



# ORANGE COUNTY FIRE AUTHORITY AGENDA

## Budget and Finance Committee Regular Meeting

Wednesday, March 14, 2018

12:00 Noon

**Orange County Fire Authority  
Regional Fire Operations and Training Center**

1 Fire Authority Road

Room AE117

Irvine, California 92602

Joe Muller, Chair

Shelley Hasselbrink, Vice Chair

Ed Sachs Gene Hernandez Al Murray Tri Ta Elizabeth Swift

Vacant - Ex Officio

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

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



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

### CALL TO ORDER

**PLEDGE OF ALLEGIANCE** by Director Murray

### ROLL CALL

#### 1. PRESENTATIONS

No items.

**PUBLIC COMMENTS**

Any member of the public may address the Committee on items within the Committee's subject matter jurisdiction but which are not listed on this agenda during PUBLIC COMMENTS. However, no action may be taken on matters that are not part of the posted agenda. We request comments made on the agenda be made at the time the item is considered and that comments be limited to three minutes per person. Please address your comments to the Committee as a whole, and do not engage in dialogue with individual Committee Members, Authority staff, or members of the audience.

**2. MINUTES****A. Minutes for the February 14, 2018, Budget and Finance Committee Meeting**

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

**3. CONSENT CALENDAR**

No items.

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

Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

**B. FY 2017/18 Mid-Year Budget Adjustments**

Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the proposed mid-year budget adjustments and transfers.

**C. Fiscal Year 2016/17 Backfill/Overtime and Calendar Year 2017 Total Earnings/Compensation Analysis**

Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to continue pursuing reductions in overtime by filling permanent vacancies as quickly as possible after the positions become vacant.
2. Authorize staff to temporarily exceed the number of authorized firefighter positions on the Master Position Control to enable the hiring of 50 firefighters into each of the next two academies, pending attrition/promotions that occur during and following academy graduations.
3. Direct staff to continue using overtime to fill temporary vacancies rather than hiring additional personnel, recognizing this as a cost-effective practice for temporary needs.

**D. Second Amendment to Advanced Life Support Billing/Reimbursement Agreements**

Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Board of Directors approve and authorize the Board Chair to sign the proposed Second Amendment to the Advanced Life Support Services Billing Agreement to amend the OCFA's reimbursement rates for the remainder of the agreement's term.

**E. Write-off for Uncollectible Account – Medix Ambulance Services**

Submitted by Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee approve the write-off of \$68,921.73 as a one-time adjustment for uncollectible accounts due from Medix Ambulance Services.

**REPORTS**

No items.

**COMMITTEE MEMBER COMMENTS**

**ADJOURNMENT** – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, April 11, 2018, at 12:00 noon.

**AFFIDAVIT OF POSTING**

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 8<sup>th</sup> day of March 2018.

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

**UPCOMING MEETINGS:**

Board of Directors Meeting	Thursday, March 15, 2018, 6:00 p.m.
Claims Settlement Committee Meeting	Thursday, March 22, 2018, 5:00 p.m.
Executive Committee Meeting	Thursday, March 22, 2018, 5:30 p.m.
Board of Directors Meeting	Thursday, March 22, 2018, 6:00 p.m.

# MINUTES ORANGE COUNTY FIRE AUTHORITY

## **Budget and Finance Committee Regular Meeting**

**Wednesday, February 14, 2018**

**12:00 Noon**

**Regional Fire Operations and Training Center**

**Room AE117**

**1 Fire Authority Road**

**Irvine, CA 92602**

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### **CALL TO ORDER**

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on February 14, 2018, at 12:00 p.m. by Chair Sachs.

### **PLEDGE OF ALLEGIANCE**

Vice Chair Joe Muller led the assembly in the Pledge of Allegiance to our Flag.

### **ROLL CALL**

**Present:** Elizabeth Swift, Buena Park  
Al Murray, Tustin  
Ed Sachs, Mission Viejo  
Gene Hernandez, Yorba Linda  
Shelley Hasselbrink, Los Alamitos  
Joseph Muller, Dana Point  
Vacant, Ex Officio

**Absent:** Tri Ta, Westminster

### **Also present were:**

Assistant Chief Lori Smith  
Assistant Chief Lori Zeller

Interim Fire Chief Patrick McIntosh  
Clerk of the Authority Sherry Wentz

### **PUBLIC COMMENTS**

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

## **1. PRESENTATIONS**

No items.

## **2. MINUTES**

### **A. Minutes for the January 10, 2018, Budget and Finance Committee Regular Meeting (F: 12.02B2)**

On motion of Director Swift and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to approve the Minutes of the January 10, 2018, regular meeting as submitted.

## **3. CONSENT CALENDAR**

No Items.

## **4. DISCUSSION CALENDAR**

### **A. Monthly Investment Reports (F: 11.10D2)**

Assistant Chief Lori Zeller introduced Assistant Treasurer Jane Wong who provided an update of the Monthly Investment Reports.

On motion of Director Swift and second by Director Murray, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of February 22, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

### **B. Second Quarter Financial Newsletter (F: 15.07)**

Assistant Chief Lori Zeller introduced Budget Manager Deborah Gunderson who provided an update of the Second Quarter Financial Newsletter

On motion of Director Murray and second by Director Hasselbrink, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of February 22, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

## **REPORTS**

No items.

### **ELECTION OF CHAIR AND VICE CHAIR (F: 12.02B1)**

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

Chair Sachs nominated Vice Chair Muller seconded by Director Hernandez.

There were no additional nominations.

By acclamation, the Committee voted Vice Chair Muller as Chair for the ensuing term.

Chair Muller opened the nominations for the Vice Chair of the Budget and Finance Committee.

Chair Muller nominated Director Hasselbrink for Vice Chair seconded by Director Swift.

There were no additional nominations.

By acclamation, the Committee voted Director Hasselbrink as Vice Chair for the ensuing term.

### **COMMITTEE MEMBER COMMENTS (F: 12.02B4)**

There were no Committee member comments.

**ADJOURNMENT** – Chair Muller adjourned the meeting at 12:11 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, March 14, 2018, at 12:00 noon.

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



Orange County Fire Authority  
**AGENDA STAFF REPORT**

**Budget and Finance Committee Meeting**  
**March 14, 2018**

**Agenda Item No. 4A**  
**Discussion Calendar**

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**Monthly Investment Reports**

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**Contact(s) for Further Information**

Tricia Jakubiak, Treasurer Treasury & Financial Planning	<a href="mailto:triciajakubiak@ocfa.org">triciajakubiak@ocfa.org</a>	714.573.6301
Jane Wong, Assistant Treasurer	<a href="mailto:jane Wong@ocfa.org">jane Wong@ocfa.org</a>	714.573.6305

**Summary**

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

**Prior Board/Committee Action**

Not Applicable.

**RECOMMENDED ACTION(S)**

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

**Impact to Cities/County**

Not Applicable.

**Fiscal Impact**

Not Applicable.

**Background**

Attached is the final monthly investment report for the month ended January 31, 2018. A preliminary investment report as of February 23, 2018, is also provided as the most complete report that was available at the time this agenda item was prepared.

**Attachment(s)**

Final Investment Report – January 2018/Preliminary Report – February 2018



# ***Orange County Fire Authority Monthly Investment Report***



***Final Report – January 2018***

***Preliminary Report – February 2018***



## ***Monthly Investment Report Table of Contents***

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*Orange County Fire Authority*

*Final Investment Report*

*January 31, 2018*



## **EXECUTIVE SUMMARY**

### ***Portfolio Activity & Earnings***

During the month of January 2018, the size of the portfolio reversed and decreased by \$33.4 million to \$161.7 million. Significant receipts for the month included various apportionments of property taxes for a total of \$24.0 million and a cash contact payment along with other charges for current services and intergovernmental agency payments totaling \$5.7 million. Significant disbursements for the month included two biweekly payrolls which were approximately \$13.4 million each with related benefits. Significant disbursements also included a \$32.9 million payment to OCERS for the prepayment of the retirement cost for fiscal year 2018/19. Total January cash outflows amounted to approximately \$64.2 million. The portfolio's balance is expected to decrease further in the following month as there are no major receipts scheduled for February.

In January, the portfolio's yield to maturity (365-day equivalent) increased by 12 basis points to 1.32%. The effective rate of return, also rose by 12 basis points to 1.29% for the month and increased by 3 basis points to 1.12% for the fiscal year to date. The average maturity of the portfolio lengthened by 16 days to 101 days to maturity.

### ***Economic News***

The U.S. economy continued to grow in January 2018, albeit with mixed economic reports. Employment conditions strengthened further. There were a total of 200,000 new jobs created for the month, a stronger number than expected, and the unemployment rate stayed unchanged at a low rate of 4.1%. Consumer confidence measures remained high. However, retail sales unexpectedly declined in January. Both manufacturing and non-manufacturing sectors picked up more activity and continued expanding while durable goods orders and industrial production pulled back for the month. The CPI (Consumer Price Index) jumped by 0.5%, more than expected, causing some brief financial market reactions due to concerns of inflation pressure. Housing activity declined further in January, although it appeared to be temporary as housing demand stays strong.





### BENCHMARK COMPARISON AS OF JANUARY 31, 2018

3 Month T-Bill: 1.43%

1 Year T-Bill: 1.80%

6 Month T-Bill: 1.62%

LAIF: 1.35%

OCFA Portfolio: 1.29%

### PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
<i>Book Value-</i>	\$161,668,906	\$195,078,136	\$168,999,058
<i>Yield to Maturity (365 day)</i>	1.32%	1.20%	0.76%
<i>Effective Rate of Return</i>	1.29%	1.17%	0.66%
<i>Days to Maturity</i>	101	85	83



**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Summary**  
**January 31, 2018**

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

(See Note 1 on page 9)

(See Note 2 on page 9)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	3,319,466.75	3,319,466.75	3,319,466.75	2.06	1	1	0.809	0.820
Federal Agency Coupon Securities	35,000,000.00	34,761,600.00	35,000,000.00	21.72	971	357	1.223	1.240
Federal Agency Disc. -Amortizing	45,000,000.00	44,882,460.00	44,888,780.00	27.85	98	64	1.360	1.378
Treasury Discounts -Amortizing	15,000,000.00	14,966,250.00	14,967,782.50	9.29	94	57	1.331	1.349
Local Agency Investment Funds	63,000,000.00	62,879,892.33	63,000,000.00	39.09	1	1	1.332	1.350
<b>Investments</b>	<b>161,319,466.75</b>	<b>160,809,669.08</b>	<b>161,176,029.25</b>	<b>100.00%</b>	<b>247</b>	<b>101</b>	<b>1.305</b>	<b>1.323</b>
<b>Cash</b>								
Passbook/Checking (not included in yield calculations)	698,880.99	698,880.99	698,880.99		1	1	0.000	0.000
<b>Total Cash and Investments</b>	<b>162,018,347.74</b>	<b>161,508,550.07</b>	<b>161,874,910.24</b>		<b>247</b>	<b>101</b>	<b>1.305</b>	<b>1.323</b>

Total Earnings	January 31 Month Ending	Fiscal Year To Date
Current Year	197,975.64	1,004,573.76
Average Daily Balance	180,004,439.62	152,069,835.36
Effective Rate of Return	1.29%	1.12%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2018. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months"

Patricia Jakubiak, Treasurer

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

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

\$ 161,874,910.24

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

\$ (206,003.82)

Total

\$ 161,668,906.42

# ORANGE COUNTY FIRE AUTHORITY

## Portfolio Management

### Portfolio Details - Investments

January 31, 2018

(See Note 1 on page 9)

