.e., the organization is unable to approve or modify its budget, levy taxes or set rates/charges, or issue bonded debt without approval from the primary government).

- In certain cases, other organizations are included as component units if the nature and significance of their relationship with the primary government are such that their exclusion would cause the primary government's financial statements to be misleading or incomplete, even though the primary government is not considered financially accountable for that organization under the criteria previously described. A legally separate, tax exempt organization is reported as a component unit if (1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its constituents; (2) the primary government is entitled to or has the ability otherwise access a majority of the economic resources received or held by the organization; and (3) the economic resources received or held by the organization are significant to the primary government.

Component units must be classified as either "blended" or "discrete" in the primary government's financial statements. A component unit is "blended" if the governing boards of the two organizations are substantially the same, or if the component unit provides services entirely or almost entirely to the primary government. Because of the closeness of its relationship with the primary government, a "blended" component unit is presented as though it is part of the primary government and, therefore, is included in both the government-wide and fund financial statements. Component units that do not meet either of these two criteria are considered "discrete" and are reported only in the government-wide financial statements.

A brief description of OCFA's discretely presented component unit is as follows:

- The **OCFA Foundation** ("Foundation") was established by the OCFA Board of Directors in July 2010, and qualifies as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The purpose of the Foundation is to support the OCFA with the additional resources needed to provide an enhanced level of fire prevention, suppression, and emergency medical services to the citizens of Orange County. The Foundation assists OCFA by conducting fundraising activities and securing non-government grant funds, services, materials, and contributions that support OCFA's mission. OCFA provided $50,000 from the General Fund as start-up funding for the Foundation. The tax exempt status of the Foundation was approved by the Internal Revenue Service on February 23, 2011, and the inaugural meeting of the Foundation Board was April 28, 2011.

  The Foundation's Board of Directors consists of no less than three and no more than seven members, the exact number determined by resolution of the Foundation Board. Foundation Board members must have been active in or had significant prior experience in governmental or community organizations, or the fire service. The Foundation Board may consist of any combination of members of the public, OCFA employees, and/or past or current OCFA Board members. Initially, the Chair of OCFA's Board appointed the first three Foundation Directors. As of June 30, 2018, there were five non-OCFA Board members on the Foundation's Board.

Additional members may be appointed by the Foundation Board at a future date via a simple majority vote.

The Foundation is considered a component unit of OCFA, because the nature and significance of its relationship with OCFA is such that its exclusion would cause OCFA's financial statements to be misleading or incomplete. Within these financial statements, the Foundation is reported as a discrete component unit in the government-wide financial statements. The Foundation also issues separate, component unit financial statements that may be obtained through written request from the OCFA Finance Division at 1 Fire Authority Road, Irvine, California 92602.

(b) Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities), report information about OCFA as a whole, excluding its fiduciary activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. During the course of operations, OCFA has activity between its governmental funds for various purposes. Residual balances at the end of the fiscal year, interfund transfers, and other transactions between governmental funds, if any, are eliminated in the preparation of the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of the given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. OCFA considers revenues to be available if they are typically collected within 180 days of the end of the current fiscal period, with the exception of property taxes, which are considered available if they are typically collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by OCFA.

Fiduciary fund financial statements are reported using the same *economic resources measurement focus* and the *accrual basis of accounting* described for the government-wide financial statements.

(c) Major Funds and Other Fund Types

Major Governmental Funds

Major funds are those whose revenues, expenditures, assets, or liabilities are at least 10% of corresponding totals for all governmental funds. The General Fund is always a major fund. OCFA has elected to report all of its governmental funds as major funds.

- The **General Fund** is the primary operating fund of OCFA and is used to account for all financial resources not accounted for and reported in another fund. The General Fund accounts for the financial activities of providing fire suppression, protection, prevention, and related services to OCFA's member cities and unincorporated areas. The primary sources of revenue are property taxes for fire protection (Structural Fire Fund), cash contracts, intergovernmental reimbursements, and various user fees.

- The **Communications and Information Systems Fund** is a capital projects fund used to account for the significant acquisition, improvement, or replacement of specialized communications and information technology systems and/or equipment.

- The **Fire Apparatus Fund** is a capital projects fund used to account for the significant acquisition, improvement, or replacement of fire apparatus, including vehicles, trailers, and helicopters.

- The **Fire Stations and Facilities Fund** is a capital projects fund used to account for the significant acquisition, improvement, replacement, or construction of fire stations and facilities.

Fiduciary Fund Types

- **Pension and Other Employee Benefit Trust Funds** are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. OCFA's pension and other employee benefit trust funds account for the extra help postemployment defined benefit retirement plan, and a postemployment health care plan trust established under Internal Revenue Code section 401(h) to pay health allowances to eligible retired members of the OCFA. The postemployment healthcare plan is presented in accordance with the plan year-end of December 31.

(d) Cash and Investments

OCFA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments.

Investments are stated at fair value (the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants), in accordance with GASB Statement No. 72. OCFA's policy is generally to hold investments until maturity. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

(e) Receivables

All accounts receivable are shown net of an allowance for uncollectible amounts.

Under California law, counties assess and collect property taxes up to 1% of assessed value and can increase the property tax rate no more than 2% per year. The property taxes go into a pool and are then allocated to the cities and local government entities based on complex formulas. The County bills and collects the property taxes and distributes them to OCFA in installments during the year. Accordingly, OCFA accrues only those taxes which are received from the County within 60 days after year-end. A summary of the property tax calendar is as follows:

Lien date	January 1
Levy date	Fourth Monday of September
Due dates	November 1 and February 1
Delinquent dates	December 10 and April 10

(f) Prepaid Costs and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both the government-wide and fund financial statements. OCFA accounts for all prepaid items (i.e., warranties, annual maintenance fees, and professional memberships) under the "consumption method." This means that expenditures are recognized proportionately over the period that the services are provided. Nonspendable fund balance in an amount equal to prepaid costs is reported in the governmental fund types, since these amounts are not in a spendable form.

OCFA accounts for all supplies inventories (i.e., office supplies, automotive parts, vehicle and jet fuel, etc.) under the "purchase method." This means that expenditures are recognized at the time they are purchased, rather than when they are consumed or used.

(g) Capital Assets

Capital assets of governmental activities, which include property, plant, and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by OCFA as assets with an estimated useful life in excess of one year and with an initial, individual cost of $5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or developer-contributed capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not materially add to the value of the asset or materially extend the asset's useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets received in a service concession arrangement, if any, are reported at acquisition value. OCFA's capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	45 years
Equipment	3 – 40 years
Vehicles	4 – 20 years

(h) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position of governmental activities and the Balance Sheet of governmental funds may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position or fund balance that apply to future period(s) and so will not be recognized as outflows of resources (expenses or expenditures) during the current fiscal year. OCFA currently reports deferred outflows pertaining to pensions and other postemployment benefits on the Statement of Net Position of governmental activities.

In addition to liabilities, the Statement of Net Position of governmental activities and the Balance Sheet of governmental funds may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position or fund balance that apply to future period(s) and so will not be recognized as inflows of resources (revenues) during the current fiscal year. Unavailable revenue in the governmental funds, which arises under the modified accrual basis of accounting, is currently the only item that qualifies for reporting as a deferred inflow. These amounts will be recognized as an inflow of resources in the period that the amounts become available. OCFA also currently reports deferred inflows pertaining to pensions and other postemployment benefits on the Statement of Net Position of governmental activities.

(i) Compensated Absences

OCFA's policy permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and unpaid sick leave to which employees are entitled under their respective

Memorandums of Understanding (MOU's) have been accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if it has matured (for example, as a result of employee resignations or retirements).

(j) Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities of governmental activities in the government-wide Statement of Net Position, and issuance costs are recognized as an expense in the Statement of Activities in the period incurred. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(k) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Orange County Employees Retirement System (OCERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(l) Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Medical Plan and additions to/deductions from OCFA's fiduciary net position have been determined on the same basis. For this purpose, OCFA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(m) Fund Equity

The components of the fund balances of governmental funds reflect the component classifications described below.

- **Nonspendable** fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

- **Restricted** fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

- **Committed** fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as OCFA's highest level of decision-making authority and has the authority to establish, modify, or rescind a fund balance commitment via a minutes order, which may or may not be documented by a written Board resolution.

- **Assigned** fund balance includes amounts intended to be used by OCFA for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors. OCFA's Board of Directors has established a *Fund Balance Assignment Policy* which establishes the authority by which OCFA may set aside cumulative resources in fund balance for an intended future use. The Board of Directors has the authority to assign fund balance, and has delegated its authority to assign amounts for workers' compensation and the capital improvement program to the Assistant Chief of Business Services, or her designee, in accordance with the parameters outlined in the policy and subject to annual review and concurrence by the Budget and Finance Committee.

- **Unassigned** fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, OCFA's *Flow Assumptions Policy* specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, OCFA's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

(n) Operating Contingency

In June 1998, OCFA established a General Fund Contingency Reserve ("operating contingency"), which was subsequently revised to 10% of budgeted non-grant operating expenditures. OCFA's policy states that the operating contingency be used only for operating contingencies, emergencies caused by calamitous events, and economic uncertainty. The operating contingency's balance is included within the unassigned fund balance category of the General Fund.

(o) Prior Year Data

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

(p) Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

(2) Compliance and Accountability

(a) Budgetary Information

OCFA establishes accounting control through formal adoption of an annual operating budget for its governmental funds. The operating budgets are prepared on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all of OCFA's governmental funds.

Perspective differences occur when the framework used for budgeting differs from the fund structure used for financial reporting. OCFA's General Fund consists of four separately-budgeted sub-funds that have been combined and consolidated for financial statement presentation. The table below reconciles fund balance for the General Fund as reported on the budgetary basis to the presentation in the financial statements. The Supplementary Schedules section of this report includes additional General Fund combining schedules for balance sheet, budgetary data, and actual operating data for the year ended June 30, 2018.

	Fund Balance as of June 30, 2018
Budgetary basis:	
General Operating Fund	$ 74,241,456
General Fund Capital Improvement Program (CIP)	1,847,036
Structural Fire Entitlement	1,496,954
Self Insurance	80,515,844
General Fund for financial statement presentation	$158,101,290

The adopted budget can be amended by the Board to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require the Board's approval; however, division and section managers, Assistant Chiefs, and Directors may authorize changes within funds and/or their respective authorized budgets. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of OCFA to review the budgets mid-year and, if necessary, recommend changes to the Board.

(b) Emergency Appropriations Policy

In September 2008, the Board adopted the Emergency Appropriations Policy to provide a means of increasing budgeted appropriations in the event that extraordinary fire or emergency incident activity occurs after the last Board meeting of the fiscal year, which may cause expenditures to exceed the authorized General Fund budget. The contingency appropriation, which may not exceed $3,000,000 each fiscal year, is established for unforeseen requirements, primarily salary and employee benefits for extraordinary fire or emergency response. No expenditures may be made directly against the contingency appropriations; however, OCFA management may recommend a transfer from the contingency appropriations to a specific purpose appropriation. The Chair of the Board of Directors or the Vice Chair, in the absence of the Chair, must pre-approve any such transfers. Upon approval by the Chair or Vice Chair, notice of this transfer must be provided immediately to the full Board in writing.

(c) Encumbrance Accounting

Encumbrance accounting is employed in governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in OCFA's governmental funds. Encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balance, depending on the type of revenue source associated with the encumbrance, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. All appropriations lapse at year-end with the exception of encumbered appropriations, which are effectually re-appropriated in the ensuing year's budget.

(3) Implementation of New Accounting Standards and Prior Period Adjustment

During the year ended June 30, 2018, OCFA implemented the following new accounting standards as required by the Governmental Accounting Standards Board (GASB):

- **GASB Statement No. 74** *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces the requirements of GASB Statement No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as Amended*. It also includes requirements for defined contribution OPEB Plans that replace the requirements for those OPEB plans in GASB Statement No. 25 *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as Amended*; GASB Statement No. 43; and GASB Statement No. 50 *Pension Disclosures*.

- **GASB Statement No. 75** *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes new accounting and financial reporting requirements for OPEB plans. This statement replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, As Amended*; and GASB Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

- **GASB Statement No. 85** *Omnibus 2017*, which establishes new accounting and financial reporting requirements for OPEB plans. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements and addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and additional guidance for postemployment benefits (pensions and other postemployment benefits).

The tables below summarize the impact of implementing GASB Statements No. 74, 75, and 85 to the Statement of Net Position and Statement of Fiduciary Net Position as of July 1, 2017:

Statement of Net Position	Beginning Net Position of Governmental Activities
Net position of governmental activities, as previously reported June 30, 2017	$(176,774,047)
Net OPEB obligation, as previously reported June 30, 2017	82,254,710
Net OPEB liability, as restated July 1, 2017	(236,214,287)
Subtotal	(153,959,577)
Deferred outflows of resources, as restated July 1, 2017	801,769
Net prior period adjustment	(153,157,808)
Net position of governmental activities, as restated July 1, 2017	$(329,931,855)

Statement of Fiduciary Net Position – Pension and Other Postemployment Benefit Trust Funds	Beginning Net Position Restricted for Pensions and Other Postemployment Benefits
Net position restricted for pensions and other post-employment benefits, as previously reported June 30, 2017	$ 67,754
Retiree Medical Plan fiduciary net position, as restated July 1, 2017	36,839,189
Net position restricted for pensions and other postemployment benefits, as restated July 1, 2017	$36,906,943

(4) Cash and Investments

(a) Financial Statement Presentation

OCFA maintains a cash and investment pool that is available for use for all funds. Each fund's position in the pool is reported on the balance sheet as cash and investments. Pooled investments held in trust with OCERS (presented within the Fiduciary Funds of these financial statements) are reported as of the December 31, 2017 plan year-end date. Additional investment information is provided within these notes as Note 22.

Cash and investments as of June 30, 2018, are reported in the financial statements as follows:

Statement of Net Position:	
Governmental activities	$176,445,670
Discretely presented component unit – OCFA Foundation	126,642
Statement of Fiduciary Net Position:	
Fiduciary funds	40,173,377
Total cash and investments	$216,745,689

Cash and investments consist of the following as of June 30, 2018:

Petty cash / cash on hand	$ 14,735
Demand deposits	271,666
Investments	216,459,288
Total cash and investments	$216,745,689

(b) Demand Deposits

At June 30, 2018, the carrying amount of OCFA's demand deposits was $271,666 and the bank balance was $1,712,589. The $1,440,923 difference represents outstanding checks and other reconciling items.

California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "agent of depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government. The OCFA Treasurer may waive the collateral requirement for deposits that are fully insured up to $250,000 by the FDIC.

(c) Investments Authorized by Government Code and OCFA Investment Policy

The table below identifies investment types that are authorized by OCFA's investment policy and by California Government Code Section 53600 et seq. and Section 5922(d). The table also identifies provisions of the California Government Code (or OCFA's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table, however, does not cover investments of debt proceeds, if any, held by fiscal agent, which are governed by the provisions of debt agreements of OCFA rather than the general provisions of OCFA's investment policy. In addition, this table does not include other investment types that are allowable under the California Government Code but are not specifically authorized by OCFA's investment policy.

Investment Types	Maximum Maturity	Maximum % of Portfolio in Investment Type	Maximum % of Portfolio in Single Issuer
U.S. Treasury obligations	5 years	100%	100%
Federal agency securities	5 years	75%(1)	75%(1)
Bankers' acceptances	180 days	25%(1)	25%(1)
Commercial paper	270 days	15%(1)	15%(1)
Negotiable certificates of deposit	5 years	25%(1)	25%(1)
Repurchase agreements	14 days	15%(1)	15%(1)
Money market mutual funds	n/a	15%(1,2)	15%(1,2)
Local Agency Investment Fund	n/a	75%(1)	75%(1)

(1) Based on OCFA investment policy requirement, which is more restrictive than state law
(2) No limit on automatic overnight sweep

(d) Local Agency Investment Fund

OCFA is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of OCFA's investment in this pool, which approximates cost, is reported in the accompanying financial statements based on OCFA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis and reported as cash equivalents in the Statement of Net Position. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. Deposits and withdrawals to and from LAIF are made on the basis of $1 and not at fair value. Accordingly, under the fair value hierarchy, the investment with LAIF is uncategorized.

The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. The value of OCFA's LAIF deposits as of June 30, 2018, was $64,878,246 and had a weighted average maturity of 193 days. LAIF is not rated as to credit risk by a nationally recognized statistical rating organization. LAIF is administered by the State Treasurer's Office and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office, 915 Capitol Mall, Sacramento, California 95814.

(e) GASB Statement No. 72

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. OCFA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. OCFA has the following fair value measurements as of June 30, 2018:

	Fair Value Hierarchy Level			
	Level 1	Level 2	Level 3	Total
U.S. Treasury obligations	$ -	$ 60,765,830	$ -	$ 60,765,830
Federal agency securities	-	44,704,660	-	44,704,660
Money market mutual funds	-	5,999,499	-	5,999,499
	$ -	$111,469,989	$ -	111,469,989
Uncategorized investments:				
LAIF				64,878,246
Pooled amounts held in trust with OCERS				40,111,053
				$216,459,288

U.S. Treasury obligations and federal agency securities are valued using institutional bond quotes. Money market investments that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools, and investments held by 2a7-like external investment pools, are measured at amortized cost as provided in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

(f) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the California Government Code, OCFA's investment policy, or debt agreements, as well as the actual rating as of year-end for each investment type.

	Minimum Rating Required	Rating at Year-End		
		Aaa/ AA+/ AAA	Unrated	Total
U.S. Treasury obligations	N/A	$ 60,765,830	$ -	$ 60,765,830
Federal agency securities	N/A	44,704,660	-	44,704,660
Money market mutual funds	Aaa/AAA	5,999,499	-	5,999,499
LAIF	N/A	-	64,878,246	64,878,246
Pooled amounts held in trust with OCERS	N/A	-	40,111,053	40,111,053
Total		$111,469,989	$104,989,299	$216,459,288

(g) Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. OCFA's investment policy requires that collateral be held by an independent third party with whom OCFA has a current custodial agreement. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. OCFA's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of OCFA's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. As of June 30, 2018, none of the OCFA's deposits or investments was exposed to disclosable custodial credit risk.

(h) Concentration of Credit Risk

OCFA's investment policy imposes restrictions for certain types of investments with any one issuer to 15% of the total investment pool with the following exceptions: U.S. Treasury obligations (100%), LAIF (75%), federal agency securities (75%), bankers' acceptances (25%), and negotiable certificates of deposit (25%). With respect to concentration risk as of June 30, 2018, OCFA is in compliance with the investment policy's restrictions. In addition, GASB Statement No. 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value (exclusive of amounts held by fiscal agent and OCERS). Investments guaranteed by the U.S. government, mutual funds, and external investment pools are excluded from this requirement. Investments with issuers exceeding 5% of the total investment portfolio at June 30, 2018, are summarized below.

Issuer	Fair Value	% of Portfolio
Federal Home Loan Bank (FHLB)	$18,948,050	10.7%
Federal Farm Credit Bank (FFCB)	16,856,870	9.6%
Federal Home Loan Mortgage Corp (Freddie Mac)	$8,899,740	5.0%

(i) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. OCFA's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. OCFA's investment policy states that at least 50% of the portfolio must mature in 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 has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2018, the OCFA had the following investments and maturities:

	Investment Maturities in Months				
	6 or Less	7 to 12	13 to 60	N/A	Total
U.S. Treasury obligations	$60,765,830	$ -	$ -	$ -	$ 60,765,830
Federal agency securities	28,921,050	-	15,783,610	-	44,704,660
Money market mutual funds	5,999,499	-	-	-	5,999,499
LAIF	-	64,878,246	-	-	64,878,246
Pooled amounts held in trust with OCERS	-	-	-	40,111,053	40,111,053
Total	$95,686,379	$64,878,246	$15,783,610	$40,111,053	$216,459,288

As of June 30, 2018, OCFA's investments included the following callable investments, which are considered to be exposed to interest rate risk:

Issuer	Call Date(s)	Yield to Call	Maturity Date	Fair Value
Federal Farm Credit Bank (FFCB)	Anytime	0.559%	10/15/2018	$9,973,000
Federal Farm Credit Bank (FFCB)	Anytime	1.375%	8/1/2019	6,883,870

(5) Accounts Receivable

Accounts receivable, net of allowance for doubtful accounts, consists of the following as of June 30, 2018:

	Governmental Funds			Primary Government
	General Fund	Fire Apparatus	Fire Stations and Facilities	Governmental Activities
Fire prevention and late fees	$ 805,570	$ -	$ -	$ 805,570
Ambulance and other reimbursements	2,025,495	-	-	2,025,495
Developers	-	1,613,739	270,000	1,883,739
Station 61 fire insurance claim	896,000	-	-	896,000
Other/miscellaneous	53,464	-	-	53,464
Accounts receivable	3,780,529	1,613,739	270,000	5,664,268
Allowance for doubtful accounts	(303,451)	-	-	(303,451)
Accounts receivable, net	$3,477,078	$1,613,739	$270,000	$5,360,817

(6) Prepaid Costs, Other Assets, and Nonspendable Fund Balance of Governmental Funds

Prepaid costs and other assets consist of the following as of June 30, 2018:

	Governmental Funds		Primary Government	Component Unit
	General Fund	Communications and Information Systems	Governmental Activities	OCFA Foundation
Prepaid costs:				
Retirement contributions:				
Fiscal Year 2018/19	$32,876,217	$ -	$17,702,217	$ -
Fiscal Year 2017/18	1,218,339	-	1,218,339	-
Maintenance and support	620,540	25,216	645,756	-
Subscriptions and memberships	31,906	-	31,906	-
Other	53,680	-	53,680	446
Total prepaid costs	34,800,682	25,216	19,651,898	446
Other assets:				
Health spending deposits	25,291	-	25,291	-
Total	$34,825,973	$25,216	$19,677,189	$446

In January 2017, OCFA prepaid a portion of its Fiscal Year 2017/18 retirement contributions to the Orange County Employees Retirement System (OCERS) totaling $31,676,810. In January 2018, OCFA prepaid a portion of its Fiscal Year 2018/19 retirement contributions to OCERS totaling $32,876,217. In the governmental funds, the unamortized balance of the January 2017 prepayment totaled $1,218,339 as of June 30, 2018, due to the timing of the pay period calendar. The entire amount of the January 2018 prepayment was unamortized as of June 30, 2018. In the governmental activities, a portion of Fiscal Year 2018/19 prepaid retirement contributions totaling $15,174,000 was reported as a deferred outflow of resources related to pensions, since the contributions will reduce the net pension liability with OCERS prior to the Plan's next measurement date. Other prepaid costs and assets as of June 30, 2018, included various annual maintenance and support fees, subscriptions, and professional memberships; and deposits with the third-party administrator of an employee benefit flexible health spending program.

Prepaid costs are reported as an asset until the expenditures are recognized proportionately over the future period in which the services are to be provided. An amount equal to the asset is reported as nonspendable fund balance in the governmental funds, since these amounts are not in a spendable form. As of June 30, 2018, nonspendable fund balance totaled $34,825,898 and is reported in the General Fund ($34,800,682) and the Communications and Information Systems Fund ($25,216).

(7) Due from Other Governments

Amounts due from other governments consist of the following as of June 30, 2018:

	Governmental Funds		Primary Government
	General Fund	Fire Apparatus	Governmental Activities
Fire protection and other services:			
Cash contract cities	$ 3,530,694	$67,467	$ 3,598,161
State responsibility area	998,735	-	998,735
Airport rescue firefighting	400,879	-	400,879
Subtotal	4,930,308	67,467	4,997,775
Assistance by hire/activation	6,339,133	-	6,339,133
Grants	336,420	-	336,420
Property tax/tax increment	3,762,666	-	3,762,666
Other/miscellaneous	15,893	-	15,893
Due from other governments	$15,384,420	$67,467	$15,451,887

(8) Due to Other Governments

Amounts due to other governments consist of the following as of June 30, 2018:

	Governmental Funds	Primary Government
	General Fund	Governmental Activities
County of Orange:		
Bankruptcy proceeds	$ 194,404	$ 194,404
Property taxes	211,016	211,016
City of Santa Ana:		
Service charge adjustment	1,261,605	1,261,605
Total	$1,667,025	$1,667,025

(9) Unearned Revenue

Unearned revenue consists of the following as of June 30, 2018:

	Governmental Funds	Primary Government	Component Unit
	General Fund	Governmental Activities	OCFA Foundation
Helicopter hangar rental deposits	$ 16,612	$ 16,612	$ -
Cell tower rent – July 2018	3,792	3,792	-
Miscellaneous cash advances	7,523	7,523	2,800
Total	$27,927	$27,927	$2,800

(10) Fund Balance of Governmental Funds – Restricted

Restricted fund balance consists of the following as of June 30, 2018:

	Governmental Funds		
Description	General Fund	Fire Stations and Facilities	Total
Various departments:			
Operations	$2,777,226	$ -	$2,777,226
Support Services	640,451	-	640,451
Subtotal	3,417,677	-	3,417,677
Capital improvement program	-	433,080	433,080
Communications and IT projects	2,975	-	2,975
Fire station construction	-	100,152	100,152
Total	$3,420,652	$533,232	$3,953,884
Type/Source of Restriction			
Encumbrances	$ 687,277	$ 100,152	$ 787,429
Donations	2,478	-	2,478
CalFire drought augmentation funding	2,730,897	-	2,730,897
CalFire contract revenues	-	433,080	433,080
	$3,420,652	$533,232	$3,953,884

Restricted fund balance in the General Fund includes grant-funded or other restricted, unexpended encumbrances outstanding at year-end; donations for specific programs; and CalFire funding restricted for drought augmentation activities. Restricted fund balance in the Fire Stations and Facilities Fund includes CalFire contract revenues that are legally restricted for new fire station development or improvements to existing fire stations, including related encumbrances that are outstanding at year-end.

(11) Fund Balance of Governmental Funds – Committed

In July 1999, the Board of Directors authorized that $4,405,086 be set aside to fund OCFA-related service or resource enhancement projects in certain structural fire fund member agencies. In January 2012 and November 2017, the Board of Directors authorized an additional $622,106 and $1,000,000, respectively, to be set aside for the same purpose. As of June 30, 2018, the remaining unspent amount, plus accrued interest earnings, totaling $1,496,954 was reported as a fund balance commitment in the General Fund. The funds are committed for projects in the following member agencies:

	Governmental Funds
Member Agency	General Fund
County of Orange	$ 182,523
Dana Point	113,737
Irvine	1,059,528
Laguna Niguel	97,529
Lake Forest	19,697
Rancho Santa Margarita	15,253
San Juan Capistrano	909
Villa Park	7,778
Total	$1,496,954

(12) Fund Balance of Governmental Funds – Assigned

Assigned fund balance includes the following as of June 30, 2018:

Capital Improvement Program	$ 46,885,104
Workers' compensation	80,515,844
Assigned, unexpended encumbrances	15,554,576
Total	$142,955,524

The Board of Directors has established a *Fund Balance Assignment Policy* authorizing the assignment of fund balance to the Capital Improvement Program and self-insured workers' compensation claims.

- The assignment to the Capital Improvement Program reflects cumulative amounts transferred from the General Fund to the capital projects funds, net of actual cumulative project expenditures and other revenue sources accounted for in those funds. The assignment may also include net resources accumulated within the General Fund itself to fund purchases and projects that are capital in nature but do not necessarily meet the criteria to be reported in one of OCFA's capital projects funds. The assignment may not exceed the net cost of future identifiable projects. Fund balance assigned for the Capital Improvement Program totaled $46,885,104 as of June 30, 2018, and is reported in the General Fund ($1,572,963), Communications and Information Systems Fund ($10,587,511), Fire Apparatus Fund ($9,501,481) and Fire Stations and Facilities Fund ($25,223,149).

- The assignment to workers' compensation reflects the cumulative difference between actual workers' compensation expenditures incurred and budgeted costs, which are based on an annual actuarial valuation prepared by an external actuary and a confidence level set by the Board of Directors. The assignment for workers' compensation is reported in the General Fund and totaled $80,515,844 as of June 30, 2018.

Assigned fund balance pertaining to unexpended encumbrances outstanding as of June 30, 2018, totaled $15,554,576 and is summarized below for each governmental fund:

	Communications and Information Systems	Fire Apparatus	Fire Stations and Facilities
Purpose of Encumbrance	Communications and IT Projects	Fire Apparatus and Other Vehicles	Construction Projects
100' tractor drawn aerial quints	$ -	$ 8,362,653	$ -
Type 1 engines	-	5,266,458	-
Trucks, sport utility vehicles, and vans	-	460,731	-
Next Generation CAD2CAD project	315,862		
800 MHz radio project	137,614	-	-
RFOTC emergency power extension	-	-	48,818
Warehouse improvements	-	-	12,616
Station No. (Portola Hills) site stabilization	-	-	7,885
Total	$453,476	$14,089,842	$69,319

	General Fund						
Purpose of Encumbrance	Executive Management	Operations Department	Business Services Department	Support Services Department	Facilities Projects	Communications and IT Projects	Total
Helicopter parts, repairs, and maintenance	$ -	$143,168	$ -	$ -	$ -	$ -	$143,168
Station phone, alarm, sound systems	-	-	-	-	-	124,325	124,325
Micro tower computers	-	-	-	-	-	82,733	82,733
Banner 9 upgrade support	-	-	-	71,825	-	-	71,825
Scott safety equipment for Truck 20	-	-	53,474	-	-	-	53,474
Repairs to Truck 979	-	-	-	50,034	-	-	50,034
Drug storage distribution	-	47,639	-	-	-	-	47,639
Apparatus door repairs/replacements	-	-	-	-	44,508	-	44,508
Commercial laundering equipment	-	-	33,387	-	-	-	33,387
Cisco network equipment	-	-	-	-	-	25,730	25,730
Firefighter written exams	23,500	-	-	-	-	-	23,500
Environmental testing	16,225	-	-	-	-	-	16,225
Other	10,522	117,514	30,818	5,195	58,367	2,975	225,391
Total	$50,247	$308,321	$117,679	$127,054	$102,875	$235,763	$941,939

(13) Fund Balance of Governmental Funds – Unassigned

Unassigned fund balance in the General Fund consists of the following as of June 30, 2018:

10% Operating Contingency	$33,041,975
All other residual amounts available for any purpose	2,310,281
Total	$35,352,256

(14) Capital Assets

(a) Changes in Capital Asset Balances by Asset Class

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary Government/ Governmental Activities	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets not depreciated/amortized:					
Land	$ 37,887,850	$ 4,870,000	$ -	$ -	$ 42,757,850
Construction in progress	1,152,458	774,058	(1,519)	(1,316,977)	608,020
Work in progress	3,031,036	6,847,784	-	(2,852,518)	7,026,302
Total capital assets not depreciated/amortized	42,071,344	12,491,842	(1,519)	(4,169,495)	50,392,172
Capital assets depreciated/amortized:					
Buildings	143,132,072	8,400,000	-	1,316,977	152,849,049
Equipment	63,914,555	1,320,556	(1,570,442)	18,681	63,683,350
Vehicles	78,512,818	1,088,254	(1,447,015)	2,833,837	80,987,894
Subtotal	285,559,445	10,808,810	(3,017,457)	4,169,495	297,520,293
Less accumulated depreciation/amortization:					
Buildings	(43,658,542)	(3,192,945)	-	-	(46,851,487)
Equipment	(38,275,507)	(2,942,813)	1,419,948	-	(39,798,372)
Vehicles	(49,552,966)	(3,948,438)	1,444,338	-	(52,057,066)
Subtotal	(131,487,015)	(10,084,196)	2,864,286	-	(138,706,925)
Total capital assets depreciated/amortized, net	154,072,430	724,614	(153,171)	4,169,495	158,813,368
Capital assets, net	$196,143,774	$13,216,456	$ (154,690)	$ -	$209,205,540

Component Unit/ OCFA Foundation	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital assets depreciated/amortized:					
Equipment	$ 15,979	$ -	$ -	$ -	$ 15,979
Less accumulated depreciation/amortization:					
Equipment	(67)	(799)	-	-	(866)
Capital assets, net	$ 15,912	$ (799)	-	-	$ 15,113

(b) Net Investment in Capital Assets

The portion of net position that is invested in net capital assets is calculated as follows:

	Primary Government	Component Unit
	Governmental Activities	OCFA Foundation
Capital assets, net of accumulated depreciation/amortization	$209,205,540	$15,113
Capital-related debt – 2011 aircraft lease refinance	(1,253,718)	-
Net investment in capital assets	$207,951,822	$15,113

(c) Capital Assets Acquired Under Capital Lease

The above amounts include assets acquired by capital lease, classified as follows by major asset class:

	As of June 30, 2018			Fiscal Year 2017/18 Depreciation Expense
Asset Class	Capital Assets	Less Accumulated Depreciation	Capital Assets, Net	
Equipment	$22,060,494	$(10,492,150)	$11,568,344	$1,081,436
Vehicles	15,626,649	(13,790,831)	1,835,818	604,064
Total	$37,687,143	$(24,282,981)	$13,404,162	$1,685,500

(d) Depreciation/Amortization Expense

Depreciation/amortization expense in the amounts of $10,084,196 and $799 were charged to public safety in the Statement Activities of the primary government and the component unit, respectively.

