



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, September 12, 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 Don Sedgwick Tri Ta

Jennifer Cervantez - Ex Officio

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

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



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

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Sachs

ROLL CALL

1. PRESENTATIONS

No items.

PUBLIC COMMENTS

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

2. MINUTES

A. Minutes for the July 11, 2018, Budget and Finance Committee Regular Meeting

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT CALENDAR

A. Fourth Quarter Financial Newsletter

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of September 27, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

B. Annual Investment Report

Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:

In compliance with Section 18.2 of the Orange County Fire Authority's Investment Policy, review the proposed annual agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of September 27, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

4. DISCUSSION CALENDAR

A. Monthly Investment Reports

Submitted by: Patricia Jakubiak, Treasurer

Recommended Actions:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of September 27, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Carryover of FY 2017/18 Uncompleted Projects and Use of Unexpended Fund Balance

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of September 27, 2018, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the following proposed carryover budget adjustments:

1. Approve a budget adjustment in the General Fund (121) increasing revenues by \$500,000 and expenditures by \$5,517,226.
2. Approve a budget adjustment in the General Fund CIP (12110) increasing expenditures by \$1,330,777.
3. Approve a budget adjustment in the Fire Stations and Facilities Fund (123) increasing expenditures by \$1,946,642.
4. Approve a budget adjustment in the Communications and Information Systems Fund (124) increasing expenditures by \$2,957,040.
5. Approve a budget adjustment in the Fire Apparatus Fund (133) increasing expenditures by \$3,972,280.
6. Approve a budget adjustment transferring \$875,000 from the General Fund (121) to the General Fund CIP (12110) to ensure sufficient fund balance in the fund to complete the projects.

REPORTS

No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, October 10, 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 6th day of September 2018.

Martha Halvorson, CMC
Assistant Clerk of the Authority

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, September 27, 2018, 5:00 p.m.
Executive Committee Meeting	Thursday, September 27, 2018, 5:30 p.m.
Board of Directors Meeting	Thursday, September 27, 2018, 6:00 p.m.

MINUTES ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Regular Meeting

Wednesday, July 11, 2018

12:00 Noon

Regional Fire Operations and Training Center

Room AE117

1 Fire Authority Road

Irvine, CA 92602

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on July 11, 2018, at 12:02 p.m. by Chair Muller.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present: Shelley Hasselbrink, Los Alamitos
Gene Hernandez, Yorba Linda
Joseph Muller, Dana Point
Al Murray, Tustin
Ed Sachs, Mission Viejo
Don Sedgwick, Laguna Hills

Absent: Tri Ta, Westminster

Also present were:

Assistant Chief Lori Smith
Assistant Chief Lori Zeller
Assistant Chief Mark Pokey Sanchez

Human Resources Director Brigitte Gibb
Assistant Chief Dave Anderson
Clerk of the Authority Sherry Wentz

PUBLIC COMMENTS (F: 12.02B3)

Chair Muller opened the Public Comments portion of the meeting. Chair Muller 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 May 9, 2018, Budget and Finance Committee Regular Meeting (F: 12.02B2)

On motion of Director Murray and second by Director Hernandez, the Budget and Finance Committee voted by those present to approve the Minutes of the May 9, 2018, regular meeting as submitted.

Director Sedgwick was not present for the vote.

3. CONSENT CALENDAR

A. Orange County Employee's Retirement System Quarterly Status Update (F: 17.06B)

On motion of Director Murray and second by Director Hernandez, the Committee voted by those present to receive and file the report.

Director Sedgwick was not present for the vote.

B. 2017 Urban Areas Security Initiative Grant Program Agreement to Transfer Property Funds (F: 17.17A)

On motion of Director Murray and second by Director Hernandez, the Committee voted by those present to direct staff to place the item on the agenda for the Board of Directors meeting of July 26, 2018, with Budget and Finance Committee's recommendations that the Board of Directors:

1. Approve the FY 2017 Urban Areas Security Initiative Grant Program Agreement and authorize the Fire Chief to execute it and any necessary attachments and agreement(s) to accept and administer the UASI Grant.
2. Approve a budget adjustment to the FY 2018/19 General Fund (121) budget increasing revenues and expenditures by \$100,000.

Director Sedgwick was not present for the vote.

4. DISCUSSION CALENDAR

A. Monthly Investments Reports (F: 11.10D2)

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

Director Sedgwick arrived at this point (12:05 p.m.).

On motion of Director Murray and second by Director Hernandez, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of July 26, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Director Request to Explore Using the Orange County Investment Pool as an Additional Investment Option (F: 20.09A)

Assistant Chief Lori Zeller provided the background information associated with the request. Treasurer Tricia Jakubiak provided an overview of the Orange County Investment Pool as an Additional Investment Option.