(See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
<b>Money Mkt Mutual Funds/Cash</b>											
SYS528	528	Federated Treasury Obligations			3,319,466.75	3,319,466.75	3,319,466.75	0.820	0.820	1	
<b>Subtotal and Average</b>			<b>9,955,785.33</b>		<b>3,319,466.75</b>	<b>3,319,466.75</b>	<b>3,319,466.75</b>		<b>0.820</b>	<b>1</b>	
<b>Federal Agency Coupon Securities</b>											
3133EFJP3	869	Federal Farm Credit Bank (Callable Anytime)		10/15/2015	10,000,000.00	9,945,800.00	10,000,000.00	1.100	1.054	256	10/15/2018
3133EGPD1	921	Federal Farm Credit Bank (Callable Anytime)		04/20/2017	7,000,000.00	6,898,150.00	7,000,000.00	1.180	1.375	546	08/01/2019
3134G7FK2	863	Fed Home Loan Mtg Corp		06/30/2015	9,000,000.00	8,995,950.00	9,000,000.00	1.100	1.065	50	03/23/2018
3134GBHT2	922	Fed Home Loan Mtg Corp		04/25/2017	9,000,000.00	8,921,700.00	9,000,000.00	1.625	1.518	631	10/25/2019
<b>Subtotal and Average</b>			<b>35,000,000.00</b>		<b>35,000,000.00</b>	<b>34,761,600.00</b>	<b>35,000,000.00</b>		<b>1.240</b>	<b>357</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313589SW4	928	Fed Natl Mortg Assoc		12/20/2017	9,000,000.00	8,997,390.00	8,997,520.00	1.240	1.277	8	02/09/2018
313589TL7	929	Fed Natl Mortg Assoc		12/20/2017	9,000,000.00	8,992,890.00	8,993,070.00	1.260	1.298	22	02/23/2018
313385VE3	931	Fed Home Loan Bank		12/20/2017	9,000,000.00	8,977,320.00	8,978,720.00	1.330	1.373	64	04/06/2018
313385WY8	933	Fed Home Loan Bank		01/11/2018	9,000,000.00	8,961,030.00	8,962,370.00	1.420	1.467	106	05/18/2018
313385XN1	934	Fed Home Loan Bank		01/11/2018	9,000,000.00	8,953,830.00	8,957,100.00	1.430	1.478	120	06/01/2018
<b>Subtotal and Average</b>			<b>53,859,636.85</b>		<b>45,000,000.00</b>	<b>44,882,460.00</b>	<b>44,888,780.00</b>		<b>1.378</b>	<b>64</b>	
<b>Treasury Discounts -Amortizing</b>											
912796NU9	930	US Treasury Bill		12/20/2017	9,000,000.00	8,988,210.00	8,988,712.50	1.290	1.312	35	03/08/2018
912796PC7	932	US Treasury Bill		01/04/2018	6,000,000.00	5,978,040.00	5,979,070.00	1.380	1.406	91	05/03/2018
<b>Subtotal and Average</b>			<b>18,961,804.68</b>		<b>15,000,000.00</b>	<b>14,966,250.00</b>	<b>14,967,782.50</b>		<b>1.349</b>	<b>57</b>	
<b>Local Agency Investment Funds</b>											
SYS336	336	Local Agency Invstmt Fund			63,000,000.00	62,879,892.33	63,000,000.00	1.350	1.350	1	
<b>Subtotal and Average</b>			<b>64,227,232.76</b>		<b>63,000,000.00</b>	<b>62,879,892.33</b>	<b>63,000,000.00</b>		<b>1.350</b>	<b>1</b>	
<b>Total and Average</b>			<b>180,004,439.62</b>		<b>161,319,466.75</b>	<b>160,809,669.08</b>	<b>161,176,029.25</b>		<b>1.323</b>	<b>101</b>	

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**January 31, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
<b>Money Mkt Mutual Funds/Cash</b>										
SYS10033	10033	Revolving Fund		07/01/2017	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2017	678,880.99	678,880.99	678,880.99		0.000	1
		<b>Average Balance</b>	<b>0.00</b>							<b>1</b>
<b>Total Cash and Investments</b>			<b>180,004,439.62</b>		<b>162,018,347.74</b>	<b>161,508,550.07</b>	<b>161,874,910.24</b>		<b>1.323</b>	<b>101</b>



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



**ORANGE COUNTY FIRE AUTHORITY**  
**Aging Report**  
**By Maturity Date**  
**As of February 1, 2018**

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	( 02/01/2018 - 02/01/2018 )	4 Maturities	0 Payments	67,018,347.74	41.40%	67,018,347.74	66,898,240.07
Aging Interval: 1 - 30 days	( 02/02/2018 - 03/03/2018 )	2 Maturities	0 Payments	18,000,000.00	11.11%	17,990,590.00	17,990,280.00
Aging Interval: 31 - 60 days	( 03/04/2018 - 04/02/2018 )	2 Maturities	0 Payments	18,000,000.00	11.11%	17,988,712.50	17,984,160.00
Aging Interval: 61 - 91 days	( 04/03/2018 - 05/03/2018 )	2 Maturities	0 Payments	15,000,000.00	9.24%	14,957,790.00	14,955,360.00
Aging Interval: 92 - 121 days	( 05/04/2018 - 06/02/2018 )	2 Maturities	0 Payments	18,000,000.00	11.07%	17,919,470.00	17,914,860.00
Aging Interval: 122 - 152 days	( 06/03/2018 - 07/03/2018 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 153 - 183 days	( 07/04/2018 - 08/03/2018 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	( 08/04/2018 - 11/02/2018 )	1 Maturities	0 Payments	10,000,000.00	6.18%	10,000,000.00	9,945,800.00
Aging Interval: 275 - 365 days	( 11/03/2018 - 02/01/2019 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	( 02/02/2019 - 01/31/2021 )	2 Maturities	0 Payments	16,000,000.00	9.88%	16,000,000.00	15,819,850.00
Aging Interval: 1096 days and after	( 02/01/2021 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		15 Investments	0 Payments		100.00	161,874,910.24	161,508,550.07



**NOTES TO PORTFOLIO MANAGEMENT REPORT**

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank (formerly Union Bank) Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2017 includes a decrease of (\$68,353) to the LAIF investment and a decrease of (\$137,651) to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



## ***Local Agency Investment Fund (LAIF)***

As of January 31, 2018, OCFA has \$63,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of December 31, 2017 is 0.998093529. When applied to OCFA's LAIF investment, the fair value is \$62,879,892 or (\$120,108) below cost. Although the fair value of the LAIF investment is lower than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at January 31, 2018 is included on the following page.





Fair Value Including Accrued Interest	\$	78,625,146,996.37
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***Orange County Fire Authority***

***Preliminary Investment Report***

***February 23, 2018***



**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Summary**  
**February 23, 2018**

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

(See Note 1 on page 18)

(See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	4,004,317.14	4,004,317.14	4,004,317.14	2.82	1	1	0.809	0.820
Federal Agency Coupon Securities	35,000,000.00	34,758,390.00	35,000,000.00	24.66	971	334	1.223	1.240
Federal Agency Disc. -Amortizing	27,000,000.00	26,909,550.00	26,922,225.00	18.97	125	74	1.420	1.439
Treasury Discounts -Amortizing	15,000,000.00	14,979,660.00	14,980,490.00	10.56	94	34	1.331	1.349
Local Agency Investment Funds	61,000,000.00	60,883,705.27	61,000,000.00	42.99	1	1	1.332	1.350
<b>Investments</b>	<b>142,004,317.14</b>	<b>141,535,622.41</b>	<b>141,907,032.14</b>	<b>100.00%</b>	<b>274</b>	<b>101</b>	<b>1.307</b>	<b>1.325</b>

(See Note 4 on page 18)

<b>Cash</b>								
Passbook/Checking (not included in yield calculations)	-76,881.41	-76,881.41	-76,881.41		0	0	0.000	0.000
<b>Total Cash and Investments</b>	<b>141,927,435.73</b>	<b>141,458,741.00</b>	<b>141,830,150.73</b>		<b>274</b>	<b>101</b>	<b>1.307</b>	<b>1.325</b>

Total Earnings	February 23 Month Ending	Fiscal Year To Date
Current Year	129,183.22	1,133,756.98
<b>Average Daily Balance</b>	<b>156,233,620.55</b>	<b>152,472,217.96</b>
<b>Effective Rate of Return</b>	<b>1.31%</b>	<b>1.14%</b>

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2018. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

  
 Patricia Jakubiak, Treasurer

3/1/18

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

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

\$ 141,830,150.73

GASB 31 Adjustment to Books (See Note 3 on page 18)

\$ (206,003.82)

Total

\$ 141,624,146.91



**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**February 23, 2018**

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

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
<b>Money Mkt Mutual Funds/Cash</b>											
(See Note 4 on page 18)											
SYS528	528	Federated Treasury Obligations			4,004,317.14	4,004,317.14	4,004,317.14	0.820	0.820	1	
<b>Subtotal and Average</b>			<b>5,569,410.44</b>		<b>4,004,317.14</b>	<b>4,004,317.14</b>	<b>4,004,317.14</b>		<b>0.820</b>	<b>1</b>	
<b>Federal Agency Coupon Securities</b>											
3133EFJP3	869	Federal Farm Credit Bank (Callable Anytime)		10/15/2015	10,000,000.00	9,945,800.00	10,000,000.00	1.100	1.054	233	10/15/2018
3133EGPD1	921	Federal Farm Credit Bank (Callable Anytime)		04/20/2017	7,000,000.00	6,897,100.00	7,000,000.00	1.180	1.375	523	08/01/2019
3134G7FK2	863	Fed Home Loan Mtg Corp		06/30/2015	9,000,000.00	8,998,020.00	9,000,000.00	1.100	1.065	27	03/23/2018
3134GBHT2	922	Fed Home Loan Mtg Corp		04/25/2017	9,000,000.00	8,917,470.00	9,000,000.00	1.625	1.518	608	10/25/2019
<b>Subtotal and Average</b>			<b>35,000,000.00</b>		<b>35,000,000.00</b>	<b>34,758,390.00</b>	<b>35,000,000.00</b>		<b>1.240</b>	<b>334</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313385VE3	931	Fed Home Loan Bank		12/20/2017	9,000,000.00	8,984,430.00	8,986,367.50	1.330	1.373	41	04/06/2018
313385WY8	933	Fed Home Loan Bank		01/11/2018	9,000,000.00	8,966,160.00	8,970,535.00	1.420	1.467	83	05/18/2018
313385XN1	934	Fed Home Loan Bank		01/11/2018	9,000,000.00	8,958,960.00	8,965,322.50	1.430	1.478	97	06/01/2018
<b>Subtotal and Average</b>			<b>38,646,319.35</b>		<b>27,000,000.00</b>	<b>26,909,550.00</b>	<b>26,922,225.00</b>		<b>1.439</b>	<b>74</b>	
<b>Treasury Discounts -Amortizing</b>											
912796NU9	930	US Treasury Bill		12/20/2017	9,000,000.00	8,996,760.00	8,996,130.00	1.290	1.312	12	03/08/2018
912796PC7	932	US Treasury Bill		01/04/2018	6,000,000.00	5,982,900.00	5,984,360.00	1.380	1.406	68	05/03/2018
<b>Subtotal and Average</b>			<b>14,974,412.50</b>		<b>15,000,000.00</b>	<b>14,979,660.00</b>	<b>14,980,490.00</b>		<b>1.349</b>	<b>34</b>	
<b>Local Agency Investment Funds</b>											
SYS336	336	Local Agency Invstmt Fund			61,000,000.00	60,883,705.27	61,000,000.00	1.350	1.350	1	
<b>Subtotal and Average</b>			<b>62,043,478.26</b>		<b>61,000,000.00</b>	<b>60,883,705.27</b>	<b>61,000,000.00</b>		<b>1.350</b>	<b>1</b>	
<b>Total and Average</b>			<b>156,233,620.55</b>		<b>142,004,317.14</b>	<b>141,535,622.41</b>	<b>141,907,032.14</b>		<b>1.325</b>	<b>101</b>	



**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**February 23, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
<b>Money Mkt Mutual Funds/Cash</b>										
SYS10033	10033	Revolving Fund		07/01/2017	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2017	-96,881.41	-96,881.41	-96,881.41	(See Note 4 on page 18)	0.000	1
		<b>Average Balance</b>	<b>0.00</b>							<b>0</b>
<b>Total Cash and Investments</b>			<b>156,233,620.55</b>		<b>141,927,435.73</b>	<b>141,458,741.00</b>	<b>141,830,150.73</b>		<b>1.325</b>	<b>101</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Aging Report**  
**By Maturity Date**  
**As of February 24, 2018**

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

					Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	( 02/24/2018 - 02/24/2018 )	4 Maturities	0 Payments	64,927,435.73	45.78%	64,927,435.73	64,811,141.00
Aging Interval:	1 - 30 days	( 02/25/2018 - 03/26/2018 )	2 Maturities	0 Payments	18,000,000.00	12.69%	17,996,130.00	17,994,780.00
Aging Interval:	31 - 60 days	( 03/27/2018 - 04/25/2018 )	1 Maturities	0 Payments	9,000,000.00	6.34%	8,986,367.50	8,984,430.00
Aging Interval:	61 - 91 days	( 04/26/2018 - 05/26/2018 )	2 Maturities	0 Payments	15,000,000.00	10.54%	14,954,895.00	14,949,060.00
Aging Interval:	92 - 121 days	( 05/27/2018 - 06/25/2018 )	1 Maturities	0 Payments	9,000,000.00	6.32%	8,965,322.50	8,958,960.00
Aging Interval:	122 - 152 days	( 06/26/2018 - 07/26/2018 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	( 07/27/2018 - 08/26/2018 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	( 08/27/2018 - 11/25/2018 )	1 Maturities	0 Payments	10,000,000.00	7.05%	10,000,000.00	9,945,800.00
Aging Interval:	275 - 365 days	( 11/26/2018 - 02/24/2019 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	( 02/25/2019 - 02/23/2021 )	2 Maturities	0 Payments	16,000,000.00	11.28%	16,000,000.00	15,814,570.00
Aging Interval:	1096 days and after	( 02/24/2021 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			13 Investments	0 Payments		100.00	141,830,150.73	141,458,741.00



**NOTES TO PORTFOLIO MANAGEMENT REPORT**

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2017 includes a decrease of (\$68,353) to the LAIF investment and a decrease of (\$137,651) to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



## GLOSSARY

### INVESTMENT TERMS

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

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

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

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

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

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

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

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

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

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

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

**Local Agency Investment Fund (LAIF).** A California State Treasury fund which local agencies may use to deposit funds for investment and for reinvestment with a maximum of \$50 million for any agency (*excluding bond funds, which have no maximum*). It offers high liquidity because

deposits can be converted to cash in 24 hours and no interest is lost. Interest is paid quarterly and the State's administrative fee cannot exceed 1/4 of a percent of the earnings.