(15) Long-term Liabilities

(a) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018, is summarized in the table below. The capital lease purchase agreement is liquidated by the Fire Apparatus Fund. All other long-term liabilities are normally liquidated by the General Fund.

Primary Government/ Governmental Activities	Beginning Balances, as Restated	Additions	Deletions	Ending Balances	Due Within One Year
Net pension liability:					
OCERS pension plan	$469,430,660	$ -	$ (98,755,992)	$370,674,668	$ -
Extra Help pension plan	124,459	-	(38,412)	86,047	-
	469,555,119	-	(98,794,404)	370,760,715	-
Net OPEB liability	236,214,287	13,505,407	(4,858,875)	244,860,819	-
Capital lease purchase agreement – aircraft lease refinance (2011)	3,713,307	-	(2,459,589)	1,253,718	1,253,718
Accrued claims and judgments – workers' compensation	65,928,152	20,709,689	(13,306,197)	73,331,644	14,800,435
Compensated absences	16,937,840	15,428,584	(14,968,353)	17,398,071	3,606,855
Total	$792,348,705	$49,643,680	$(134,387,418)	$707,604,967	$19,661,008

(b) Pension Plans and Other Postemployment Benefits (OPEB)

OCFA participates in two defined benefit pension plans that are administered through a trust or equivalent arrangement. Additional plan information is provided within these notes as Note 20 and Note 21. OCFA also provides other postemployment benefits (OPEB) through the Retiree Medical Plan. Additional plan information is provided within these notes as Note 22. Following is a summary of plan balances as of and for the year ended June 30, 2018:

Description	Net Pension/ OPEB Liability	Deferred Outflows of Resources Related to Pensions/ OPEB	Deferred Inflows of Resources Related to Pensions/ OPEB	Pension/ OPEB Expense (Credit)
OCERS Pension Plan	$370,674,668	$111,040,750	$116,561,628	$63,001,786
Extra Help Pension Plan	86,047	5,157	33,664	(54,313)
Subtotal	370,760,715	111,045,907	116,595,292	62,947,473
OPEB	244,860,819	3,139,076	2,053,526	12,303,595
Total	$615,621,534	$114,184,983	$118,648,818	$75,251,068

(c) Capital Lease Purchase Agreement – Aircraft Lease Refinance (2011)

On December 22, 2008, OCFA entered into a Master Aircraft Lease Agreement (Agreement) with SunTrust Equipment Finance & Leasing Corp. (SunTrust). Under the terms of the Agreement, $21,515,238 was deposited into an escrow account with SunTrust Bank, Inc. (SunTrust Bank) to be used for the acquisition of certain aircraft equipment. OCFA purchased two helicopters and related equipment for a total amount of $21,538,675, using the original proceeds of the lease and $23,437 of accrued interest. The helicopters and related equipment have been capitalized as equipment in the government-wide financial statements. Title to the equipment vests with OCFA during the term of the Agreement; accordingly, the lease has been recorded as a capital lease liability.

On November 16, 2011, the terms of the Agreement were amended to reflect a reduction in the annual interest rate from 3.7609% to 2.58%. A 1.75% prepayment premium totaling $286,599, plus accrued interest for the period September 22, 2011, through November 16, 2011, totaling $92,386, were added to the outstanding principal balance to be repaid over the remaining life of the lease. Rental payments are payable quarterly commencing March 22, 2009, and terminating on December 22, 2018. During the year ended June 30, 2018, OCFA made principal and interest payments totaling $2,459,589 and $72,134, respectively. The outstanding balance of the capital lease liability was $1,253,718 as of June 30, 2018. Future annual lease payment requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2019	$1,253,718	$12,144	$1,265,862
Total	$1,253,718	$12,144	$1,265,862

(d) Compensated Absences

OCFA is obligated to its employees for accumulated earned but unused leave benefits as of June 30, 2018. Sick leave includes only those amounts that OCFA is obligated to reimburse employees at the end of their active service life.

	Vacation	Comp/Other	Sick Leave	Total
Safety Members	$10,798,554	$174,735	$1,906,386	$12,879,675
General Members	2,121,165	453,726	1,943,505	4,518,396
Total	$12,919,719	$628,461	$3,849,891	$17,398,071

(16) Commitments and Contingencies

As of June 30, 2018, commitments with vendors for outstanding encumbrances (unperformed purchase orders and contracts for goods and services) by major governmental fund are as follows:

General Fund	$ 1,729,368
Communications and Information Systems	453,476
Fire Apparatus	14,089,842
Fire Stations and Facilities	69,319
Total outstanding encumbrances	$16,342,005

Significant individual commitments with vendors as of June 30, 2018 are identified below.

Fund / Vendor	Description	Original Commitment	Spent-to-Date	Remaining Commitment
General Fund:				
Los Angeles Freightliner	(2) dozer transport tractors	$348,499	$ -	$348,499
Boise Mobile Equipment	Heavy duty service truck	208,060	-	208,060
Westrux International	Traveling axel trailer	83,892	-	83,892
Dell Marketing, L.P.	(50) micro tower computers	82,733	-	82,733
Conduent Government Systems, LLC	Banner 9 upgrade support	77,830	6,005	71,825
Rotorcraft Support, Inc.	10-year helicopter inspection	71,500	-	71,500
Westnet	Fire station alerting system	66,994	-	66,994
Communications and Information Systems:				
Fatpot Technologies	CAD2CAD software licensing and support	304,843	58,005	246,838
Bear Communications	800 MHz radio installation services	157,500	59,737	97,763
Tritech Software Systems	CAD2CAD interface upgrade	120,454	51,430	69,024
Fire Apparatus:				
KME Fire Apparatus	(6) 100’ tractor drawn aerial quints	8,278,103	1,376,509	6,901,594
KME Fire Apparatus	(7) Type 1 engines	4,103,509	-	4,103,509
KME Fire Apparatus	(1) 100’ tractor drawn aerial quint	1,372,760	-	1,372,760
KME Fire Apparatus	(10) Type 1 engines	5,677,517	4,531,649	1,145,868
Fire Stations and Facilities:				
NR Development, Inc.	Vehicle sheds	100,152	-	100,152
J Thompson Electric, Inc.	RFOTC main circuit breaker replacement	43,218	-	43,218

(17) Lessor in Operating Lease Agreements

(a) Aircraft Hangar Leases

OCFA entered into Aircraft Hangar Lease agreements to provide spaces to tenants in the western portion of the OCFA-owned aircraft hangar at Fullerton Municipal Airport. The original cost of the aircraft hangar's western portion was $2,201,950, and the net book value was $1,957,289 as of June 30, 2018. Fiscal Year 2017/18 depreciation expense was $48,932. Terms of the agreements are as follows:

Lessee/Tenant	Agreement Date	Term	Initial Monthly Rent	Automatic Annual Rent Increase
Ladera Aircraft, LLC	October 30, 2013	Five Years	$4,924	2.5%
Lidar America, LLC	June 1, 2015	Five Years	$5,391	2.5%
Hangar 21 Helicopters	January 1, 2016; Amended June 1, 2016	Three Years	$5,750	0.0%

Rental revenue totaled $206,337 for Fiscal Year 2017/18. Future lease payments under the terms of the leases are as follows:

Fiscal Year	Ladera Aircraft, LLC	Lidar America, LLC	Hangar 21 Helicopters	Total
2018/19	$21,740	$ 69,817	$63,250	$154,807
2019/20	-	65,461	-	65,461
Total	$21,740	$135,278	$63,250	$220,268

(b) Wireless Communications Facilities Site Lease

On March 24, 2011, OCFA entered into a Wireless Communications Facilities Site Lease with Vista Towers, LLC (Vista), to provide space at the OCFA-owned Regional Fire Operations and Training Center to install and operate a digital mobile radio communications site consisting of up to two wireless communication towers, equipment shelters, and cabinets, for up to six cell phone carriers. In July 2015, the Board of Directors approved Vista's request to assign its interest in the lease to SBA Towers VI, LLC (SBA). SBA has assumed the payment terms of the original agreement, and is responsible for the installation, construction, maintenance, repairs, replacement, and operations of the towers and, if applicable, the removal of the towers upon termination of the lease.

The lease term commenced on the earlier of the pulling of all permits necessary for construction, or September 24, 2012, and continues for five years from that date. The lease may be renewed for up to four consecutive five-year increments, for a total of twenty-five years. Rent is due the first of each month and is determined based on the number of carriers being occupied by each of the towers. Base rent, which automatically increases by 3% annually, is $1,250 for each month in which there is one or no carrier on one of the towers, and $1,000 per month for each additional carrier occupied on each tower beyond the first carrier. OCFA began collecting base rent commencing July 15, 2012, with rent for a second and third carrier commencing in June and October 2013, respectively. Rental revenue totaled $44,754 for Fiscal Year 2017/18. Future lease payments through the July 14, 2022, renewal period are as follows:

Fiscal Year(s)	Carriers 1-3
2018/19	$ 46,143
2019/20	47,533
2020/21	48,961
2021/22	50,425
2022/23	4,305
Total	$197,367

(18) Lessee in Operating Lease Agreements

OCFA is obligated under operating lease agreements as follows:

- On June 14, 2010**,** OCFA entered into a land lease agreement with the City of Fullerton for a new space at Fullerton Municipal Airport. Monthly lease payments of $2,886 for the eastern half of the building commenced January 2011. An additional monthly lease payment of $2,070 for the western half of the building commenced July 2013. Total monthly rent will increase annually by an amount equal to the change in the consumer price index, from a minimum of 3% to a maximum of 5%. The term of the agreement extends forty years through July 2050, with a fifteen year extension option through July 2065. Fiscal Year 2017/18 rent expenditures totaled $73,143.

- On August 25, 2011, the OCFA Executive Committee approved the execution of a Lease Agreement with FW Aviation, LLC for a training tower at Fire Station No. 41 Air Operations and Maintenance Facility at Fullerton Airport, which includes a helicopter training prop, an additional restroom, and approximately 600 square feet of classroom/storage area. The lease term is for ten years commencing September 2011, with an optional ten-year extension. Initial monthly rent of $1,575 increases by $18 each year. Fiscal Year 2017/18 rent expenditures totaled $20,160.

Future minimum lease payments for the OCFA's operating lease obligations are as follows:

Fiscal Year(s)	Airport Land Lease	Airport Training Tower	Total
2018/19	$ 75,324	$20,376	$ 95,700
2019/20	77,592	20,592	98,184
2020/21	79,920	20,808	100,728
2021/22	82,308	3,474	85,782
2022/23	84,780	-	84,780
2023/24 - 2027/28	463,620	-	463,620
2028/29 - 2032/33	537,516	-	537,516
2033/34 - 2037/38	623,160	-	623,160
2038/39 - 2042/43	722,376	-	722,376
2043/44 - 2047/48	837,444	-	837,444
2048/49 - 2052/53	468,192	-	468,192
Total	$4,052,232	$65,250	$4,117,482

(19) Insurance

(a) Coverage Limits

OCFA has purchased commercial insurance coverage for general, auto, property, aviation, and pollution liabilities; public official and auto verifier bonds; and excess coverage for the self-insured workers compensation. Coverage limits include the following:

Type of Coverage	Limit	Deductible
General and Auto Liability:		
Each Occurrence or Wrongful Act	$1,000,000	
General Annual Aggregate	$10,000,000	
Auto Liability	$1,000,000 combined limit	$1,000
Umbrella Liability	$10,000,000 each occurrence; $20,000,000 aggregate	
Property Liability:		
Real and Business Personal Property	Scheduled replacement cost; $777,188,756 limit	$5,000
Coverage Extension Blanket	$2,000,000	
Aircraft Hull and Liability	$50,000,000 per occurrence	$15,000 - $50,000
Pollution Liability	$1,000,000 per condition	
Public Official Bonds	$1,000,000 each	$5,000
Auto Verifier Bonds	$5,000 each	
Excess Workers Compensation	Statutory limits	

There have been no significant changes in insurance coverage as compared to last year. Settlements have not exceeded coverage in each of the past three fiscal years, except as follows:

- OCFA's insurance policy limits for personal property and tools are $50,000 and $25,000, respectively. During Fiscal Year 2017/18, OCFA was reimbursed $75,000 (policy maximum) for employee-owned personal property and tools that were lost in a fire at Station No. 61 in January 2017. As of June 30, 2018, the estimated loss for personal property and tools totaled $196,000, of which $183,000 has been reimbursed by OCFA directly to its employees. Claims for this portion of the policy have exceeded insurance coverage by approximately $121,000.

(b) Self-Insurance

OCFA transitioned its program for workers' compensation insurance from Guaranteed Cost to Self-Insurance effective March 1, 2002. OCFA's self-insurance program covers workers' compensation claims up to $50,000,000, subject to a $2,000,000 self-insured retention (SIR) per incident. Workers' compensation claims in excess of the self-insured level are insured by the California State Association of Counties Excess Insurance Authority (CSAC-EIA) at statutory limits. OCFA utilizes the services of a third-party claims administrator for administration of workers' compensation claims.

As of June 30, 2018, accrued claims and judgments for workers' compensation totaled $73,331,644 and were recorded as a long-term liability in the government-wide financial statements. This liability reflects the present value of estimated outstanding losses at the 50% confidence level, as determined by an actuarial valuation dated December 31, 2017, and includes claims that have been incurred but not yet reported (IBNR's). A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, a 50% confidence level means that the actuary believes funding will be sufficient in five years out of ten. On May 27, 2010, the Board of Directors authorized to change the OCFA's confidence level from 80% to 50%.

Following is a summary of changes in workers' compensation claims payable for the years ended June 30, 2018 and 2017, including the current and long-term portions at year-end.

	Fiscal Year Ended	
	June 30, 2018	June 30, 2017
Unpaid claims at beginning of fiscal year	$65,928,152	$61,196,645
Incurred claims (including IBNR's)	20,709,689	14,933,512
Claim payments	(13,306,197)	(10,202,005)
Unpaid claims at end of fiscal year	$73,331,644	$65,928,152
Current portion	$14,800,435	$10,990,788
Long-term portion	58,531,209	54,937,364
Unpaid claims at end of fiscal year	$73,331,644	$65,928,152
Confidence level at end of fiscal year	50%	50%
Discount rate	1%	1%

Because of the long-term nature of this liability, it is excluded from the OCFA's governmental fund financial statements under the modified accrual basis of accounting. However, OCFA has established a fund balance assignment for workers' compensation in the General Fund in the amount of $80,515,844. This assignment reflects the cumulative difference for multiple years between actual expenditures and budgeted costs, which are based on the annual actuarial valuation. Actual expenditures for workers' compensation cases often occur over multiple years, attributing to the cumulative difference between budgeted costs and expenditures.

(20) Retirement Plan for Full-Time Employees

(a) General Information about the Plan

Plan Description and Administration

OCFA participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer, defined benefit pension plan for the County of Orange, the City of San Juan Capistrano, and thirteen other agencies – Orange County Cemetery District; Orange County Children and Families Commission; Orange County Department of Education; Orange County Employees Retirement System; Orange County Fire Authority (OCFA); Orange County In-Home Supportive Services Public Authority; Orange County Local Agency Formation Commission; Orange County Public Law Library; Orange County Sanitation District; Superior Court of California; Orange County Transportation Authority; Transportation Corridor Agencies; and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of

California, Irvine Medical Center and Campus are closed to new member participation and only the latter has remaining active employees. Capistrano Beach, Cypress Recreation & Parks District, Orange County Vector Control District, and the City of Rancho Santa Margarita are no longer active plan sponsors, but retired members and their beneficiaries, as well as deferred members, remain in the OCERS system. OCERS is legally and fiscally independent of the County of Orange.

OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937. OCERS is governed by a ten-member Board of Retirement, including nine voting members and one alternate member. Board membership consists of four members appointed by the County of Orange Board of Supervisors and five members elected by the members of the pension system – two by the general members, two by the safety members (one voting and one alternate), and one by the retired members. The County of Orange Treasurer-Tax Collector, who is elected by the voters registered in the county, serves as an ex-officio member. The OCERS Board of Retirement is responsible for establishing policies governing the administration of the retirement plan; making disability determinations; assuring benefit payments; establishing investment policy for the retirement system; and monitoring execution of its policies. OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by OCERS. The report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

Benefits Provided

OCERS provides retirement, disability, and death benefits to safety and general members. Safety membership includes those members serving in active law enforcement, fire suppression, and as probation officers. General membership applies to all other occupations. Plan retirement benefits are tiered based upon date of OCERS membership. Tier I members were hired prior to September 21, 1979, and use their highest one-year average salary to determine their retirement allowance. Tier II members were hired on or after September 21, 1979, and use their highest three-year average salary to determine their retirement allowance. Member rate groups are determined by employer, bargaining unit, and benefit plan. The benefit plan represents the benefit formula and tier that will be used in calculating a retirement benefit. All regular employees scheduled to work twenty hours or more per week become members of the plan upon commencing employment with one of OCERS' plan sponsors, with the exception of a provision adopted in 2014 that allows new members over the age of 65 to opt out of the plan. Active members are vested in OCERS upon accumulating five years of accredited service or attaining the age of 70.

On September 12, 2012, California Governor Brown signed Assembly Bill 340, which created the California Public Employees' Pension Reform Act of 2012 (PEPRA) and amended sections of the 1937 Act under which OCERS operates. The law created a benefit tier for new employees entering public agency employment and public retirement system membership, effective January 1, 2013. One of the many changes brought about by PEPRA involved new retirement formulas for newly hired employees who do not establish reciprocity with OCERS. Another change brought about by PEPRA requires employees who do not establish reciprocity to pay 50% of the normal retirement costs from the beginning of their employment.

In general, the retirement benefits received by members are determined by plan formula, age at retirement, years of service, and final average salary. Members are entitled to receive a retirement allowance upon reaching the following years of service and age criteria:

Years of Service Credit	**Eligible Age**
10 or more	Age 50
5 or more (PEPRA Members)	Age 52
30 or more (General Members)	Any age
20 or more (Safety Members)	Any age
5 or more, and at least 10 years of active employment with a sponsoring agency covered by OCERS (Part-time Members)	Age 55
Any	Age 70

Retired member monthly allowances are adjusted annually in accordance with changes in the cost-of-living, as determined by the average annual change in the Consumer Price Index (CPI) for the prior calendar year. The cost-of-living adjustment is limited to a maximum increase or decrease of three percent per year as established by the OCERS Board of Retirement.

The OCFA's Board establishes and amends benefit plan formulas for active OCFA members through negotiations with its labor bargaining units. The provisions and benefits provided by OCFA to its safety and general members as of June 30, 2018, are summarized below:

Benefits Provided to Safety Members					
			Representation / Bargaining Unit / Employee Hire Date		
			Orange County Professional Firefighters Association	**Orange County Fire Authority Chief Officers Association**	**Unrepresented**
Plan	**Tier**	**Benefit Formula**	**Firefighter Unit**	**Fire Management Unit**	**Executive Management in Safety Positions**
E	I	3.0% at 50	Prior to 7/1/2012	Prior to 7/1/2012	Prior to 7/1/2011
F	II	3.0% at 50	Prior to 7/1/2012	Prior to 7/1/2012	Prior to 7/1/2011
R	II	3.0% at 55	On or After 7/1/2012 (with reciprocity)	On or After 7/1/2012 (with reciprocity)	On or After 7/1/2011 (with reciprocity)
V	II	2.7% at 57 (PEPRA)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)

Benefits Provided to General Members					
			Representation / Bargaining Unit / Employee Hire Date		
			Orange County Employees Association	**Orange County Fire Authority Management Association**	**Unrepresented**
Plan	**Tier**	**Benefit Formula**	**General and Supervisory Management**	**Administrative Management**	**Executive Management in General Positions**
I	I	2.7% at 55	Prior to 7/1/2011	Prior to 12/1/2012	Prior to 12/1/2012
J	II	2.7% at 55	Prior to 7/1/2011	Prior to 12/1/2012	Prior to 12/1/2012
N	II	2.0% at 55	On or After 7/1/2011 (with reciprocity)	On or After 12/1/2012 (with reciprocity)	On or After 12/1/2012 (with reciprocity)
U	II	2.5% at 67 (PEPRA)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)	On or After 1/1/2013 (without reciprocity)

Contributions

Each year, an actuarial valuation is performed for OCERS to determine funding contributions for each agency member within their assigned rate group and plan on an actuarial basis. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability (UAAL). The table below summarizes OCFA's required employer contribution rates and employee rates (paid by OCFA) for the year ended June 30, 2018:

Category	**Plan**	**Tier**	**Benefit Formula**	**Employer Contribution Rates**			**Employee Contribution Rates (See Below)**
				Normal Cost	**UAAL**	**Total**	
Safety	E	I	3.0% at 50	26.87%	22.37%	49.24%	10.50% - 14.12%
Safety	F	II	3.0% at 50	26.87%	22.37%	49.24%	14.33% - 20.23%
Safety	R	II	3.0% at 55	22.10%	22.37%	44.47%	13.66% - 19.29%
Safety	V	II	2.7% at 57 (PEPRA)	15.30%	22.79%	38.09%	12.81% - 20.17%
General	I	I	2.7% at 55	13.44%	20.53%	33.97%	9.67% - 15.98%
General	J	II	2.7% at 55	13.44%	20.53%	33.97%	9.21% - 15.98%
General	N	II	2.0% at 55	12.72%	20.53%	33.25%	6.85% - 12.97%
General	U	II	2.5% at 67 (PEPRA)	8.81%	20.53%	29.34%	7.18% - 13.82%

Employees in each unit have agreed through their respective Memorandums of Understanding or Personnel and Salary Resolution to pay their full employee share of retirement costs, with those employee payments being phased in over three to four years. The retirement payment is deducted from the employee's compensation earnable and continues throughout the employee's entire term of employment with OCFA. Employee contribution rates vary depending on the individual employee's hire date and unit, and are summarized below for the year ended June 30, 2018.

Employee Hire Date	**Benefit Formula**	**Employee Contribution Rate**
Safety – Firefighter Unit		
Prior to 1/1/2011	3.0% at 50	14.50% as of 9/16/2016^ 17.99% as of 9/1/2017^ 19.99% as of 9/1/2018^ 20.53% as of 9/1/2019^
1/1/2011 - 6/30/2012 On or After 7/1/2012 (with reciprocity)	3.0% at 50 3.0% at 55	14.50% as of 9/16/2016^ 17.99% as of 9/1/2017^ 19.99% as of 9/1/2018^ 20.53% as of 9/1/2019^
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
Safety – Firefighter Management Unit		
Prior to 7/1/2012 On or After 7/1/2012 (with reciprocity)	3.0% at 50 3.0% at 55	15.99% as of 7/1/2017^ 19.29% as of 7/1/2018^ 20.22% as of 7/1/2019^ 50% of Normal Cost as of 7/1/2020^
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost
Safety – Executive Management		
Prior to 7/1/2011 On or After 7/1/2011 (with reciprocity)	3.0% at 50 3.0% at 55	50% of Normal Cost as of 3/3/2017^
On or After 1/1/2013 (without reciprocity)	2.7% at 57 (PEPRA)	50% of Normal Cost

Employee Hire Date	Benefit Formula	Employee Contribution Rate
General – General and Supervisory Management		
Prior to 7/1/2011 On or After 7/1/2011 (with reciprocity)	2.7% at 55 2.0% at 55	16.50% as of 3/3/2017^
On or After 1/1/2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost
General – Administrative Management		
Prior to 12/1/2012 On or After 12/1/2012 (with reciprocity)	2.7% at 55 2.0% at 55	16.50% as of 1/6/2017^
On or After 1/1/2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost
General – Executive Management		
Prior to 12/1/2012 On or After 12/1/2012 (with reciprocity)	2.7% at 55 2.0% at 55	50% of Normal Cost as of 3/3/2017^
On or After 1/1//2013 (without reciprocity)	2.5% at 67 (PEPRA)	50% of Normal Cost

^ *Capped at maximum employee contribution*

For the year ended June 30, 2018, employer and employee contributions remitted to OCERS were as follows:

	Employer Contributions	Employee Contributions	Total Contributions
Contributions paid by OCFA	$90,230,805	$ 384,190	$ 90,614,995
Contributions paid by employees	-	20,499,743	20,499,743
Contributions remitted to OCERS	$90,230,805	$20,883,933	$111,114,738

(b) Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources

OCFA's net pension liability with OCERS is measured as the proportionate share of the net pension liability. The net pension liability of each member agency is measured as of December 31, 2017, and the total pension liability for each member agency used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017, using standard update procedures. OCFA's proportion of the net pension liability was based on a projection of OCFA's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. OCFA's proportionate share of the total OCERS net pension liability as of June 30, 2017 and 2018 was as follows:

	OCFA's Proportionate Share of the Total OCERS Net Pension Liability					
	At June 30, 2017		Increase (Decrease)		At June 30, 2018	
Member Type	Amount	%	Amount	%	Amount	%
Safety	$402,474,242	7.8%	$(81,519,078)	(1.3%)	$320,955,164	6.5%
General	66,956,418	1.2%	(17,236,914)	(0.2%)	49,719,504	1.0%
Total	$469,430,660	9.0%	$(98,755,992)	(1.5%)	$370,674,668	7.5%

For the year ended June 30, 2018, OCFA recognized pension expense of $63,001,786. At June 30, 2018, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience in the Total Pension Liability	$ 942,161	$(60,331,638)
Changes in assumptions	59,656,589	(1,586,390)
Net differences between projected and actual earnings on plan investments	-	(54,643,600)
	60,598,750	(116,561,628)
Employer contributions subsequent to measurement date	50,442,000	-
Total	$111,040,750	$(116,561,628)

Deferred outflows of resources related to contributions subsequent to the measurement date totaling $50,442,000 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will also be recognized as an adjustment to pension expense as follows:

Year Ended June 30	Amount
2019	$ (3,928,262)
2020	(9,491,844)
2021	(27,705,314)
2022	(20,263,866)
2023	5,372,683
2024	53,725
Total	$(55,962,878)

(c) Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	December 31, 2017, rolled forward on an actuarial basis
Actuarial Cost Method	Entry age normal
Discount rate	7.00%
Inflation	2.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Salary increases	“Across the board” real salary increases of 0.50% per year
Date of experience study	Actuarial assumptions were based on the results of an experience study for the period January 1, 2014 through December 31, 2016.

Mortality:	**Safety**	**General**
- Healthy	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set back four years, projected generationally with the two-dimensional MP-2016 projection scale	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with two-dimensional MP-2016 projection scale.
- Disabled	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally with the two-dimensional MP-2016 projection scale	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward five years, projected generationally with the two-dimensional MP-2016 projection scale
- Beneficiaries	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.	
- Employee Contribution Rates	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected 20 years with the two-dimensional mortality improvement scale MP-2016 set back four years, weighted 80% male and 20% female	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected 20 years with the two-dimensional mortality improvement scale MP-2016, weighted 40% male and 60% female

The mortality tables above were determined to contain about a 10% margin to reflect future mortality improvement, based on a review of the mortality experience by OCERS, as of December 31, 2017.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.00% and 7.25% as of December 31, 2017, and December 31, 2016, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both December 31, 2017, and December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin.

The target allocation (approved by the OCERS Retirement Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35.0%	6.38%
Core Bonds	13.0%	1.03%
High Yield Bonds	4.0%	3.52%
Bank Loans	2.0%	2.86%
TIPS	4.0%	0.96%
Emerging Market Debt	4.0%	3.78%
Real Estate	10.0%	4.33%
Core Infrastructure	2.0%	5.48%
Natural Resources	10.0%	7.86%
Risk Mitigation	5.0%	4.66%
Mezzanine/Distressed Debts	3.0%	6.53%
Private Equity	8.0%	9.48%
Total	100.0%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents OCFA's proportionate share of the net pension liability with OCERS, calculated using the discount rate of 7.00%, as well as what OCFA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total proportionate share of net pension liability	$649,140,476	$370,674,668	$144,455,748

(d) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OCERS financial report.

(21) Retirement Plan for Part-Time Employees

(a) General Information about the Plan

Plan Description and Administration

OCFA administers the Extra Help Retirement Plan (Plan), a single-employer defined benefit pension plan that provides retirement benefits for its less than half-time and extra help employees. The Plan was established on January 1, 1997, and is accounted for in the Extra Help Retirement Plan fiduciary fund. The Board establishes and amends all Plan provisions, and has the authority to change contribution rates and investment types. A separate, audited pension plan report is not available.

Benefits Provided

The Plan provides retirement benefits in the form of a lifetime annuity. Retirement benefits are calculated at the rate of 2% of career earnings during the first thirty years of credited service. Upon retirement, participants are eligible to receive their benefit either as a lump sum payment or as a monthly payment. If employment with OCFA is terminated prior to retirement and the value of the employee's contributions with interest is $3,500 or less, the employee may receive an immediate lump sum distribution in lieu of any future benefits payable under the Plan. If the value of the terminated employee's contributions with interest exceeds $3,500, the employee may elect to receive a lump sum distribution or leave the contributions on deposit until he or she reaches retirement age.