A lengthy discussion ensued.

On motion of Director Sachs and second by Director Murray, the Committee was presented the staff report, reviewed the response from the County Treasurer, and determined using the Orange County Investment Pool as an Additional Investment option, was not a viable option at this time.

REPORTS

No items.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

Chair Muller welcomed Director Sedgwick to the Budget and Finance Committee.

ADJOURNMENT – Chair Muller adjourned the meeting at 12:36 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, August 8, 2018, at 12:00 noon.

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



Orange County Fire Authority
AGENDA STAFF REPORT

Budget & Finance Committee Meeting
September 12, 2018

Agenda Item No. 3A
Consent Calendar

Fourth Quarter Financial Newsletter

Contact(s) for Further Information

Lori Zeller, Deputy Chief Administration and Support Bureau	lorizeller@ocfa.org	714.573.6020
Patricia Jakubiak, Treasurer	triciajakubiak@ocfa.org	714.573.6301
Deborah Gunderson, Budget Manager	deborahgunderson@ocfa.org	714.573.6302

Summary

This routine agenda item is submitted to provide information regarding revenues and expenditures in the General Fund and the Capital Improvement Program Funds through the preliminary close of FY 2017/18.

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 September 27, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

The Quarterly Financial Newsletter provides information about the General Fund's top five revenue sources as well as expenditures by department and by type. Revenues and expenditures for the Capital Improvement Program (CIP) funds are also included. Revenues and expenditures for the General and CIP Funds through the preliminary close of the fiscal year are within budget, except where noted in the attached newsletter.

Attachment(s)

Fourth Quarter Financial Newsletter – July 2017 to June 2018



Orange County Fire Authority

Fourth Quarter Financial Newsletter – July 2017 to June 2018

OVERVIEW

This report covers fiscal activities in the General Fund and CIP Funds through the fourth quarter of Fiscal Year 2017/18. Budget figures include all budget adjustments authorized by the Board through the end of the fiscal year.

GENERAL FUND

With the year completed, total General Fund revenues are 103.0% of budget and expenditures are 98.7% as shown below:

General Fund (excludes 12110)	YTD Actual	Budget	Variance in Dollars	% Variance
Revenues	401,282,669	389,565,819	11,716,850	103.0%
Expenditures	392,970,788	399,196,073	(6,225,285)	98.7%

Top Five Revenues. The analysis presented below compares the five largest revenue categories received during the fiscal year, as compared to the budget. Categories in which the variance is exceeded by 10% or \$1 million, are discussed below the table.

Top Five Revenues	YTD Actual Receipts	Budget	Variance: Actual to Budget in Dollars	% Variance
Property Taxes	250,326,173	244,761,645	5,564,528	2%
Cash Contracts	95,075,733	95,908,362	(832,629)	-1%
State Reimbursements	21,341,411	20,776,423	564,988	3%
CRA Pass-through	11,578,682	9,842,993	1,735,689	15%
Community Risk Reduction Fees	6,658,135	6,145,787	512,348	8%
Total	384,980,134	377,435,210	7,544,924	2%

- **Property Taxes:** The variance in this category of approximately \$5.6 million or 2%, is a result of higher property tax revenue for FY 2017/18 than anticipated, primarily in the secured and supplemental property tax categories. The secured property tax category exceeded by 1.62%, or \$3.8 million, and the supplemental category, which is very unpredictable, exceeded by 19.1% or \$1.4 million.
- **CRA Pass-through:** Pass-through revenues represent OCFA's share of excess property tax from dissolved redevelopment areas, once enforceable obligations are paid. Essentially an element of property tax, this variance of 15% or \$1.7 million also is reflective of the difficulty in accurately estimating the timing of the excess property tax flow upon wind-down of the redevelopment areas.

Expenditures. The analysis presented on the following page compares the actual expenditures during the fiscal year, as compared to the budget. Categories in which the variance is exceeded by 10% or \$1 million, are discussed below the table.