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

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

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

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

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

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

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

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

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

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

### ECONOMIC TERMS

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

**Consumer Price Index (CPI).** A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. Changes in CPI are used to assess price changes associated with the cost of living.



**Durable Goods Orders.** An economic indicator released monthly that reflects new orders placed with domestic manufacturers for delivery of factory durable goods such as autos and appliances in the near term or future.

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

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

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

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

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

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

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

**University of Michigan Consumer Sentiment Index.** An index that measures the overall health of the economy as determined by consumer opinion. It takes into account an individual's feelings toward his or her own current financial health, the health of the economy in the short term and the prospects for longer term economic growth.



**Orange County Fire Authority**  
**AGENDA STAFF REPORT**

**Budget and Finance Committee Meeting**  
**March 14, 2018**

**Agenda Item No. 4B**  
**Discussion Calendar**

**FY 2017/18 Mid-Year Budget Adjustment**

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**Contact(s) for Further Information**

Lori Zeller, Assistant Chief Business Services Department	<a href="mailto:lorizeller@ocfa.org">lorizeller@ocfa.org</a>	714.573.6020
Tricia Jakubiak, Treasurer	<a href="mailto:triciajakubiak@ocfa.org">triciajakubiak@ocfa.org</a>	714.573.6301
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**Summary**

This item is submitted to request approval to adjust revenues, expenditures, and transfers to reflect changes identified after the adoption of the FY 2017/18 Budget.

**Prior Board/Committee Action**

A comprehensive mid-year financial review was presented to the Budget and Finance Committee and the Board of Directors in January, highlighting proposed mid-year changes that are needed to the FY 2017/18 Budget based on events that have occurred since the budget was adopted last May. The Board directed staff to return in March with the technical budget adjustments required to implement the proposed changes.

**RECOMMENDED ACTION(S)**

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the proposed mid-year budget adjustments and transfers.

**Impact to Cities/County**

The proposed mid-year adjustments to the FY 2017/18 budget will have no impact to cash contract city charges in the current fiscal year. Increases for cash contract cities are currently estimated at 4.5% for FY 2018/19 (excluding the catch-up provision).

**Fiscal Impact**

Financial impacts are detailed in the report.

**Background**

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

The following are estimated changes to the General Fund Budget that are needed, since the FY 2017/18 Budget was adopted in May 2017. Overall, the proposed changes in the General Fund result in a revenue increase of \$18.7 million and an expenditure increase of \$27.9 million.



Of the \$27.9 million in expenditure increases, \$10.0 million are ongoing costs that we anticipate to recur in future annual budgets, and \$17.9 million are one-time expenses for FY 2017/18 only. Furthermore, of the \$27.9 million in expenditure increases, \$16.3 million are cost neutral as they are offset by corresponding sources of revenue or offset by allocation of fund balance as established by existing policies. These adjustments are further described below:

### **FY 2017/18 Revenue Adjustments - \$18.7 million**

**Property Taxes:** Based on secured tax billings provided by the Auditor/Controller, projections indicate an approximate \$1.4 million increase over budget. **\$1,442,254**

**Assistance by Hire/Emergency Incident Costs:** Assistance by Hire (ABH) is the term used when OCFA responds to incidents outside our area of responsibility, on a reimbursement basis. Current year reimbursable incident activity is approximately \$12.3 million fiscal year-to-date. Staff will continue to monitor and adjust this figure throughout the remainder of the year, as significant incidents are still in the reconciliation process. **\$12,310,841**

**Firefighter Medical Trust Review:** The 2016 Firefighter Medical Trust review has been completed. An excess fund balance in the amount of \$2,275,829 was credited to OCFA to be used as a payment to the Retiree Medical Trust per the Firefighter Medical Agreement. A corresponding expenditure adjustment is also proposed to appropriate the payment. **\$2,275,829**

**Miscellaneous:** This category of revenue adjustments includes the following: Staffing for Adequate Fire and Emergency Response (SAFER) Grant proceeds; CAL FIRE State Responsibility Area (SRA) Fire Prevention Fund Grant proceeds; receipt of bankruptcy proceeds; updates to cash contract city station maintenance charges; adjustments to inspection and planning and development revenues; adjustments to expected revenues from California Firefighter Joint Apprenticeship Committee (CAFFJAC) and Santa Ana College Agreement revenues; witness fees, insurance settlements, sale of surplus and other incidental miscellaneous revenues. **\$2,667,539**

### **FY 2017/18 Expenditure Adjustments - \$27.9 million**

**Assistance by Hire/Emergency Incident Costs:** As mentioned under revenue, an adjustment of approximately \$12.4 million is needed for out-of-county responses, primarily in the overtime/backfill category, but also for response-related supplies. Current year reimbursable incident activity is approximately \$12.4 million fiscal year-to-date. Staff will continue to monitor and adjust this figure throughout the remainder of the year, as significant incidents are still in the reconciliation process. **\$12,365,847<sup>1</sup>**

**Retiree Medical Trust:** As described above, this expenditure adjustment is needed to appropriate the payment from the Firefighter Medical Trust to the Retiree Medical Trust, per terms of the new Firefighter Medical Agreement. **\$2,275,829<sup>1</sup>**

**Additional Unfunded Actuarial Accrued Liability (UAAL) Payment from General Fund Surplus:** In March 2017, the Board approved an update to the Financial Stability Budget Policy, requiring the calculation of General Fund Surplus at mid-year and directing that the surplus be divided half with equal portions distributed to the Capital Improvement Program (CIP) Funds and toward the pay-down of the UAAL. This fiscal year, the calculation calls for a payment of \$870,041 (equaling 50% of the General Fund Surplus) to Orange County Employees Retirement System to pay-down OCFA's pension liability. **\$870,041<sup>1</sup>**

**CAL FIRE Augmentation and SRA Fire Prevention Funds:** Appropriations in this category use funding received from CAL FIRE for projects intended to help carry out its mission. Projects include roadside clearance, the purchase/refurbishment of a crew bus, road grader, supplies for the OCFA Santiago Handcrew, printing of wildland urban interface plans, a dozer trailer, and wildfire camera project, working in conjunction with San Diego Gas and Electric. **\$311,260<sup>1</sup>**

<sup>1</sup> This expenditure increase is cost neutral, offset by a corresponding revenue source or offset by a fund balance allocation that is pre-established by existing policies.

<b>Reimbursement to City of Irvine from Maruchan Donation:</b> Each year, Maruchan, Inc. donates funds to OCFA to be used in the City of Irvine on public safety related expenses. The City has planned projects for these funds including purchasing communications equipment for its mobile command post and bi-directional amplifiers.	<b>\$438,428<sup>1</sup></b>
<b>Adjustment for Workers' Compensation Updated Actuarial:</b> The latest Workers' Compensation Actuarial Study was completed in mid-February and includes payroll and claim data through December 31, 2017. To maintain the 50% confidence level of funding as required by Board policy, a \$4.2 million adjustment is needed to increase workers' compensation funding as a component of payroll in the current year. This will provide the required funding level for the present value of ultimate limited losses (claims with dates of loss from FY 2017/18 through FY 2021/22).	<b>\$4,239,783</b>
<b>Actions to Reduce Force Hiring:</b> This category is comprised of updates to salary, employee benefits, and supplies for OCFA's efforts to reduce force hires in the safety ranks. The largest cost of \$4,645,688 reflects reversal of a portion of the \$8.1 million in salary savings from vacant positions that were assumed during budget development. With the unfreezing of over 50 firefighter positions in July and the emphasis on hiring this fiscal year, the assumed amount of salary savings is not being realized. Uniforms and personal protective gear for Firefighter Academy 46 recruits are also included in this category.	<b>\$5,069,481</b>
<b>Classification and Compensation Actions:</b> This category is comprised of several updates to salary and employee benefits related to class and compensation studies approved by the Executive Committee earlier this fiscal year. Actions include revisions to the Human Resources (HR) Analyst series, revisions to the Emergency Medical Services (EMS) Nurse Educator I and II classifications, conversion of a part-time HR Analyst to full-time, benefits for the grant-funded Department of Homeland Security liaison position, and backfill costs for the temporary reassignment of a fire apparatus engineer to the Hazardous Materials Program.	<b>\$232,259</b>
<b>Supplies/Equipment/Professional Services:</b> This category includes funding for needed equipment and professional services which were unknown or for which costs have increased, since budget development. These include the Canyon Fires Independent Review Panel, fire chief recruitment services, public affairs consulting services, 4" hose for Wildland Urban Interface Engines, paramedic accreditation costs, Narcan and Epi pens, updated tuberculosis testing, Hepatitis A vaccines, Cardio Pulmonary Resuscitation (CPR) cards, additional Advanced Life Support gear, Zoll Monitor antennae repairs, overhaul of a helicopter rescue hoist, carbon monoxide gas monitors, CAFFJAC training costs, and pre-employment psychological assessments.	<b>\$864,880</b>
<b>Miscellaneous:</b> This expenditure category includes miscellaneous increases to the budget for: flight safety international training; Huey helicopter maintenance; repairs to helicopter HC1; various information technology licenses, software, equipment and contract increases; Fire Station 6 (Irvine) kitchen remodel; adjustment to budgeted grant programs; movement of Urban Search and Rescue (US&R) tenant improvement budget to the correct CIP Funds; and funding for increased Department of Industrial Relations user funding assessment.	<b>\$697,565</b>
<b>Interfund Borrowing:</b> At the time of budget development, staff was in the process of analyzing if OCFA's cash flows needs could met with interfund borrowing in lieu of issuing a Tax Revenue Anticipation Note (TRAN). When the budget was adopted in May, the analysis had been completed and the Board approved interfund borrowing as our cash flow management mechanism in FY 2017/18. The money is borrowed from CIP Funds and repaid with interest, which is reflected as a cost to the General Fund.	<b>\$493,750</b>

### **General Fund and CIP Funds and Budget Transfer Adjustments**

- **General Fund Surplus Budget Transfer(s) to CIP Funds:** The update to the Financial Stability Budget Policy revised the timing of the General Fund surplus transfer to CIP Funds. Rather than the transfer occurring at the beginning of the fiscal year, the calculation and resulting transfer occurs at the Mid-year Budget Adjustment. Further the policy now directs that the surplus be divided in half with half going to CIP Funds and the other half being used for additional pay-down of OCFA's pension liability. The policy provides flexibility should CIP Funds be over or underfunded, allowing more or less than 50% be transferred in years where it is needed. In this fiscal year, we are transferring 50% of the General Fund surplus, amounting to \$870,041 to General Fund CIP Funds.
- **Fund 123 – Fire Stations and Facilities:** The revenue budget in this fund will be adjusted by \$1,243,793 to reflect updated interest earnings, bankruptcy loss recovery, and developer contributions. An expenditure adjustment of \$100,000 is needed to move the budget for the US&R tenant improvements from the General Fund to this fund, where it is most appropriately accounted for. Additionally, an adjustment of \$84,375 is needed for the Regional Fire Operations and Training Center Emergency Power Circuit Extension Project; the amount was inadvertently left off of the carryover request.
- **Fund 124 – Communications and Information Systems:** The revenue budget for this fund will be adjusted to reflect receipt of bankruptcy loss recovery funds, and adjusted interest earnings, netting \$117,376. The expenditure budget is being reduced by \$1,389,781 to reflect the timing of the Integrated Fire Prevention Project. The funds will be re-budgeted in the next fiscal year when the project is expected to commence.
- **Fund 133 – Fire Apparatus:** Adjustments to interest earnings, bankruptcy proceeds and vehicle depreciation netting \$149,117 will be made in the fund. There are no expenditure adjustments required.
- **Fund 171 – Structural Fire Fund Entitlement:** Interest earnings are being adjusted to reflect a \$9,057 increase in expected interest.
- **Fund 190 – Self Insurance:** A revenue adjustment netting \$4,023,285 is needed to reflect the workers' compensation payroll adjustment, described above, as well as an adjustment to expected interest earnings in the fund. An expenditure adjustment in the amount of \$7.9 million is needed to match the cash flow timing of workers' compensation payments this fiscal year, per the updated workers' compensation actuarial. Note: this adjustment is not an increase in workers' compensation expenses; it is only the cash flow timing of payments being made against expenditures, which were previously recorded with funding already set-aside in the Workers' Compensation Reserve Fund.