During the year ended June 30, 2018, lump sum distributions totaling $24,786 were made to thirty participants. Currently, there are no participants collecting retirement benefits.

Plan Membership

As of June 30, 2018, Plan membership consisted of the following:

	Balance as of June 30, 2018		
Plan Members (or Beneficiaries)	$3,500 or Less	More than $3,500	Total
Inactive; currently receiving benefits	-	-	-
Inactive; entitled to but not yet receiving benefits	35	2	37
Active	23	1	24
Total plan members	58	3	61

Contributions

All eligible half-time and extra help employees hired on or after January 1, 1997, are required to contribute a percentage of compensation corresponding to an age-based table included in the Plan. Age is determined as attained age on every January 1. Employee contributions rates range from 2.5% to 7.5% based on age. After 30 years of credited service, OCFA is responsible for the employee's Plan contributions. Employee contributions are credited with 5% interest compounded semi-annually. Any interest earnings credited to the Plan in excess of actual investment earnings are reported as employer contributions. During the year ended June 30, 2018, employee and employer contributions totaled $16,641 and $1,519, respectively.

(b) Investments

Method Used to Value Investments

All Plan assets are invested in the Local Agency Investment Fund (LAIF), which is reported based on OCFA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

Investment Policy

Contributions are deposited into OCFA's Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. Additional LAIF information is provided within these notes as Note 4(d).

Concentrations

All Plan assets are invested in the Local Agency Investment Fund (LAIF).

(c) Net Pension Liability

Net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The Plan's fiduciary net pension liability is measured as of June 30, 2018, using an actuarial valuation as of January 1, 2017, rolled forward to June 30, 2018, using standard update procedures. A summary of components of the Plan's net pension liability as of June 30, 2018, is shown below, followed by principal assumptions and methods used to determine the net pension liability.

Total pension liability	$148,371
Plan fiduciary net position	(62,324)
Net pension liability	$ 86,047
Plan fiduciary net position as a % of the total pension liability	42.01%

Actuarial Assumptions

Actuarial calculations reflect a long-term perspective. Calculations are based on the benefits provided under the terms of the Plan in effect at the time of each valuation and on the pattern of sharing of costs between the OCFA and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	January 1, 2018
Measurement Date	June 30, 2018, rolled forward on an actuarial basis
Actuarial Cost Method	Entry age normal
Discount rate	3.50%, net of pension investment expense, including inflation; average of 3-20 year municipal bond rate indices, rounded to 5 basis points (S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index)
Inflation	2.75%
Investment rate of return	3.50%
Salary increases	3.00%, including merit, seniority, and inflation; annual salary for the current year assumed to be equal to the average annual salary over the last 3 years
Mortality	RP-2006 mortality table for combined participants with generational improvements beginning in 2006 based on the SSA's assumption scale. The RP-2006 mortality tables are the RP-2014 mortality tables with the MP-2014 generational projection scale removed from the central year of the study (2006) to 2014.
Experience study	Given the size of the plan, there was not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. Liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions.
Form of payment	Participants who have 5 years or less of credited service or have a contribution balance less than or equal to $3,500 are assumed to take an immediate lump sum upon termination or retirement. Participants who have worked more than 5 years or have attained age 55 are assumed to commence a modified cash refund annuity starting at age 65.
Retirement	100% retirement at age 65
Termination	Service 0 years, Rate 30%; Service 1-3 years, Rate 50%; Service 4 years, Rate 25%; Service 5+ years, Rate 5%
Plan Assets	The employee contributions are deposited into the Authority's LAIF account. The LAIF account is managed by the State Treasurer's Office and is invested in fixed income securities.

Changes of Assumptions

Following is a comparison of actuarial assumptions for the years ended June 30, 2018 and 2017:

	As of June 30, 2018	As of June 30, 2017	Change
Discount rate	3.50%	3.40%	0.10%
Inflation	2.75%	2.75%	n/a
Investment rate of return	3.50%	0.50%	3.00%
Salary increases	3.00%	3.00%	n/a

Discount Rate

The discount rate used to measure the total pension liability was 3.50% (an increase of 0.10% since the prior measurement date). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Professional judgment on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Local Agency Investment Fund	100.00%	3.50%

The annual money-weighted rate of return was 1.90%, and was an estimate based on mid-year timing of contributions and benefit payments. The money rated rate of return expresses investment performance, net of pension plan investment expenses, adjusted for changing amounts actually invested.

(d) Changes in the Net Pension Liability

Changes in the Plan's net pension liability for the year ended June 30, 2018, were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
Balance at June 30, 2017	$192,213	$67,754	$124,459
Changes in the year:			
Service cost	5,386	-	5,386
Interest	6,297	-	6,297
Differences between expected and actual experience	(36,700)	-	(36,700)
Changes of assumptions	5,961	-	5,961
Contributions – employer	-	1,519	(1,519)
Contributions – plan members	-	16,641	(16,641)
Net investment income	-	1,196	(1,196)
Benefit payments, including refunds of employee contributions	(24,786)	(24,786)	-
Net changes	(43,842)	(5,430)	(38,412)
Balance at June 30, 2018	$148,371	$62,324	$ 86,047

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 3.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net pension liability	$119,905	$86,047	$60,475

(e) Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30 2018, OCFA recognized pension expense (credit) of $(54,313). At June 30, 2018, OCFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience in the Total Pension Liability	$ -	$(24,467)
Changes in assumptions	3,974	(9,197)
Net differences between projected and actual earnings on plan investments	1,183	-
	$5,157	$(33,664)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will also be recognized as an adjustment to pension expense as follows:

Year Ended June 30	Amount
2019	$(19,013)
2020	(9,817)
2021	124
2022	199
Total	$(28,507)

(f) Pension Plan Fiduciary Net Position

As previously mentioned, the Plan does not issue a separate stand-alone financial report. Below are the Plan's financial statements as of and for the year ending June 30, 2018:

	Extra Help Retirement
Assets:	
Cash and investments:	
Local Agency Investment Fund:	
Domestic fixed income	$62,324
Total assets	62,324
Net position restricted for pensions	$62,324
Additions:	
Contributions:	
Employer	$1,519
Plan members	16,641
Total contributions	18,160
Net investment income:	
Total investment income	1,196
Total net investment income	1,196
Total additions	19,356
Deductions:	
Benefits and refunds paid to plan members and beneficiaries	24,786
Total deductions	24,786
Change in net position	(5,430)
Net position, beginning of year	67,754
Net position, end of year	$62,324

(22) Other Postemployment Benefits (OPEB)

(a) General Information

Plan Description and Administration

OCFA provides other postemployment benefits (OPEB), such as healthcare benefits to eligible retirees and their dependents, through the Retiree Medical Plan (Plan). The purpose of the Plan is to assist employees hired prior to January 1, 2007, in maintaining health insurance coverage following their retirement by providing a monthly grant applied toward the cost of such health insurance coverage. The Plan is intended to qualify for the exclusion from income as an accident or health plan under sections 105(e) and 106 of the Internal Revenue Code. Employee participation is contingent on a contribution of 4% of base salary through payroll deductions to OCFA. OCFA has entered into Memorandum of Understanding with each of its four labor bargaining groups mandating this 4% employee contribution.

The single-employer Plan was established by OCFA's Board of Directors on January 1, 1997, and amended on September 28, 2006. OCFA's Board of Directors is the Plan's Board, establishing and amending all Plan provisions, including benefit terms and contribution requirements, through negotiations with labor bargaining groups. OCFA may terminate the Plan by action of its Board of Directors in its sole discretion. Amendment or termination of the plan is subject to the meet and confer requirement of the Myers-Milias-Brown Act and any other applicable law.

Plan assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by the Orange County Employees Retirement System (OCERS). Funds are held in a trust account established pursuant to Section 401(h) of the Internal Revenue Code and are held separate from the assets of the OCERS retirement system, except for investment purposes. The trust is presented in accordance with the Plan year, which is on a calendar basis ending December 31, 2017. The Plan's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position (presented within the Fiduciary Funds of these financial statements) are reported as of the December 31, 2017 plan year-end date. A publicly available OCERS financial report, which includes the Plan's assets, can be obtained at 2223 Wellington Avenue, Santa Ana, California 92701 or online at http://www.ocers.org/finance/finance.htm. A separate, audited OPEB Plan report is not available.

All retirees and full-time employees hired on or after January 1, 2007, are not considered Plan participants; however, they are eligible to receive OPEB benefits in the form of employer contributions toward monthly healthcare premiums per the Public Employees' Medical and Hospital Care Act (PEMHCA). OCFA provides health insurance benefits to its employees and retirees through the California Public Employees' Retirement System (CalPers), subject to the legal requirements of the PEMHCA. OCFA contributes toward the monthly payment of healthcare premiums on behalf of eligible retirees at an amount equal to the PEMHCA statutory minimum, which was $128 for 2017 and $133 for 2018. In addition, retirees and full-time employees hired on or after January 1, 2007, are eligible to participate in an employer-sponsored defined contribution plan. Additional information regarding the defined contribution benefit is provided within these notes as Note 23.

Eligibility

All full-time or part-time employees who were hired prior to January 1, 2007, and who are credited with at least one year (2,080 hours) of service are eligible to participate in the Plan. An eligible employee, and his or her surviving dependents, will participate in the Plan upon his or her retirement or other termination of employment with OCFA, subject to the terms and conditions contained in the Plan, as applicable for “covered retirees” and “covered former employees.”

- A “covered retiree” is a retiree who receives a monthly retirement allowance from the Orange County Employees Retirement System (OCERS) and who meets all coverage and participation requirements.

- A “covered former employee” is an employee who meets the coverage and participation requirements of the Plan at the time of his or her termination of employment with OCFA.

An employee who retires and does not immediately begin receiving a retirement allowance from OCERS will not participate in the Plan until such retirement allowance commences. An employee who terminates employment with OCFA for reasons other than retirement, or who is not eligible to receive a monthly retirement allowance from OCERS, will not be eligible to receive the grant until the age of fifty-five (55) and requests that OCFA commence distribution of the grant. Such requests must be made no later than ninety (90) days from the employee’s fifty-fifth birthday.

To be eligible to receive the grant, a participant must be covered under a “qualified health plan” (covered retirees), a “recognized health insurance plan” (covered former employees), or Medicare. A “qualified health plan” is a health insurance plan made available to OCFA’s employees and retirees, including an OCFA health plan or a plan administered by an employee organization that the OCFA has agreed will be a “qualified health plan.” A “recognized health insurance plan” means a health insurance plan other than a “qualified health plan” covering a former employee or his/her surviving dependents and which is acceptable to OCFA.

Participation of a covered retiree, a covered former employee, or his or her surviving dependents may be terminated as follows:

- Participation of a covered retiree and his or her surviving dependents will cease and eligibility for benefits will be terminated upon the earlier of (a) the failure to elect coverage under a “qualified health plan” or Medicare; (b) failure to make all required contributions or premium payments under a “qualified health plan;” (c) the participant’s death; (d) amendment of the Plan to preclude such coverage; or (e) termination of the Plan.

- Participation of a covered former employee and his or her surviving dependents will cease and eligibility for benefits will be terminated upon the earlier of (a) the failure or refusal to maintain and provide proof of coverage under a “recognized health insurance plan” or Medicare; (b) the participant’s death; (c) amendment of the Plan to preclude such coverage; or (d) termination of the Plan.

If participation in the Plan is terminated, eligibility will be extinguished, years of service will be lost, and he or she may not later again participate in the Plan.

Benefit Provisions

The Plan provides a grant toward the cost of retirees' health insurance coverage. The grant is equal to the product of the monthly grant amount multiplied by years of credited service, up to a maximum of twenty-five years.

- The amount of the monthly grant is adjusted annually by the average increase or decrease in OCFA's health plan premiums, not to exceed 5% per year. The amount of the monthly grant was as follows for calendar years 2016 through 2018:

Calendar Year	Monthly Grant Amount	% Increase
2018	$26.06	2.2%
2017	$25.50	4.8%
2016	$24.33	5.0%

- The grant is applied as a credit or reimbursement to reduce the cost of the retiree's or former employee's monthly medical insurance premium under his or her selected health plan. If the grant amount exceeds the cost of such coverage, it may be used to offset the cost of the Medicare premium. In no case may the grant exceed the actual cost of the combined health plan and Medicare premiums.

- A surviving dependent of an eligible retiree or former employee is eligible to receive a monthly survivor benefit equal to 50% of the grant that the retiree or covered former employee was eligible to receive at the time of his or her death. A surviving dependent is (a) a surviving spouse who was legally married to an employee, retiree, or covered former employee at the time of his or her death; or (b) a dependent child, as defined by an OCFA health plan or health plan of a covered former employee, of a deceased employee, retiree, or covered former employee.

Plan Membership

The Retiree Medical Plan is closed to new entrants. Plan membership consisted of the following at December 31, 2016, the date of the latest actuarial valuation:

Plan Membership Status	Retiree Medical Plan (Hired Prior to January 1, 2007)	PEMHCA Eligible Employees (Hired on or After January 1, 2007)	Total
Inactive plan members or beneficiaries currently receiving benefit payments	667	-	667
Inactive plan members entitled to but not yet receiving benefit payments	38	-	38
Active plan members	591	676	1,267
Total	1,296	676	1,972

Contributions

Current, active employees who became employed by OCFA prior to January 1, 2007, are required to contribute 4% of their base salary through payroll deductions to OCFA, to be applied as employee contributions to the Plan, per the terms of the Plan, Memorandums of Understanding between OCFA and each of its four labor bargaining groups, and the Personnel and Salary Resolution covering unrepresented employees. Employee participation in the Plan is contingent on this 4% payroll deduction.

At the time the Plan was implemented and subsequently amended in 2006, all OCFA classifications received a salary range adjustment, which was earmarked for the required employee contribution. Employees were not given the option to receive the salary increase as cash payment. Required employee withholdings contributed to the Plan are considered employer contributions for tax purposes, because OCFA as the employer maintains the tax-exempt status for the Plan. However, these contributions are considered employee contributions for financial reporting purposes.

OCFA may also make additional employer contributions to the Plan in amounts authorized to be contributed by the Board of Directors. OCFA's employer contributions to the Plan were as follows:

Type of Employer Contribution	Measurement Period Ending December 31, 2017	Fiscal Year Ending June 30, 2018
Cash contributions	$ -	$ 2,276,670
Implicit subsidy	1,603,537	1,665,016
Total	$1,603,537	$3,941,686

(b) Plan Investments

Investment Policy

OCERS serves as trustee for the Plan's assets as established under Internal Revenue Code Section 401(h). Health care assets for the 401(h) trusts are commingled with OCERS' pension trust assets for investment purposes and are used exclusively to pay health benefits to OCFA's eligible Plan members.

State Street Bank and Trust maintains custody of the majority of OCERS' investments. The acquisition of investments is authorized by state statute and OCERS' Investment Policy Statement. The allocation of investment assets is approved by OCERS' Board of Retirement, as outlined in its Investment Policy Statement, and assets are invested solely for the benefit of plan participants and beneficiaries while attempting to minimize employer contributions and investment and administration costs. The Investment Policy Statement calls for an asset allocation plan that seeks to optimize long-term returns for the level of risk that the Board of Retirement considers appropriate. The Board of Retirement conducts a periodic review of the asset allocation plan to maintain an optimal allocation, and may also revise the asset allocation in response to significantly changing market conditions that may affect valuations and forward-looking expected returns of asset classes.

Investments are reported at fair value, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 72 *Fair Value Measurement and Application*. Plan investments consist of domestic, international and global equity securities; domestic fixed income; real estate; diversified credit; emerging markets equity and debt; real return strategies; absolute return strategies; and private equity. OCERS is authorized by its investment policy and state law to lend its investment securities, including global public equities, core fixed income, credit, and real assets to brokers/dealers in exchange for collateral in the form of either cash or securities. The following was the Board of Retirement's adopted asset allocation plan as of December 31, 2017:

Asset Class	Target Allocation
Credit	13.0%
Real Assets	22.0%
Global Equities	35.0%
Private Equity	8.0%
Fixed Income	17.0%
Risk Mitigation	5.0%
Total	100.0%

Concentrations

Concentration of credit risk is the risk of loss attributed to the magnitude of OCERS' investment in a single issuer. By policy, OCERS did not hold investments in any one issuer that represented five percent (5%) or more of net position and net investments during the year ended December 31, 2017. Investments issued or explicitly guaranteed by the U.S. Government and pooled investments are excluded from this policy requirement.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on OCERS' plan assets, net of investment expense, was 14.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the changing amounts actually invested.

(c) Net OPEB Liability

Components of the Net OPEB Liability

Net OPEB liability is measured as the total OPEB liability, less the Plan's fiduciary net position. The Plan's fiduciary net position is measured as of December 31, 2017, using an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017, using standard update procedures. A summary of components of the Plan's net OPEB liability as of the measurement date, is shown below, followed by principal assumptions and methods used to determine the net OPEB liability.

Total OPEB liability	$285,191,881
Plan fiduciary net position	(40,331,062)
Net OPEB liability	$244,860,819
Plan fiduciary net position as a % of the total OPEB liability	14.14%

Actuarial Assumptions

The total OPEB liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	December 31, 2017
Actuarial Cost Method	Entry age normal
Discount Rate	3.60%; Based on the blended rate of return on invested assets available to pay future benefits and the Bond Buyer 20-Bond GO index (3.44% as of December 31, 2017). The crossover year is 2028.
Inflation	2.75%
Expected Rate of Return	7.0%
Salary Increases	3.25%
Pre and Post-Retirement Mortality	Mortality rates from the RPH-2014 Total Dataset Mortality Tables projected fully generational using Scale MP-2015
Healthcare Cost Trend Rates	Year Trend 2017 Actual 2018 Actual 2019 6.5% 2020 6.0% 2021 5.5% 2022+ 5.0%
Funding Policy	Partially prefund benefits through 4% employee contributions through a 401(h) account held in trust with OCERS
Pre-Retirement Turnover	Based on age 2.3% - 5.0% (General) 0.0% - 1.0% (Safety)
Retirement Age	Age General Safety 50-54 2.0% - 5.0% 6.0% - 16.0% 55-59 10.0% - 15.0% 19.0% - 30.0% 60-64 12.0% - 16.0% 45.0% 65-69 21.0% - 23.0% 100.0% 70-74 40.0% 100.0% 75+ 100.0% 100.0%
Future Accruals	Current active employees are assumed to earn one year of service for each future year.
Participation Rates	100% of active employees eligible for the Plan grant are assumed to elect medical coverage at retirement. 35% of active employees eligible for the PEMHCA minimum required contribution are assumed to elect to continue coverage through PEMHCA at retirement.
Spouse Coverage	For future retirees, 65% of males and 25% females are assumed to be married at retirement or pre-retirement death. For current retirees, spouses are assumed for those enrolled in two-party and family coverage. Male spouses are assumed to be three years older than female spouses.

Claim Cost Development	Based on the 2017 and 2018 premiums and funding rates. Safety employees are underwritten with the active and retirees pooled together, thus an implied rate subsidy has been estimated and is included in the valuation. The rate subsidy equals the difference between the estimated cost and the actual premium for coverage. General employees are assumed to participate in a community-rated plan. This valuation includes the liability for the implied subsidy. The expected retiree cost for both Safety and General employees is determined using unisex morbidity rates.
Medical Grant Amount	5% annual increase
Minimum Required Contribution (PEMHCA)	4% annual increase
Actuarial Value of Assets	Market Value

Discount Rate

The discount rate used to measure the total OPEB liability was 3.60%. The projection of cash flows used to determine the discount rate assumed that plan member contributions were made at the 4.0% required contribution rate. The discount rate incorporates a municipal bond rate of 3.44% (Bond Buyer 20-Bond GO index). Based on those assumptions, the Plan's fiduciary net position is projected to be unable to make all projected future benefit payments for its current plan members in the year 2028.

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The projections of the sharing of benefit-related costs are based on an established pattern of practice. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of December 31, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Credit	13.0%	5.0%
Real Assets	22.0%	5.0%
Global Equities	35.0%	5.0%
Private Equity	8.0%	7.0%
Fixed Income	17.0%	1.0%
Risk Mitigation	5.0%	4.0%
Total	100.0%	

The annual money-weighted rate of return was 14.74%.

(d) Changes in the Net OPEB Liability

Changes in the Plan's net OPEB liability for the year ended June 30, 2018, were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	$273,053,476	$36,839,189	$236,214,287
Changes in the year:			
Service cost	7,712,349	-	7,712,349
Interest on the total OPEB liability	10,007,111	-	10,007,111
Contributions – employer	-	1,603,537	(1,603,537)
Contributions – plan members	-	2,379,665	(2,379,665)
Net investment income	-	5,116,794	(5,116,794)
Benefit payments, including refunds of employee contributions	(5,581,055)	(5,581,055)	-
Administrative expense	-	(27,068)	27,068
Net changes	12,138,405	3,491,873	8,646,532
Balance at June 30, 2018	$285,191,881	$40,331,062	$244,860,819

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the current discount rate of 3.60%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.60%) or one percentage point higher (4.60%) than the current discount rate:

	1% Decrease (2.60%)	Current Discount Rate (3.60%)	1% Increase (4.60%)
Net OPEB liability	$304,126,620	$244,860,819	$199,293,099

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, calculated using the current healthcare cost trend rates (6.5% decreasing to 5.0%), as well as what the net OPEB liability would be if it were calculated using rates that are one percentage point lower (5.5% decreasing to 4.0%) or one percentage point higher (7.5% decreasing to 6.0%) than the current rates:

	1% Decrease (5.5% decreasing to 4.0%)	Current Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
Net OPEB liability	$228,952,251	$244,860,819	$255,556,704

(e) OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, OCFA recognized OPEB expense of $12,303,595. At June 30, 2018, OCFA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	$ -	$(2,053,526)
	-	(2,053,526)
Contributions subsequent to measurement date	3,139,076	-
Total	$3,139,076	$(2,053,526)

Deferred outflows of resources related to contributions subsequent to the measurement date totaling $3,139,076 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will also be recognized as an adjustment to OPEB expense as follows:

Year Ended June 30	Amount
2019	$ (513,382)
2020	(513,382)
2021	(513,382)
2022	(513,380)
Total	$(2,053,526)

(f) OPEB Plan Fiduciary Net Position

As previously mentioned, the Plan does not issue a separate stand-alone financial report. Below are the Plan's financial statements as of and for the year ending June 30, 2018:

	Retiree Medical Plan
Assets:	
Cash and investments:	
Pooled amounts held in trust with OCERS	$40,111,053
Total cash and investments	40,111,053
Receivables:	
Other receivables	537,657
Total assets	$40,648,710
Liabilities:	
Accrued liabilities	317,648
Total liabilities	317,648
Net position restricted for other postemployment benefits	$40,331,062

	Retiree Medical Plan
Additions:	
Contributions:	
Employer	$ 1,603,537
Plan members	2,379,665
Total contributions	3,983,202
Net investment income:	
Total investment income	5,327,771
Investment fees and expenses	(210,977)
Total net investment income	5,116,794
Total additions	9,099,996
Deductions:	
Benefits and refunds paid to plan members and beneficiaries	5,581,055
Administrative expenses	27,068
Total deductions	5,608,123
Change in net position	3,491,873
Net position, beginning of year, as restated	36,839,189
Net position, end of year	$40,331,062

(23) Retiree Defined Contribution Healthcare Expense Reimbursement Plan

(a) Plan Description and Administration

On September 28, 2006, OCFA's Board of Directors created the Orange County Fire Authority Retiree Defined Contribution Healthcare Expense Reimbursement Plan (Plan), an employer-sponsored defined contribution benefit plan. The Plan became effective January 1, 2007. OCFA's Board of Directors establishes and amends all Plan provisions through negotiations with labor bargaining groups, subject to all applicable requirements of the Myers-Milias-Brown Act and any other applicable law.

Plan assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by Further (formerly Select Account). Funds are held in a Healthcare Reimbursement Account as a "self-insured medical reimbursement plan" pursuant to Sections 105 and 106 of the Internal Revenue Code. All contributions, investment income, and realized and unrealized gains and losses are credited to individual recordkeeping accounts maintained in the name of each Plan participant. Account assets are invested as directed by the participant from among investment funds selected by the OCFA. The Healthcare Reimbursement Account is considered an employer-funded account for tax purposes. An individual employee may not decide to participate or not participate beyond the terms of the applicable agreement.

(b) Benefit Provisions and Eligibility

All full-time employees who were hired on or after January 1, 2007, are eligible to participate in the Plan. The Plan provides for the reimbursement of medical, dental, and other eligible healthcare expenses of retirees, their spouses, and dependents. Participants are eligible to receive Plan benefits upon reaching retirement age, including those who terminate employment with the OCFA for reasons other than retirement.

(c) Contributions

All active, full-time employees who became employed by OCFA on or after January 1, 2007, are required to contribute 4% of their base pay to the Plan through payroll deductions to the OCFA. Employees are not permitted to contribute more or less to the Plan.

At the time the Plan was implemented, all OCFA classifications received a salary range adjustment that was earmarked for the required contribution into the Healthcare Reimbursement Account. Employees were not given the option to receive the salary increase as cash payment. Required employee withholdings contributed to the Plan are considered employer contributions for tax purposes, because OCFA as the employer maintains the tax-exempt status for the Plan. However, these contributions are considered employee contributions for financial reporting purposes. Contractually required employee contributions for the fiscal year ended June 30, 2018, totaled $2,626,253.

(d) Public Employees' Medical and Hospital Care Act

All retirees and full-time employees hired on or after January 1, 2007, are eligible for the legally required Public Employees' Medical and Hospital Care Act (PEMHCA) minimum, as stipulated by the California Public Employees' Retirement System (CalPERS). Additional information regarding other postemployment benefits (OPEB) for PEMHCA is provided within these notes as Note 22.

(24) Subsequent Events

On January 26, 2017, OCFA's Board of Directors created a 457(OBRA) Deferred Compensation Plan (Plan) for the participation of all eligible part-time employees, including Board Members classified as employees, pursuant to federal legislation. The Plan satisfies OCFA's obligation to enroll all employees in a retirement savings plan. Participants are required to contribute 7.5% of their earnings to the Plan, subject to maximum annual federal limits, and may immediately receive benefits without penalty upon separation of employment from OCFA. The Plan is administered by NaCoServices, Inc., a subsidiary of the National Association of Counties and Nationwide Retirement Solutions, Inc.

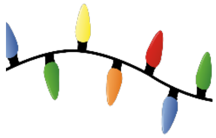
Effective July 1, 2018, all eligible extra help employees hired by OCFA are enrolled as participants in the 457(OBRA) Deferred Compensation Plan in lieu of OCFA's Extra Help Retirement Plan, a single-employer defined benefit pension plan described within these notes as Note 21.

Orange County Fire Authority Safety Message

Holiday Fire Safety

(Part 3 of 4)

(Continued from Page 48)



Don’t let a preventable fire take the joy out of your holiday season. Protect your family and home this winter by following a few simple safety tips.

Lighting and Decoration Safety

Holiday decorations are responsible for more than $13 million in home fire damages each year.

- ✓ Indoors or out, use only lights that have been approved by a nationally recognized testing laboratory.
- ✓ Check lights for broken or cracked sockets, frayed or bare wires, or loose connections before using.
- ✓ Replace burned-out bulbs promptly with the same wattage bulb.
- ✓ Don’t overload electrical outlets with too many lights or decorations.

(Continued on Page 116)

REQUIRED SUPPLEMENTARY INFORMATION

LENGTH OF SERVICE / PROMOTIONS CEREMONY
MAY 18, 2018

Required Supplementary Information

OCERS Retirement Plan
OCFA participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer, defined benefit pension plan that provides retirement, disability, and death benefits to safety and general members.

Extra Help Retirement Plan
OCFA administers a single-employer, defined benefit pension plan that provides retirement benefits for OCFA's less than half-time and extra help employees. Plan assets are accounted for in the Extra Help Retirement fiduciary fund.

Retiree Medical Plan
OCFA provides a single-employer, defined benefit plan for OCFA's full-time and part-time employees hired prior to January 1, 2007, which provides a monthly grant toward the cost of retirees' health insurance coverage. Plan assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by the Orange County Employees Retirement System (OCERS).

ORANGE COUNTY FIRE AUTHORITY

OCERS Retirement Plan
A Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2018
Last Ten Fiscal Years (A)

Schedule of OCFA's Proportionate Share of the Net Pension Liability

	Fiscal Year Ended June 30		
	2014	**2015**	**2016**
OCFA's proportion of the collective net pension liability	8.366%	9.188%	9.056%
OCFA's proportionate share of the collective net pension liability	$ 442,651,348	$ 466,968,323	$ 517,669,806
OCFA's covered payroll	$ 129,689,221	$ 129,187,729	$ 129,452,647
OCFA's proportionate share of the collective net pension liability as a percentage of covered payroll	341.32%	361.46%	399.89%
Plan's fiduciary net position	$ 10,821,318,000	$ 11,536,106,000	$ 11,657,318,000
Plan's fiduciary net position as a percentage of the total pension liability	67.16%	69.42%	67.10%

Notes to Schedule:

(A) Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68; therefore only five years of data are available for presentation. Other years will be added as they become available.

(B) Applicable measurement date	12/31/2013	12/31/2014	12/31/2015

2017	2018
9.043%	7.485%
$ 469,430,660	$ 370,674,668
$ 124,514,004	$ 148,890,685
377.01%	248.96%
$ 12,809,208,000	$ 14,801,895,000
71.16%	74.93%
12/31/2016	12/31/2017

ORANGE COUNTY FIRE AUTHORITY

OCERS Retirement Plan
A Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2018
Last Ten Fiscal Years

Schedule of Contributions

	Fiscal Year Ended June 30			
	2009	**2010**	**2011**	**2012**
Required employer contributions (actuarially determined)	$ 37,183,082	$ 42,331,507	$ 45,543,856	$ 55,756,764
Actual employer contributions	37,183,082	42,331,507	45,543,856	55,756,764
Contribution excess (deficiency)	$ -	$ -	$ -	$ -
Covered payroll	$ 104,571,731	$ 106,718,627	$ 107,268,263	$ 111,444,130
Actual contributions as a percentage of covered payroll	35.56%	39.67%	42.46%	50.03%

Notes to Schedule:

(A) Beginning in Fiscal Year 2014/15, required and actual contributions presented in the above schedule exclude any employer-paid member contributions. Since it was not practical to obtain data in this format prior to Fiscal Year 2014/15, earlier periods have not been restated. Required and actual contributions presented for Fiscal Year 2013/14 and prior include any employer-paid member contributions.