Expenditures by Department	YTD Actual Expenditures	Budget	Variance: Actual to Budget in Dollars	% Variance
Business Services	34,997,181	36,003,884	(1,006,703)	-3%
Community Risk Reduction	10,834,134	11,419,634	(585,500)	-5%
Executive Management	15,396,771	15,600,986	(204,215)	-1%
Operations	298,240,219	299,685,013	(1,444,794)	0%
Support Services	33,502,483	36,486,556	(2,984,073)	-9%
Total	392,970,788	399,196,073	(6,225,285)	-2%

Totals may not equal the sum of components, or Authority-wide totals, due to rounding

- **Business Services:** This department was under budget in Services and Supplies, primarily in the Special Department Expense and Travel, Training and Meetings categories. Staff did not attend as much training as originally anticipated and a portion of the Special Department Expense remaining budget is being considered for Carryover to FY 2018/19.
- **Operations:** This department was under budget in Services and Supplies. About a third of the remaining budget is attributable to the Urban Search and Rescue unit which is primarily grant funded; therefore those funds will be included in the Carryover request.
- **Support Services:** This department ended the year under budget in Salary & Employee Benefits, Services and Supplies and Equipment. Vacancies in the ECC, and Fleet Services contributed to the savings in Salary & Employee Benefits. Additionally, several projects were not complete at year end and those remaining funds will be included in the Carryover request.

Expenditures by type are outlined below, with exception details below:

Expenditures by Type	YTD Actual Expenditures	Budget	Variance: Actual to Budget in Dollars	% Variance
Salary and Employee Benefits	357,647,306	359,115,010	(1,467,704)	0%
Services and Supplies	34,116,332	38,264,417	(4,148,085)	-12%
Equipment	1,207,150	1,816,646	(609,496)	-50%
Total	392,970,788	399,196,073	(6,225,285)	-2%

Totals may not equal the sum of components, or Authority-wide totals, due to rounding

- **Salary and Employee Benefits:** Support Services, and Community Risk Reduction were the primary contributors to the savings in this category with \$1.5 million, or less than 1% in total remaining at year-end.
- **Services and Supplies and Equipment.** Between these two categories, actual expenditures through the fourth quarter closed at approximately \$4.8 million or 13% under budget, in part, due to projects that were not completed in FY 2017/18 and will be carried over to FY 2018/19.

CIP FUNDS

The following summarizes revenues and expenditures for the Capital Improvement Program funds. Any variances are noted as follows:

General Fund CIP

Fund 12110	YTD Actual	Budget	Percent
Expenditures	2,557,479	3,111,074	82%

- This Fund receives transfers from the General Fund as its revenue source.
- Appropriations of \$3.1M included funding for routine maintenance and replacement of equipment such as pagers, PCs, laptops, printers, 800 MHz radios, VHF radios, MDC system, fire station telephone/alarm system upgrade, network servers, data storage, EOC upgrade and remote cameras on the County Tower and extrication rescue tools.
- YTD Expenditures of approximately \$2.6M include extrication tools, fire station telephone/alarm sound system upgrades, network, servers and security, data storage, remote cameras on the County Tower, PCs, laptops, tablets and printers, network servers, and VHF radios.
- Several projects were not completed in FY 2017/18 and about \$439K has been requested for carry over to FY 2018/19.

Fire Stations and Facilities

Fund 123	YTD Actual	Budget	Percent
Revenue	2,426,292	1,553,099	156.2%
Expenditures	556,350	2,598,490	21.4%

- Several projects were not completed in FY 2017/18 and about \$439K has been requested for carry over to FY 2018/19.
- Revenues consist of unbudgeted developer contributions as well as bankruptcy loss recovery. We received the FY 2018/19 bankruptcy payment, which was the final payment, in FY 2017/18. There will be no further bankruptcy payments.
- Appropriations of \$10.0 M include funding for replacement of Fire Station 9, US&R warehouse improvements, infrastructure enhancements, site stabilization at Fire Station 42, replacement of Fire Station 10, vehicle sheds at Fire Station 18 and the completion of the RFOTC emergency power circuit project.
- Minimal expenditures occurred in FY 2017/18 as contracts for Fire Station 9 replacement and Fire Station 42 site stabilization had not yet been awarded. YTD expenditures were for improvements to the US&R Warehouse/Training Center, RFOTC Infrastructure security enhancements, RFOTC emergency power circuit extension, and design completion for the Fire Station 42 site stabilization project.
- Several projects were not completed in FY 2017/18 and about \$1.9M has been requested for carry over to FY 2018/19.

Communications & Info. Systems Replacement

Fund 124	YTD Actual	Budget	Percent
Revenue	447,172	440,528	101.5%
Expenditures	1,186,357	4,250,516	27.9%

- Revenues in excess of budget are comprised of bankruptcy loss recovery proceeds. We received the FY 2018/19 bankruptcy payment, which was the final payment, in FY 2017/18. There will be no further bankruptcy payments.
- Appropriations of \$4.3M include funding for RFOTC Data Center Fire Suppression system upgrade, the OCFA Disaster Recovery Co-Location Facility, Incident Reporting Application Replacement, the Next Generation CAD2CAD projects, 800 MHz Replacement, and Audio Video Equipment Upgrades.
- YTD expenditures remain low at approximately 28% as most projects were still in planning stages through the end of FY 2017/18.
- Several projects were not completed in FY 2017/18 and about \$2.9M has been requested for carry over to FY 2018/19.