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

### **Attachment(s)**

1. FY 2017/18 Mid-Year Budget Adjustments
2. Combined Budget Summary

**FY 2017/18 Mid-Year Budget Adjustments**

The following adjustments to the FY 2017/18 budget are requested:

***General Fund (Fund 121)***

Revenues - \$18,696,463 increase

Expenditures - \$27,859,123 increase

Operating Transfer Out - \$870,041 increase

***General Fund CIP (Fund 12110)***

Operating Transfer In from General Fund - \$870,041 increase

***Fire Stations and Facilities Fund (Fund 123)***

Revenues - \$1,243,793 increase

Expenditures - \$184,375 increase

***Communications and Information Systems Fund (Fund 124)***

Revenues - \$117,376 increase

Expenditures - \$1,389,781 decrease

***Fire Apparatus Fund (Fund 133)***

Revenues - \$149,117 increase

***Structural Fire Fund Entitlement Fund (Fund 171)***

Revenues - \$9,057 increase

***Self-Insurance Fund (Fund 190)***

Revenues - \$4,023,285 increase

Expenditures - \$7,910,879 increase

**ORANGE COUNTY FIRE AUTHORITY  
COMBINED BUDGET SUMMARY  
FY 2017/18**

	121 General Fund	<u>CIP Funds</u>				<u>Other Funds</u>		Total
		12110 General Fund CIP (1)	123 Fire Stations & Facilities	124 Communications & Info. Systems	133 Fire Apparatus	171 SFF Entitlement	190 Self Insurance	
<b>FUNDING SOURCES</b>								
<i>Property Taxes</i>	243,813,306	-	-	-	-	-	-	243,813,306
<i>Intergovernmental</i>								
State Reimbursements	17,565,924	-	-	-	-	-	-	17,565,924
Federal Reimbursements	2,567,337	-	-	-	-	-	-	2,567,337
Community Redevelopment Pass-thru	9,842,993	-	-	-	-	-	-	9,842,993
<i>Charges for Current Services</i>								
Contracts	96,593,967	-	-	-	1,310,005	-	-	97,903,972
HMS Revenue	-	-	-	-	-	-	-	-
Fees - Community Risk Reduction	6,448,604	-	-	-	-	-	-	6,448,604
Other Charges for Services	104,951	-	-	-	-	-	-	104,951
ALS Reimbursements, Supplies	3,929,330	-	-	-	-	-	-	3,929,330
Charges for Workers' Comp	-	-	-	-	-	-	16,927,039	16,927,039
<i>Use of Money and Property</i>								
Interest	562,353	-	297,777	184,046	359,150	13,360	965,269	2,381,955
<i>Other</i>								
Developer contributions	-	-	1,103,400	-	-	-	-	1,103,400
Miscellaneous	5,894,977	-	151,922	256,482	157,392	-	-	6,460,773
<i>Other Funding Sources</i>								
Total Revenues & Other Financing Sources	387,323,742	-	1,553,099	440,528	1,826,547	13,360	17,892,308	409,049,584
Operating Transfer In	-	2,970,041	-	-	-	1,000,000	-	3,970,041
Beginning Fund Balance	68,305,665	1,208,972	23,845,541	11,260,603	13,470,899	549,651	75,375,829	194,017,160
<b>TOTAL AVAILABLE RESOURCES</b>	<b>\$455,629,407</b>	<b>\$4,179,013</b>	<b>\$25,398,640</b>	<b>\$11,701,131</b>	<b>\$15,297,446</b>	<b>\$1,563,011</b>	<b>\$93,268,137</b>	<b>\$607,036,785</b>
<b>EXPENDITURES</b>								
Salaries & Emp Benefits	\$355,946,729	\$0	\$0	\$0	\$0	\$0	\$0	\$355,946,729
Services & Supplies	38,582,860	2,256,284	-	-	-	549,651	15,977,392	57,366,187
Capital Outlay/Equipment	1,585,407	854,790	10,098,490	4,250,516	11,435,499	-	-	28,224,702
Debt Service	493,750	-	-	-	-	-	-	493,750
Total Expenditures	\$396,608,746	\$3,111,074	\$10,098,490	\$4,250,516	\$11,435,499	\$549,651	\$15,977,392	\$442,031,368
Appropriation for Contingencies	3,000,000							3,000,000
Operating Transfer Out	3,970,041	-	-	-	-	-	-	3,970,041
Ending Fund Balance	52,050,620	1,067,939	15,300,150	7,450,615	3,861,947	1,013,360	77,290,745	158,035,376
<b>TOTAL FUND COMMITMENTS &amp; FUND BALANCE</b>	<b>\$455,629,407</b>	<b>\$4,179,013</b>	<b>\$25,398,640</b>	<b>\$11,701,131</b>	<b>\$15,297,446</b>	<b>\$1,563,011</b>	<b>\$93,268,137</b>	<b>\$607,036,785</b>

(1) Project related budgets segregated for operational budget clarity purposes. As a sub-fund of the General Fund, revenues and expenditures are accounted for as the General Fund in the CAFR, however for cash-flow purposes the expenditures are tracked outside of the General Fund. Therefore 12110 requires cash-flow transfers in the same manner as the other CIP Funds.

(2) This schedule reflects the impact if all proposed adjustments and transfers are approved. Some categories may be adjusted to comport to accounting standards.



Orange County Fire Authority  
**AGENDA STAFF REPORT**

**Budget and Finance Committee Meeting**  
**March 14, 2018**

**Agenda Item No. 4C**  
**Discussion Calendar**

**Fiscal Year 2016/17 Backfill/Overtime and Calendar Year 2017 Total  
Earnings/Compensation Analysis**

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**Contact(s) for Further Information**

Lori Zeller, Assistant Chief Business Services Department	<a href="mailto:lorizeller@ocfa.org">lorizeller@ocfa.org</a>	714.573.6020
Jim Ruane, Finance Manager/Auditor	<a href="mailto:jimruane@ocfa.org">jimruane@ocfa.org</a>	714.573.6304

**Summary**

This annual agenda item provides an overview and analysis of the Fiscal Year 2016/17 backfill and overtime earnings along with employee total compensation for Calendar Year 2017.

**Prior Board/Committee Action**

Not Applicable.

**RECOMMENDED ACTION(S)**

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to continue pursuing reductions in overtime by filling permanent vacancies as quickly as possible after the positions become vacant.
2. Authorize staff to temporarily exceed the number of authorized firefighter positions on the Master Position Control to enable the hiring of 50 firefighters into each of the next two academies, pending attrition/promotions that occur during and following academy graduations.
3. Direct staff to continue using overtime to fill temporary vacancies rather than hiring additional personnel, recognizing this as a cost-effective practice for temporary needs.

**Impact to Cities/County**

Not Applicable.

**Fiscal Impact**

Backfill/overtime costs are included in the annual budget.

**Background**

See extended background.

**Attachment(s)**

1. California State Controller's letter dated January 5, 2018, discussing changes to the Annual Employee Compensation Reporting Requirements
2. Frequently Asked Questions & Responses
3. FY 2016/17 Backfill/Overtime & Calendar Year 2017 Total Earnings/Compensation Analysis (PowerPoint Slides)

## **Background**

The OCFA's General Fund budget consists primarily of labor costs, with approximately 91.1% of the final Fiscal Year (FY) 2016/17 budget allocated to salaries and employee benefits. For FY 2016/17, final backfill/overtime expenditures were \$51,050,319 or 17.5% of the salaries and employee benefits budget. The primary factors driving OCFA's backfill/overtime costs are:

- OCFA's Constant Staffing Policy - \$41.3M
- Major Emergency Incident Response - \$5.0M
- Training Requirements - \$2.4M
- Discretionary - \$2.3M

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

### ***Constant Staffing Backfill/Overtime (Non-Discretionary)***

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

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

### ***Major Emergency Incident Response (Non-Discretionary)***

Another form of non-discretionary overtime incurred by OCFA is for major emergency incident response. OCFA responds to emergency incidents at the request of surrounding fire agencies (Mutual Aid), California Department of Forestry (CAL FIRE), Cleveland National Forest Service (CNF), and the California Office of Emergency Services (Cal OES). Backfill/overtime costs for responding to major emergency incidents in FY 2016/17 totaled \$5.0 million and represented approximately 9.8% of total backfill/overtime expenditures. Approximately 95-100% of these emergency related incident response costs (except Mutual Aid) are reimbursable.

***Backfill/Overtime costs for constant staffing and major emergency incident response are considered non-discretionary and represent 90.7% of FY 2016/17 Backfill/Overtime costs.***

### ***Training Requirements (Discretionary & Non-Discretionary)***

OCFA incurs additional backfill/overtime costs related to various training requirements for suppression personnel. Examples include mandatory training requirements for federal, state, and local programs including Urban Search and Rescue (US&R), Airport Rescue Firefighting (ARFF), Weapons of Mass Destruction (WMD), and Incident Command (IC). Additionally, OCFA historically incurs overtime and backfill costs to provide training academies for new and/or promoted dispatchers, firefighters, engineers, captains, battalion chiefs, and reserve firefighters. Backfill/overtime costs as a result of training activities in FY 2016/17 totaled \$2.4 million and represented 4.8% of the total backfill/overtime expenditures.

### ***Backfill/Overtime/Discretionary***

For FY 2016/17, total discretionary backfill/overtime was \$2.3 million or 4.5% and is attributable to the following:

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

Page three of the attached presentation illustrates the distribution and cause of backfill/overtime by category (discretionary and non-discretionary).

### ***Regular vs. Overtime Analysis***

As referenced on Page 4 of Attachment 3, backfill/overtime continues to be nearly 28% more cost effective than hiring a full time benefited employee. For FY 2016/17, the estimated cost savings to OCFA by using overtime rather than full time employees to fill vacancies was \$16 million as illustrated on Page 5 of Attachment 3.

### ***Significant Change to Total Employee Compensation Reporting***

On January 5, 2018, the State Controller transmitted a letter (Attachment 1) discussing upcoming changes for government compensation reporting. For Calendar Year (CY) 2017, employers will have the option of not reporting the Unfunded Accrual Actuarial Liability (UAAL) portion of the employer paid retirement cost. Effective CY 2018, employers are required to only report the normal employer paid retirement costs and not report the UAAL. Consistent with the State Controller's directive, for CY 2017, the OCFA will only report the normal pension cost without the UAAL component. Currently, the UAAL comprises 40-60% of the employer retirement costs.

### ***Compensation Cost Transparency***

Annual employee compensation costs are posted and readily available on the OCFA website dating back to CY 2009. Since 2012, the format of the report includes all earnings segregated by base salary, overtime, payouts, and other/special pay. Employer paid retirement and benefits are also included in the employee compensation report. This year's report will be posted to the OCFA website and submitted to the State Controller on or before April 30, 2018, in compliance with the due date.



### ***Filling Vacant Positions***

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

#### Academies held in FY 2017/18

2 Firefighter Academies  
2 Fire Apparatus Engineer Academies  
1 Fire Captain Academy

#### Academies planned for FY 2018/19

2 Firefighter Academies  
2 Fire Apparatus Engineer Academies  
2 Fire Captain Academies

For each of the two firefighter academies held in FY 2017/18, the Board had authorized staff to temporarily exceed the number of authorized firefighter positions on the Master Position Control to enable the hiring of 50 firefighters into each of the next two academies, pending attrition/promotions that would occur during and following academy graduations. This was very effective in that, at the time we hired the recruits for Firefighter Academy 45, we did not yet have 50 vacancies, but by the time the recruits graduated, we had in excess of 50 vacancies. Although Firefighter Academy 46 has not yet graduated, we anticipate the same result as Firefighter Academy 45.

While we have reached nearly full staffing at the firefighter rank immediately following Firefighter Academy 45's graduation, that status was very short in duration. Firefighter vacancies have continued to accumulate quickly as we promote firefighters into the engineer and captain ranks, and also experience retirement activity among all ranks. As a result, staff is seeking Board authorization for another year to enable the hiring of 50 firefighters into each of the next two academies, pending attrition/promotions that will occur during and following academy graduations.

### ***Backfill/Overtime Monitoring & Analysis***

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

The OCFA also has policies, procedures, and systems in place that monitor and report overtime usage. Due to the extraordinary fire season, combined with open positions and vacancies, due to promotion and retirements during 2017, the OCFA was required to force many employees that possessed specialty skills to work extended hours. As stated earlier, the OCFA has aggressively been conducting various academies to help reduce the distribution of overtime and impact on the employee. OCFA staff is also working with the Orange County Professional Firefighters Association, Local 3631, to enhance the existing policies and make modifications to the Staffing System to reduce the amount of forced overtime.

The policy covering this reporting period was to allow employees to voluntarily work up to 120 continuous hours, subject to the Battalion Chief's approval. Pursuant to recent discussions in our Joint-Labor-Management Working Group, OCFA staff will be reducing the consecutive hour rule back to 96 hours, as our vacancies are reduced and the need to force employees to work shifts are minimized.

As discussed in this report, the majority of backfill/overtime incurred by OCFA is non-discretionary and emergency response activity is generally 95-100% reimbursable. The small portion of overtime (4.5% of total backfill/overtime expenditures) considered discretionary is carefully managed and closely monitored.



**BETTY T. YEE**  
**California State Controller**

January 5, 2018

District Fiscal Officer  
Orange County Fire Authority  
1 Fire Authority Road  
P.O. Box 57115  
Irvine, CA 92619-7115

**SUBJECT: Upcoming Reporting Changes for Government Compensation in California**

Dear District Fiscal Officer:

This letter is to inform you of upcoming changes to the Government Compensation in California (GCC) reporting requirements. The changes outlined in this letter are being implemented in an effort to facilitate consistent reporting and improve the comparability and transparency of the compensation information published on the GCC website. The changes are as follows:

**Calendar Year 2017**

In the header portion of the 2017 GCC report template, a drop down field will be added requiring employers to indicate whether or not unfunded liability payments are included in the "Defined Benefit Plan: Employer's Share" column.

**Calendar Year 2018**

Employers will be required to report only the normal pension cost in the "Defined Benefit Plan: Employer's Share" column. Unfunded liability payments must be excluded.

The GCC reporting instructions reflecting the 2017 calendar year changes will be available on the State Controller's Office (SCO) website in early 2018 when the annual alert letters are mailed. The GCC reporting instructions reflecting the 2018 calendar year changes will be available on the SCO website in early 2019.