2013	2014	2015	2016	2017	2018
$ 61,206,670	$ 57,795,043	$ 61,323,319	$ 63,297,103	$ 66,284,815	$ 67,135,009
61,206,670	63,030,796	82,699,618	78,708,605	82,880,775	90,230,805
$ -	$ 5,235,753	$ 21,376,299	$ 15,411,502	$ 16,595,960	$ 23,095,796
		(A)			
$ 128,121,447	$ 125,869,628	$ 128,215,528	$ 132,248,620	$ 144,564,215	$ 149,170,809
47.77%	50.08%	64.50%	59.52%	57.33%	60.49%

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2018
For the Last Ten Fiscal Years (A)

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ended June 30		
	2014	**2015**	**2016**
Total pension liability (TPL):			
Service cost	$ 8,030	$ -	$ 8,331
Interest	11,484	-	11,865
Differences between expected and actual experience	(3,269)	9,728	(131,777)
Changes of assumptions	-	-	47,323
Benefit payments, including refunds of member contributions	(8,676)	(6,459)	(10,642)
Net change in total pension liability	7,569	3,269	(74,900)
Total pension liability - beginning	302,551	310,120	313,389
Total pension liability - ending	310,120	313,389	238,489
Plan fiduciary net position (FNP):			
Contributions - employer	2,117	2,481	2,267
Contributions - plan members	13,542	11,831	8,923
Net investment income	586	714	1,219
Benefit payments, including refunds of member contributions	(8,676)	(6,459)	(10,642)
Net change in plan fiduciary net position	7,569	8,567	1,767
Total plan fiduciary net position - beginning	56,895	64,464	73,031
Total plan fiduciary net position - ending	64,464	73,031	74,798
Net pension liability (NPL)	$ 245,656	$ 240,358	$ 163,691
Plan FNP as a % of the TPL	20.79%	23.30%	31.36%
Covered payroll	$ 205,340	$ 205,340	$ 108,526
NPL as a % of covered payroll	119.63%	117.05%	150.83%

Notes to Schedule:

(A) GASB Statements No. 67 and No. 68 were implemented during Fiscal Year 2013/14 and Fiscal Year 2014/15, respectively. Additional years will be added as they become available in the future.

(B) Applicable measurement date	6/30/2014	6/30/2015	6/30/2016
(C) Change in actuarial assumptions:			
Discount rate and investment rate of return	3.75%	3.75%	2.90%
Inflation	3.00%	3.00%	2.75%
Salary increases	3.00%	3.00%	3.00%

2017	2018
$ 6,050	$ 5,386
6,637	6,297
-	(36,700)
(27,593)	5,961
(31,370)	(24,786)
(46,276)	(43,842)
238,489	192,213
192,213	148,371
839	1,519
21,080	16,641
2,407	1,196
(31,370)	(24,786)
(7,044)	(5,430)
74,798	67,754
67,754	62,324
$ 124,459	$ 86,047
35.25%	42.01%
$ 108,526	$ 73,747
114.68%	116.68%

6/30/2017	6/30/2018
3.40%	3.50%
2.75%	2.75%
3.00%	3.00%

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2018
For the Last Ten Fiscal Years (A)

Schedule of Contributions

	Fiscal Year Ended June 30		
	2014	**2015**	**2016**
Required employer contributions (contractually determined)	$ 2,117	$ 2,481	$ 2,267
Actual employer contributions	2,117	2,481	2,267
Contribution excess (deficiency)	$ -	$ -	$ -
Actual contributions as a % of required contributions	100.00%	100.00%	100.00%
Covered payroll	$ 205,340	$ 205,340	$ 108,526
Actual contributions as a % of covered payroll	1.03%	1.21%	2.09%

Notes to Schedule:

(A) GASB Statements No. 67 and No. 68 were implemented during Fiscal Year 2013/14 and Fiscal Year 2014/15, respectively. Additional years will be added as they become available in the future.

(B) Changes in size or composition of plan members:

Inactive; currently receiving benefits	-	-	-
Inactive; entitled to but not yet receiving benefits	10	39	47
Active	59	41	17
Total plan members as of June 30	69	80	64

2017	2018
$ 839	$ 1,519
839	1,519
$ -	$ -
100.00%	100.00%
$ 108,526	$ 73,747
0.77%	2.06%

-	-
46	37
31	24
77	61

ORANGE COUNTY FIRE AUTHORITY

Extra Help Retirement Plan
A Single-Employer Defined Benefit Pension Plan
As of June 30, 2018
For the Last Ten Fiscal Years (A)

Schedule of Money Weighted Rate of Return

Fiscal Year Ended June 30	Annual Money-Weighted Rate of Return, Net of Investment Expense
2014	0.97%
2015	1.24%
2016	1.66%
2017	3.43%
2018	1.90%

Notes to Schedule:

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during Fiscal Year 2013/14. Additional years will be added as they become available in the future.

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Other Postemployment Benefit (OPEB) Plan
As of June 30, 2018
For the Last Ten Fiscal Years (A)

Schedule of Changes in Net OPEB Liability and Related Ratios

	Fiscal Year Ended June 30 2018
Total OPEB Liability (TOPEBL):	
Service cost	$ 7,712,349
Interest	10,007,111
Benefit payments, including refunds of member contributions	(5,581,055)
Net change in total pension liability	12,138,405
Total OPEB liability - beginning	273,053,476
Total OPEB liability - ending	285,191,881
Plan fiduciary net position (FNP):	
Contributions - employer	1,603,537
Contributions - plan members	2,379,665
Net investment income	5,116,794
Benefit payments, including refunds of member contributions	(5,581,055)
Administrative expense	(27,068)
Net change in plan fiduciary net position	3,491,873
Total plan fiduciary net position - beginning	36,839,189
Total plan fiduciary net position - ending	40,331,062
Net OPEB liability (NOPEBL)	$ 244,860,819
Plan FNP as a % of the TOPEBL	14.14%
Covered employee payroll	$ 68,808,979
NOPEBL as a % of covered employee payroll	355.9%

Notes to Schedule:

(A) GASB Statements No. 74, No. 75, and No. 85 were implemented during Fiscal Year 2017/18. Additional years will be added as they become available in the future.

(B) Applicable measurement date	12/31/2017
(C) Change in actuarial assumptions:	
Discount rate	3.60%
Expected rate of return	7.00%
Inflation	2.75%
Salary increases	3.25%
Healthcare cost trend rates	5.00% - 6.50%

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Other Postemployment Benefit (OPEB) Plan
As of June 30, 2018
For the Last Ten Fiscal Years (A)
Schedule of Contributions

	Fiscal Year Ended June 30 2018
Required employer contributions (contractually determined) (B)	$ 3,941,686
Actual employer contributions	3,941,686
Contribution excess (deficiency)	$ -
Actual contributions as a % of contractually required contributions	100.00%
Covered employee payroll	$ 65,955,614
Actual contributions as a % of covered employee payroll	5.98%

Notes to Schedule:

(A) GASB Statements No. 74, No. 75, and No. 85 were implemented during Fiscal Year 2017/18. Additional years will be added as they become available in the future.

(B) Required, contractually determined employer contributions include: (1) cash contributions per Section 5 of the Health Plan Agreement between OCFA and the Orange County Professional Firefighters Association; (2) cash contributions paid directly to retirees outside of the trust per the Retiree Medical Plan; and (3) the implicit subsidy in accordance with Memorandums of Understanding between OCFA and its labor groups requiring that OCFA contribute toward the payment of health care premiums on behalf of eligible retirees.

(C) Changes in size or composition of plan members:

Retiree Medical Plan (Hired Prior to January 1, 2007):	
Inactive; currently receiving benefits	738
Inactive; entitled to but no yet receiving benefits	41
Active	511
Subtotal	1,290
PEMHCA Eligible Employees (Hired on or After January 1, 2007):	
Inactive; currently receiving benefits	1
Active	763
Subtotal	764
Total Plan Members as of June 30:	
Inactive; currently receiving benefits	739
Inactive; entitled to but no yet receiving benefits	41
Active	1,274
Total	2,054

ORANGE COUNTY FIRE AUTHORITY

Retiree Medical Plan
A Single-Employer Defined Benefit Other Postemployment Benefit (OPEB) Plan
As of June 30, 2018
For the Last Ten Fiscal Years (A)

Schedule of Money Weighted Rate of Return

Fiscal Year Ended June 30	As Related to Plan Year Ended December 31	Annual Money-Weighted Rate of Return, Net of Investment Expense
2018	2017	14.74%

Notes to Schedule:

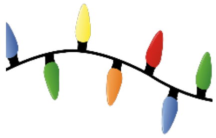
(A) GASB Statement No. 74 was implemented during Fiscal Year 2017/18. Additional years will be added as they become available in the future.

Orange County Fire Authority Safety Message

Holiday Fire Safety

(Part 4 of 4)

(Continued from Page 102)



Don't let a preventable fire take the joy out of your holiday season. Protect your family and home this winter by following a few simple safety tips.

Lighting and Decoration Safety

Holiday decorations are responsible for more than $13 million in home fire damages each year.

- ✓ Never plug more than three strings of incandescent lights together.
- ✓ Make sure all extension cords and electrical decorations are marked for proper use.
- ✓ Plug outdoor electric lights and decorations into circuits protected by ground fault circuit interrupters (GFCI's).
- ✓ Turn off all indoor and outdoor holiday lighting before leaving the house or going to bed.

SUPPLEMENTARY SCHEDULES

FIREFIGHTER ACADEMY 46

ACADEMY 46 GRADUATION
MAY 23, 2018

Major Governmental Funds

Capital Projects Funds

Communications and Information Systems

This fund is used to account for the significant acquisition, improvement, or replacement of specialized communications and information technology systems and/or equipment.

Fire Apparatus

This fund is used to account for the significant acquisition, improvement, or replacement of fire apparatus, including vehicles, trailers, and helicopters.

Fire Stations and Facilities

This fund is used to account for the significant acquisition, improvement, replacement, or construction of fire stations and facilities.

ORANGE COUNTY FIRE AUTHORITY
Communications and Information Systems
Budgetary Comparison Schedule
Year ended June 30, 2018
(With Comparative Data for Prior Year)

	2018				2017
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 11,393,186**	**$ 11,393,186**	**$ 11,393,186**	**$ -**	**$ 19,002,272**
Resources (inflows):					
Use of money and property	224,898	184,046	152,409	(31,637)	120,120
Miscellaneous	98,254	256,482	294,763	38,281	203,512
Transfers in	-	-	-	-	4,866,307
Total resources (inflows)	**323,152**	**440,528**	**447,172**	**6,644**	**5,189,939**
Amounts available for appropriations	**11,716,338**	**11,833,714**	**11,840,358**	**6,644**	**24,192,211**
Charges to appropriation (outflows):					
Services and supplies	80,622	80,622	711,543	(630,921)	6,536,197
Capital outlay	3,807,078	4,302,477	62,612	4,239,865	710,336
Transfers out	-	-	-	-	5,552,492
Total charges to appropriations	**3,887,700**	**4,383,099**	**774,155**	**3,608,944**	**12,799,025**
Budgetary fund balance, June 30	**$ 7,828,638**	**$ 7,450,615**	**$ 11,066,203**	**$ 3,615,588**	**$ 11,393,186**

ORANGE COUNTY FIRE AUTHORITY
Fire Apparatus
Budgetary Comparison Schedule
Year ended June 30, 2018
(With Comparative Data for Prior Year)

	2018				2017
	Budget Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
Budgetary fund balance, July 1	**$ 30,004,043**	**$ 30,004,043**	**$ 30,004,043**	**$ -**	**$ 21,452,261**
Resources (inflows):					
Charges for services	1,346,618	1,310,005	1,310,005	-	1,350,190
Use of money and property	270,517	359,150	361,452	2,302	165,829
Miscellaneous	60,295	157,392	180,883	23,491	124,886
Developer contributions	-	-	1,613,739	1,613,739	-
Transfers in	-	-	-	-	15,405,300
Total resources (inflows)	**1,677,430**	**1,826,547**	**3,466,079**	**1,639,532**	**17,046,205**
Amounts available for appropriations	**31,681,473**	**31,830,590**	**33,470,122**	**1,639,532**	**38,498,466**
Charges to appropriation (outflows):					
Services and supplies	-	-	-	-	9,358
Capital outlay	24,059,680	25,291,920	7,347,076	17,944,844	5,953,342
Principal retirement	2,459,589	2,459,589	2,459,589	-	2,397,140
Interest and fiscal charges	72,134	72,134	72,134	-	134,583
Total charges to appropriations	**26,591,403**	**27,823,643**	**9,878,799**	**17,944,844**	**8,494,423**
Budgetary fund balance, June 30	**$ 5,090,070**	**$ 4,006,947**	**$ 23,591,323**	**$ 19,584,376**	**$ 30,004,043**

ORANGE COUNTY FIRE AUTHORITY
Fire Stations and Facilities
Budgetary Comparison Schedule
Year ended June 30, 2018
(With Comparative Data for Prior Year)

	2018				2017
	Budget Amounts			Variance with Final Budget Positive	
	Original	Final	Actual Amounts	(Negative)	Actual Amounts
Budgetary fund balance, July 1	**$ 24,155,997**	**$ 24,155,997**	**$ 24,155,997**	**$ -**	**$ 15,858,647**
Resources (inflows):					
Use of money and property	251,107	297,777	320,295	22,518	140,935
Miscellaneous	58,199	151,922	174,597	22,675	120,546
Developer contributions	-	1,103,400	1,931,400	828,000	962,627
Transfers in	-	-	-	-	7,900,000
Total resources (inflows)	**309,306**	**1,553,099**	**2,426,292**	**873,193**	**9,124,108**
Amounts available for appropriations	**24,465,303**	**25,709,096**	**26,582,289**	**873,193**	**24,982,755**
Charges to appropriation (outflows):					
Services and supplies	-	-	33,081	(33,081)	10,857
Capital outlay	2,310,456	2,908,946	723,508	2,185,438	815,901
Total charges to appropriations	**2,310,456**	**2,908,946**	**756,589**	**2,152,357**	**826,758**
Budgetary fund balance, June 30	**$ 22,154,847**	**$ 22,800,150**	**$ 25,825,700**	**$ 3,025,550**	**$ 24,155,997**

Major Governmental Funds

"Sub-Fund" Components of General Fund

The following "sub-funds" are have been combined and consolidated in order to report a single General Fund for financial statement presentation. Descriptions of each "sub-fund" component are identified below.

General Operating Fund

This sub-fund is used to account for all operating activities not accounted for in another sub-fund.

General Fund Capital Improvement Program (CIP)

This sub-fund is used to account for financial activity associated with maintenance and improvement projects that are considered "capital in nature" but do not meet the criterial to be included in a Capital Projects Fund.

Structural Fire Entitlement

This sub-fund is used to account for service enhancement funds of over-funded Structural Fire Fund members.

Self Insurance

This sub-fund is used to account the workers' compensation self-insurance program.

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Balance Sheet
June 30, 2018
(With Comparative Data for Prior Year)

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Assets:			
Cash and investments	$ 33,122,092	$ 2,219,314	$ 1,548,295
Receivables:			
Accounts, net	3,477,078	-	-
Accrued interest	149,016	-	2,373
Prepaid costs and other assets	34,790,638	35,335	-
Due from other governments, net	15,384,420	-	-
	$ 86,923,244	**$ 2,254,649**	**$ 1,550,668**
Liabilities:			
Accounts payable	$ 2,087,198	$ 407,613	$ 53,714
Accrued liabilities	8,899,638	-	-
Unearned revenue	27,927	-	-
Due to other governments	1,667,025	-	-
Total liabilities	**12,681,788**	**407,613**	**53,714**
Deferred Inflows of Resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	**-**	**-**	**-**
Fund balances:			
Nonspendable - prepaid costs	34,765,347	35,335	-
Restricted for:			
Various departments	3,417,677	-	-
Communications and IT projects	-	2,975	-
Committed to - SFF cities enhancements	-	-	1,496,954
Assigned to:			
Capital improvement program	-	1,572,963	-
Workers' compensation	-	-	-
Various departments	603,301	-	-
Facilities projects	102,875	-	-
Communications and IT projects	-	235,763	-
Unassigned	35,352,256	-	-
Total fund balances	**74,241,456**	**1,847,036**	**1,496,954**
Total liabilities, deferred inflows of resources, and fund balances	**$ 86,923,244**	**$ 2,254,649**	**$ 1,550,668**

		Total General Fund	
Self Insurance	**Eliminations**	**2018**	**2017**
$ 80,954,473	$ -	$ 117,844,174	$ 112,350,568
-	-	3,477,078	3,132,852
133,869	-	285,258	153,958
-	-	34,825,973	33,772,844
-	-	15,384,420	11,127,839
$ 81,088,342	**$ -**	**$ 171,816,903**	**$ 160,538,061**
$ 572,498	$ -	$ 3,121,023	$ 3,572,663
-	-	8,899,638	8,293,131
-	-	27,927	972,723
-	-	1,667,025	152,192
572,498	**-**	**13,715,613**	**12,990,709**
-	-	-	190,000
-	**-**	**-**	**190,000**
-	-	34,800,682	33,750,548
-	-	3,417,677	3,364,382
-	-	2,975	-
-	-	1,496,954	549,651
-	-	1,572,963	1,107,430
80,515,844	-	80,515,844	75,375,829
-	-	603,301	1,764,652
-	-	102,875	89,361
-	-	235,763	8,827
-	-	35,352,256	31,346,672
80,515,844	**-**	**158,101,290**	**147,357,352**
$ 81,088,342	**$ -**	**$ 171,816,903**	**$ 160,538,061**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2018
(With Comparative Data for Prior Year)

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Revenues:			
Taxes	$ 250,326,172	$ -	$ -
Intergovernmental	37,063,147	-	-
Charges for services	107,440,415	-	-
Use of money and property	786,971	-	14,958
Miscellaneous	3,775,973	-	-
Total revenues	**399,392,678**	**-**	**14,958**
Expenditures:			
Current - public safety:			
Salaries and benefits	357,647,306	-	-
Services and supplies	34,661,767	1,091,730	67,655
Capital outlay	597,209	1,240,247	-
Debt service:			
Interest and fiscal charges	387,790	-	-
Total expenditures	**393,294,072**	**2,331,977**	**67,655**
Excess (deficiency) of revenues over (under) expenditures	6,098,606	(2,331,977)	(52,697)
Other financing sources (uses):			
Transfers in	-	2,970,041	1,000,000
Transfers out	(3,970,041)	-	-
Sale of capital and other assets	1,012,581	-	-
Insurance recoveries	877,410	-	-
Total other financing sources (uses)	**(2,080,050)**	**2,970,041**	**1,000,000**
Net change in fund balances	4,018,556	638,064	947,303
Fund balances, beginning of year	70,222,900	1,208,972	549,651
Fund balances, end of year	**$ 74,241,456**	**$ 1,847,036**	**$ 1,496,954**

Self Insurance	Eliminations	Total General Fund	
		2018	2017
$ -	$ -	$ 250,326,172	$ 232,832,758
-	-	37,063,147	29,069,065
16,927,039	(16,927,039)	107,440,415	104,710,870
940,316	-	1,742,245	830,271
-	-	3,775,973	4,123,033
17,867,355	**(16,927,039)**	**400,347,952**	**371,565,997**
-	(16,927,039)	340,720,267	309,507,433
13,306,197	-	49,127,349	41,531,206
-	-	1,837,456	4,637,358
-	-	387,790	266,304
13,306,197	**(16,927,039)**	**392,072,862**	**355,942,301**
4,561,158	-	8,275,090	15,623,696
-	(3,970,041)	-	5,552,492
-	3,970,041	-	(28,171,607)
-	-	1,012,581	76,633
578,857	-	1,456,267	1,218,433
578,857	**-**	**2,468,848**	**(21,324,049)**
5,140,015	-	10,743,938	(5,700,353)
75,375,829	-	147,357,352	153,057,705
$ 80,515,844	**$ -**	**$ 158,101,290**	**$ 147,357,352**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Original Budget
Year ended June 30, 2018

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Budgetary fund balance, July 1	**$ 70,222,900**	**$ 1,208,972**	**$ 549,651**
Resources (inflows):			
Taxes	242,371,052	-	-
Intergovernmental	15,729,661	-	-
Charges for services	107,076,852	-	-
Use of money and property	664,714	-	4,303
Miscellaneous	799,248	-	-
Sale of capital and other assets	50,000	-	-
Total resources (inflows)	**366,691,527**	**-**	**4,303**
Amounts available for appropriations	**436,914,427**	**1,208,972**	**553,954**
Charges to appropriation (outflows):			
Salaries and benefits	317,719,342	-	-
Services and supplies	34,002,199	721,497	-
Capital outlay	395,800	456,000	-
Interest and fiscal charges	31,250	-	-
Total charges to appropriations	**352,148,591**	**1,177,497**	**-**
Budgetary fund balance, June 30	**$ 84,765,836**	**$ 31,475**	**$ 553,954**

Self Insurance	Eliminations	Total General Fund 2018
$ 75,375,829	**$ -**	**$ 147,357,352**
-	-	242,371,052
-	-	15,729,661
12,687,256	(12,687,256)	107,076,852
1,181,767	-	1,850,784
-	-	799,248
-	-	50,000
13,869,023	**(12,687,256)**	**367,877,597**
89,244,852	**(12,687,256)**	**515,234,949**
-	(12,687,256)	305,032,086
8,066,513	-	42,790,209
-	-	851,800
-	-	31,250
8,066,513	**(12,687,256)**	**348,705,345**
$ 81,178,339	**$ -**	**$ 166,529,604**

ORANGE COUNTY FIRE AUTHORITY
Components of General Fund
Combining Final Budget
Year ended June 30, 2018

	General Operating Fund	General Fund CIP	Structural Fire Entitlement
Budgetary fund balance, July 1	**$ 70,222,900**	**$ 1,208,972**	**$ 549,651**
Resources (inflows):			
Taxes	244,761,645	-	-
Intergovernmental	33,124,464	-	-
Charges for services	106,390,732	-	-
Use of money and property	562,353	-	13,360
Miscellaneous	3,724,705	-	-
Transfers in	-	2,970,041	1,000,000
Sale of capital and other assets	967,045	-	-
Insurance recoveries	34,875	-	-
Total resources (inflows)	**389,565,819**	**2,970,041**	**1,013,360**
Amounts available for appropriations	**459,788,719**	**4,179,013**	**1,563,011**
Charges to appropriations (outflows):			
Salaries and benefits	359,115,010	-	-
Services and supplies	39,398,158	2,027,881	549,651
Capital outlay	2,053,542	1,104,790	-
Interest and fiscal charges	525,000	-	-
Transfers out	3,970,041	-	-
Total charges to appropriations	**405,061,751**	**3,132,671**	**549,651**
Budgetary fund balance, June 30	**$ 54,726,968**	**$ 1,046,342**	**$ 1,013,360**

Self Insurance	**Eliminations**	**Total General Fund 2018**
$ 75,375,829	**$ -**	**$ 147,357,352**
-	-	244,761,645
-	-	33,124,464
16,927,039	(16,927,039)	106,390,732
965,269	-	1,540,982
-	-	3,724,705
-	(3,970,041)	-
-	-	967,045
-	-	34,875
17,892,308	**(20,897,080)**	**390,544,448**
93,268,137	**(20,897,080)**	**537,901,800**
-	(16,927,039)	342,187,971
15,977,392	-	57,953,082
-	-	3,158,332
-	-	525,000
-	(3,970,041)	-
15,977,392	**(20,897,080)**	**403,824,385**
$ 77,290,745	**$ -**	**$ 134,077,415**

Orange County Fire Authority Safety Message

Christmas Tree Safety

(Part 1 of 3)

Christmas trees are a traditional part of the Christmas holiday. They can also be a major source of fuel in a fire.

Before You Buy

A fresh tree will be less of a fire hazard than a dry tree. To check for freshness, trees should have the following:

- ✓ Needles are hard to pull from branches.
- ✓ When bent between your fingers, fresh needles do not break.
- ✓ The trunk-end of a fresh tree is sticky with resin.
- ✓ When the trunk of a fresh tree is bounced on the ground, only a few needles will fall off the tree.

(Continued on Page 134)

Fiduciary Funds

Extra Help Retirement Plan

OCFA administers a single-employer, defined benefit pension plan that provides retirement benefits for OCFA's less than half-time and extra help employees. Plan assets are accounted for in the Extra Help Retirement fiduciary fund.

Retiree Medical Plan

OCFA provides a single-employer, defined benefit plan for OCFA's full-time and part-time employees hired prior to January 1, 2007, which provides a monthly grant toward the cost of retirees' health insurance coverage. Plan assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by the Orange County Employees Retirement System (OCERS).

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Combining Schedule of Fiduciary Net Position
June 30, 2018
(With Comparative Data for Prior Year)

	Extra Help Retirement	Retiree Medical Plan	Total Fiduciary Funds 2018	Total Fiduciary Funds 2017
Assets:				
Cash and investments:				
Local Agency Investment Fund:				
Domestic fixed income	$ 62,324	$ -	$ 62,324	$ 67,754
Pooled amounts held in trust with OCERS	-	40,111,053	40,111,053	-
Total cash and investments	62,324	40,111,053	40,173,377	67,754
Receivables:				
Other receivables	-	537,657	537,657	-
Total assets	**62,324**	**40,648,710**	**40,711,034**	**67,754**
Liabilities:				
Accrued liabilities	-	317,648	317,648	-
Total liabilities	**-**	**317,648**	**317,648**	**-**
Net position restricted for pensions and other postemployment benefits	**$ 62,324**	**$ 40,331,062**	**$ 40,393,386**	**$ 67,754**

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Combining Schedule of Changes in Fiduciary Net Position
Year ended June 30, 2018
(With Comparative Data for Prior Year)

	Extra Help Retirement	Retiree Medical Plan	As of June 30	
			2018	2017
Additions:				
Contributions:				
Employer	$ 1,519	$ 1,603,537	$ 1,605,056	$ 839
Plan members	16,641	2,379,665	2,396,306	21,080
Total contributions	18,160	3,983,202	4,001,362	21,919
Net investment income:				
Total investment income	1,196	5,327,771	5,328,967	2,407
Investment fees and expenses	-	(210,977)	(210,977)	-
Total net investment income	1,196	5,116,794	5,117,990	2,407
Total additions	**19,356**	**9,099,996**	**9,119,352**	**24,326**
Deductions:				
Benefits and refunds paid to plan members and beneficiaries	24,786	5,581,055	5,605,841	31,370
Administrative expenses	-	27,068	27,068	-
Total deductions	**24,786**	**5,608,123**	**5,632,909**	**31,370**
Change in net position	(5,430)	3,491,873	3,486,443	(7,044)
Net position, beginning of year, as restated	67,754	36,839,189	36,906,943	74,798
Net position, end of year	**$ 62,324**	**$ 40,331,062**	**$ 40,393,386**	**$ 67,754**

Orange County Fire Authority Safety Message

Christmas Tree Safety

(Part 2 of 3)

(Continued from Page 130)

Christmas trees are a traditional part of the Christmas holiday. They can also be a major source of fuel in a fire.

After You Buy

Do not rely on chemical coatings or sprays to flame-proof your tree. Any cut tree, even those treated with flame retardant, will still dry out. Daily care and watering help a tree remain relatively fire resistant longer.

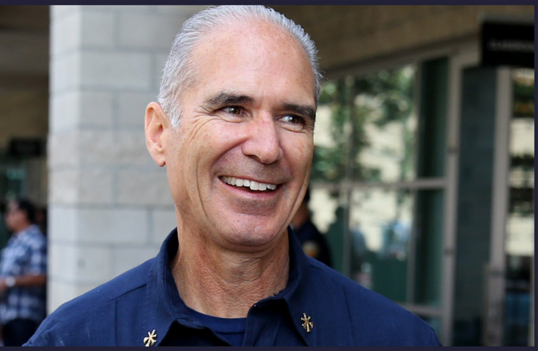
- ✓ Place your tree away from fireplaces, radiators, heater vents, air ducts, and other heat sources. Make sure the tree is out of the way of day-to-day traffic and doesn’t block doorways.

- ✓ Cut off approximately two (2) inches of the trunk. Mount the tree in a sturdy, water-holding stand with wide-set legs. Fasten a large tree to walls or ceilings with thin guide wires.

- ✓ Fill base of holder with water daily, maybe even twice a day. Keep it full of water while the tree is indoors (just as you would with fresh flowers). Remember – heated rooms dry trees out very quickly, creating fire hazards.

(Continued on Page 136)

STATISTICAL SECTION



CHIEF OFFICER RETIREMENTS
MARCH 2018

ORANGE COUNTY FIRE AUTHORITY

Overview of the Statistical Section

The Statistical Section provides a context for understanding information in the financial statements, note disclosures and required supplementary information and how that information relates to the OCFA's overall financial health. The detailed schedules presented in the Statistical Section are grouped into five sections pertaining to financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information.

Financial Trends Information – These schedules contain trend information to assist the reader in understanding how the OCFA's financial performance and well-being have changed over time.

Revenue Capacity Information – These schedules contain information to assist the reader in assessing property taxes, the OCFA's most significant local revenue source.

Debt Capacity Information **–** These schedules present information to assist the reader in assessing the affordability of the OCFA's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information **–** These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the OCFA's financial activities take place.

Operating Information – These schedules contain data to assist the reader in understanding how the information in the financial report relates to the services provided by and the activities performed by the OCFA.

Orange County Fire Authority Safety Message

Christmas Tree Safety

(Part 3 of 3)

(Continued from Page 134)

Christmas trees are a traditional part of the Christmas holiday. They can also be a major source of fuel in a fire.

After You Buy

Do not rely on chemical coatings or sprays to flame-proof your tree. Any cut tree, even those treated with flame retardant, will still dry out. Daily care and watering help a tree remain relatively fire resistant longer.

- ✓ Avoid placing breakable ornaments on lower branches where children and pets can reach them.
- ✓ Ornaments and other holiday decorations should be non-combustible or flame resistant.
- ✓ Remove your tree promptly from your home after the holidays. A dried-out tree is extremely hazardous. An ignited tree can be totally consumed by fire in 3-5 seconds, and generate over 2000 degrees of radiant heat.

ORANGE COUNTY FIRE AUTHORITY

Financial Trends Information

Net Position by Component – Presents net position of the OCFA's governmental activities by the three individual components of net position for each of the last ten fiscal years.

Changes in Net Position **–** Presents the changes in net position of governmental activities for each of the last ten fiscal years.

Fund Balances of Governmental Funds – Presents information on the fund balances of the General Fund and the aggregate of all other governmental funds for each of the last ten fiscal years.

Changes in Fund Balances of Governmental Funds – Presents information on the changes in fund balances for total governmental funds for each of the last ten fiscal years, including the ratio of debt service expenditures to noncapital expenditures.

ORANGE COUNTY FIRE AUTHORITY
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year ended June 30			
	2009	2010	2011	2012
Governmental activities:				
Net investment in capital assets	$ 172,293,178	$ 183,717,406	$ 186,297,543	$ 183,584,385
Restricted	7,394,371 (1)	1,623,121	1,627,233	3,252,969 (2)
Unrestricted	129,119,689	115,965,726	99,704,595	81,450,846
Total governmental activities net position	$ 308,807,238	$ 301,306,253	$ 287,629,371	$ 268,288,200

SOURCE: OCFA Comprehensive Annual Financial Reports

NOTES:
(1) Restricted net position as of June 30, 2009, pertained to requirements of the revenue bonds issued to construct the Regional Fire Operations and Training Center. Those revenue bonds were issued in Fiscal Year 2001/02 and repaid in full during Fiscal Year 2009/10.

(2) Restricted net position as of June 30, 2012, included a one-time, $1.5 million unperformed purchase order for self-contained breathing apparatus that was funded by a federal grant.

(3) GASB Statement No. 68 was implemented during Fiscal Year 2014/15, which required a $362 million restatement to beginning net position in order to fully reflect net OCFA's net pension liabilities. This adjustment contributed to an overall negative balance in unrestricted net position as of June 30, 2015 and thereafter.

(4) GASB Statements No. 74, 75, and 85 were implemented during Fiscal Year 2017/18, which required a $153 million restatement to beginning net position in order to fully reflect net OCFA's net OPEB liabilities. This adjustment contributed to the increased negative balance in unrestricted net position.

2013	2014	2015	2016	2017	2018
$ 181,363,364	$ 180,917,654	$ 190,800,116	$ 187,910,677	$ 192,430,467	$ 207,951,822
1,690,858	1,810,134	1,840,561	2,881,910	3,897,614	3,953,884
74,510,482	61,026,827	(361,765,050) (3)	(351,456,505)	(373,102,128)	(511,359,152) (4)
$ 257,564,704	$ 243,754,615	$ (169,124,373)	$ (160,663,918)	$ (176,774,047)	$ (299,453,446)

ORANGE COUNTY FIRE AUTHORITY
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year ended June 30			
Governmental Activities	2009	2010	2011	2012
Expenses - public safety:				
Salaries and benefits	$ 209,092,693	$ 211,729,989	$ 221,031,439	$ 240,084,607
Services and supplies	31,425,592	24,318,065	30,736,034	37,069,099
Depreciation and amortization	7,923,947	8,432,793	8,970,508	9,300,853
Interest on long-term debt	1,718,137	855,577	677,910	494,014
Total program expenses	250,160,369	245,336,424	261,415,891	286,948,573
Program revenues - public safety:				
Charges for services	67,305,621	63,743,942	61,975,963	76,347,126
Operating grants and contributions	5,981,800	5,784,969	5,963,648	6,580,681
Capital grants and contributions	140,903	1,415,618	395,180	3,926,275
Total program revenues	73,428,324	70,944,529	68,334,791	86,854,082
Net program revenues (expenses)	(176,732,045)	(174,391,895)	(193,081,100)	(200,094,491)
General revenues:				
Property taxes	184,696,756	179,001,919	177,181,086	177,728,290
Investment income	3,704,964	1,006,128	611,408	524,602
Gain on disposal of capital assets	-	-	39,803	79,705
Miscellaneous	1,925,998	890,127	835,021	2,420,723
Total general revenues	190,327,718	180,898,174	178,667,318	180,753,320
Changes in net position	$ 13,595,673	$ 6,506,279	$ (14,413,782)	$ (19,341,171)
				(1)

SOURCE: OCFA Comprehensive Annual Financial Reports

NOTES:

(1) The City of Santa Ana became a member city of OCFA during Fiscal Year 2011/12 (April 2012).

(2) GASB Statement No. 68 was implemented during Fiscal Year 2014/15, which required that pension expense be adjusted annually to fully reflect the accrual-based cost incurred during the year. OCFA recognized an increase to its pension expense totaling $39.9 million during the year ended June 30, 2015. That amount is included within salaries and benefits.

(3) GASB Statements No. 74, 75 and 85 were implemented during Fiscal Year 2017/18, which required that OPEB expense be adjusted annually to fully reflect the accrual-based cost incurred during the year. During the year ended June 30, 2018, OCFA recognized a decrease to its salary and benefits totaling $7.2 million due to the implementation of these GASB statements.

2013	2014	2015	2016	2017	2018
$ 264,067,489	$ 266,764,367	$ 335,419,737	$ 316,292,785	$ 327,515,166	$ 323,845,042
45,879,501	47,912,808	46,073,201	35,127,573	52,819,125	57,275,465
9,793,491	9,612,453	9,050,195	9,267,982	9,512,777	10,084,196
367,701	311,327	582,565	917,320	133,239	70,751
320,108,182	324,600,955	391,125,698	361,605,660	389,980,307	391,275,454
102,875,410	106,874,513	113,150,325	117,263,679	121,875,157	132,634,280
19,523,853	10,339,966	11,410,019	12,165,015	11,992,438	13,920,686
2,811,180	1,462,540	9,182,195	3,331,088	1,040,129	16,875,139
125,210,443	118,677,019	133,742,539	132,759,782	134,907,724	163,430,105
(194,897,739)	(205,923,936)	(257,383,159)	(228,845,878)	(255,072,583)	(227,845,349)
181,720,253	190,873,689	205,141,237	219,840,417	232,832,758	250,326,172
(136,493)	823,010	839,864	1,654,065	990,851	2,188,611
11,924	21,834	63,953	6,000	657,944	719,372
4,329,603	1,200,195	1,235,004	2,823,503	4,480,901	5,089,603
185,925,287	192,918,728	207,280,058	224,323,985	238,962,454	258,323,758
$ (8,972,452)	$ (13,005,208)	$ (50,103,101)	$ (4,521,893)	$ (16,110,129)	$ 30,478,409
		(2)			(3)

ORANGE COUNTY FIRE AUTHORITY
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year ended June 30			
	2009	2010	2011	2012
General Fund:				
Reserved	$ 1,417,069	$ -	$ -	$ -
Unreserved	67,926,629	-	-	-
Nonspendable	-	117,473	23,186,680	22,756,709
Restricted	-	111,305	111,980	1,699,787
Committed	-	861,116	797,935	1,372,789
Assigned	-	37,621,864	35,550,989	34,715,397
Unassigned	-	41,985,648	25,592,531	25,751,128
Total General Fund	$ 69,343,698	$ 80,697,406	$ 85,240,115	$ 86,295,810
All other governmental funds:				
Reserved	$ 14,752,366	$ -	$ -	$ -
Unreserved, reported in:				
Special revenue funds	75,515,265	-	-	-
Capital projects funds	13,344,809	-	-	-
Debt service funds	4,752,258	-	-	-
Nonspendable	-	567,349	478,449	405,815
Restricted	-	1,015,700	1,515,253	1,553,182
Assigned	-	87,476,588	78,023,210	74,037,637
Total all other governmental funds	$ 108,364,698	$ 89,059,637 (1)	$ 80,016,912	$ 75,996,634

SOURCE: OCFA Comprehensive Annual Financial Reports

NOTES:
(1) OCFA implemented GASB Statement No. 54 during the fiscal year ended June 30, 2011. This statement eliminated the previous fund balance categories (reserved and unreserved), and replaced them with five new categories (nonspedable, restricted, committed, assigned, unassigned). Fund balance amounts as of June 30, 2010, and thereafter reflect the new categories; however, all previous fiscal years are presented using the old categories.

2013	2014	2015	2016	2017	2018
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
26,727,849	30,560,638	31,127,148	36,779,845	33,750,548	34,800,682
137,676	766,094	1,307,329	2,348,678	3,364,382	3,420,652
1,268,160	784,617	691,265	584,464	549,651	1,496,954
53,668,608	61,236,092	69,282,830	78,922,725	78,346,099	83,030,746
25,782,851	22,156,848	17,864,685	34,421,993	31,346,672	35,352,256
$ 107,585,144	$ 115,504,289	$ 120,273,257	$ 153,057,705	$ 147,357,352	$ 158,101,290
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
352,318	284,349	32,946	-	4,608	25,216
1,553,182	1,044,040	533,232	533,232	533,232	533,232
67,317,090	64,340,833	56,050,351	55,779,948	65,015,386	59,924,778
$ 69,222,590	$ 65,669,222	$ 56,616,529	$ 56,313,180	$ 65,553,226	$ 60,483,226

ORANGE COUNTY FIRE AUTHORITY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year ended June 30			
	2009	2010	2011	2012
Revenues:				
Taxes	$ 184,696,756	$ 179,001,919	$ 177,181,086	$ 177,728,290
Intergovernmental	18,898,459	14,202,209	11,080,619	12,894,882
Charges for services	54,125,964	55,325,007	56,582,867	65,556,905
Use of money and property	4,148,889	1,341,991	822,002	660,621
Miscellaneous	2,517,891	1,333,170	1,320,856	2,753,421
Developer contributions	-	551,365	43,200	10,140
Total revenues	264,387,959	251,755,661	247,030,630	259,604,259
Expenditures:				
Current - public safety:				
Salaries and benefits	203,790,256	206,942,045	211,801,889	228,452,010
Services and supplies	28,561,308	28,521,125	28,207,018	30,737,551
Capital outlay	32,624,294	9,647,853	9,899,979	932,034
Debt service:				
Principal retirement	5,933,911	13,370,586	1,911,912	2,139,694
Interest and fiscal charges	2,119,347	1,459,383	890,067	635,351
Issuance costs	-	-	-	286,599
Total expenditures	273,029,116	259,940,992	252,710,865	263,183,239
Excess (deficiency) of revenues over (under) expenditures	(8,641,157)	(8,185,331)	(5,680,235)	(3,578,980)
Other financing sources (uses):				
Transfers in	30,257,506	10,608,277	4,137,811	-
Transfers out	(30,257,506)	(10,608,277)	(4,137,811)	-
Issuance of long-term debt	21,515,238	-	-	16,756,078
Refinanced long-term debt	-	-	-	(16,377,093)
Sale of capital and other assets	93,480	162,533	434,914	146,317
Insurance recoveries	81,576	71,445	8,405	89,095
Total other financing sources (uses)	21,690,294	233,978	443,319	614,397
Net change in fund balances	$ 13,049,137	$ (7,951,353)	$ (5,236,916)	$ (2,964,583)
Debt service as a percentage of noncapital expenditures	3.3%	5.9%	1.2%	1.1%

SOURCE: OCFA Comprehensive Annual Financial Reports

2013	2014	2015	2016	2017	2018
$ 181,720,253	$ 190,873,689	$ 205,141,237	$ 219,840,417	$ 232,832,758	$ 250,326,172
28,883,649	19,111,811	23,565,214	25,978,081	29,069,065	37,063,147
95,904,052	97,705,183	102,000,677	103,830,436	106,061,060	108,750,420
(20,556)	932,284	841,522	1,671,316	1,257,155	2,576,401
5,111,908	1,677,853	1,679,976	2,786,173	4,571,977	4,426,216
538,260	1,271,400	8,307,207	3,233,082	962,627	3,545,139
312,137,566	311,572,220	341,535,833	357,339,505	374,754,642	406,687,495
255,301,913	257,134,030	285,988,997	294,414,084	309,507,433	340,720,267
32,613,137	40,187,878	40,490,370	36,303,618	48,087,618	49,871,973
5,420,102	7,681,418	16,644,798	3,996,650	12,116,937	9,970,652
2,162,809	2,219,152	2,276,963	2,336,279	2,397,140	2,459,589
484,851	421,845	585,501	935,881	400,887	459,924
-	-	-	-	-	-
295,982,812	307,644,323	345,986,629	337,986,512	372,510,015	403,482,405
16,154,754	3,927,897	(4,450,796)	19,352,993	2,244,627	3,205,090
381,222	5,370,375	6,845,320	78,187	33,724,099	-
(381,222)	(5,370,375)	(6,845,320)	(78,187)	(33,724,099)	-
-	-	-	-	-	-
-	-	-	-	-	-
58,051	77,077	134,123	24,470	76,633	1,012,581
53,529	360,803	32,948	121,288	1,218,433	1,456,267
111,580	437,880	167,071	145,758	1,295,066	2,468,848
$ 16,266,334	$ 4,365,777	$ (4,283,725)	$ 19,498,751	$ 3,539,693	$ 5,673,938
0.9%	0.9%	0.9%	1.0%	0.8%	0.7%

Orange County Fire Authority Safety Message

Household Hazardous Waste Safety

(Part 1 of 3)

Leftover products that are corrosive, toxic, or can catch fire, react, or explode under certain circumstances are considered household hazardous waste. These products require special care to prevent fire, injury, or pollution of the environment.

Use and Storage

- ✓ Keep flammable liquids away from heat sources and open flames, such as hot water heaters and fireplaces.
- ✓ Don’t smoke while using any type of flammable products, including nail polish, nail polish remover, alcohol-based hair products, and similar cosmetic items.
- ✓ Follow instructions on the labels of all flammable liquids and other hazardous products carefully to prevent accidents or injuries at home.

(Continued on Page 156)

ORANGE COUNTY FIRE AUTHORITY

Revenue Capacity Information

Assessed Value and Estimated Actual Value of Taxable Property **–** Presents information on the assessed property values of each city and the unincorporated area within the OCFA's jurisdiction for each of the last ten fiscal years.

Property Tax Rates of Direct and Overlapping Governments **–** Presents the County of Orange's direct property tax rate, as well as the rates of any overlapping governments that are applied to the same revenue base.

Principal Property Tax Payers **–** Presents information about the OCFA's ten largest property tax payers for the current fiscal year, as compared to nine fiscal years ago.

Property Tax Levies and Collections **–** Presents information on the levy and subsequent collection of OCFA's property taxes for each of the last ten fiscal years.

ORANGE COUNTY FIRE AUTHORITY
Assessed Value (1) and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(dollars in thousands)

Jurisdiction	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13
Buena Park	$ 7,438,787	$ 7,478,553	$ 7,484,717	7,602,927
Placentia	4,967,651	4,969,023	5,007,558	5,080,849
San Clemente	12,631,337	12,431,717	12,356,019	12,506,118
Santa Ana (4)	n/a	n/a	20,100,864	20,339,779
Seal Beach	4,241,221	4,282,032	4,434,345	4,480,557
Stanton	2,070,815	2,042,112	2,063,293	2,073,752
Tustin	9,501,069	9,419,294	9,378,899	9,502,173
Westminster	6,698,153	6,779,972	6,935,762	7,023,383
Total cash contract cities (3)	47,549,033	47,402,703	67,761,457	68,609,538
Aliso Viejo	7,553,177	7,459,562	7,511,408	7,605,524
Cypress	5,529,005	5,514,794	5,560,190	5,666,354
Dana Point	8,763,402	8,687,748	8,735,352	8,844,364
Irvine	47,212,001	46,538,576	47,136,231	48,646,093
Laguna Hills	5,589,417	5,460,470	5,463,649	5,513,066
Laguna Niguel	11,883,056	11,892,951	11,991,939	12,116,601
Laguna Woods	2,273,717	2,214,363	2,186,990	2,193,624
Lake Forest	10,915,562	10,744,518	10,721,083	10,885,724
La Palma	1,695,126	1,698,469	1,698,169	1,718,007
Los Alamitos	1,589,309	1,616,120	1,603,255	1,638,193
Mission Viejo	13,104,698	13,157,979	13,226,115	13,320,574
Rancho Santa Margarita	6,617,903	6,605,397	6,623,819	6,679,191
San Juan Capistrano	5,835,957	5,817,501	5,799,444	5,833,269
Villa Park	1,359,734	1,353,409	1,372,687	1,398,666
Yorba Linda	10,897,981	10,936,312	11,262,427	11,484,958
Unincorporated	21,447,511	21,485,307	21,509,471	21,332,072
Total SFF jurisdictions (2)	162,267,556	161,183,476	162,402,229	164,876,280
Percentage change from prior year	-1.76%	-0.67%	0.76%	1.52%
Total assessed valuation	$ 209,816,589	$ 208,586,179	$ 230,163,686	$ 233,485,818
Total direct tax rate	0.11%	0.11%	0.11%	0.11%

SOURCE: County of Orange, Auditor-Controller, Assessed Valuations by Fiscal Year
http://acweb1.ocgov.com/ac/txfdr_Civica/av/

NOTES:
(1) Assessed value is stated at taxable full cash value. These values may include an increased value over the base year for that portion of the city or district which lies within a redevelopment agency.
(2) Assessed value for these cities is part of the Structural Fire Fund (SFF).

(3) Cities pay for services on a cash contract basis. Assessed value is shown for comparison only.

(4) Santa Ana joined OCFA on April 20, 2012.

FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
7,886,342	8,313,496	8,769,022	9,229,491	9,771,180
5,203,417	5,519,085	5,878,473	6,133,423	6,445,280
12,824,727	13,666,851	14,447,434	15,269,878	16,078,965
21,119,683	22,075,383	23,013,226	23,886,126	25,232,515
4,580,472	4,891,060	5,081,691	5,167,629	5,428,187
2,144,270	2,297,508	2,433,266	2,569,937	2,679,870
9,732,381	10,292,805	11,004,027	11,577,792	12,399,614
7,176,141	7,628,669	8,279,644	8,410,335	8,907,507
70,667,433	74,684,857	78,906,783	82,244,611	86,943,118
7,877,812	8,440,740	8,765,964	9,262,105	9,757,603
5,854,809	6,104,218	6,463,650	6,751,019	7,049,085
9,126,750	9,787,132	10,513,667	11,209,516	12,184,560
51,002,248	55,693,885	60,912,694	65,754,243	71,898,708
5,643,545	5,961,947	6,256,109	6,506,374	6,744,152
12,402,919	13,270,851	14,015,647	14,571,803	15,341,994
2,237,288	2,424,736	2,620,217	2,772,774	2,949,710
11,238,775	11,920,081	12,672,969	13,710,657	14,701,561
1,744,907	1,829,353	1,904,950	1,998,105	2,042,167
1,674,933	1,778,110	1,887,771	1,961,259	2,068,339
13,639,460	14,533,544	15,262,434	15,835,376	16,538,595
6,759,144	7,231,597	7,572,862	7,810,951	8,247,183
6,039,344	6,443,224	6,828,239	7,190,143	7,600,135
1,466,599	1,527,255	1,596,806	1,674,085	1,755,259
11,857,840	12,668,130	13,488,124	14,098,053	14,862,265
21,915,863	23,573,390	24,999,336	26,380,370	28,230,720
170,482,236	183,188,193	195,761,439	207,486,833	221,972,036
3.40%	7.45%	6.86%	5.99%	6.98%
$ 241,149,669	$ 257,873,050	$ 274,668,222	$ 289,731,444	$ 308,915,154
0.11%	0.11%	0.11%	0.11%	0.11%

(5) In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

ORANGE COUNTY FIRE AUTHORITY
Property Tax Rates of Direct and Overlapping Governments
Last Ten Fiscal Years

	County of Orange (B)			OCFA (B)
	Overlapping	Direct		Direct
	Basic Operating Levy	Debt Service	Total	Basic Operating Levy
2009	1.00000	0.00000	1.00000	0.0011
2010	1.00000	0.00000	1.00000	0.0011
2011	1.00000	0.00000	1.00000	0.0011
2012	1.00000	0.00000	1.00000	0.0011
2013	1.00000	0.00000	1.00000	0.0011
2014	1.00000	0.00000	1.00000	0.0011
2015	1.00000	0.00000	1.00000	0.0011
2016	1.00000	0.00000	1.00000	0.0011
2017	1.00000	0.00000	1.00000	0.0011
2018	1.00000	0.00000	1.00000	0.0011
	(A)	(A)		(C)

SOURCE:

(A) County of Orange, Auditor-Controller, Tax Rate Books by Fiscal Year
http://acdcweb01.ocgov.com/wp-content/uploads/2018/02/TR_2017.pdf

(B) Data for the entire County of Orange is not limited to the cities/unincorporated areas served by the Orange County Fire Authority. Data for OCFA is limited to its member cities that are part of the Structural Fire Fund (SFF).

(C) Direct tax rate calculation per the "Assessed Value and Estimated Actual Value of Taxable Property" schedule included in this report.

NOTE: This schedule presents tax rates per $100 of assessed/full cash value.

ORANGE COUNTY FIRE AUTHORITY
Principal Property Tax Payers
Current and Nine Years Ago
(Dollars in Thousands)

Property Tax Payer	Fiscal Year 2008/09 (A) Actual Taxes Levied	Rank	Percent of Total Taxes Levied	Fiscal Year 2017/18 (B) Actual Taxes Levied	Rank	Percent of Total Taxes Levied
The Irvine Company	$ 59,816	1	1.26%	$ 94,856	1	1.47%
Irvine Apartment Communities	$ 22,440	4	0.47%			
Irvine Community Development	$ 11,277	5	0.24%			
Irvine Company LLC	$ 6,901	9	1.50%			
	$ 100,434			$ 94,856		
Walt Disney Parks & Resorts U.S.				$ 55,322	2	0.86%
Walt Disney Company	$ 32,632	2	0.69%			
Walt Disney World Company	$ 7,672	7	0.16%			
	$ 40,304			$ 55,322		
Southern California Edison Company (Edison International)	$ 23,001	3	4.90%	$ 38,458	3	0.59%
Five Points Holdings, LLC				$ 19,542	4	0.30%
Sempra Energy Southern California Gas Company)				$ 10,785	5	0.17%
AT&T (Pacific Bell Telephone Company)	$ 7,885	6	0.17%	$ 10,026	6	0.16%
United Laguna Hills Mutual	$ 6,981	8	0.15%	$ 9,883	7	0.15%
BEX Portfolio, Inc.				$ 8,443	8	0.13%
Anbang Insurance Group Company				$ 7,572	9	0.12%
Heritage Fields El Toro, LLC	$ 6,061	10	0.13%			
Bella Terra Associates, LLC				$ 5,949	10	0.09%

SOURCES:
(A) OCFA Comprehensive Annual Financial Report for Fiscal Year 2008/09

(B) County of Orange, Treasurer-Tax Collector, Tax Collector Top 20 Secured Taxpayer List for Fiscal Year 2017/18 (http://www.ttc.ocgov.com/rptstats/stats). Taxpayers are grouped under a parent company, if identifiable.

NOTE:
This schedule presents data for the entire County of Orange and is not limited to the cities/unincorporated areas served by the Orange County Fire Authority.

ORANGE COUNTY FIRE AUTHORITY
Property Tax Levies and Collections
Last Ten Fiscal Years
(dollars in thousands)

		Collected within the Fiscal Year of Levy		Collection of Prior Year Levies		Collection of Penalties and Interest		Total Collection to Date		Collection of Property Tax Increment (2) Pass-Through	
Fiscal Year ended June 30	Taxes Levied for the Fiscal Year	Amount	% of Levy	Teeter Plan	Delinquencies and Other	Delinquency Penalties	Interest	Total Amounts Collected	% of Levy	RDA	H&S
2009	$ 184,776	$ 176,080	95.3%	$ 5,985	$ 878	$ 157	$ 226	$ 183,326	99.2%	$ -	$ -
2010	$ 179,914	$ 158,509	88.1%	$ 3,683	$ 493	$ 110	$ 100	$ 162,895	90.5%	$ -	$ -
2011	$ 178,812	$ 172,543	96.5%	$ 2,510	$ 246	$ 79	$ 58	$ 175,436	98.1%	$ -	$ -
2012	$ 179,564	$ 173,169	96.4%	$ 2,324	$ 262	$ 79	$ 46	$ 175,880	97.9%	$ 3,468	$ -
2013	$ 184,029	$ 178,299	96.9%	$ 1,674	$ 157	$ 30	$ 37	$ 180,197	97.9%	$ 6,248	$ 10,269
2014	$ 192,876	$ 187,828	97.4%	$ 1,371	$ 49	$ 32	$ 37	$ 189,317	98.2%	$ 6,958	$ 208
2015	$ 207,775	$ 202,356	97.4%	$ 1,336	$ 50	$ 32	$ 38	$ 203,812	98.1%	$ 8,110	$ 605
2016	$ 224,452	$ 216,219	96.3%	$ 1,368	$ 157	$ 38	$ 73	$ 217,855	97.1%	$ 9,180	$ 639
2017	$ 237,082	$ 229,934	97.0%	$ 1,329	$ 140	$ 35	$ 105	$ 231,543	97.7%	$ 9,237	$ 662
2018	$ 253,371	$ 246,607	97.3%	$ 1,461	$ 156	$ 36	$ 189	$ 248,449	98.1%	$ 11,095	$ 694
								(1)			

SOURCE: County of Orange, Auditor-Controller, Tax Ledger Detail by Fiscal Year
Tax Ledger Selection C84 Orange County Fire Authority
http://tax.ocgov.com/acledger/choice_eGov.asp

NOTES:

(1) Due to a Proposition 1A borrowing by the State, the property tax apportionment in Fiscal Year 2009/10 was reduced by $14,648,105. These funds were restored by a securitization mechanism and, had they been included in the tax ledger, collections would have been $177,543,386 (96.2% of levy collected within the fiscal year and 98.7% of levy collected to date).

(2) Upon dissolution of California redevelopment agencies during Fiscal Year 2011/12, property tax increment formerly remitted to OCFA by its member city redevelopment agencies was instead deposited into the newly formed Redevelopment Property Tax Trust Fund (RPTTF) from which the Auditor/Controller made disbursements on behalf of the successor agencies. There is no tax levy associated with these collections; thus, they have been excluded from the "% of levy collected" calculations.

ORANGE COUNTY FIRE AUTHORITY

Debt Capacity Information

Ratios of Outstanding Debt by Type – Presents information on the OCFA's total outstanding debt for each of the last ten fiscal years, including the ratio of outstanding debt to median family income and the calculation of outstanding debt per capita.

Ratios of General Bonded Debt Outstanding – Presents information on net bonded debt that will be repaid by general OCFA resources for each of the last ten fiscal years, including the ratio of outstanding debt to total assessed property value and the calculation of net bonded debt per capita.

The following schedules are not included in the OCFA's CAFR:

Computation of Legal Debt Margin –OCFA is not subject to a legal debt margin.

Pledged Revenue Coverage – Debt of the OCFA is not secured by a pledged revenue stream.

Computation of Direct and Overlapping Bonded Debt – OCFA is not obligated for any direct, bonded debt.

ORANGE COUNTY FIRE AUTHORITY
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands)

	Governmental Activities (A)			(B)		(C)		
Fiscal Year ended June 30	Revenue Bonds	Capital Lease Purchase Agreements	Total Outstanding Debt	County of Orange Median Household Income	Debt as a Percentage of Household Income	Population (OCFA Jurisdiction Only)	Debt per Capita	
2009	$ 7,040	$ 25,109	$ 32,149	$86	37382.6%	1,387	$23	
2010	$ -	$ 18,778	$ 18,778	$87	21583.9%	1,403	$13	
2011	$ -	$ 16,866	$ 16,866	$84	20078.6%	1,355	$12	
2012	$ -	$ 15,106	$ 15,106	$85	17771.8%	1,694	$9	(1)
2013	$ -	$ 12,943	$ 12,943	$84	15408.3%	1,712	$8	
2014	$ -	$ 10,724	$ 10,724	$85	12616.5%	1,734	$6	
2015	$ -	$ 8,447	$ 8,447	$86	9822.1%	1,755	$5	
2016	$ -	$ 6,110	$ 6,110	$85	7188.2%	1,784	$3	
2017	$ -	$ 3,713	$ 3,713	$88	4219.3%	1,793	$2	
2018	$ -	$ 1,254	$ 1,254	$93	1348.4%	1,808	$1	

SOURCES:

(A) Details regarding OCFA's outstanding debt can be found in the notes to the financial statements.

(B) U.S. Department of Housing and Urban Development, Median Family Income Documentation System by Fiscal Year (estimate) http://www.huduser.org/portal/datasets/il.html

(C) California Department of Finance, Population and Housing Estimates as of January 1 http://www.dof.ca.gov/forecasgin/demographics/estimates

NOTE:

(1) The population data presented in this schedule includes only the cities and unincorporated county areas served by the OCFA. Since the City of Santa Ana became a member of the OCFA in April 2012, its population data is not included with population totals prior to Fiscal Year 2011/12. The Fiscal Year 2011/12 population total includes 327,731 for the City of Santa Ana.

ORANGE COUNTY FIRE AUTHORITY
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts in thousands)

	(A)	(B)	(C)	(D)				
Fiscal Year ended June 30	Population (OCFA Jurisdiction Only)	Assessed Value	Gross Bonded Debt	Amounts Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita	
2009	1,387	$ 213,904,733	$ 7,040	$ 2,806	$ 4,234	0.00%	$ 3	
2010	1,403	$ 209,816,589	$ -	$ -	$ -	0.00%	$ -	(1)
2011	1,355	$ 208,586,179	$ -	$ -	$ -	0.00%	$ -	
2012	1,694	$ 230,163,686	$ -	$ -	$ -	0.00%	$ -	
2013	1,712	$ 233,485,818	$ -	$ -	$ -	0.00%	$ -	
2014	1,734	$ 241,149,669	$ -	$ -	$ -	0.00%	$ -	
2015	1,755	$ 257,873,050	$ -	$ -	$ -	0.00%	$ -	
2016	1,784	$ 274,668,222	$ -	$ -	$ -	0.00%	$ -	
2017	1,793	$ 289,731,444	$ -	$ -	$ -	0.00%	$ -	
2018	1,808	$ 308,915,154	$ -	$ -	$ -	0.00%	$ -	

SOURCES:

(A) California Department of Finance, Population and Housing Estimates as of January 1
http://www.dof.ca.gov/forecasting/demographics/estimates

(B) County of Orange, Auditor-Controller, Assessed Valuations by Fiscal Year
http://acweb1.ocgov.com/ac/txfdr_Civica/av/

(C) Orange County Fire Authority, Finance Division, Accounting Section

(D) Minimum reserve requirement per bond documents

NOTE:

(1) OCFA's revenue bonds were repaid during Fiscal Year 2009/10.

Orange County Fire Authority Safety Message

Household Hazardous Waste Safety

(Part 2 of 3)

(Continued from Page 146)

Leftover products that are corrosive, toxic, or can catch fire, react, or explode under certain circumstances are considered household hazardous waste. These products require special care to prevent fire, injury, or pollution of the environment.

Use and Storage

- ✓ Keep hazardous products in their original containers, and never remove labels or instructions.
- ✓ Never mix hazardous products. They might react, ignite, or explode when combined.
- ✓ Never leave household hazardous products or waste within reach of children or pets.
- ✓ Go green! Look for environmentally friendly products or search online for simple recipes using natural ingredients.

(Continued on Page 176)

ORANGE COUNTY FIRE AUTHORITY

Demographic and Economic Information

Demographic and Economic Indicators **–** Presents information regarding population, personal income, per capita income and the unemployment rate for the County of Orange for each of the last ten fiscal years.

Population and Housing Statistics – Presents information on population and housing units of each city and the unincorporated area within the OCFA's jurisdiction for the current fiscal year, as compared to nine fiscal years ago.

Principal Employers **–** Presents information about the ten largest employers within the OCFA's jurisdiction for the current fiscal year, as compared to nine fiscal years ago.