If you have any questions regarding these changes, please contact the Government Compensation Section at [GCCsupport@sco.ca.gov](mailto:GCCsupport@sco.ca.gov) or (916) 445-5153.

Sincerely,

A handwritten signature in black ink, appearing to read "George Lolás", written over a horizontal line.

GEORGE LOLAS  
Chief Operating Officer

cc: (David) Scott Klein, Chair, Local Government Advisory Committee on Financial Reporting

## **FY 2016/17 BACKFILL/OVERTIME ANALYSIS FREQUENTLY ASKED QUESTIONS**

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

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

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

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

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

OCFA's backfill/overtime budget is significant, due to the reasons outlined in #2 above. Due to retirements and promotions, there are positions that have gone unfilled. In addition, a labor agreement includes provisions to hold 15 positions open for each rank in the firefighter labor group. This will be phased out over the next three fiscal years. For FY 2016/17, an average of 72 positions were vacant which required constant staffing on an overtime/backfill basis. Recent and planned academies along with promotional exams are expected to significantly reduce the number of vacancies and open positions.

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

Currently, the maximum number of continuous hours (regular and backfill/overtime) an employee may work is 120. In the near future, this will be changing back to a maximum of 96 hours. The Assistant Chief of Operations may suspend the 96-hour rule to ensure sufficient incident response capability and adequate station coverage. Employees enter their availability to work into the OCFA's Staffing System. The system hires employees based upon the premise of an equal distribution of overtime and agreed upon hiring list procedures. Personnel assigned to out-of-county strike teams or to overhead positions are often deployed for periods of 14-21 days. When assigned to these extended incidents, employees work within established work/rest cycles.

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

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



# **ORANGE COUNTY FIRE AUTHORITY**

## **Fiscal Year 2016/17 Backfill/Overtime**

### **Calendar Year 2017 Total Earnings/Compensation Analysis**



**Budget and Finance Committee Meeting**

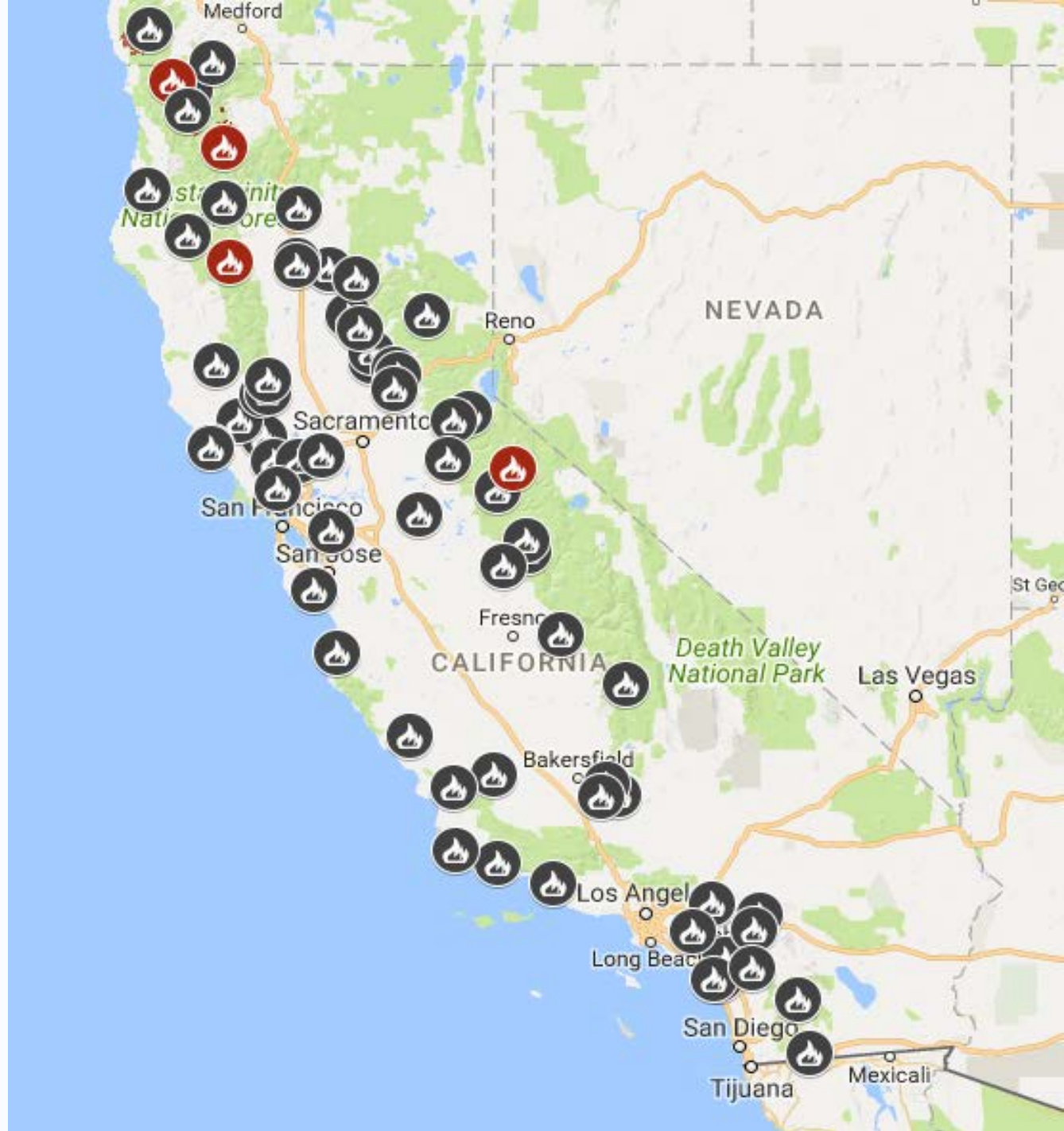
**Prepared by:**

**OCFA Finance Division**

**March 14, 2018**

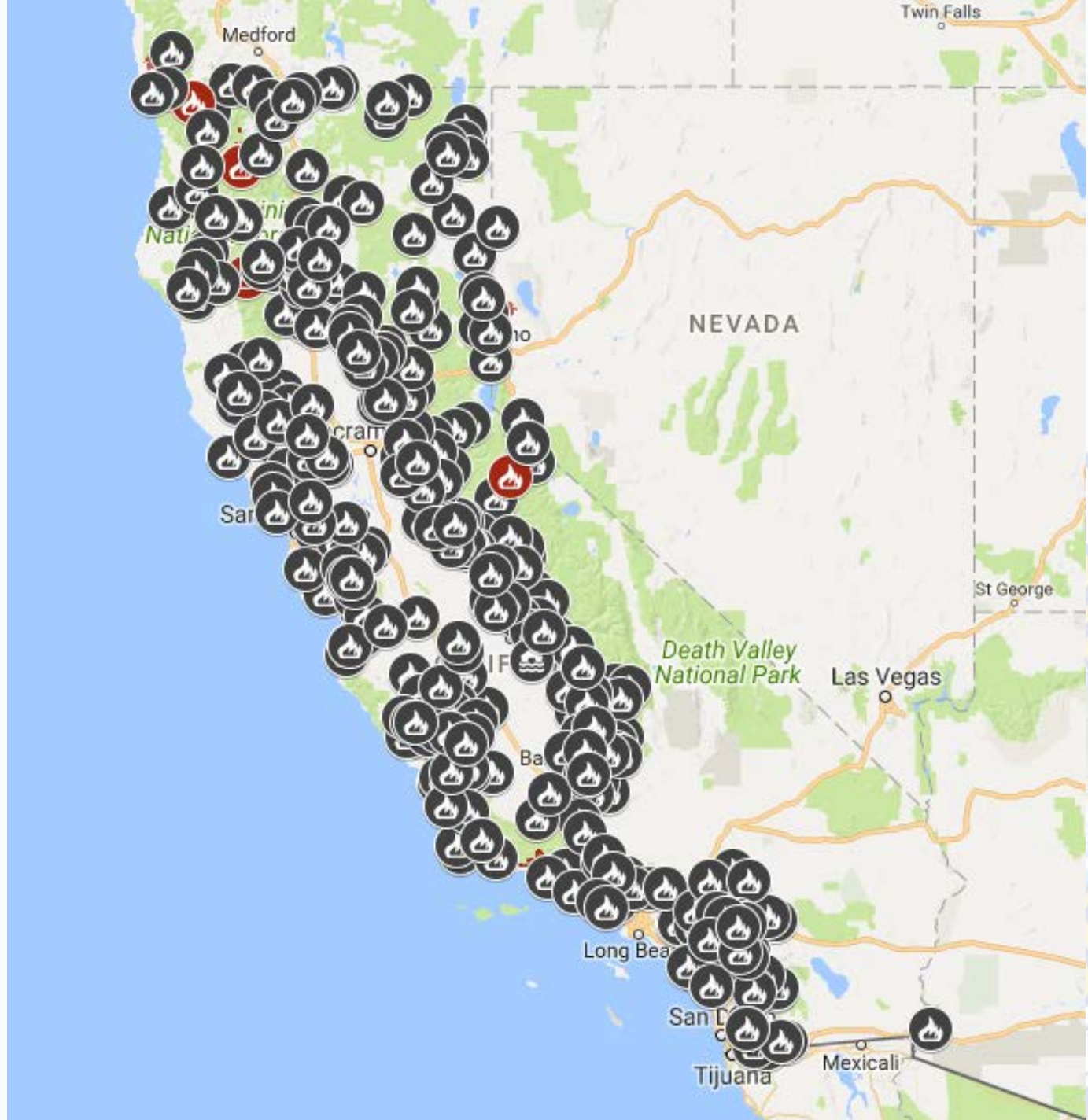


# California Fire Map October 2017





# California Fire Map for all of 2017





# FY 2016/17 Backfill/Overtime Categories

Categories of Backfill/Overtime	FY 2016/17	% of Total
<u>Non-Discretionary Categories:</u>		
Open Positions	\$17,920,283	35.1%
Vacation, Sick, W/C, Other Leave	\$16,585,825	32.5%
Other Non-Discretionary	\$212,332	0.4%
FLSA Rate Adjustment	\$6,587,479	12.9%
Emergency *	\$5,014,841	9.8%
<b>Total Non-Discretionary</b>	<b>\$46,320,760</b>	<b>90.7%</b>
<b>Total Training</b>	<b>\$2,422,552</b>	<b>4.8%</b>
<b>Total Discretionary</b>	<b>\$2,307,007</b>	<b>4.5%</b>
<b>Fiscal Year Totals</b>	<b>\$51,050,319</b>	<b>100.00%</b>

\* Emergency overtime is generally 95-100% reimbursable.

# FY 2016/17 Regular vs. Overtime Analysis

Top Step Firefighter Hourly Rates Regular Full-Time-Equivalent vs. OT	Hourly Reg. FTE Rate	Hourly OT Rate	\$ Diff.	% Diff.
<u>Salaries:</u>				
Base Hourly Rate	\$30.28	\$30.28		
Other Pays (Holiday, Educ. Inc., EMT, FLSA)	5.35			
<b>Total Salaries</b>	\$35.63	\$30.28		
<u>Benefits:</u>				
Retirement	\$19.91			
Workers' Compensation	2.71	\$2.31		
Health Insurance	7.84			
Medicare	0.50	0.64		
<b>Total Benefits</b>	\$30.96	\$2.95		
<b>Total Overtime Premium</b>		\$15.14		
<b>Total Hourly Salaries &amp; Benefits</b>	\$66.59	\$48.37	\$18.22	27.36%

It is 27.36% more cost-effective to use overtime for filling vacancies compared to hiring a regular full-time employee.