ORANGE COUNTY FIRE AUTHORITY
Demographic and Economic Indicators
Last Ten Fiscal Years
(amounts in thousands)

	(A)	(B)		(C)
Calendar Year	Population (Orange County)	Total Personal Income	Per Capita Income	Unemployment Rate
2009	3,135	$ 145,247,400	$ 46,331	10.9
2010	3,166	$ 147,195,100	$ 46,492	11.8
2011	3,030	$ 154,486,000	$ 50,985	11.4
2012	3,056	$ 169,584,000	$ 55,492	10.2
2013	3,082	$ 166,370,000	$ 53,981	9.0
2014	3,114	$ 174,586,000	$ 56,065	7.6
2015	3,147	$ 188,472,000	$ 59,889	6.1
2016	3,183	$ 196,921,000	$ 61,866	4.9
2017	3,194	$ 205,389,000	$ 64,305	4.3
2018	3,221	$ 215,479,000	$ 66,898	4.1

SOURCES:

(A) California Department of Finance
Population and Housing Estimates Table E-5, As of January 1
http://www.dof.ca.gov/forecasting/demographics/estimates

(B) Chapman University Economic & Business Review
Annual History and Forecasts
Years 2012 - 2017 have been updated as of June 30, 2018.
Most recent year (2018) is an estimate.

(C) Bureau of Labor Statistics (www.data.bls.gov/lau), Local Area Unemployment Statistics, Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area. The 2008 - 2017 figures reflect revised inputs, re-estimation, and new statewide control. The 2018 figure is a six-month average for a partial year January - June.

NOTE:

Data presented on this schedule is for the County of Orange and is not limited to the cities/county unincorporated areas served by the OCFA.

ORANGE COUNTY FIRE AUTHORITY
Population and Housing Statistics
Current Year and Nine Years Ago

	Population			Housing Units		
Jurisdiction	2009	2018	% Change	2009	2018	% Change
Aliso Viejo	45,634	51,950	13.8%	18,123	19,992	10.3%
Buena Park	83,281	83,995	0.9%	24,417	25,051	2.6%
Cypress	49,586	49,978	0.8%	16,615	16,372	-1.5%
Dana Point	37,037	34,071	-8.0%	15,955	16,081	0.8%
Irvine	212,541	276,176	29.9%	79,039	102,474	29.6%
Laguna Hills	33,392	31,818	-4.7%	11,153	11,298	1.3%
Laguna Niguel	67,117	65,377	-2.6%	24,982	25,888	3.6%
Laguna Woods	18,453	16,597	-10.1%	13,629	13,079	-4.0%
Lake Forest	78,249	84,845	8.4%	26,384	29,412	11.5%
La Palma	16,187	15,948	-1.5%	5,131	5,240	2.1%
Los Alamitos	12,201	11,863	-2.8%	4,423	4,395	-0.6%
Mission Viejo	100,122	95,987	-4.1%	34,278	34,915	1.9%
Placentia	51,869	52,755	1.7%	16,530	17,168	3.9%
Rancho Santa Margarita	49,643	49,329	-0.6%	16,792	17,344	3.3%
San Clemente	68,234	65,543	-3.9%	27,251	26,402	-3.1%
San Juan Capistrano	36,827	36,759	-0.2%	11,884	12,380	4.2%
Santa Ana (A)	355,224	338,247	-4.8%	75,856	78,052	2.9%
Seal Beach	25,881	25,984	0.4%	14,542	14,527	-0.1%
Stanton	39,432	39,470	0.1%	11,199	11,379	1.6%
Tustin	74,736	82,344	10.2%	26,215	28,118	7.3%
Villa Park	6,269	5,951	-5.1%	2,023	2,025	0.1%
Westminster	93,172	94,476	1.4%	27,444	27,918	1.7%
Yorba Linda	68,314	69,121	1.2%	21,929	23,502	7.2%
Unincorporated	118,994	129,278	8.6%	38,373	41,808	9.0%
Total OCFA, adjusted (A)	1,742,395	1,807,862	3.8%	564,167	604,820	7.2%
Total non-OCFA	1,392,463	1,413,241	1.5%	471,369	489,349	3.8%
Total Orange County	3,134,858	3,221,103	2.8%	1,035,536	1,094,169	5.7%
Total OCFA, adjusted	1,742,395			564,167		
Less: Santa Ana	(355,224)			(75,856)		
Total OCFA, actual	1,387,171	1,807,862	30.3%	488,311	604,820	23.9%

SOURCE: California Department of Finance, Population and Housing Estimates Table E-5
As of January 1, 2009 and 2018 http://www.dof.ca.gov/forecasting/demographics/estimates

NOTE:

(A) Before Santa Ana became on OCFA member city in April 2012, the city's data was included in the "non-OCFA" total. However, Santa Ana's 2009 data has been identified separately for comparison purposes.

ORANGE COUNTY FIRE AUTHORITY
Principal Employers
Current and Nine Years Ago

	Fiscal Year 2008/09			Fiscal Year 2017/18		
Employer	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Walt Disney Co.	20,000	1	1.22%	29,000	1	1.80%
University of California, Irvine	18,748	3	1.14%	23,605	2	1.46%
County of Orange	17,579	2	1.07%	18,264	3	1.13%
St. Joseph Health System	10,047	4	0.61%	11,925	4	0.74%
Allied Universal				8,229	5	0.51%
Kaiser Permanente				7,694	6	0.48%
Boeing Co.	9,961	5	0.61%	6,103	7	0.38%
Walmart				6,000	8	0.37%
California State University, Fullerton				5,781	9	0.36%
Bank of America				5,500	10	0.34%
Yum! Brands Inc.	7,200	6	0.44%			
AT&T Incorporated	6,000	7	0.37%			
California State University, Fullerton	5,634	8	0.34%			
Home Depot, Incorporated	5,450	9	0.33%			
Memorial Health Services Inc.	4,956	10	0.30%			

SOURCE:
County of Orange Comprehensive Annual Financial Report for Fiscal Year 2016/17
For years ended June 30, 2017 and 2008
Amounts are reported one year in arrears due to availability of data at time of publication of this document.
http://acdcweb01.ocgov.com/acInternet/Reports/CAFRReports.aspx

NOTE:
Data presented on this schedule is for the County of Orange and is not limited to the cities/county unincorporated areas served by the OCFA.

ORANGE COUNTY FIRE AUTHORITY

Operating Information

***Authorized Positions by Unit* –** Presents the number of authorized positions by unit for each of the last ten fiscal years.

***Frozen Positions by Department* –** Presents the number of frozen positions by department as of June 30 for each of the last ten fiscal years.

***Jurisdiction Information* –** Presents information on the OCFA's member agencies, square mile area served, population served, and number of fire stations for each of the last ten fiscal years.

***Incidents by Major Category Definitions* –** Provides OCFA's definitions for categories of major incidents.

***Incidents by Type* –** Presents the number of OCFA major incidents by category for each of the last ten fiscal years.

***Incidents by Member Agency* –** Presents the number of OCFA major incidents by member agency for each of the last ten fiscal years.

***Capital Equipment by Category* –** Presents the historical cost and quantity of capital equipment by category for each of the last ten fiscal years.

***Capital Vehicles by Category* –** Presents the historical cost and quantity of capital vehicles by category for each of the last ten fiscal years.

Map of Division/Battalion Boundaries and Station Locations – This Orange county map identifies the areas included within OCFA's jurisdiction, the boundaries of its divisions/battalions, and the locations of all OCFA fire stations.

***List of Stations by Member Agency* –** Presents a list of OCFA fire stations and street addresses by member agency.

Description of the Organization, Programs and Service Delivery – Provides an overview of the activities and responsibilities carried out by each of the OCFA's departments.

ORANGE COUNTY FIRE AUTHORITY
Authorized Positions by Unit
Last Ten Fiscal Years

	As of June 30									
Unit	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Firefighter	863	863	863	1,010	1,011	1,011	1,011	1,023	1,023	1,048
Fire Management	41	41	41	45	45	45	45	45	45	45
General	197	197	196	203	205	205	205	213	213	211
Supervisory Management	28	28	28	28	28	27	27	27	27	30
Supported Employment	4	4	4	4	4	4	4	4	4	4
Administrative Management	42	42	42	42	43	44	44	43	43	43
Executive Management	7	7	7	7	7	7	8	8	8	7
Subtotal	1,182	1,182	1,181	1,339	1,343	1,343	1,344	1,363	1,363	1,388
Board Director	-	-	-	-	-	-	-	-	-	25
Total authorized positions	**1,182**	**1,182**	**1,181**	**1,339**	**1,343**	**1,343**	**1,344**	**1,363**	**1,363**	**1,413**
Funded positions:										
General Operating Fund	1,131	1,095	1,086	1,245	1,238	1,240	1,244	1,274	1,284	1,400
Facilities Replacement	1	1	-	-	-	-	-	-	-	-
Total funded positions	**1,132**	**1,096**	**1,086**	**1,245**	**1,238**	**1,240**	**1,244**	**1,274**	**1,284**	**1,400**
Unfunded positions:										
Limited term or grant-funded	-	-	-	1	3	3	3	3	3	-
Frozen	50	86	95	93	102	100	97	86	76	13
Total unfunded positions	**50**	**86**	**95**	**94**	**105**	**103**	**100**	**89**	**79**	**13**
Total authorized positions	**1,182**	**1,182**	**1,181**	**1,339**	**1,343**	**1,343**	**1,344**	**1,363**	**1,363**	**1,413**
Increase (decrease) from prior fiscal year:										
Total funded positions	6	(36)	(10)	159	(7)	2	4	30	10	116
Total unfunded positions	49	36	9	(1)	11	(2)	(3)	(11)	(10)	(66)
Total authorized positions	**55**	**-**	**(1)**	**158**	**4**	**-**	**1**	**19**	**-**	**50**
				(A)						**(B)**

SOURCE: OCFA Treasury & Financial Planning Division, Budget Section

(A) The net increase of total authorized positions during Fiscal Year 2011/12 included 163 authorized positions for employees transitioning from the City of Santa Ana (147 Firefighter Unit, 4 Fire Management Unit, 11 General Unit, and 1 Supervisory Management Unit).

(B) During Fiscal Year 2017/18, Board Members were converted into employee positions and added to the authorized position control (25 positions).

ORANGE COUNTY FIRE AUTHORITY
Frozen Positions by Department
Last Ten Fiscal Years

	As of June 30									
Department	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Suppression:										
Operations:										
Firefighter	15	15	18	18	18	18	18	18	18	-
Fire Apparatus Engineer	3	13	18	18	24	24	24	21	20	-
Fire Captain	3	16	24	24	27	27	27	24	22	3
Battalion Chief (Staff)	-	2	2	2	2	2	2	2	1	-
Fire Pilot	-	-	-	-	-	1	1	1	1	-
Hand Crew Firefighter	22	22	-	-	-	-	-	-	-	-
Heavy Fire Equipment Operator	-	-	1	1	1	1	1	1	1	-
Subtotal Suppression	**43**	**68**	**63**	**63**	**72**	**73**	**73**	**67**	**63**	**3**
Non-Suppression:										
Executive Management:										
Executive Management	-	-	1	-	-	-	-	-	-	-
Human Resources	-	-	4	4	4	4	3	2	-	-
Corporate Communications/CAPA	-	-	1	-	-	-	-	-	-	-
Subtotal Executive Management	-	-	6	4	4	4	3	2	-	-
Operations	-	-	-	1	2	1	1	1	1	1
Community Risk Reduction	6	12	16	15	15	14	12	9	7	5
Business Services	1	5	6	6	5	4	4	4	2	1
Support Services	-	1	4	4	4	4	4	3	2	3
Organizational Planning	-	-	-	-	-	-	-	-	1	-
Subtotal Non-Suppression	**7**	**18**	**32**	**30**	**30**	**27**	**24**	**19**	**13**	**10**
Total frozen positions	**50**	**86**	**95**	**93**	**102**	**100**	**97**	**86**	**76**	**13**

SOURCE: Orange County Fire Authority, Treasury & Financial Planning Division, Budget Section

ORANGE COUNTY FIRE AUTHORITY
Jurisdiction Information
Last Ten Fiscal Years

Fiscal Year Ended June 30	(A) Number of Member Agencies	(B) Square Mile Area Served	(C) Population Served	(A) Number of Stations	New and Closed Station(s) +/-	New and Closed Station(s) Description
2009	23	550	1,387,171	62	1	New Station 20 (Irvine/Great Park)
2010	23	550	1,403,072	62	-	
2011	23	548	1,355,090	61	(1)	Closed Station 3 (County/Sunset Beach)
2012	24	576	1,694,010	71	10	New Stations 70 through 79 (Santa Ana)
2013	24	571	1,712,234	71	-	
2014	24	571	1,733,563	71	-	
2015	24	571	1,755,436	71	-	
2016	24	576	1,783,505	72	1	New Station 56 (County/Rancho Mission Viejo)
2017	24	576	1,793,040	72	-	
2018	24	576	1,807,862	72	-	

SOURCES:

(A)	Orange County Fire Authority, Clerk of the Authority
(B)	Orange County Fire Authority, Geographic Information Systems
(C)	California Department of Finance, Population and Housing Estimates as of January 1 http://www.dof.ca.gov/forecasting/demographics/estimates

NOTE: The City of Santa Ana became an OCFA member city in Fiscal Year 2011/12.

ORANGE COUNTY FIRE AUTHORITY
Incidents by Major Category Definitions

Fire: This category includes fire responses, even if the fire has been extinguished upon arrival. This category also includes combustion explosions with no resulting fire. Examples of this category include structure fires, rubbish fires, dumpster fires and vehicle fires.

Over-Pressure Rupture, Explosion: This category includes vessels or containers that suffer failure or near failure due to extreme pressure from either an outside source, such as direct heating, or internally due to a cooling system failure or over-filling, such as a propane tank. Examples of this category also include explosions from bombs, dynamite or similar explosives.

Rescue/EMS Call: This category includes all medical aids, illness and heart attacks, as well as traffic accidents and missing persons.

Hazardous Condition Standby: This category includes Hazardous Materials incidents; electrical wire arcing; suspected drug labs; or situations where there is a perceived problem that may prove to be a potential emergency.

Service Call: This category includes incidents for persons in distress, such as a lock-in or lock-out of a vehicle or dwelling creating an emergency situation or critical need, and smoke or odor problems. This category would also include moving units from one station to another to provide area coverage.

Good Intent Call: This category includes incidents that are cleared prior to arrival, such as a medical aid where the injured party has left the scene, or the initial information indicated that there were injuries and upon arrival no persons were injured. This category may also include calls where the informant has mistaken steam for smoke.

False Alarm: Some examples of the incidents in this category are malicious mischief calls, system malfunctions and the accidental tripping of an interior alarm sensor or device.

Severe Weather and Natural Disaster: This category includes incidents that are not normal occurrences, such as earthquakes, lightning strikes, hurricanes and other weather or natural events.

Special Incident Type: This includes citizen complaints and reports of fire code or ordinance violations.

SOURCE: Orange County Fire Authority, Operations Department, Strategic Services

ORANGE COUNTY FIRE AUTHORITY
Incidents by Type
Last Ten Fiscal Years

Fiscal Year ended June 30 (1)	Fire/ Explosion	Ruptures	Rescue/ EMS	Hazmat	Service Call	Good Intent	False Alarm	Natural Disaster	Other	Total	
2009	1,795	169	58,358	1,080	5,508	10,839	4,503	3	294	82,549	
2010	1,464	164	59,408	1,049	5,703	10,979	4,300	25	349	83,441	
2011	1,541	158	61,870	1,011	6,157	12,897	4,293	51	249	88,227	(2)
2012	1,635	157	66,383	965	6,457	12,802	4,065	4	192	92,660	(3)
2013	2,004	219	80,167	1,100	7,753	14,786	5,710	1	149	111,889	(3)
2014	1,936	220	83,762	1,254	6,978	12,411	6,238	6	220	113,025	
2015	1,898	229	94,740	1,220	6,996	12,046	6,515	5	345	123,994	
2016	2,338	197	102,994	1,314	7,921	13,261	6,575	6	9	134,615	
2017	2,372	192	106,679	1,466	7,819	14,207	6,644	37	67	139,483	
2018	2,651	147	110,327	1,163	7,955	14,010	6,060	3	68	142,384	

SOURCE:
Orange County Fire Authority, Operations Department, Strategic Services

NOTES:

(1) Response statistics are normally reported on a calendar year basis in other reports. These statistics have been reported on the fiscal year basis, July through June.

(2) Beginning in Fiscal Year 2010/11, totals were revised to include incidents outside of OCFA jurisdiction that involved OCFA units and personnel (Auto/Mutual Aid Given).

(3) The City of Santa Ana joined the OCFA effective April 20, 2012. Fiscal Year 2011/12 data includes the portion of the fiscal year during which the city was a member of OCFA. Fiscal Year 2012/13 data includes the first full year of Santa Ana activity.

ORANGE COUNTY FIRE AUTHORITY
Incidents by Member Agency
Last Ten Fiscal Years

	Fiscal Year ended June 30 (1)									
Member	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Aliso Viejo	1,998	2,005	2,094	2,071	2,226	2,194	2,420	2,511	2,654	2,810
Buena Park	5,668	5,676	5,652	5,836	5,849	6,057	6,569	7,016	7,053	7,193
Cypress	2,504	2,600	2,490	2,556	2,699	2,633	2,833	3,013	3,145	3,238
Dana Point	2,650	2,787	2,870	2,772	2,950	2,925	3,297	3,291	3,663	3,717
Irvine	11,385	11,981	12,214	11,969	12,485	12,896	13,875	14,688	15,967	16,325
La Palma	760	754	778	750	808	925	1,036	1,059	1,212	3,303
Laguna Hills	2,421	2,558	2,614	2,542	2,579	2,584	2,675	2,887	3,078	3,947
Laguna Niguel	3,079	3,094	3,255	3,358	3,476	3,685	3,584	3,861	4,054	5,281
Laguna Woods	4,350	4,399	4,560	4,717	4,748	4,306	4,847	5,319	5,636	5,333
Lake Forest	4,272	4,320	4,334	4,230	4,459	4,297	4,651	4,995	5,474	1,303
Los Alamitos	1,083	1,080	1,055	1,101	1,199	1,123	1,254	1,380	1,360	1,477
Mission Viejo	6,424	6,363	6,379	6,355	6,760	6,791	7,072	7,508	7,777	8,041
Placentia	2,699	2,696	2,837	2,714	2,846	2,806	2,981	3,132	3,325	3,609
Rancho Santa Margarita	1,965	2,009	2,015	2,105	1,983	2,111	2,254	2,415	2,447	2,542
San Clemente	3,678	3,961	3,813	3,999	4,187	4,334	4,668	5,080	5,311	5,239
San Juan Capistrano	2,526	2,429	2,580	2,617	2,701	2,934	3,164	3,629	3,899	3,931
Santa Ana (3)	n/a	n/a	n/a	3,654	18,915	19,303	21,465	23,455	25,074	26,707
Seal Beach	3,388	3,503	3,375	3,617	3,571	3,343	3,783	4,882	4,753	4,591
Stanton	2,420	2,401	2,597	2,660	2,878	2,879	3,113	3,413	3,396	3,284
Tustin	3,761	3,744	4,055	4,196	4,582	4,614	5,205	5,406	5,419	5,470
Villa Park	329	336	388	363	392	338	378	452	475	448
Westminster	5,835	5,724	5,882	6,012	6,486	6,201	6,880	7,442	7,560	7,702
Yorba Linda	3,134	2,937	2,928	3,125	3,277	3,185	3,547	3,716	3,747	4,059
Unincorporated	6,220	6,084	6,087	5,991	6,312	6,073	6,496	6,719	7,390	7,437
	82,549	83,441	84,852	89,310	108,368	108,537	118,047	127,269	133,869	136,987
Auto/Mutual Aid Given (2)	n/a	n/a	3,375	3,350	3,521	4,488	5,947	7,346	5,614	5,397
Total	82,549	83,441	88,227	92,660	111,889	113,025	123,994	134,615	139,483	142,384

SOURCE: Orange County Fire Authority, Operations Department, Strategic Services

NOTES:

(1) Response statistics are normally reported on a calendar year basis in other reports. These statistics have been reported on the fiscal year basis, July through June.

(2) Beginning in Fiscal Year 2010/11, methodology was revised to include incidents outside of OCFA jurisdiction that involved OCFA units and personnel (Auto/Mutual Aid Given).

(3) The City of Santa Ana joined the OCFA effective April 20, 2012. Fiscal Year 2011/12 data is reported only for the portion of the fiscal year during which the city was a member of OCFA. Fiscal Year 2012/13 data includes the first full year of Santa Ana activity.

ORANGE COUNTY FIRE AUTHORITY
Capital Equipment by Category
Last Ten Fiscal Years

	June 30, 2009		June 30, 2010	
Category	Historical Cost	Quantity	Historical Cost	Quantity
Air fill station	$ 53,179	2	$ 53,179	2
Aboveground storage tank	678,014	8	678,014	8
Audio visual equipment	784,559	25	768,132	23
Boat	36,504	4	23,412	2
Camera, thermal imaging	1,205,722	89	1,205,722	89
Camera, other	47,387	4	41,577	3
Communications equipment	1,465,264	38	1,465,264	38
Computer	91,328	6	82,126	5
Defibrillator	1,341,790	75	1,149,858	90
Exercise equipment	44,260	6	35,622	5
Fleet equipment	162,771	16	162,771	16
Forklift	102,994	3	102,994	3
Generator	553,049	24	553,049	24
GPS equipment (AVL regional interoperability projects)	1,391,000	2	1,391,000	2
Hazmat equipment	248,782	20	248,782	20
Helicopters and improvements:				
Helicopter	28,854,977	4	28,854,977	4
Helicopter, rotor blades	151,573	2	319,149	4
Helicopter, fast fin kits	-	-	-	-
Helicopter, flight director	-	-	-	-
Helicopter equipment	670,576	37	747,865	40
Hydraulic tool	97,746	18	97,746	18
Kitchen equipment	33,403	4	33,403	4
Laptop	53,782	9	62,732	10
Manikin	73,144	12	73,144	12
Miscellaneous equipment	447,889	29	495,934	31
Mobile radio project (FY 2003/04 - FY 2004/05)	2,424,594	1	2,424,594	1
Mobile radio	116,008	18	116,008	18
Mobile radio, mobile data computer (MDC)	-	-	-	-
Network equipment	976,386	29	967,465	28
Office equipment	635,138	8	648,440	8
Portable building	219,564	12	226,348	13
Portable radio	25,640	5	25,640	5
Printer	99,499	9	77,218	7
Projector	34,565	5	25,838	4
Router	37,405	4	37,405	4
Scanner	-	-	-	-
Search equipment	192,377	13	211,366	15
Server	1,090,643	80	1,148,057	88
Software	6,709,908	52	7,068,488	55
Switch	232,515	11	264,893	14
Tablet	-	-	-	-
Tent	122,237	12	122,237	12
Trailer	433,283	17	423,376	16
Workstation	1,641,243	25	1,641,243	25
	$ 53,580,698	738	$ 54,075,068	766

SOURCE: Orange County Fire Authority, Finance Division, Accounting Section

June 30, 2011		June 30, 2012		June 30, 2013	
Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity
$ 53,179	2	$ 53,179	2	$ 53,179	2
678,014	8	678,014	8	678,014	8
754,726	23	716,800	18	716,800	18
23,412	2	31,515	4	31,515	4
1,223,802	91	1,251,757	104	1,117,422	97
41,577	3	11,171	1	11,171	1
1,488,213	41	1,512,740	42	1,533,009	44
82,126	5	82,126	5	82,126	5
1,149,858	90	1,528,398	105	1,528,398	105
35,622	5	35,622	5	35,622	5
170,441	16	172,042	16	172,042	16
88,098	2	93,177	3	93,177	3
510,078	23	504,562	22	504,562	22
1,391,000	2	1,391,000	2	1,391,000	2
248,782	20	337,453	24	336,275	23
28,854,977	4	28,854,977	4	28,854,977	4
319,149	4	319,149	4	319,149	4
-	-	-	-	-	-
-	-	-	-	-	-
770,085	42	778,885	42	787,062	43
195,119	31	368,216	55	377,287	56
33,403	4	33,403	4	33,403	4
56,632	9	44,108	7	29,058	5
67,452	11	67,452	11	67,452	11
559,561	35	597,167	40	643,040	46
2,424,594	1	2,424,594	1	2,424,594	1
116,008	18	107,671	17	107,671	17
-	-	-	-	-	-
967,465	28	804,981	27	952,374	30
648,440	8	648,440	8	638,472	7
226,348	13	226,348	13	236,843	14
25,640	5	25,640	5	79,452	15
77,218	7	72,039	7	72,039	6
25,838	4	10,372	2	10,372	2
37,405	4	37,405	4	37,405	4
-	-	-	-	-	-
204,105	14	163,944	11	163,944	11
1,049,533	82	1,027,950	81	1,022,818	81
7,068,488	55	7,074,050	55	7,117,506	56
282,393	16	282,393	16	282,393	16
-	-	-	-	-	-
122,237	12	122,237	12	122,237	12
423,376	16	437,742	16	527,629	18
1,641,243	25	1,641,243	25	1,641,243	25
$ 54,135,637	781	$ 54,569,962	828	$ 54,832,732	843

(Continued on next page)

ORANGE COUNTY FIRE AUTHORITY
Capital Equipment by Category
(Continued)

	June 30, 2014		June 30, 2015	
Category	Historical Cost	Quantity	Historical Cost	Quantity
Air fill station	53,179	2	$ 53,179	2
Aboveground storage tank	678,014	8	678,014	8
Audio visual equipment	716,800	18	734,581	20
Boat	31,515	4	31,515	4
Camera, thermal imaging	1,214,725	113	1,167,318	107
Camera, other	11,171	1	33,713	4
Communications equipment	1,458,744	39	1,458,744	39
Computer	82,126	5	90,386	6
Defibrillator	1,526,069	105	1,526,069	105
Exercise equipment	35,622	5	35,622	5
Fleet equipment	172,042	16	189,888	17
Forklift	93,177	3	93,177	3
Generator	504,562	22	504,562	22
GPS equipment (AVL regional interoperability projects)	1,391,000	2	1,391,000	2
Hazmat equipment	432,282	23	479,786	26
Helicopters and improvements:				
Helicopter	28,854,977	4	28,854,977	4
Helicopter, rotor blades	319,149	4	319,149	4
Helicopter, fast fin kits	148,104	2	148,104	2
Helicopter, flight director	-	-	-	-
Helicopter equipment	780,245	42	942,245	43
Hydraulic tool	401,133	60	468,400	67
Kitchen equipment	33,403	4	33,403	4
Laptop	29,058	5	29,058	5
Manikin	67,452	11	67,452	11
Miscellaneous equipment	660,496	49	702,500	52
Mobile radio project (FY 2003/04 - FY 2004/05)	2,424,594	1	2,424,594	1
Mobile radio	107,671	17	82,659	14
Mobile radio, mobile data computer (MDC)	-	-	-	-
Network equipment	1,321,172	31	1,288,223	29
Office equipment	632,865	6	632,865	6
Portable building	274,656	14	352,872	17
Portable radio	79,452	15	143,605	27
Printer	72,039	6	72,039	6
Projector	10,372	2	10,372	2
Router	37,405	4	37,405	4
Scanner	-	-	5,489	1
Search equipment	196,302	13	210,657	14
Server	997,288	79	1,000,858	69
Software	7,117,506	56	9,176,979	50
Switch	312,760	17	312,760	17
Tablet	-	-	5,455	1
Tent	122,237	12	122,237	12
Trailer	512,761	18	523,455	18
Workstation	1,641,243	25	1,641,243	25
	$ 55,555,368	863	$ 58,076,609	875

June 30, 2016		June 30, 2017		June 30, 2018	
Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity
53,179	2	53,179	2	53,179	2
678,014	8	678,014	8	678,014	8
734,581	20	734,581	20	734,581	20
31,515	4	64,986	6	80,606	7
1,115,772	102	1,107,655	101	1,198,258	111
44,264	5	44,264	5	44,264	5
1,523,812	51	1,702,712	83	1,689,198	81
90,386	6	25,900	4	25,900	4
1,526,069	105	5,312,042	229	3,802,620	121
35,622	5	40,790	6	40,790	6
252,867	24	284,885	27	261,714	28
93,177	3	134,138	4	134,138	4
504,562	22	504,562	22	504,562	22
1,391,000	2	1,391,000	2	1,391,000	2
479,786	26	479,786	26	479,786	26
28,854,977	4	28,854,977	4	28,854,977	4
319,149	4	319,149	4	319,149	4
148,104	2	148,104	2	148,104	2
-	-	-	-	168,804	2
942,245	43	995,953	46	1,003,199	47
490,913	69	535,309	72	1,108,303	148
33,403	4	26,394	3	26,394	3
23,832	4	17,957	3	17,957	3
67,452	11	67,452	11	75,129	12
735,503	55	798,762	59	891,816	67
2,424,594	1	2,424,594	1	2,424,594	1
88,700	16	88,700	16	88,700	16
-	-	196,398	30	196,398	30
1,294,452	30	1,294,452	30	1,294,452	30
632,865	6	632,865	6	642,985	7
352,872	17	352,872	17	352,872	17
138,477	26	138,477	26	138,477	26
72,039	6	68,552	6	68,552	6
10,372	2	10,372	2	5,153	1
72,745	8	72,745	8	72,745	8
5,489	1	5,489	1	5,489	1
236,657	16	258,921	18	258,921	18
1,211,242	72	936,541	57	1,150,118	72
10,502,153	53	10,491,277	52	10,491,277	52
349,909	20	349,909	20	356,521	21
24,882	4	24,882	4	24,882	4
122,237	12	154,551	13	180,849	15
523,455	18	465,143	18	572,659	21
1,641,243	25	1,641,243	25	1,641,243	25
$ 59,874,567	914	$ 63,930,534	1,099	$ 63,699,329	1,110

ORANGE COUNTY FIRE AUTHORITY
Capital Vehicles by Category
Last Ten Fiscal Years

	June 30, 2009		June 30, 2010	
Category	Historical Cost	Quantity	Historical Cost	Quantity
Air Utility	$ 629,011	3	$ 629,011	3
Ambulance	464,082	5	935,731	8
Battalion Chief Vehicle	1,300,458	26	1,300,458	26
Brush Chipper	34,289	2	34,289	2
Crew Cab	176,403	4	139,057	3
Crew-Carrying Vehicle	297,336	4	297,336	4
Dump Truck	66,366	1	66,366	1
Fire Command	402,755	2	402,755	2
Fire Dozer	723,403	4	723,403	4
Foam Tender	152,245	1	152,245	1
Fuel Tender	226,392	2	226,392	2
Hazmat Unit	674,962	2	674,962	2
Heavy Rescue Unit	649,343	1	658,107	1
Hose Tender	103,189	1	103,189	1
Lift Truck	-	-	71,780	1
Loader	-	-	-	-
Paramedic Van	1,449,569	22	1,393,496	21
Parade Engine	35,000	2	35,000	2
Patrol	1,539,901	19	1,539,901	19
Patrol, Compressed Air Foam System (CAFS)	488,603	7	858,456	12
Pickup Truck	1,562,434	41	1,590,978	41
Road Grader	102,396	1	102,396	1
Sedan	123,991	7	83,753	4
Squad	578,998	7	578,998	7
Stakeside	34,289	1	34,289	1
Sport Utility Vehicle (SUV)	2,809,830	103	2,866,442	107
Telesquirt	2,617,035	8	2,358,138	7
Transport Tractor	506,673	5	506,673	5
Truck, 90', 100' and 110' Tractor Drawn Aerials	4,428,314	5	4,428,314	5
Truck, 75' Quint	2,717,185	6	2,717,185	6
Truck, 90' Quint	4,429,851	9	4,429,851	9
Truck, 100' Quint	-	-	-	-
Truck, Other	427,613	5	427,613	5
Truck, Compressed Air Foam System (CAFS)	-	-	-	-
Type 1 Engine	21,865,361	82	26,065,677	91
Type 1 Wildland Urban Interface Engine	-	-	1,702,359	4
Type 2 Engine	1,752,417	12	1,020,651	7
Type 3 Engine	4,673,626	18	4,105,746	13
Utility	176,422	5	161,801	4
Van	648,591	27	639,778	25
Water Tender	753,535	5	753,535	5
	$ 59,621,868	455	$ 64,816,111	462

SOURCE: Orange County Fire Authority, Finance Division, General Accounting Unit

June 30, 2011		June 30, 2012		June 30, 2013	
Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity
$ 629,011	3	$ 820,733	4	820,733	4
776,283	6	776,283	6	674,739	5
1,488,518	28	1,518,914	29	1,518,914	29
34,289	2	34,289	2	34,289	2
139,057	3	69,009	2	69,009	2
297,336	4	452,373	4	452,373	4
66,366	1	66,366	1	66,366	1
402,755	2	402,755	2	402,755	2
723,403	4	723,403	4	723,403	4
152,245	1	152,245	1	152,245	1
226,392	2	376,164	3	376,164	3
674,962	2	1,077,646	3	1,077,646	3
658,107	1	658,107	1	658,107	1
103,189	1	103,189	1	103,189	1
71,780	1	71,780	1	71,780	1
-	-	-	-	-	-
1,860,604	22	1,860,604	22	1,860,604	22
35,000	2	-	-	-	-
1,539,901	19	1,539,901	19	1,539,901	19
858,456	12	858,456	12	858,456	12
1,590,978	41	1,796,208	49	1,943,905	51
102,396	1	102,396	1	102,396	1
61,256	3	61,256	3	61,256	3
578,998	7	578,998	7	578,998	7
34,289	1	34,289	1	34,289	1
2,820,880	104	2,658,508	98	2,637,875	97
2,099,242	6	2,344,077	7	1,995,305	6
506,673	5	506,673	5	506,673	5
4,428,314	5	4,943,110	8	4,938,110	7
3,536,736	7	3,124,257	6	3,124,257	6
4,429,851	9	3,562,035	7	3,562,035	7
-	-	2,354,146	2	2,354,146	2
427,613	5	427,538	5	427,538	5
-	-	21,649	1	44,058	2
25,031,630	84	26,638,285	90	26,638,285	90
2,127,949	5	2,127,949	5	3,451,627	8
305,219	2	152,610	1	152,610	1
4,105,746	13	4,105,746	13	3,871,874	11
161,801	4	145,169	3	145,169	3
623,608	24	623,608	24	623,608	24
753,535	5	753,535	5	753,535	5
$ 64,464,368	447	$ 68,624,259	458	69,408,222	458

(Continued on next page)

ORANGE COUNTY FIRE AUTHORITY
Capital Vehicles by Category
(Continued)

	June 30, 2014		June 30, 2015	
Category	Historical Cost	Quantity	Historical Cost	Quantity
Air Utility	$ 820,733	4	$ 820,733	4
Ambulance	674,739	5	573,194	4
Battalion Chief Vehicle	1,518,914	29	1,518,914	29
Brush Chipper	34,289	2	34,289	2
Crew Cab	-	-	-	-
Crew-Carrying Vehicle	452,373	4	452,373	4
Dump Truck	66,366	1	66,366	1
Fire Command	820,829	4	674,655	3
Fire Dozer	723,403	4	550,978	2
Foam Tender	152,245	1	152,245	1
Fuel Tender	376,164	3	376,164	3
Hazmat Unit	1,077,646	3	1,077,646	3
Heavy Rescue Unit	658,107	1	658,107	1
Hose Tender	103,189	1	103,189	1
Lift Truck	71,780	1	71,780	1
Loader	-	-	81,996	1
Paramedic Van	1,860,604	22	1,860,604	22
Parade Engine	-	-	-	-
Patrol	1,539,901	19	1,539,901	19
Patrol, Compressed Air Foam System (CAFS)	858,456	12	858,456	12
Pickup Truck	2,081,006	53	2,081,006	53
Road Grader	102,396	1	102,396	1
Sedan	44,994	2	44,994	2
Squad	578,998	7	578,998	7
Stakeside	34,289	1	34,289	1
Sport Utility Vehicle (SUV)	2,560,913	94	2,505,905	92
Telesquirt	1,736,407	5	1,736,407	5
Transport Tractor	506,673	5	506,673	5
Truck, 90', 100' and 110' Tractor Drawn Aerials	4,938,110	7	4,938,110	7
Truck, 75' Quint	3,124,257	6	3,124,257	6
Truck, 90' Quint	3,562,035	7	3,062,553	6
Truck, 100' Quint	2,354,146	2	2,354,146	2
Truck, Other	592,188	7	768,076	11
Truck, Compressed Air Foam System (CAFS)	44,058	2	44,058	2
Type 1 Engine	28,363,285	92	28,442,065	90
Type 1 Wildland Urban Interface Engine	3,451,627	8	3,451,627	8
Type 2 Engine	152,610	1	152,610	1
Type 3 Engine	4,653,221	13	4,653,221	13
Utility	145,169	3	145,169	3
Van	623,608	24	451,395	19
Water Tender	753,535	5	753,535	5
	$ 72,213,263	461	$ 71,403,080	452

June 30, 2016		June 30, 2017		June 30, 2018	
Historical Cost	Quantity	Historical Cost	Quantity	Historical Cost	Quantity
820,733	4	820,733	4	820,733	4
573,194	4	573,194	4	573,194	4
2,098,087	42	2,161,593	42	2,224,326	42
103,545	3	84,438	2	84,438	2
-	-	-	-	-	-
452,373	4	452,373	4	447,373	3
66,366	1	66,366	1	66,366	1
674,655	3	674,655	3	674,655	3
550,978	2	550,978	2	550,978	2
152,245	1	152,245	1	152,245	1
376,164	3	376,164	3	376,164	3
1,077,646	3	939,162	2	939,162	2
679,608	1	679,608	1	679,608	1
103,189	1	103,189	1	-	-
71,780	1	71,780	1	71,780	1
81,996	1	81,996	1	81,996	1
1,860,604	22	1,860,604	22	1,566,150	19
-	-	-	-	-	-
1,539,901	19	1,539,901	19	1,791,780	20
858,456	12	858,456	12	858,456	12
2,327,501	63	3,213,233	85	3,275,670	86
102,396	1	102,396	1	170,438	2
-	-	-	-	-	-
578,998	7	496,839	6	1,074,089	9
34,289	1	34,289	1	34,289	1
2,621,995	93	2,602,271	92	2,224,726	79
1,736,407	5	1,736,407	5	1,387,635	4
506,673	5	506,673	5	506,673	5
4,948,930	8	6,641,223	9	9,236,148	11
3,124,257	6	3,124,257	6	3,124,257	6
3,062,553	6	3,062,553	6	3,062,553	6
2,354,146	2	2,354,146	2	2,354,146	2
768,076	11	804,028	11	790,798	10
44,058	2	44,058	2	44,058	2
30,580,415	94	32,151,624	94	32,151,624	94
3,451,627	8	3,451,627	8	3,451,627	8
152,610	1	152,610	1	152,610	1
4,653,221	13	4,653,221	13	4,653,221	13
145,169	3	145,169	3	145,169	3
451,395	19	435,224	18	435,224	18
753,535	5	753,535	5	753,535	5
$ 74,539,771	480	$ 78,512,818	498	$ 80,987,894	486

Orange County Fire Authority Safety Message

Household Hazardous Waste Safety

(Part 3 of 3)

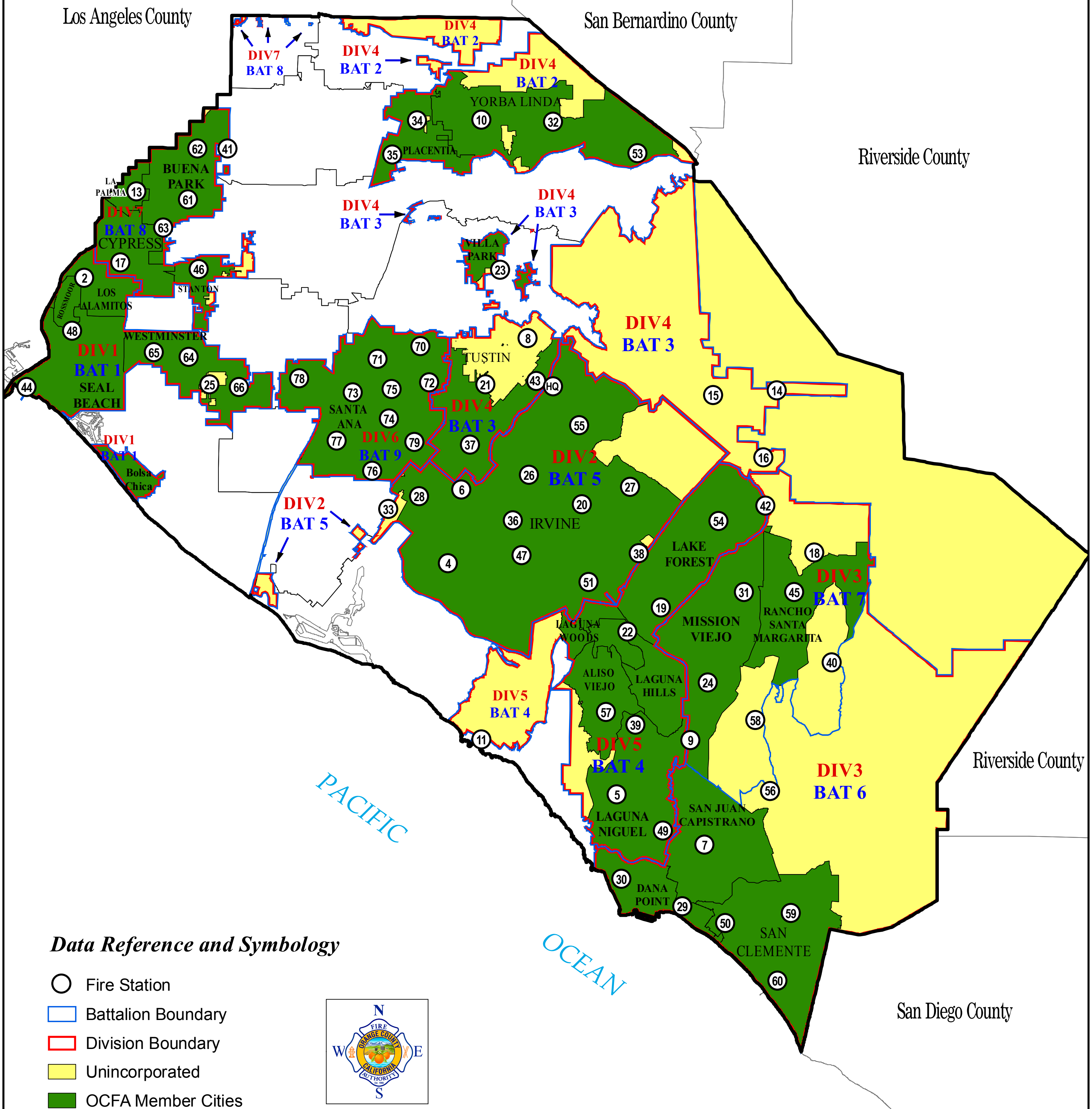
(Continued from Page 156)

Leftover products that are corrosive, toxic, or can catch fire, react, or explode under certain circumstances are considered household hazardous waste. These products require special care to prevent fire, injury, or pollution of the environment.

Disposal

- ✓ Never dispose of household hazardous waste in your regular trash. Once in landfills, these products can contaminate groundwater that may become a source of drinking water.
- ✓ Never dump household hazardous waste on the ground, down storm drains, or into toilets, drains, or sinks. It can seep into groundwater and waterways, contaminating lakes, the ocean, and local beaches.
- ✓ Orange County residents can dispose of household hazardous waste items for FREE at any Orange County Household Hazardous Waste Collection Center.
  - Anaheim: 1071 N. Blue Gum Street
  - Huntington Beach: 17121 Nichols Street
  - Irvine: 6411 Oak Canyon
  - San Juan Capistrano: 32250 La Pata Avenue
  - www.oclandfills.com

Division and Battalion Boundaries and Station Locations



ORANGE COUNTY FIRE AUTHORITY
List of Stations by Member Agency

City of Aliso Viejo
#57, 57 Journey, 92656

City of Buena Park
#61, 7440 La Palma Ave. 90620
#62, 7780 Artesia Blvd. 90621
#63, 9120 Holder St. 90620

City of Cypress
#17, 4991 Cerritos Ave. 90630

City of Dana Point
#29, 26111 Victoria Blvd. 92624
#30, 23831 Stonehill Dr. 92629

City of Irvine
#4, 2 California Ave. 92612
#6, 3180 Barranca Pkwy. 92606
#20, 7050 Corsair, 92618
#26, 4691 Walnut Ave. 92604
#27, 12400 Portola Springs 92618
#28, 17862 Gillette Ave. 92614
#36, 301 E. Yale Loop 92604
#38, 26 Parker 92618
#47, 47 Fossil 92603
#51, 18 Cushing 92618
#55, 4955 Portola Pkwy. 92620

City of La Palma
#13, 7822 Walker St. 90623

Cities of Laguna Hills and Laguna Woods
#22, 24001 Paseo de Valencia, Laguna Hills 92653

City of Laguna Niguel
#5, 23600 Pacific Island Dr. 92677
#39, 24241 Avila Rd. 92677
#49, 31461 St. of the Golden Lantern 92677

City of Lake Forest
#19, 23022 El Toro Rd. 92630
#42, 19150 Ridgeline Rd., 92679
#54, 19811 Pauling Ave., 92610

City of Los Alamitos
#2, 3642 Green Ave. 90720

City of Mission Viejo
#9, #9 Shops at Mission Viejo 92691
#24, 25862 Marguerite Pkwy. 92692
#31, 22426 Olympiad Rd. 92692

City of Placentia
#34, 1530 N. Valencia 92870
#35, 110 S. Bradford 92870

City of Rancho Santa Margarita
#45, 30131 Aventura 92688

City of San Clemente
#50, 670 Camino de Los Mares 92672
#59, 48 Avenida La Pata 92673
#60, 100 Avenida Victoria 92672

City of San Juan Capistrano
#7, 31865 Del Obispo 92675

City of Santa Ana
#70, 2301 Old Grand 92701
#71, 1029 West 17th St. 92706
#72, 1688 East 4th St. 92701
#73, 419 Franklin 92703
#74, 1427 South Broadway 92707
#75, 120 West Walnut 92701
#76, 950 West MacArthur 92707
#77, 2317 South Greenville 92704
#78, 501 North Newhope 92703
#79, 1320 East Warner 92705

City of Seal Beach
#44, 718 Central Ave. 90740
#48, 3131 N. Gate Rd. 90740

City of Stanton
#46, 7871 Pacific St. 90680

City of Tustin
#37, 15011 Kensington Park Dr. 92780
#43, 11490 Pioneer Way 92782

City of Villa Park
#23, 5020 Santiago Canyon Rd. 92869

City of Westminster
#64, 7351 Westminster Blvd. 92683
#65, 6061 Hefley St. 92683
#66, 15061 Moran St. 92683

City of Yorba Linda
#10, 18422 E. Lemon Dr. 92886
#32, 20990 Yorba Linda Blvd. 92887
#53, 25415 La Palma Ave. 92887

County of Orange, Unincorporated
#8, 10631 Skyline Dr., Santa Ana 92705
#11, 259 Emerald Bay, Laguna Beach 92651
#14, P.O. Box 12, Silverado 92676
#15, 27172 Silverado Canyon Rd., Silverado 92676
#16, 28891 Modjeska Canyon Rd., Silverado 92676
#18, 30942 Trabuco Canyon Rd., Trabuco Canyon 92679
#21, 1241 Irvine Blvd., Tustin 92780
#25, 8171 Bolsa Ave., Midway City 92655
#40, 25082 Vista del Verde, Coto de Caza 92679
#56, 56 Sendero Way, Rancho Mission Viejo 92694
#58, 58 Station Way, Ladera Ranch 92694

Specialty Stations

Airport Rescue & Firefighting
#33, 374 Paularino, Costa Mesa 92626

Helicopter Operations
#41, 3900 W. Artesia Ave., Fullerton 92633

ORANGE COUNTY FIRE AUTHORITY
Description of the Organization, Programs and Service Delivery
June 30, 2018

EXECUTIVE MANAGEMENT

Orange County Fire Authority (OCFA) is managed by an appointed Fire Chief, four Assistant Chiefs, and one Director. Assistant Chiefs oversee service activities that are organized into four departments – Operations, Community Risk Reduction, Business Services, and Support Services. The Human Resources Director oversees the Human Resources Division.

Executive Management is responsible for providing direction areas of the organization and ensuring that the types and levels of services provided are consistent with Board policy and the adopted budget. OCFA contracts with the firm of Woodruff, Spradlin, & Smart located in Costa Mesa, California for its legal services. General Counsel reports directly to the Board of Directors.

The **Human Resources Division** provides programs and services designed to support the OCFA and its employees in the achievement of its mission and objectives. The Human Resources Director, who is a member of the Executive Management team, reports directly to the Fire Chief.

- **Employee Benefits** is responsible for the administration of employee benefit programs, including health, accidental death and dismemberment, dental, vision, life, disability, and optional benefit plans.

- **Employee Relations** oversees classification and compensation studies, recruitment and selection, labor negations, and Memorandum of Understanding (MOU) administration.

- **Organizational Development & Training (ODT)** is responsible for overseeing performance improvement, organizational development, workforce/employee development, and succession planning efforts.

- **Risk Management** administers OCFA’s general liability insurance, workers’ compensation self-insurance program, and occupational safety and health programs. Risk Management also oversees the Wellness and Fitness (WEFIT) program, which schedules wellness exams, coordinates peer fitness trainers, provides employee health education and fitness programs, and provides physical training for firefighter academy recruits.

OPERATIONS DEPARTMENT

The Operations Department is responsible for providing command and control direction regarding daily operations and all fire suppression activities.

Communications and Legislative Affairs – Communications provides support to the Fire Chief and Executive Management staff on special projects designed to keep the public and other agencies informed about OCFA. Legislative Affairs identifies and tracks local, state, and federal legislation that could impact OCFA; submits legislative analysis to the Board of Directors; sends letters on behalf of the Board of Directors when a position is taken on an item of legislation; and manages the grant application process for all OCFA grants.

Operations Training and Safety (Training) delivers and facilitates all operations personnel training activities, including basic and advanced firefighter techniques and administrative and supervisory training; coordinates and administers recruit and promotional training academies including reserve firefighters, firefighters, lateral paramedics, engineers and officer academies; and serves in a lead capacity on issues of employee and incident safety. Training Officers double as incident safety officers. Training also coordinates with Santa Ana College and the California Joint Apprentice Commission (CFFJAC) on various training activities and programs. Finally, Multimedia is responsible for meeting all OCFA audio, video, and photographic needs. Responsibilities include the production of a monthly video newsletter; coverage of firefighter academies; management of audio and video for Executive Committee and Board of Directors meetings; and design of OCFA information material.

PIO and Media Relations facilitates public information, media relations, public education, and community outreach. The Public Information Office (PIO) ensures that the public is kept informed during major incidents; serves as the spokesperson for OCFA during request from reporters and during major incidents; ensures that accurate and timely information is released to the public; and generates news releases and board advisories. The Community Relations and Education section is responsible for large-scale educational campaigns and community outreach events, including the creation and delivery of messaging material that promote public safety awareness.

Divisions I through VII – There are seven operational divisions, each under the command of a Division Chief. Divisions are divided into field battalions, which are under the command of Battalion Chiefs. Within these field battalions are 72 fire stations that provide for regional emergency response to structure fires, medical aids, rescues, hazardous materials incidents, and wildland fires. Battalion Chiefs also oversee various support activities and specialty resources, which are described in more detail in the following table.

Division I	**Battalion 1** primarily serves the cities of Los Alamitos, Seal Beach, and Westminster, as well as the unincorporated communities of Midway City and Rossmoor. Division I also assists with the provision of emergency services to Seal Beach Naval Weapons Station and the Joint Forces Training Base in Los Alamitos, and provides oversight for the OCFA Equipment Committee.
Division II	**Battalion 5** primarily serves the city of Irvine, as well as the unincorporated community of Santa Ana Heights. Division II provides emergency services to the University of California, Irvine (UCI), John Wayne Airport (JWA), and the Orange County Great Park. The division also provides oversight for Airport Rescue Fire Fighting (ARFF) services.

Division III	**Battalion 6** primarily serves the cities of Dana Point, San Clemente, and San Juan Capistrano, as well as the unincorporated community of Rancho Mission Viejo and areas along Ortega Highway in southern Orange County. **Battalion 7** primarily serves the cities of Mission Viejo and Rancho Santa Margarita, as well as the unincorporated communities of Coto de Caza, Ladera Ranch, Las Flores, and Trabuco Canyon.
Division IV	**Battalion 2** primarily serves the cities of Placentia and Yorba Linda, as well as the unincorporated communities of Carbon Canyon, Chino Hills State Park, and Tonner Canyon. **Battalion 3** primarily serves the cities Tustin and Villa Park, as well as the unincorporated communities of Cowan Heights, El Modena, Lemon Heights, Orange Park Acres, Modjeska Canyon, Santiago Canyon, and Silverado Canyon. **Community Volunteer Services (CVS)** is responsible for the coordination of Reserve Firefighters (RFF) who provide emergency medical aid, fire suppression, and support services responding out of three stand-alone fire stations, five combination fire stations (both RFF and career personnel assigned), one RFF Fire Crew location, and one RFF Helicopter Crew location. CVS also administers and coordinates the OCFA Chaplain Program and the Fire Exploring Program.
Division V	**Battalion 4** primarily serves the cities of Aliso Viejo, Laguna Hills, Laguna Niguel, Laguna Woods, and Lake Forest, as well as the unincorporated community of Emerald Bay. Division V oversees specialized emergency response capabilities and equipment for the **Urban Search and Rescue** task force, which includes the Swift Water Rescue program and the Mass Casualty Unit. Division V is also responsible for the ongoing oversight and management of the Staffing Program, which ensures correct, 24/7 staffing levels at all stations; the Staffing Committee; and the employee transfer process within the Operations Department.
Division VI	**Battalion 9** primarily serves the city of Santa Ana. **Emergency Medical Services** (EMS) manages the delivery of medical services by OCFA's emergency medical technicians (EMT) and paramedics. This includes the implementation of the continuing quality improvement program; continuing education for both career and reserve personnel; ongoing review of patient care; supply and equipment evaluation and purchasing; monitoring and tracking of paramedic licensure and EMT certifications; ambulance contract administration oversight; and paramedic recruitment, selection, evaluation, and accreditation. In addition, EMS serves as a liaison to county and state regulatory agencies, hospitals, ambulance providers, and other EMS groups. The division also provides administration, oversight, and training for the Hazardous Materials Response Team (HMRT) and the Fire and Law Enforcement Joint Hazard Assessment Team (JHAT).
Division VII	**Battalion 8** primarily serves the cities of Buena Park, Cypress, La Palma, and Stanton.

Division X Operations Support – This division provides other fire services as described below:

- **Air Operations** is responsible for coordination of the OCFA's helicopters. OCFA currently maintains firefighting helicopters used for emergency responses throughout the year for wildland and wildland urban interface fires and special rescues such as swift and still water rescues, medical rescue support, and disaster mitigation.

- **Emergency Planning and Coordination (EPAC)** is primarily responsible for emergency management planning, agreement coordination, and Homeland Security Grant coordination. The EPAC Chief is the OCFA's representative to the Operational Area Emergency Operations Center (Loma Ridge). There the EPAC Chief is the Operational Area Fire Mutual Aid Representative to the California Office of Emergency Services Region I Office. The EPAC Chief is also the Operational Area Fire Resources Branch Coordinator. This section coordinates and facilitates all operational agreements that OCFA maintains with outside entities, including automatic aid, mutual aid, the California Governor's Office of Emergency Services (Cal OES), the California Department of Forestry and Fire Protection (CAL FIRE), and the United States Forest Service (USFS). Finally, the EPAC Chief oversees the Captain assigned to the Orange County Intelligence and Assessment Center (OCIAC) and all grants tied to the Office of Homeland Security. These include all activities and programs funded by the Urban Area Security Initiative (UASI) and the State Homeland Security Grant Program (SHSGP).

- **Pre-Fire Management** takes a proactive approach to wildland fire prevention through the systematic evaluation of risk, fuels mitigation, road maintenance, vegetation management, and home hardening education through ongoing collaboration with partner organizations, land owners, and communities. Pre-Fire Management also oversees the coordination of firefighting hand crews and heavy fire equipment.

- **Strategic Services** provides strategic and advanced planning functions for OCFA. Areas of responsibility include initiating Secured Fire Protection Agreements with developers for infill fee projects; deployment and resource modeling; analytics and statistical data review; new station placement and related agreements; developing OCFA's Strategic Plan and Standards of Cover; overseeing the accreditation process; Insurance Services Office (ISO) ratings; coordination with Local Agency Formation Commission (LAFCO); and monitoring land use, annexations, and associated new road and development pre-planning.

COMMUNITY RISK REDUCTION DEPARTMENT

The Community Risk Reduction Department adopts and enforces codes and ordinances relative to fire and life safety issues; reviews plans and conducts inspections of construction projects; coordinates annual life safety inspections of all existing commercial buildings; provides long range analysis of impacts on resources associated with future land use and development; and investigates all fires.

Investigation Services conducts fire investigations and evaluations, and initiates early intervention strategies. Other responsibilities include administration of the Fire F.R.I.E.N.D.S. diversion program for juvenile-related fires; OCFIRS quality assurance; and state and national reporting.

Planning and Development interacts with developers, architects, and engineers to meet the fire protection requirements for buildings and developments. This division is responsible for reviewing all architectural development plans and proposals submitted within OCFA's jurisdiction, including tract and parcel maps, permits for conditional use, site development, coastal development, and other items related to the developmental process.

Prevention Field Services assists stakeholders in maintaining and enhancing safe communities by conducting fire safety inspections; enforcing and educating about applicable fire codes and ordinances; and assuring that public safety issues are researched and addressed as appropriate. Activities are carried out through four regional offices that focus the risk reduction efforts more closely to the risks of the individual communities.

BUSINESS SERVICES DEPARTMENT

The Business Services Department provides public records oversight; all financial functions; purchasing, receiving, shipping, warehousing and mail operations; and treasury and financial planning services.

The **Clerk of the Authority (COA)** administers democratic processes, such as access to OCFA records and all legislative actions ensuring transparency to the public.

The **Finance Division** oversees the processing, accounting, reporting, and auditing of all OCFA financial records. It is also responsible for developing policies and procedures designed to protect and safeguard OCFA's financial assets. Specific functions and responsibilities include accounts receivable; general accounting (including financial reporting and the monitoring and inventorying of OCFA's fixed and controlled assets); cost accounting (including grants and incident restitutions); accounts payable (including procurement cards and travel-related disbursements); payroll; and timekeeping.

Purchasing and Materiel Management – The Purchasing Division administers the centralized procurement of all supplies, services, equipment, and construction services through competitive solicitations. Through centralized procurement, OCFA achieves standardized bidding and evaluation procedures; economies of scale on agency purchases; and an open, fair and competitive procurement process. The Purchasing Division is also responsible for developing and administering procurement policies and procedures; the procurement card program; and surplus disposition. The Materiel Management (Service Center) section provides OCFA's organization-wide logistical support. Responsibilities include shipping, receiving, and warehousing services for a wide variety of organizational supplies; mail processing and delivery; testing and repair of firefighting equipment; and providing specialized emergency support on incidents. The Service Center Supervisor reports directly to the Purchasing Manager.

Treasury and Financial Planning is responsible for providing a variety of cash management, budgetary services, and financial support for the OCFA. Treasury services include monitoring cash balances; making investments in compliance with OCFA's Investment Policy; issuing and administering long and short-term debt; and providing oversight of the deferred compensation, pension, and retiree medical programs. Financial Planning services include preparation of the budget; monthly analysis and reporting of revenue and expenditure activities; annual reviews of OCFA's fiscal health; financial forecasting; and special financial studies. Additional responsibilities include maintenance of lease-purchase agreements and various administrative support functions.

SUPPORT SERVICES DEPARTMENT

The Support Services Department provides essential support to all departments of the OCFA. Responsibilities include coordinating all facilities maintenance, repairs, and construction; automotive and fleet maintenance, repairs, and acquisition; development, operation, maintenance, and security of the OCFA's computers and technical infrastructure; and operations of the Emergency Command Center.

The **Emergency Command Center (ECC)** serves as a secondary 9-1-1 Public Safety Answering Point (PSAP) and dispatch center for fire and medical emergencies. In coordination with 9-1-1 centers throughout the county and state, the ECC answers emergency calls, identifies the nature and location of the emergency, and dispatches resources. The ECC serves as the Operational Area Coordinator for fire and rescue mutual aid for all Orange County fire service agencies, where responsibilities include handling requests for mutual aid within and outside of Orange County and out-of-state.

Fleet Services ensures the effective and timely repair, servicing, and maintenance of all vehicles, apparatus, and equipment. Responsibilities include coordinating new vehicle specifications and purchases, maintenance schedules, replacement prioritization, and service. This section also oversees projects to improve apparatus and automotive-related functions.

Information Technology is responsible for development, operation, maintenance, and security of OCFA's computers, network, and overall technical infrastructure; the development and support of information systems applications and databases; maintenance of centralized enterprise Geographic Information System (GIS) and mapping capabilities; and the acquisition and maintenance of emergency communications equipment. Activities include development and monitoring of Information Technology standards and guidelines; internal and external network development and coordination; and the evaluation, selection, and deployment of all computers, printers, and automation software and hardware purchases, upgrades, and replacements. Additional activities include the analysis, design, programming, implementation, maintenance, and security for existing and future computer systems; oversight for the installation of radios and mobile data computers (MDC) in emergency apparatus; and oversight for fire station alarm systems.

Property Management builds, maintains, and repairs all OCFA real property and durable infrastructure. Responsibilities include construction of new fire stations and the maintenance and operations of all fire stations and facilities, including the air operations hangar, the Urban Search & Rescue and Training facility, and the Regional Fire Operations and Training Center (RFOTC).