# Regular vs. Overtime Analysis

## FY 2016/17 Firefighter Unit Estimated Cost Savings

<u>Classification</u>	<u>Actual Overtime Hours Worked FY 16/17</u>	<u>FTE Equivalent *</u>	<u>Estimated ** FTE Cost</u>	<u>Estimated ** Overtime Cost</u>	<u>Estimated ** Cost Saving by Utilizing Overtime/Backfill</u>
Fire Captain	260,201	89.4	\$ 21,911,526	\$ 16,522,763	\$ 5,388,763
Engineer	239,183	82.1	\$ 17,565,600	\$ 12,975,678	\$ 4,589,922
Firefighter	375,013	128.8	\$ 24,972,116	\$ 18,139,379	\$ 6,832,737
		300.3	\$ 64,449,242	\$ 47,637,820	\$ 16,811,422

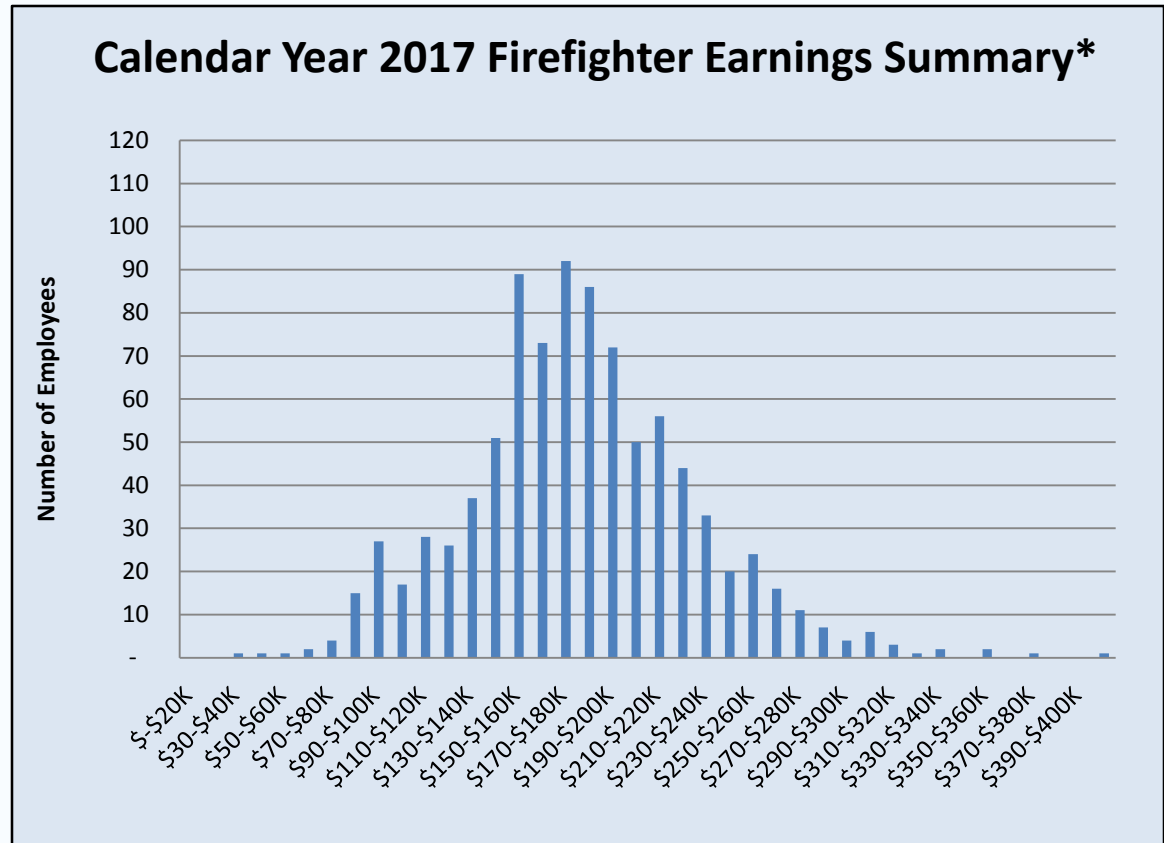
\* Assumes 2,912 hours worked per year.

\*\* Utilizes estimated hourly rates for top step within a classification.

- The estimated \$16,811,422 savings is a direct result of utilizing overtime/backfill rather than full-time employees at a savings of 24-28% .

# Firefighter Earnings Analysis

\$ Range	# of Employees
\$0-20K	0
\$20-30K	0
\$30-40K	1
\$40-50K	1
\$50-60K	1
\$60-70K	2
\$70-80K	4
\$80-90K	15
\$90-100K	27
\$100-110K	17
\$110-120K	28
\$120-130K	26
\$130-140K	37
\$140-150K	51
\$150-160K	89
\$160-170K	73
<b>\$170-180K</b>	<b>92</b>
\$180-190K	86
\$190-200K	72
\$200-210K	50
\$210-220K	56
\$220-230K	44
\$230-240K	33
\$240-250K	20
\$250-260K	24
\$260-270K	16
\$270-280K	11
\$280-310K	17
\$310-340K	6
\$340-380K	3
>\$400K	1
Total	903



\*Minimum 2,000 Hours in Year. Based on equivalent full year of employment in 2017

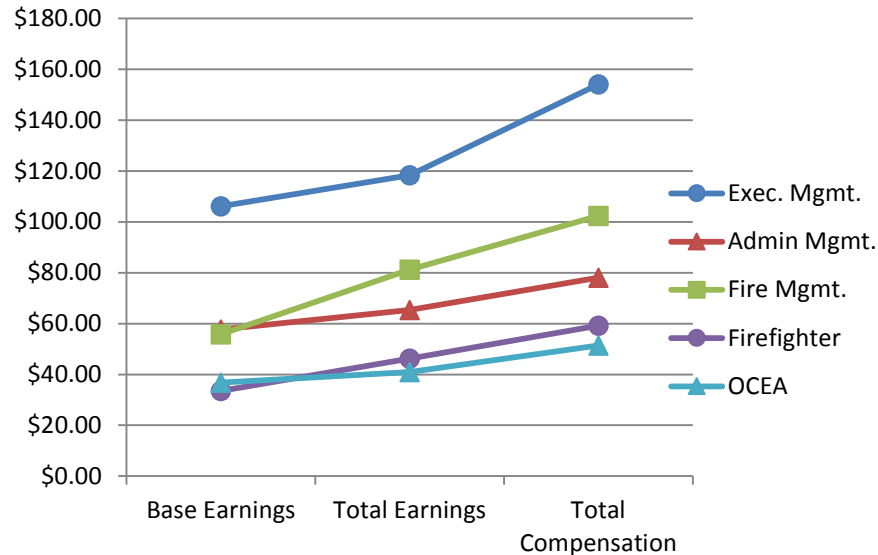
**Annual Firefighter (excluding firefighter trainees) average and median earnings:**

<b>AVERAGE</b>	\$	181,302
<b>MEDIAN</b>	\$	179,107

# CY 2016 Total Employee Compensation

Bargaining Group	BASE EARNINGS			TOTAL EARNINGS			TOTAL COMPENSATION		
	Average Base Earnings	Regularly Scheduled Hours	Average Hourly Rate	Average Total Earnings	Average Actual Hours Worked	Average Hourly Rate	Average Total Compensation	Average Actual Hours Worked	Average Hourly Rate
Executive Management	\$220,836	2080	\$106.17	\$246,601	2083	\$118.42	\$320,998	2083	\$154.14
Administrative Management	\$119,951	2080	\$57.67	\$144,622	2214	\$65.33	\$172,791	2214	\$78.06
Chief Officers Association	\$162,312	2912	\$55.74	\$274,721	3380	\$81.28	\$345,795	3380	\$102.31
OC Professional Firefighters Assoc.	\$97,678	2912	\$33.54	\$181,302	3921	\$46.24	\$232,202	3921	\$59.22
Orange County Employee's Assoc.	\$76,460	2080	\$36.76	\$92,184	2252	\$40.93	\$115,614	2252	\$51.34

## Average Hourly Rate





# Calendar Year 2017 Top 10 Firefighter Unit Total Compensation & FTE Cost Savings

	Title/ Assignment	Total Earnings	Total Compensation	Base Hours	Other Hours	Total Hours	Average Hours Per Week	Average Hourly Rate	FTE	Cost Savings
1	Fire Captain/PM	\$447,356	\$510,303	2,912	4,359	7,271	140	\$ 70.18	2.50	\$101,599.68
2	Fire Captain/PM	\$374,372	\$437,342	2,912	3,180	6,092	117	\$ 71.79	2.09	\$73,829.10
3	Fire Captain	\$354,002	\$419,669	2,080	1,530	3,610	69	\$ 116.25	1.74	\$31,876.83
4	Fire Captain/PM	\$354,153	\$419,555	2,912	2,934	5,846	112	\$ 71.77	2.01	\$68,410.45
5	Fire Captain	\$334,212	\$396,773	2,912	2,363	5,275	101	\$ 75.22	1.81	\$48,849.09
6	Fire Captain	\$331,323	\$394,473	2,080	1,661	3,741	72	\$ 105.45	1.80	\$34,461.44
7	Fire Captain	\$326,539	\$385,428	2,912	3,437	6,349	122	\$ 60.71	2.18	\$71,162.87
8	Fire Captain	\$319,249	\$383,494	2,080	1,672	3,752	72	\$ 102.21	1.80	\$34,461.44
9	Fire Captain/PM	\$312,167	\$376,743	2,912	2,367	5,279	102	\$ 71.37	1.81	\$54,863.83
10	Fire Captain/PM	\$313,383	\$376,352	2,912	2,311	5,223	100	\$ 72.06	1.79	\$53,509.16



# Calendar Year 2017 Top 10 Employee Total Compensation

	Title/ Assignment	Total Earnings	Total Compensation	Base Hours	Other Hours	Total Hours	Average Hours Per Week	Average Hourly Rate
1	Fire Captain/PM	\$447,356	\$510,303	2,912	4,359	7,271	140	\$ 70.18
2	Fire Captain/PM	\$374,372	\$437,342	2,912	3,180	6,092	117	\$ 71.79
3	Fire Captain	\$354,002	\$419,669	2,080	1,530	3,610	69	\$ 116.25
4	Fire Captain/PM	\$354,153	\$419,555	2,912	2,934	5,846	112	\$ 71.77
5	Chief Officer	\$329,453	\$413,745	2,080	647	2,727	52	\$ 151.72
6	Chief Officer	\$339,467	\$411,857	2,912	1,749	4,661	90	\$ 88.36
7	Chief Officer	\$331,751	\$402,928	2,528	1,439	3,967	76	\$ 101.57
8	Chief Officer	\$331,597	\$399,484	2,912	1,532	4,444	85	\$ 89.89
9	Chief Officer	\$324,124	\$397,792	2,080	983	3,063	59	\$ 129.87
10	Fire Captain/PM	\$334,212	\$396,773	2,912	2,363	5,275	101	\$ 75.22

The top 10 employees worked an average of 90 hours per week with an average total compensation per hour of \$96.66.

# Calendar Year 2017 Top 10 Employee Pensionable vs. Non- Pensionable Compensation

	Title/ Assignment	Base Hours	Other Hours	Total Hours	Compensation Pensionable	Compensation Non-Pensionable	Employer Paid Pension (Non-Pensionable)	Employer Paid Health (Non-Pensionable)	Total Compensation
1	Fire Captain/PM	2,912	4,359	7,271	\$ 157,933	\$ 289,423	\$ 40,147	\$ 22,800	\$ 510,303
2	Fire Captain/PM	2,912	3,180	6,092	\$ 158,151	\$ 216,221	\$ 40,170	\$ 22,800	\$ 437,342
3	Fire Captain	2,080	1,530	3,610	\$ 197,125	\$ 158,877	\$ 42,867	\$ 22,800	\$ 419,669
4	Fire Captain/PM	2,912	2,934	5,846	\$ 154,061	\$ 200,092	\$ 42,602	\$ 22,800	\$ 419,555
5	Chief Officer	2,080	647	2,727	\$ 220,570	\$ 108,883	\$ 59,962	\$ 24,330	\$ 413,745
6	Chief Officer	2,912	1,749	4,661	\$ 172,958	\$ 166,509	\$ 49,428	\$ 22,962	\$ 411,857
7	Chief Officer	2,528	1,439	3,967	\$ 173,950	\$ 157,801	\$ 47,830	\$ 23,347	\$ 402,928
8	Chief Officer	2,912	1,532	4,444	\$ 165,227	\$ 166,370	\$ 46,778	\$ 21,109	\$ 399,484
9	Chief Officer	2,080	983	3,063	\$ 191,528	\$ 132,596	\$ 51,830	\$ 21,838	\$ 397,792
10	Fire Captain/PM	2,912	2,363	5,275	\$ 151,493	\$ 182,719	\$ 41,661	\$ 20,900	\$ 396,773

# Calendar Year 2017 Top 10 Employees Hours by Overtime/Backfill Cause Code

	Title/ Assignment	Base or "Regular" Hours Worked	Backfill Hours Worked to fill for Sick/Vacation/ Workers Comp	Backfill Hours Worked to fill Open Vacant Positions	Overtime Hours Worked to Staff an Emergency Incident (1)	Overtime Hours Worked to Attend Training	Other (2)	Total Hours
1	Fire Captain/PM	2,912	1,470	1,672	1,077	113	27	7,271
2	Fire Captain/PM	2,912	1,071	1,773	128	51	157	6,092
3	Fire Captain	2,080	0	0	1,317	0	213	3,610
4	Fire Captain/PM	2,912	864	1,331	401	287	51	5,846
5	Chief Officer	2,080	0	0	562	0	85	2,727
6	Chief Officer	2,912	322	140	1,079	107	101	4,661
7	Chief Officer	2,528	270	105	889	146	29	3,967
8	Chief Officer	2,912	373	240	815	93	11	4,444
9	Chief Officer	2,080	83	52	824	24	0	3,063
10	Fire Captain/PM	2,912	828	1,128	216	34	157	5,275

(1) Reimbursable

(2) Other includes: Special Activity, Other Discretionary, Other Non-Discretionary, Administrative.