ORANGE COUNTY FIRE AUTHORITY

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2018

ORANGE COUNTY FIRE AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2018

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Orange County Fire Authority
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund and aggregate remaining fund information of the Orange County Fire Authority (Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 15, 2018. Our report includes an emphasis of matter regarding the Authority's adoption of Governmental Accounting Standards Board (GASB) Statements, No.74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 15, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Orange County Fire Authority
Irvine, California

Report on Compliance for Each Major Federal Program

We have audited the Orange County Fire Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and the Authority's separate corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and the Authority's separate corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and aggregate remaining fund information of the Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 15, 2018, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter regarding the Authority's adoption of Governmental Accounting Standards Board (GASB) Statements, No.74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 15, 2018

ORANGE COUNTY FIRE AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH AGENCY/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	DIRECT OR PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
DEPARTMENT OF HOMELAND SECURITY:			
Federal Emergency Management Agency			
National Urban Search and Rescue (US&R) Response System			
2016 Cooperative Agreement	97.025	EMW-2016-CA-00013	$ 343,482
2017 Cooperative Agreement	97.025	EMW-2017-CA-00039	693,157
Subtotal - CFDA 97.025			**1,036,639**
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2016-FH-00565	293,635
Passed through the City of Anaheim:			
Homeland Security Grant Program			
2016 Ubran Areas Security Initiative (UASI) Conference	97.067	DHS 2016-SS-00102	2,862
Passed through the Orange County Sheriff's Department:			
Homeland Security Grant Program			
2016 Orange County Intelligence Assessment Center	97.067	DHS 2016-SS-00102	140,736
2017 Orange County Intelligence Assessment Center	97.067	DHS 2017-SS-00083	12,509
AHIMT Association Symposium	97.067	DHS 2016-SS-00102	907
Subtotal - CFDA 97.067			**157,014**
Total Department of Homeland Security			**1,487,288**
Total Expenditures of Federal Awards			**$ 1,487,288**

See accompanying notes to Schedule of Expenditures of Federal Awards

ORANGE COUNTY FIRE AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs of the Orange County Fire Authority (Authority). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in position, or cash flows of the Authority. All financial assistance received directly from the Federal agencies as well as Federal financial assistance passed through other government agencies to the Authority is included in the accompanying schedule. The Authority's reporting entity is defined in Note 1 of the notes to the Authority's basic financial statements.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the Authority's Financial Statements. The Authority has elected not to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

C. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

ORANGE COUNTY FIRE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material Weaknesses identified?	No
Significant Deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major federal programs:	
Material Weaknesses identified?	No
Significant Deficiencies identified?	Yes
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes
Identification of major federal programs:	

CFDA Number	Name of Federal Program or Cluster
97.025	National Urban Search and Rescue (US&R) Response System

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

ORANGE COUNTY FIRE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

II. FINANCIAL STATEMENT FINDINGS

None noted.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-001

Program: Urban Search and Rescue (USAR) Response System
CFDA No: 97.025
Federal Agency: Department of Homeland Security
Passed-through: N/A
Award No. and Year: EMW-2017-CA-0039, 2017
Compliance Requirement: Procurement and Suspension and Debarment

Criteria:

The *2018 OMB Compliance Supplement* states that when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at https://www.sam.gov/portal/public/SAM/, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section180.300).

Condition Found:

Significant Deficiency, Instance of Noncompliance – As a result of our audit procedures, we noted four out of the eight contracts selected for testing did not have documentation on file to evidence that the Authority verified the vendors were not on the Excluded Parties List System (EPLS) at the time of entering into a covered transaction. Management reproduced the EPLS check during the audit fieldwork and verified that the vendors were not suspended or debarred.

Questioned Costs:

None noted.

Context:

The conditioned noted above was identified during our testing of the procurement and suspension and debarment requirements of the program.

Effect:

As a result of the condition noted, there were instances of non-compliance with procurement, suspension, and debarment requirements.

Cause:

The Authority did not maintain policies and procedures to ensure that verification of vendor suspension and debarment was performed and documented in the vendor files prior to execution of procurement contracts.

Recommendation:

We recommend that the Authority strengthen its procedures over verification of an entity's suspended and debarred status.

Views of Responsible Officials and Planned Corrective Actions:

See separate Corrective Action Plan.

ORANGE COUNTY FIRE AUTHORITY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

None noted.

ORANGE COUNTY FIRE AUTHORITY

Corrective Action Plan

Year ended June 30, 2018

Compiled by: Finance Division

ORANGE COUNTY FIRE AUTHORITY

Corrective Action Plan

Year ended June 30, 2018

I. FINANCIAL STATEMENT FINDINGS

None reported.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2018-001

Program: Urban Search and Rescue (USAR) Response System
CFDA No.: 97.025
Federal Agency: Department of Homeland Security
Passed-through: N/A
Award No. and Year: EMW-2017-CA-0039, 2017
Compliance Requirement: Procurement and Suspension and Debarment

Management's or Department's Response:

We concur.

Views of Responsible Officials and Corrective Action:

Although our practice in Procurement has always included checking the Excluded Parties List System (EPLS) through the System for Award Management (SAM) at the time of issuing the Purchase Order (PO), some of the procurement files reviewed during the audit did not include a print-out of the verification. For those contracts, the SAM verification was reproduced and none of the vendors were suspended or debarred.

The timing of this finding is fortuitous as it coincides with, and has been incorporated into, efforts underway to ensure compliance with new federal regulations. On May 24, 2018, the Procurement Policy Manual was presented to the OCFA Board of Directors. The Policy Manual, which became effective July 1, 2018, includes a section which specifically addresses federally-funded procurements, as required by the Code of Federal Regulations. In order to maintain compliance with the new regulations, Management has created a form (see Attachment A) that will be utilized for all federally funded procurement contracts. The form serves as a checklist for documenting that all federal procurement requirements are met. Verification that the EPLS print-out is attached to procurement file is included on this form.

Name of Responsible Person: Debbie Casper, Purchasing Manager

Implementation/Projected Implementation Date: July 1, 2018

Attachment A

Executive Summary – Federal Grant Funded Procurement

Complete and include with procurement file. Items in red are prohibited. See Federal Procurement Handbook for additional information.

Section 1. Pre-Solicitation

Item eligible for grant funds:	**Y☐ N☐**	Item unnecessary or duplicative:	**Y☐ N☐**
Can item(s) be consolidated/broken out?	**Y☐ N☐**	Intergovernmental agreement opportunity:	**Y☐ N☐**
Federal excess/surplus property options:	**Y☐ N☐**	Lease vs. purchase options analyzed:	**Y☐ NA☐**
For items below $50,000: Estimate showing Total Cost < $50,000 completed:			**Y☐ N☐**
For items over $50,000: Cost or price analysis completed:			**Y☐ N☐ NA☐**
Procurement Method Used:	**☐Micro-Purchase ☐Small Purchase ☐Sealed Bids ☐Sealed Proposals ☐Noncompetitive Proposals *(complete §5d)***		
Rationale for Procurement Method Used:	Click here to enter text.		
Contract Type Used:	**☐ Lump Sum ☐ Unit Price ☐ Cost Plus Fixed Fee ☐ Retainer ☐ Intergovernmental Agreement ☐ Time & Materials *(complete §5c)***		
Rationale for Contract Type:	Click here to enter text.		

Section 2. Affirmative Steps – Small, Minority and Women's Business Enterprises (SMWBE)

Is it feasible to divide requirement or modify delivery schedule to encourage SMWBE participation?	**Y☐ N☐**
List or attach the SMWBEs solicited:	Click here to enter text.

Section 3. Micro-Purchases *(below $10,000)* **NA☐**

Determination that price is reasonable:	Click here to enter text.		
SAM.gov record reviewed?	**Y☐ N☐**	Vendor suspended or debarred:	**Y☐ N☐**

Section 4. Small and Formal Purchases *(over $10,000)* **NA☐**

Non-restrictive, clear description and/or "Brand Name or Equivalent" specified?	**Y☐ N☐**	Number of sources solicited:	Click here to enter text.
List or attach all sources solicited:	Click here to enter text.		

Section 4(a). Solicitation Document *(as applicable)* **NA☐**

Federally-funded clauses included:	**Y☐ N☐ NA☐**	Solicitation publicly advertised:	**Y☐ NA☐**
Submittal requirements identified:	**Y☐ N☐ NA☐**	Award/evaluation criteria identified:	**Y☐ N☐ NA☐**
Geographic preferences:	**Y☐ N☐ NA☐**	Excess qualifications/experience required:	**Y☐ N☐ NA☐**
Unnecessary bonding:	**Y☐ N☐ NA☐**	Improper pre-qualification:	**Y☐ N☐ NA☐**

Section 4(a)(i). Two-Step Solicitations Only **NA☐**

Identify step currently being solicited:	**☐One ☐Two**	Step Two – Price included in bid:	**Y☐ N☐**
		Step Two – Minimum three solicited:	**Y☐ N☐**

Section 4(a)(ii). Construction Solicitations Only **NA☐**

☐Design-Bid-Build ☐Design-Build ☐Architectural & Engineering ☐Construction Manager at Risk

Value Engineering clause included:	**Y☐ N☐**	**DB**: Procurement type determined by value:	**Y☐ N☐**
A&E: Procured by competitive proposal:	**Y☐ N☐**	**A&E**: Price an evaluation factor:	**Y☐ N☐**
☐Bid ☐Performance or **☐Payment** bonds <u>required</u> *or* **☐Bonding is not required**		**☐Bid ☐Performance** or **☐Payment** bonds <u>received</u> *or* **☐NA**	

Section 4(b). Pricing Evaluation *(all)*

Number of offers received *(If one complete §5d)*:			Click here to enter text.
<u>Vendor:</u>	Click here to enter text.	**<u>Total:</u>**	Click here to enter text.
Determination of Responsiveness:	Click here to enter text.		
Determination of Responsibility:	Click here to enter text.		
Reason for selection or rejection:	Click here to enter text.		
<u>Vendor:</u>	Click here to enter text.	**<u>Total:</u>**	Click here to enter text.
Determination of Responsiveness:	Click here to enter text.		

Determination of Responsibility:	Click here to enter text.		
Reason for selection or rejection:	Click here to enter text.		
Vendor:	Click here to enter text.	**Total:**	Click here to enter text.
Determination of Responsiveness:	Click here to enter text.		
Determination of Responsibility:	Click here to enter text.		
Reason for selection or rejection:	Click here to enter text.		

Section 4(c). Award *(all)*

Awarded vendor:	Click here to enter text.		
Reasonability of price determination:	Click here to enter text.		
SAM.gov record reviewed	Y☐ N☐	Vendor suspended or debarred:	Y☐ N☐

Section 5. Contracts

Section 5(a). Required Banner Clauses *(as applicable)*

Clause 23 – **Fed. Grant Funded Purchases** *(all purchases):*	Y☐ N☐	Clause 29 - **Contract Work Hours & Safety Standards** *(laborers over $100,000):*	Y☐ NA☐
Clause 25 – **Procurement of Recovered Materials** *($10,000):*	Y☐ NA☐	Clause 30 - **Clean Air and Federal Water Pollution Control** *($150,000):*	Y☐ NA☐
Clause 26 – **Termination** *($10,000):*	Y☐ NA☐	Clause 31 – **Equal Employment Opp.** *(construction):*	Y☐ NA☐
Clause 27 – **Remedies** *($150,000):*	Y☐ NA☐	Clause 32 – **Davis Bacon & Copeland** *(construction over $2,000):*	Y☐ NA☐
Clause 28 - **Byrd Anti-Lobbying** *($100,000):*	Y☐ NA☐	Clause 33 - **Rights to Inventions** *(developmental contracts):*	Y☐ NA☐

Section 5(b). Change Orders Only – *Complete §5(d)* NA☐

Cardinal Change (major change to SOW):	Y☐ N☐	Total exceeds $50,000 / 15% (up to $150,000):	Y☐ N☐

Section 5(c). Time & Materials Contracts Only NA☐

Determination that other contract types are unsuitable:			
Will there be a high degree of oversight?	Y☐ N☐	Ceiling price included in the contract:	Y☐ N☐
Clause indicating that the contractor exceeds the ceiling price at his/her own risk included:			Y☐ N☐

Section 5(d) Noncompetitive Proposals Only NA☐

☐**Sole Source** ☐**Emergency/Exigency** ☐**Competition Inadequate** ☐**Change Order**

Justification for contract type:	Click here to enter text.		
Approval from FEMA obtained:	Y☐ N☐	Profit negotiated as a separate element:	Y☐ N☐

Section 6. Procurement File Attachments *(as applicable)*

Section 6(a). Purchase Order File

1) Purchase Order and Requisition:	Y☐ N☐	**4)** Vendor quote/offer	Y☐ N☐
2) Executive Summary:	Y☐ N☐	**5)** Independent Cost Estimate:	Y☐ N☐ NA☐
3) SAM.gov record:	Y☐ N☐	**6)** Analysis of Lease vs. Purchase Options:	Y☐ N☐ NA☐

Section 6(b). Solicitation Folder - Small and Formal Purchases *(over $10,000)* NA☐

Left		**Right**	
Independent cost/price estimate:	Y☐ N☐	Solicitation, addenda, all published docs:	Y☐ N☐ NA☐
Cost/Price analysis for **Items > $50,000:**	Y☐ N☐ NA☐	All vendor quotes or offers:	Y☐ N☐
Analysis of Lease vs. Purchase Options:	Y☐ N☐ NA☐	Record of protests or disputes:	Y☐ N☐ NA☐
Planning/pre-solicitation documents:	Y☐ N☐ NA☐	Notice to unsuccessful offerors:	Y☐ N☐ NA☐
Vendors solicited (*note the **SMWBEs***):	Y☐ N☐	Notice of award:	Y☐ N☐ NA☐
FEMA approval for no competition:	Y☐ N☐ NA☐	Bond, insurance and lobbying documents	Y☐ N☐ NA☐
Executive Summary	Y☐ N☐	Notice to proceed:	Y☐ N☐ NA☐

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

To the Board of Directors
Orange County Fire Authority
Irvine, California

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority (Authority) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 21, 2018, as well as at our meeting with the Budget and Finance Committee on April 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As described in Note 3 to the financial statements, the Authority adopted Statement of Governmental Accounting Standards Board (GASB Statement) No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 3. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

Management's estimate of the:

- Fair value measurements for investments are based on observable market inputs and information from the Authority's safekeeping custodian banks and OCERS,
- Amounts related to the net pension and other postemployment benefits OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, pension and OPEB expense, and related disclosures are based on actuarial valuations,
- Amounts related to the accrued claims and judgements for workers' compensation are based on actuarial valuations, using a 50% confidence level.

We evaluated the key factors and assumptions used to develop these estimates in determining that they appeared reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> Note 19 to the financial statements disclose the Authority's estimated workers' compensation claims liabilities.
>
> Note 20 to the financial statements disclose the Authority's proportionate share of the net pension liability and related deferred outflows of resources, deferred inflows of resources and pension expense of the OCERS retirement cost-sharing plan. The valuation of the net pension liability and related deferred outflows and inflows are sensitive to the underlying actuarial assumptions used, including but not limited to, the investment rate of return and discount rates. As disclosed in Note 20, a 1% increase or decrease in the discount rate has a significant effect on the Authority's net pension liability.
>
> Note 22 to the financial statements disclose the Authority's net OPEB liability and related deferred outflows of resources, deferred inflows of resources and OPEB expense of the Authority's plan. The valuation of the net OPEB liability and related deferred outflows and inflows are sensitive to the underlying actuarial assumptions used, including but not limited to, the investment rate of return, discount rates and healthcare cost trend rates. As disclosed in Note 22, a 1% increase or decrease in the discount rate or the healthcare cost trend rates has a significant effect on the Authority's net OPEB liability.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedules on the Authority's pension and OPEB liabilities, contributions and money-weighted rate of return, where applicable, over the OCERS Retirement, Extra Help, and Retiree Medical plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on individual fund budgetary comparison schedules, combining general fund statements, combining fiduciary fund statements, and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
October 15, 2018

Attachment 4

ASSIGNED FUND BALANCE POLICY

1. PURPOSE

The purpose of the Assigned Fund Balance Policy is to establish the authority by which OCFA may set aside cumulative resources in fund balance for an intended future use.

2. ADOPTION AND REVIEW

2.1. This policy shall be reviewed periodically for recommended revisions in order to maintain the policy in a manner that reflects the ongoing financial goals of the OCFA. Staff shall revise the policy upon approval by the Board of Directors.

2.2. Each year at the time the audited financial statements are approved, the Budget and Finance Committee shall review the calculations used to determine the amounts assigned to workers' compensation and the capital improvement program, and shall confirm the calculations' consistency with the Assigned Fund Balance Policy.

3. POLICY

3.1. In accordance with Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance amounts intended to be used by a government for a specific purpose should be presented in the financial statements as "assigned" fund balance. Assigned balance includes resources that are set aside for an intended use and represents current intentions (subject to change) as to how the resources will be expended.

3.2. The Board of Directors has the authority to assign fund balance. The Board of Directors shall delegate its authority to assign amounts for *workers' compensation* and the *capital improvement program* to the ~~Assistant Chief~~Deputy Chief of ~~Business Services~~the Administration & Support Bureau, or his/her designee.

3.3. The ~~Assistant Chief of Business Services~~Deputy Chief of the Administration & Support Bureau, or his/her designee, shall assign and un-assign fund balance for the specific purposes of *workers' compensation* and the *capital improvement program*, in accordance with the guidelines described in this policy. The authority to assign and un-assign fund balance for any other specific purposes shall be retained by the Board of Directors.

3.4. The assignment for *workers' compensation* will reflect the cumulative difference between actual workers' compensation expenditures incurred (cash-flow basis) and budgeted costs, which are based on an annual actuarial valuation prepared by an external actuary and a confidence level set by the Board of Directors.

3.4.1 The amount of the assignment will be calculated annually in conjunction with the fiscal year-end closing process.

3.5. The assignment for the *capital improvement program* will reflect cumulative amounts transferred from the General Fund to the OCFA's capital projects funds in accordance with the *Financial Stability Budget Policy*, net of actual cumulative project expenditures and other revenue sources accounted for in those funds. The assignment for the *capital improvement program* may also include net resources accumulated within the General Fund itself in order to fund purchases and projects that are capital in nature but do not necessarily meet the criteria to be reported in one of OCFA's three capital projects funds.

3.5.1 The amount of the assignment will be calculated annually in conjunction with the fiscal year-end closing process.

3.5.2 The amount of the assignment will not exceed projects currently identified in the OCFA's five-year capital improvement program, including projects that have been identified as deferred pending improved financial conditions.

3.6. Assigned funds must be expended in conjunction with the spending authority provided by the annual budget and any subsequent amendments.

ORANGE COUNTY FIRE AUTHORITY **Attachment 5A**

Fund Balance Assigned for Capital Improvement Program (CIP)
Final Calculation
As of June 30, 2018

Description	Source	General Fund CIP Fund 12110	Communications and Information Systems Fund 124	Fire Apparatus Fund 133	Fire Stations and Facilities Fund 123	Total
Actual Fund Balance Available for CIP Assignment						
Total actual fund balance @ 6/30/2018	FYE 6/30/2018 CAFR, pages 36-37, 122-123	1,847,036	11,066,203	23,591,323	25,825,700	62,330,262
Less nonspendable fund balance - prepaid items	FYE 6/30/2018 CAFR, pages 36-37, 122-123	(35,335)	(25,216)	-	-	(60,551)
Less restricted fund balance - CALFIRE station(s)	FYE 6/30/2018 CAFR, pages 36-37, 122-123	-	-	-	(433,080)	(433,080)
Less outstanding encumbrances:						
Pertaining to restricted resources	FYE 6/30/2018 CAFR, pages 36-37, 122-123	(2,975)	-	-	(100,152)	(103,127)
Pertaining to committed resources	FYE 6/30/2018 CAFR, pages 36-37, 122-123	-	-	-	-	-
Pertaining to assigned resources	FYE 6/30/2018 CAFR, pages 36-37, 122-123	(235,763)	(453,476)	(14,089,842)	(69,319)	(14,848,400)
Actual fund balance available for CIP assignment @ 6/30/2018 (A)		**1,572,963**	**10,587,511**	**9,501,481**	**25,223,149**	**46,885,104**
Possible CIP Expenditures, Net of Offsetting Revenues and Funding Sources						
Appropriations Re-Budgeted to Next Fiscal Year, Net						
Carryover expenditures	Board of Directors approval 9/27/2018, Item #3A	1,330,777	2,957,040	3,972,280	1,946,642	10,206,739
Less: Carryover revenues	Board of Directors approval 9/27/2018, Item #3A	-	-	-	-	-
Net		1,330,777	2,957,040	3,972,280	1,946,642	10,206,739
Five-Year CIP Plan - Budgeted CIP Projects, Net						
Five-year CIP plan expenditures	FY 2018/19 Adopted Budget, page 129	16,689,100	11,320,659	30,879,647	49,645,000	108,534,406
Less: Offsetting cash contract/developer/grant/CALFIRE funding:						
Vehicle replacement charges (5 years)	Cash contract annual vehicle charge, as prepared by Finance Division / General Accounting Unit	-	-	(7,379,517)	-	(7,379,517)
Developer-funded projects (cost-reimbursable budgeted costs)	FY 2018/19 Adopted Budget, pages 130-135	-	-	(4,409,699)	-	(4,409,699)
Replacement of Fire Station 18 (Trabuco Canyon)	FY 2018/19 Adopted Budget, pages 132-133 ($6.5M), capped at maximum available restricted fund balance	-	-	-	(533,232)	(533,232)
Net		16,689,100	11,320,659	19,090,431	49,111,768	96,211,958
Possible CIP expenditures, net of offsetting revenues and funding sources (B)		**18,019,877**	**14,277,699**	**23,062,711**	**51,058,410**	**106,418,697**
Over (under) funded as of 6/30/2018 (A-B)		**(16,446,914)**	**(3,690,188)**	**(13,561,230)**	**(25,835,261)**	**(59,533,593)**
Final Fund Balance Assignment						
Actual fund balance available for CIP assignment @ 6/30/2018		1,572,963	10,587,511	9,501,481	25,223,149	46,885,104
Less: Over funded amount to be transferred back to the General Fund		-	-	-	-	-
Final fund balance assignment @ 6/30/2018	**FYE 6/30/2018 CAFR, pages 36-37**	**1,572,963**	**10,587,511**	**9,501,481**	**25,223,149**	**46,885,104**

ORANGE COUNTY FIRE AUTHORITY **Attachment 5B**

Fund Balance Assigned for Workers Compensation

Final Calculation

As of June 30, 2018

		Self Insurance Fund		
Description	Source	Final Budget	Positive (Negative) Variance	Actual
Revenues:				
Interest	FYE 6/30/2018 CAFR, pages 125,129	$ 965,269	(24,953)	$ 940,316
Workers' compensation charges	FYE 6/30/2018 CAFR, pages 125,129	16,927,039	-	16,927,039
Insurance recoveries	FYE 6/30/2018 CAFR, pages 125,129		578,857	578,857
Subtotal - revenues		17,892,308	553,904	18,446,212
Expenditures:				
Workers' compensation claims paid	FYE 6/30/2018 CAFR, pages 125,129	(15,977,392)	2,671,195	(13,306,197)
Subtotal - expenditures		(15,977,392)	2,671,195	(13,306,197)
Total change in fund balance		**$ 1,914,916**	**$ 3,225,099**	**$ 5,140,015**
		(A)	(B)	
Assignment for Workers' Compensation:				
Actual assignment @ 6/30/2017	FYE 6/30/2017 CAFR, page 35		$ 75,375,829	
Budgeted change in fund balance	(A)		1,914,916	
Budgeted assignment @ 6/30/2018			77,290,745	
Variance between final budget and actual amounts	(B)		3,225,099	
Actual assignment @ 6/30/2018	FYE 6/30/2018 CAFR, page 37		**$ 80,515,844**	

Attachment 6

Orange County Fire Authority
Calculation of Unencumbered Fund Balance
General Operating Fund*
Fiscal Year 2017/18

		Final Budget	Actual	Difference
Property tax revenue (Structural Fire Fund - SFF)		$ 244,761,645	$ 250,326,172	$ 5,564,527
Other revenues		144,804,174	150,956,497	6,152,323
Transfers in		-	-	-
Subtotal revenues and transfers in	(A)	389,565,819	401,282,669	11,716,850
Expenditures		401,091,710	393,294,072	7,797,638
Transfers out		3,970,041	3,970,041	-
Subtotal expenditures and transfers out		405,061,751	397,264,113	7,797,638
Less: Prior year encumbrances		(1,895,638)	(1,878,808)	(16,830)
Subtotal		403,166,113	395,385,305	7,780,808
Plus: Current year encumbrances		-	1,390,478	(1,390,478)
Subtotal budgetary expenditures	(B)	403,166,113	396,775,783	6,390,330
Total unencumbered fund balance before adjustments	(A+B)			18,107,180
Reconciling items:				
Rebudget of FY 2017/18 uncompleted projects:				
Increase budgeted FY 2018/19 revenues				500,000
Increase budgeted FY 2018/19 appropriations				(5,517,226)
Subtotal				(5,017,226)
GASB 31 interest adjustment				(32,823)
Total reconciling items	(C)			(5,050,049)
Total unencumbered fund balance with adjustments (A+B+C)				**$ 13,057,131**
FY 2018/19 General Operating Fund budget (expenditures, other uses, and transfers out)				$ 365,785,214
Unencumbered fund balance as a percentage of next year's General Operating Fund budget				3.57%

*** In the 2017/18 Financial Statements, the Combined General Fund includes the General Fund CIP Sub-Fund (12110), Structural Fire Entitlement Sub-Fund (171), and the Workers' Compensation Sub-Fund (190), which should not be included in the calculations of unencumbered fund balance. Therefore, activities in these three sub-funds have been eliminated from this calculation. The "General Operating Fund" includes only the General Fund (121) and the Property Management Sub-Fund (12150).**

Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
November 15, 2018

Agenda Item No. 5C
Discussion Calendar

Specialty Pay for Accelerant Detection Canine Handler and Canine Disaster Search Specialist

Contact(s) for Further Information

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Summary
This agenda item is submitted in response to Director Bartlett's request for staff to provide its comparison of agencies' specialty pay for Accelerant Detection Canine Handlers (ADCH) and Urban Search & Rescue Canine Disaster Search Specialists (CDSS).

Prior Board/Committee Action(s)
At its October 25, 2018, meeting, the Board of Directors approved the proposed specialty pay for OCFA's canine handlers. In approving the specialty pay, the Board directed staff to return in November with specialty pay survey information collected by staff from other agencies related to their canine programs, and which staff relied upon in recommending the specialty pay component for OCFA's canine program.

RECOMMENDED ACTION(S)
Receive and file the report.

Impact to Cities/County
Not Applicable.

Fiscal Impact
The specialty pay compensation survey elements for canine programs at a variety of agencies are summarized in Attachments 1 and 2.

Background
The OCFA has been selected from over 100 applications by the Alcohol, Tobacco, and Firearms (ATF) to participate in the ADCP. There currently are 52 such canines in the program throughout the United States with two handlers located in California; San Diego City Fire Department and Los Angeles Fire Department. The Accelerant Detection Canine will be managed by a handler selected from the Fire Investigation Section. Fire Investigator Shaun Miller has been selected and will be attending six weeks of training in Front Royal, Virginia. This addition would be an enhancement to our current fire investigation capabilities creating a more robust self-sufficient fire investigation section.

The OCFA Disaster Search Canine Specialist Program works in conjunction with the National US&R Program and our local technical rescue program. In the event of a local, state or federal terrorist event, natural disaster or local technical rescue, search canines are used to find, lost or trapped victims. These canines have been used extensively at the World Trade Center, Oklahoma City bombing, Northridge earthquake, and the La Conchita mud slide to search for victims. Nationally, there are less than 200 of these search canine teams, fully trained to find live victims. Currently, California Task Force 5 has two trained canines with two additional canines in the process of completing their training.

As requested by the Board of Directors, survey information that staff had collected from other agencies related to their canine programs, and which staff relied upon in recommending the specialty pay component for OCFA's canine program, is provided in Attachments 1 and 2.

Attachment(s)

1. US&R Canine Program Comparisons
2. Accelerant Detection Canine Program Comparisons

US&R Canine Program Comparisons

Agency	Stipend	Specialty Pay (%)	Bonus Pay	Paid Monthly Training	Vehicle Provided
OCFA (CA-TF5)	n/a	5%	No	8 Hours per Pay Period	Yes
LAFD (CA-TF1)	n/a	0	10 Hrs Pay Period	8 Hours per Pay Period	When Needed
LACoFD (CA-TF2)	n/a	5%	No	10 Hours	Yes
Menlo Park (CA-TF3)	$300 Mo	0	No	0	No
Riverside Fire (CA-TF6)	n/a	0		15 Hours	No
Sacramento (CA-TF7)	$1000 Yr	0	No	0	When Needed
San Diego (CA-TF8)	n/a	5% Mo	No	0	Yes
Utah (UT-TF1)	$100 Mo	0	No	$100 Mo	When Needed
Virginia (VA-TF2)	$3000 Yr	0	No	0	No
Maryland (MD-TF1)	n/a	0	No	12 Hours	No
Florida (FL-TF1)	n/a	0	No	Paid Travel for training	Yes
Nebraska (NE-TF1)	$3000 Yr	0	No	0	When Needed
New Jersey (NJ-TF1)	n/a	0	No	0	No
Arizona (AZ-TF1)	n/a	0	No	30 Hours	No
Missouri (MO-TF1)	n/a	0	No	0	When Needed
Tennessee (TN-TF1)	n/a	0	No	0	No
Texas (TX-TF1)	n/a	0	No	0	No
Colorado (CO-TF1)	$600 Yr	0	$300 Yr	Paid Travel for training	No
Virginia (VA-TF1)	n/a	0	No	0	No
Pennsylvania (PA-TF1)	$1750 Yr	0	No	Mileage	When Needed
Ohio (OH-TF1)	n/a	0	No	0	When Needed
Massachusettes (MA-TF1)	No	0	No	0	When Needed
Washington (WA-TF1)	$500 Yr	0	No	0	No
Long Beach Fire	no	0	No	All training paid for	Yes
Chula Vista Fire	No	0	No	0.5 hrs per day	Yes

Attachment 2

Accelerant Detection Canine Program Comparisons

Agency	Stipend	Specialty Pay (%)	Bonus Pay	Paid Monthly Training	Vehicle Provided	Overtime Pay (Minimum each Month)
OCFA	n/a	5%	$ -	40 hours max	Yes	n/a
LAFD	n/a	0	$ 836.00	20 hours	Yes	n/a
SD Fire and Rescue	n/a	5%	$ -	40 hours	Yes	n/a
Albuquerqe, New Mexico	n/a	4%	$ -	40 hours	Yes	n/a
Austin, Texas	n/a	0	$ -	30 hours	Yes	Alternating weekly on call
Bowling Green, Kentucky	n/a	0	$ -	0	Yes	10 hours
Erie County, NY	n/a	0	$ 400.00	0	Yes	10 hours
Massachusetts State Police	n/a	0	$ -	0	Yes	24-30 hours
Bexar County, Texas	n/a	0	$ -	0	Yes	26 hours approximately (2 per day off)
West Virginina	n/a	0	$ -	0	Yes	Approximately 60 (2 hours per day)
Nassau County, NY	n/a	5%	$ -	40 hours	Yes	n/a
Topeka, Kansas	n/a	0	$ -	0	Yes	20 hours