# Summary

- Approximately 91% of the backfill/overtime cost are non-discretionary (81 % - constant staffing) and emergency activity (10% - reimbursable)
- For FY 2016/17 over 35% non-discretionary overtime was a result of open positions. OCFA staff has conducted, or has scheduled, the following academies over the next two fiscal years:

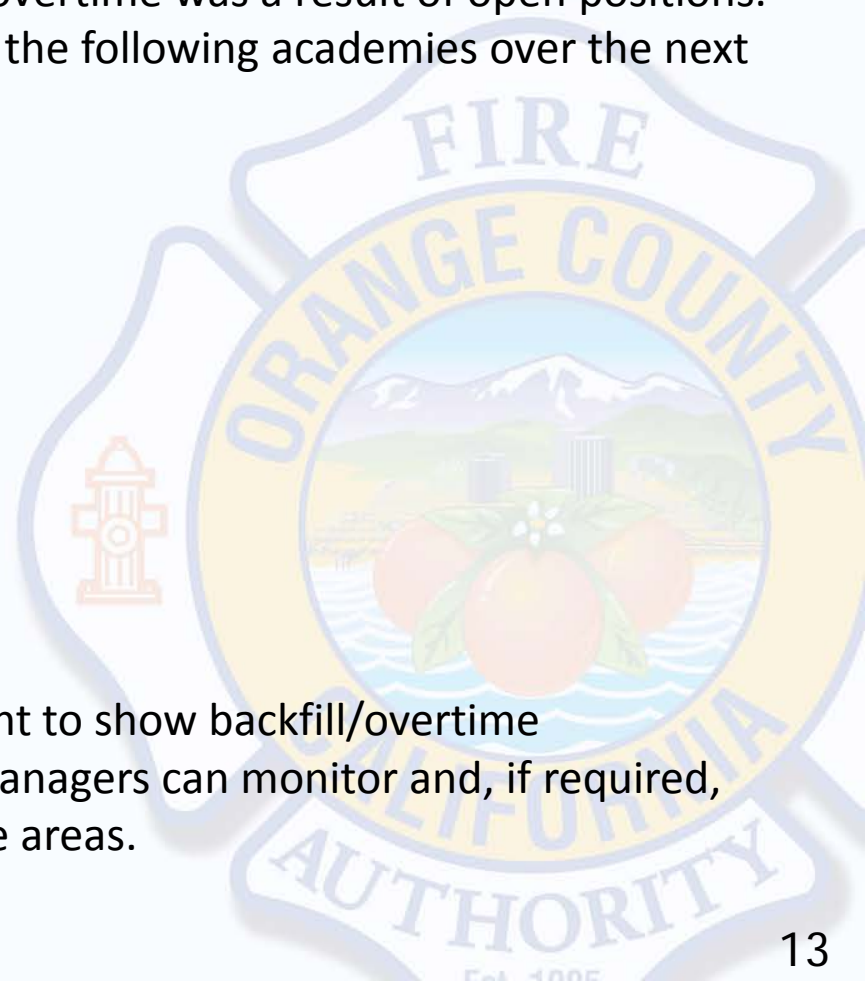
## FY 2017/18

2 Firefighter Academies  
2 Fire Apparatus Engineer Academies  
1 Fire Captain Academy

## FY 2018/19

2 Firefighter Academies  
2 Fire Apparatus Engineer Academies  
2 Fire Captain Academies

- Monthly reports are provided to management to show backfill/overtime expenditures by section and cause so that managers can monitor and, if required, adjust activities as needed in their respective areas.





# Recommended Action

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Direct staff to continue pursuing reductions in overtime by filling permanent vacancies as quickly as possible after the positions become vacant.
2. Authorize staff to temporarily exceed the number of authorized firefighter positions on the Master Position Control to enable the hiring of 50 firefighters into each of the next two academies, pending attrition/promotions that occur during and following academy graduations.
3. Direct staff to continue using overtime to fill temporary vacancies rather than hiring additional personnel, recognizing this as a cost-effective practice for temporary needs.



Orange County Fire Authority  
**AGENDA STAFF REPORT**

**Budget and Finance Committee Meeting**  
**March 14, 2018**

**Agenda Item No. 4D**  
**Discussion Calendar**

**Second Amendment to**  
**Advanced Life Support Billing/Reimbursement Agreements**

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**Contact(s) for Further Information**

Lori Zeller, Assistant Chief Business Services Department	<a href="mailto:lorizeller@ocfa.org">lorizeller@ocfa.org</a>	714.573.6020
Jim Ruane, Finance Manager/Auditor	<a href="mailto:jimruane@ocfa.org">jimruane@ocfa.org</a>	714.573.6304

**Summary**

This item is submitted to request approval, as to form, of a proposed Second Amendment to the Advanced Life Support (ALS) Services Billing Agreement between the OCFA and the current 911 Emergency Ambulance Transportation Services providers to amend the OCFA's reimbursement rates for the remainder of the agreement's term.

**Prior Board/Committee Action**

See background below.

**RECOMMENDED ACTION(S)**

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Board of Directors approve and authorize the Board Chair to sign the proposed Second Amendments to the Advanced Life Support Services Billing Agreement to amend the OCFA's reimbursement rates for the remainder of the agreement's term.

**Impact to Cities/County**

Not Applicable.

**Fiscal Impact**

Approval of the Second Amendment will result in OCFA's ALS reimbursement revenue being reduced by \$750,000 resulting in \$3.7 million in total projected ALS annual revenue.

**Background**

At the March 23, 2015, Board of Directors meeting, the Board approved, as to form, the Advanced Life Support Billing Agreement between OCFA and the current 911 emergency ambulance providers. As part of the agreement, the County Board of Supervisors approves the maximum Basic Life Support (BLS) and Advanced Life Support (ALS) **billing rates**. The OCFA Board of Directors approves the maximum ALS **reimbursement rate**, subject to the increase approved by the supervisors to the BLS rate. Also, OCFA's ALS reimbursement rate cannot exceed OCFA's cost of providing the service.

At the October 15, 2015, OCFA Board of Directors meeting, the Board approved an amendment to the billing agreement that temporarily suspended any increases to the OCFA's reimbursement rates. The intent was to allow the current 911 OCFA ambulance providers to adjust their BLS billing rates to accommodate changes in the minimum wage without significant increases in the ALS billing or reimbursement rates. Prior to the amendment, any increase in the BLS rate also increased the ALS reimbursement rate by the same percentage. At the request of the ambulance providers, OCFA staff also agreed to review the existing reimbursement methodology that was developed in 2004, to ensure that it was fair, equitable, and revenue neutral to both OCFA and the ambulance providers.

OCFA staff has evaluated the current reimbursement method with the support of an external consultant, and believes that an adjustment in the methodology is required. The existing methodology was developed over a decade ago based on various reimbursement escalation calculations that varied over time. The reimbursement formula did not take into consideration the shift in insurance coverage from HMO/PPO (reimbursed currently to OCFA at approximately \$275 per transport) to Medicare/MediCal plans (that are reimbursed at \$70 and \$0 respectively) as a result of the Affordable Care Act and the economic downturn. The current methodology also requires uninsured patients (zero pay) to reimburse OCFA at the PPO/HMO rate of \$275 per transport for ALS services and \$30.65 per transport for medical supplies, with the ambulance providers assuming collection responsibility.

Staff is recommending that the Board approve the proposed Second Amendment to the Advanced Life Support Billing Agreement, to implement the following changes:

- Eliminate the requirement for providers to reimburse OCFA for ALS services or medical supplies for "zero pay patients" that are defined as patients who do not have medical insurance or whose only method of health care coverage is provided by a state or local subsidized health care programs.
- Modify the requirement for providers to remit reimbursements to OCFA from 90 days to 120 days after the first day of each month the services were rendered.
- Suspend the annual adjustment to ALS and medical supplies reimbursement rates until the end of the current contract (May 2020).

Staff will continue to review potential alternate reimbursement methodologies for future agreements effective in 2020. Upon approval of the proposed Second Amendment of the Advanced Life Support Billing Agreement, OCFA's ALS cost recovery will remain at approximately 70%.

#### **Attachment(s)**

1. Proposed Second Amendment to Advanced Life Support Services Billing Agreement with Care Ambulance Service.
2. Proposed Second Amendment to Advanced Life Support Services Billing Agreement with Emergency Ambulance Service.

**SECOND AMENDMENT TO  
ADVANCED LIFE SUPPORT SERVICES  
BILLING AGREEMENT**

This Second Amendment to Advanced Life Support Services Billing Agreement ("Second Amendment") is made and entered into this \_\_\_\_ th day of \_\_\_\_\_, 2018 ("Second Amendment Effective Date"), by and between the ORANGE COUNTY FIRE AUTHORITY, a Joint Powers Agency organized pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the California Government Code, hereinafter referred to as "OCFA," and CARE AMBULANCE SERVICE, Inc., hereinafter referred to as "Contractor." OCFA and Contractor are referred to collectively herein as the "parties."

**RECITALS**

A. OCFA and Contractor entered into that certain Advance Life Support Services Billing Agreement on May 21, 2015, as amended by that certain Amendment to Advanced Life Support Services Billing Agreement on October 15, 2015 (collectively, "ALS Billing Agreement") which is incorporated herein by this reference.

B. Pursuant to the ALS Billing Agreement, Contractor is obligated to pay OCFA the established ALS Reimbursement Rate for each service call where OCFA personnel perform advance life support ("ALS") services to patients who also receive ambulance transport services from Contractor.

C. Pursuant to the ALS Billing Agreement, Contractor is obligated to pay OCFA the established Medical Supply Reimbursement Rate for each service call where OCFA personnel perform ALS services or Basic Life Support ("BLS") services to patients who also receive ambulance transport services from Contractor.

D. The ALS Reimbursement Rate and the Medical Supply Reimbursement Rate are each subject to the same annual percentage adjustment increase as the County's Basic Life Support emergency ground ambulance rate ("BLS Base Rate") and the Orange County Board of Supervisors periodically considers adjustments to the BLS Base Rate.

E. Notwithstanding any increase to the BLS Base Rate that may be approved by the Board of Supervisors, the parties desire to retain the current ALS Reimbursement Rate and Medical Supply Reimbursement Rate specified in the ALS Billing Agreement and to suspend any increases in the OCFA's ALS Reimbursement Rate and Medical Supply Reimbursement for the remaining term of the ALS Billing Agreement.

F. Pursuant to the ALS Billing Agreement, Contractor is obligated to remit payment to OCFA for ALS reimbursements and medical supply reimbursements within ninety (90) days after the first day of each month ("Reimbursement Period").



G. The parties desire to extend the Reimbursement Period from ninety (90) days to one hundred and twenty (120) days.

H. Pursuant to the ALS Billing Agreement, OCFA does not require Contractor to pay the established ALS Reimbursement Rate or Medical Supply Reimbursement Rate for “zero pay patients”, which are defined to include patients whose only method of healthcare coverage or insurance is provided by a state or local subsidized health care program.

I. The parties desire to amend the definition of “zero pay patients” to include uninsured patients who are do not have any medical insurance.

J. The possibility exists that Contractor has made ALS reimbursement payments to OCFA in the past based on inaccurate patient insurance information. For example, in some instances, Contractor could have remitted to OCFA the full ALS Reimbursement Rate for the transport of a privately insured patient, only to later discover that the transport was a Medicare patient, in which case either the Medicare ALS-1 or ALS-2 Increment should have been paid to OCFA.

K. The parties desire to amend the ALS Billing Agreement to provide Contractor the opportunity to identify and receive credit for any past ALS reimbursement payments to OCFA made in error based on inaccurate patient insurance information. Credit for reimbursements for uninsured patients are specifically excluded from this provision.

NOW, THEREFORE, the parties hereto mutually agree as follows:

### **AGREEMENT**

1. Section 2.2.4 of the ALS Billing Agreement is amended to read as follows:

**“2.2.4 Suspension of Annual Adjustment to ALS Reimbursement Rate.** Notwithstanding Section 2.2.2, and irrespective of any County-approved increases to the BLS Base Rate that may occur following the Second Amendment Effective Date, the ALS Reimbursement Rate shall remain fixed at the amount(s) specified in Section 2.2.3.”

2. Section 2.3.1 of the ALS Billing Agreement is amended to read as follows:

**“2.3.1 Suspension of Annual Adjustment to Medical Supply Reimbursement Rate.** Irrespective of any County-approved increases to the BLS Base Rate that may occur following the Second Amendment Effective Date, the Medical Supply Reimbursement Rate shall remain fixed at the amount specified in Section 2.3.”

3. Section 2.4 of the ALS Billing Agreement is amended to read as follows:

**“2.4 Zero Pay Patients.** OCFA will not require Contractor to pay the established ALS Reimbursement Rate or Medical Supply Reimbursement Rate (nor any portion thereof) for “zero pay patients.” “Zero pay patients” are those calls for service to (1) uninsured patients who do not have any medical insurance, and (2) patients whose only method of healthcare coverage or



insurance is provided by a state or local subsidized health care program (i.e., patients receiving health care benefits pursuant to any one of the following state or local subsidized health care programs: (a) Medi-Cal; (b) CalOptima; (c) California Child Services ("CCS"); and/or (d) County Medical Services for the Indigent ("County/MSI")). Patients who are covered by additional or supplemental insurers, other than subsidized health care programs, are not "zero pay patients." Contractor may seek relief from making the required reimbursement payments to OCFA by applying for a Zero Pay Patient Exemption, as provided below."

4. Section 3.5 is added to the ALS Billing Agreement to read as follows:

**"3.5 Refund of Past Overpayments.** If Contractor believes that it has made ALS reimbursements and medical supply reimbursements to OCFA between May 28, 2015 and the Second Amendment Effective Date in excess of the amounts required by the ALS Agreement, Contractor may request a refund of any such overpayments. Contractor shall be required to provide such proof as necessary to demonstrate an overpayment. This may require Contractor to hire, at its sole cost and expense, an OCFA-approved independent accounting firm. A refund may be warranted where:

- The \$274.38 maximum ALS Reimbursement Rate was paid to OCFA for a Medicare ALS-1 or ALS-2 Increment patient;
- The \$274.38 maximum ALS Reimbursement Rate and Medical Supply Reimbursement Rate was paid to OCFA for a patient whose only method of healthcare coverage or insurance was provided by a state or local subsidized health care program (i.e., patients receiving health care benefits pursuant to any one of the following state or local subsidized health care programs: (a) Medi-Cal; (b) CalOptima; (c) California Child Services ("CCS"); and/or (d) County Medical Services for the Indigent ("County/MSI")); or
- The Medicare ALS-1 or ALS-2 Increment and Medical Supply Reimbursement Rate was paid to OCFA for a patient whose only method of healthcare coverage or insurance was provided by a state or local subsidized health care program (i.e., patients receiving health care benefits pursuant to any one of the following state or local subsidized health care programs: (a) Medi-Cal; (b) CalOptima; (c) California Child Services ("CCS"); and/or (d) County Medical Services for the Indigent ("County/MSI")).

It shall be at the sole discretion of the OCFA Emergency Medical Services Battalion Chief whether to agree to any refund with reasonable cause.

5. Section 4.1 of the ALS Billing Agreement is amended to read as follows:

**"4.1 Monthly Payments to OCFA.** All ALS reimbursements and medical supply reimbursements, as required by this ALS Agreement, (hereinafter referred to as "Monthly Payments") shall be promptly paid by Contractor to OCFA beginning ninety (90) days from the Effective Date, and such payments shall continue to be promptly remitted by Contractor to OCFA thereafter within one hundred and twenty (120) days after the first day of each month throughout the contract term. Zero Pay Patient Exemptions may be requested by Contractor for each qualifying call by following the procedures below. A penalty of \$500 may be imposed for each late payment. If Contractor's monthly payments are sixty (60) days late (or more), Contractor may be assessed a 1½% late fee for each month that payments are not made. Failure to make timely Monthly Payments may be deemed a breach of contract.

6. Except as expressly modified by this Second Amendment, all terms and conditions of the ALS Billing Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as follows, to be effective on the date first set forth above.

**CARE AMBULANCE, Inc.**

Sign: 

Date: 2/23/2008

Name: Troy M. Hagon

Title: CEO

**ORANGE COUNTY FIRE AUTHORITY**

By: \_\_\_\_\_

Ed Sachs, Chair  
OCFA Board of Directors

Date: \_\_\_\_\_

APPROVED AS TO FORM:

David E. Kendig, General Counsel

By: 

ATTEST:

By: \_\_\_\_\_

Sherry A.F. Wentz, Clerk of the Authority



**SECOND AMENDMENT TO  
ADVANCED LIFE SUPPORT SERVICES  
BILLING AGREEMENT**

This Second Amendment to Advanced Life Support Services Billing Agreement ("Second Amendment") is made and entered into this \_\_\_\_ th day of \_\_\_\_\_, 2018 ("Second Amendment Effective Date"), by and between the ORANGE COUNTY FIRE AUTHORITY, a Joint Powers Agency organized pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the California Government Code, hereinafter referred to as "OCFA," and EMERGENCY AMBULANCE SERVICE, Inc., hereinafter referred to as "Contractor." OCFA and Contractor are referred to collectively herein as the "parties."

**RECITALS**

A. OCFA and Contractor entered into that certain Advance Life Support Services Billing Agreement on May 21, 2015, as amended by that certain Amendment to Advanced Life Support Services Billing Agreement on October 15, 2015 (collectively, "ALS Billing Agreement") which is incorporated herein by this reference.

B. Pursuant to the ALS Billing Agreement, Contractor is obligated to pay OCFA the established ALS Reimbursement Rate for each service call where OCFA personnel perform advance life support ("ALS") services to patients who also receive ambulance transport services from Contractor.

C. Pursuant to the ALS Billing Agreement, Contractor is obligated to pay OCFA the established Medical Supply Reimbursement Rate for each service call where OCFA personnel perform ALS services or Basic Life Support ("BLS") services to patients who also receive ambulance transport services from Contractor.

D. The ALS Reimbursement Rate and the Medical Supply Reimbursement Rate are each subject to the same annual percentage adjustment increase as the County's Basic Life Support emergency ground ambulance rate ("BLS Base Rate") and the Orange County Board of Supervisors periodically considers adjustments to the BLS Base Rate.

E. Notwithstanding any increase to the BLS Base Rate that may be approved by the Board of Supervisors, the parties desire to retain the current ALS Reimbursement Rate and Medical Supply Reimbursement Rate specified in the ALS Billing Agreement and to suspend any increases in the OCFA's ALS Reimbursement Rate and Medical Supply Reimbursement for the remaining term of the ALS Billing Agreement.

F. Pursuant to the ALS Billing Agreement, Contractor is obligated to remit payment to OCFA for ALS reimbursements and medical supply reimbursements within ninety (90) days after the first day of each month ("Reimbursement Period").

G. The parties desire to extend the Reimbursement Period from ninety (90) days to one hundred and twenty (120) days.

H. Pursuant to the ALS Billing Agreement, OCFA does not require Contractor to pay the established ALS Reimbursement Rate or Medical Supply Reimbursement Rate for "zero pay patients", which are defined to include patients whose only method of healthcare coverage or insurance is provided by a state or local subsidized health care program.

I. The parties desire to amend the definition of "zero pay patients" to include uninsured patients who are do not have any medical insurance.

J. The possibility exists that Contractor has made ALS reimbursement payments to OCFA in the past based on inaccurate patient insurance information. For example, in some instances, Contractor could have remitted to OCFA the full ALS Reimbursement Rate for the transport of a privately insured patient, only to later discover that the transport was a Medicare patient, in which case either the Medicare ALS-1 or ALS-2 Increment should have been paid to OCFA.

K. The parties desire to amend the ALS Billing Agreement to provide Contractor the opportunity to identify and receive credit for any past ALS reimbursement payments to OCFA made in error based on inaccurate patient insurance information. Credit for reimbursements for uninsured patients are specifically excluded from this provision.

NOW, THEREFORE, the parties hereto mutually agree as follows:

### **AGREEMENT**

1. Section 2.2.4 of the ALS Billing Agreement is amended to read as follows:

**"2.2.4 Suspension of Annual Adjustment to ALS Reimbursement Rate.** Notwithstanding Section 2.2.2, and irrespective of any County-approved increases to the BLS Base Rate that may occur following the Second Amendment Effective Date, the ALS Reimbursement Rate shall remain fixed at the amount(s) specified in Section 2.2.3."

2. Section 2.3.1 of the ALS Billing Agreement is amended to read as follows:

**"2.3.1 Suspension of Annual Adjustment to Medical Supply Reimbursement Rate.** Irrespective of any County-approved increases to the BLS Base Rate that may occur following the Second Amendment Effective Date, the Medical Supply Reimbursement Rate shall remain fixed at the amount specified in Section 2.3."

3. Section 2.4 of the ALS Billing Agreement is amended to read as follows:

**"2.4 Zero Pay Patients.** OCFA will not require Contractor to pay the established ALS Reimbursement Rate or Medical Supply Reimbursement Rate (nor any portion thereof) for "zero pay patients." "Zero pay patients" are those calls for service to (1) uninsured patients who do not have any medical insurance, and (2) patients whose only method of healthcare coverage or



insurance is provided by a state or local subsidized health care program (i.e., patients receiving health care benefits pursuant to any one of the following state or local subsidized health care programs: (a) Medi-Cal; (b) CalOptima; (c) California Child Services ("CCS"); and/or (d) County Medical Services for the Indigent ("County/MSI")). Patients who are covered by additional or supplemental insurers, other than subsidized health care programs, are not "zero pay patients." Contractor may seek relief from making the required reimbursement payments to OCFA by applying for a Zero Pay Patient Exemption, as provided below."

4. Section 3.5 is added to the ALS Billing Agreement to read as follows:

**"3.5 Refund of Past Overpayments.** If Contractor believes that it has made ALS reimbursements and medical supply reimbursements to OCFA between May 28, 2015 and the Second Amendment Effective Date in excess of the amounts required by the ALS Agreement, Contractor may request a refund of any such overpayments. Contractor shall be required to provide such proof as necessary to demonstrate an overpayment. This may require Contractor to hire, at its sole cost and expense, an OCFA-approved independent accounting firm. A refund may be warranted where:

- The \$274.38 maximum ALS Reimbursement Rate was paid to OCFA for a Medicare ALS-1 or ALS-2 Increment patient;
- The \$274.38 maximum ALS Reimbursement Rate and Medical Supply Reimbursement Rate was paid to OCFA for a patient whose only method of healthcare coverage or insurance was provided by a state or local subsidized health care program (i.e., patients receiving health care benefits pursuant to any one of the following state or local subsidized health care programs: (a) Medi-Cal; (b) CalOptima; (c) California Child Services ("CCS"); and/or (d) County Medical Services for the Indigent ("County/MSI")); or
- The Medicare ALS-1 or ALS-2 Increment and Medical Supply Reimbursement Rate was paid to OCFA for a patient whose only method of healthcare coverage or insurance was provided by a state or local subsidized health care program (i.e., patients receiving health care benefits pursuant to any one of the following state or local subsidized health care programs: (a) Medi-Cal; (b) CalOptima; (c) California Child Services ("CCS"); and/or (d) County Medical Services for the Indigent ("County/MSI")).

It shall be at the sole discretion of the OCFA Emergency Medical Services Battalion Chief whether to agree to any refund with reasonable cause.



5. Section 4.1 of the ALS Billing Agreement is amended to read as follows:

**"4.1 Monthly Payments to OCFA.** All ALS reimbursements and medical supply reimbursements, as required by this ALS Agreement, (hereinafter referred to as "Monthly Payments") shall be promptly paid by Contractor to OCFA beginning ninety (90) days from the Effective Date, and such payments shall continue to be promptly remitted by Contractor to OCFA thereafter within one hundred and twenty (120) days after the first day of each month throughout the contract term. Zero Pay Patient Exemptions may be requested by Contractor for each qualifying call by following the procedures below. A penalty of \$500 may be imposed for each late payment. If Contractor's monthly payments are sixty (60) days late (or more), Contractor may be assessed a 1½% late fee for each month that payments are not made. Failure to make timely Monthly Payments may be deemed a breach of contract.

6. Except as expressly modified by this Second Amendment, all terms and conditions of the ALS Billing Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as follows, to be effective on the date first set forth above.

**EMERGENCY AMBULANCE SERVICE**

Sign: Charles A. Druten Jr.

Date: 2/23/2018

Name: CHARLES A. DRUTEN JR.

Title: C.O.O.

**ORANGE COUNTY FIRE AUTHORITY**

By: \_\_\_\_\_  
Ed Sachs, Chair  
OCFA Board of Directors

Date: \_\_\_\_\_

APPROVED AS TO FORM:  
David E. Kendig, General Counsel

By: David E. Kendig

ATTEST:

By: \_\_\_\_\_  
Sherry A.F. Wentz, Clerk of the Authority



**Orange County Fire Authority**  
**AGENDA STAFF REPORT**

**Budget and Finance Committee Meeting**  
**March 14, 2018**

**Agenda Item No. 4E**  
**Discussion Calendar**

**Write-off for Uncollectible Account – Medix Ambulance Services**

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**Contact(s) for Further Information**

Lori Zeller, Assistant Chief  
Business Services Department

[lorizeller@ocfa.org](mailto:lorizeller@ocfa.org)

714.573.6020

Jim Ruane, Finance Manager/Auditor

[jimruane@ocfa.org](mailto:jimruane@ocfa.org)

714.573.6304

**Summary**

This item is submitted to request approval to write-off \$68,921.73 of uncollectible and outstanding accounts receivable due to the OCFA from Medix Ambulance Services.

**Prior Board/Committee Action**

Not Applicable.

**RECOMMENDED ACTION(S)**

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 22, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee approve the write-off of \$68,921.73 as a one-time adjustment for uncollectible accounts due from Medix Ambulance Services.

**Impact to Cities/County**

Not Applicable.

**Fiscal Impact**

This account was previously setup as an allowance for uncollectible amounts at 100% of the outstanding amount; therefore, this action will have no further financial impact to OCFA.

**Background**

In February 2014, Medix Ambulance Services relinquished its 911 emergency ambulance transportation for the City of Mission Viejo, which was the last 911 emergency ambulance jurisdiction that Medix had served in Orange County prior to discontinuing the business altogether.

At the time Medix stopped providing service to the City of Mission Viejo, there was an outstanding balance due to OCFA for Advanced Life Support (ALS) reimbursements of \$68,921.73. Staff attempted to work with Medix to develop a repayment plan, without success. An allowance for uncollectible accounts was established, and staff attempted to send the uncollectible account to a collection agency. Shortly after Medix stopped providing service to the city, Medix initiated a lawsuit against OCFA. Due to the pending litigation, the collection agency was unable to accept the account.

OCFA has prevailed in the lawsuit, and as of January 26, 2018, the timeframe for Medix to appeal has been exhausted. Now that the threat of litigation has ended, and consistent with the OCFA Roles/Responsibilities/Authorities matrix, staff is recommending write-off of the outstanding uncollectible account.

**Attachment(s)**

None.