Fire Apparatus

Fund 133	YTD Actual	Budget	Percent
Revenue	3,466,078	1,826,547	189.8%
Expenditures	7,424,749	11,290,499	65.8%

- Actual revenue includes the quarterly Cash Contract payments for vehicle depreciation, interest, bankruptcy loss recovery and a large unbudgeted developer contribution.
- Major expenditures include four quarterly lease payments on the helicopters; purchase orders were issued for seven Type-1 Engines, three Full-size 4-door vehicle, two mid-size 4-door vehicles, nine mid-size pickup vehicles and one mid-size cargo van.
- Several vehicles were not purchased in FY 2017/18 and about \$3.8M has been requested for carry over to FY 2018/19.

SUMMARY

For more information. This summary is based on detailed information from our financial system. If you would like more information or have any questions about the report, please contact Deborah Gunderson, Budget Manager at 714-573-6302, or Tricia Jakubiak, Treasurer at 714-573-6301.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
September 12, 2018

Agenda Item No. 3B
Consent Calendar

Annual Investment Report

Contact(s) for Further Information

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

Summary

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

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

In compliance with Section 18.2 of the Orange County Fire Authority's Investment Policy, review the proposed annual agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of September 27, 2018, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

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

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

Attachment(s)

Annual Investment Report for Fiscal Year 2017/18



Orange County Fire Authority Annual Investment Report

Fiscal Year 2017/18

The Annual Investment Report for the fiscal year ended June 30, 2018 fulfills the requirements of Section 18.2 of the Authority's Investment Policy ("the Policy"). The Annual Report is a review of the last twelve months of investment activity by the Treasurer.



Annual Investment Report

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PORTFOLIO PERFORMANCE AND COMPARISON TO BENCHMARK

OCFA's portfolio performance was in line with the Local Agency Investment Fund (LAIF) benchmark, but was lower than Treasury benchmark comparisons as listed below for FY 2017/18.

During FY 2017/18, the Federal Reserve Board, again, gradually raised the federal funds rate, the overnight bank lending rate, three times as in FY 2016/17. The last rate increase occurred at their June 2018 meeting, bringing the rate to a new target range of 1.75% to 2.00%. The economy continued to grow during the FY 2017/18 with a consistently high consumer confidence level and a strong jobs market resulting in an even lower unemployment rate of 4.0% in June compared to 4.4% a year ago. OCFA's portfolio began the fiscal year with a maturity of 69 days and an effective rate of return of 1.04%. Due to the Fed's actions on interest rates during the fiscal year, OCFA's portfolio return also climbed to 1.78% on a portfolio balance of \$177 million. OCFA's portfolio performance was closely aligned with LAIF yet trailed the 3-month, 6-month and 1-year Treasury benchmarks. The major economic factors that caused the Treasury rates to rise at a faster pace included US economic growth, an increase in inflation and rising interest rates. Actual portfolio earnings exceeded the final budget projection for the fiscal year due to higher than anticipated cash balances and rising interest rates.

<i>OCFA Portfolio</i>				<i>Benchmark Comparisons</i>			
	<i>Market Value</i>	<i>Days to Maturity</i>	<i>Effective Yield</i>	<i>3 Month Treasury</i>	<i>6 Month Treasury</i>	<i>1 Year Treasury</i>	<i>LAIF</i>
July	162,867,749	69	1.04%	1.09%	1.13%	1.22%	1.05%
August	145,096,004	93	1.02%	1.03%	1.13%	1.23%	1.08%
September	141,285,259	81	1.02%	1.05%	1.17%	1.28%	1.11%
October	118,668,912	137	1.08%	1.09%	1.25%	1.40%	1.14%
November	144,470,372	109	1.15%	1.25%	1.39%	1.56%	1.17%
December	195,078,136	85	1.17%	1.34%	1.50%	1.70%	1.24%
January	161,668,906	101	1.29%	1.43%	1.62%	1.80%	1.35%
February	145,509,799	96	1.36%	1.59%	1.79%	1.96%	1.41%
March	153,662,453	88	1.42%	1.73%	1.92%	2.06%	1.52%
April	207,870,213	96	1.59%	1.79%	1.98%	2.15%	1.66%
May	201,451,392	84	1.68%	1.90%	2.07%	2.27%	1.76%
June	176,624,636	84	1.78%	1.94%	2.11%	2.33%	1.85%
Fiscal Year	162,854,486	94	1.30%	1.44%	1.59%	1.75%	1.36%

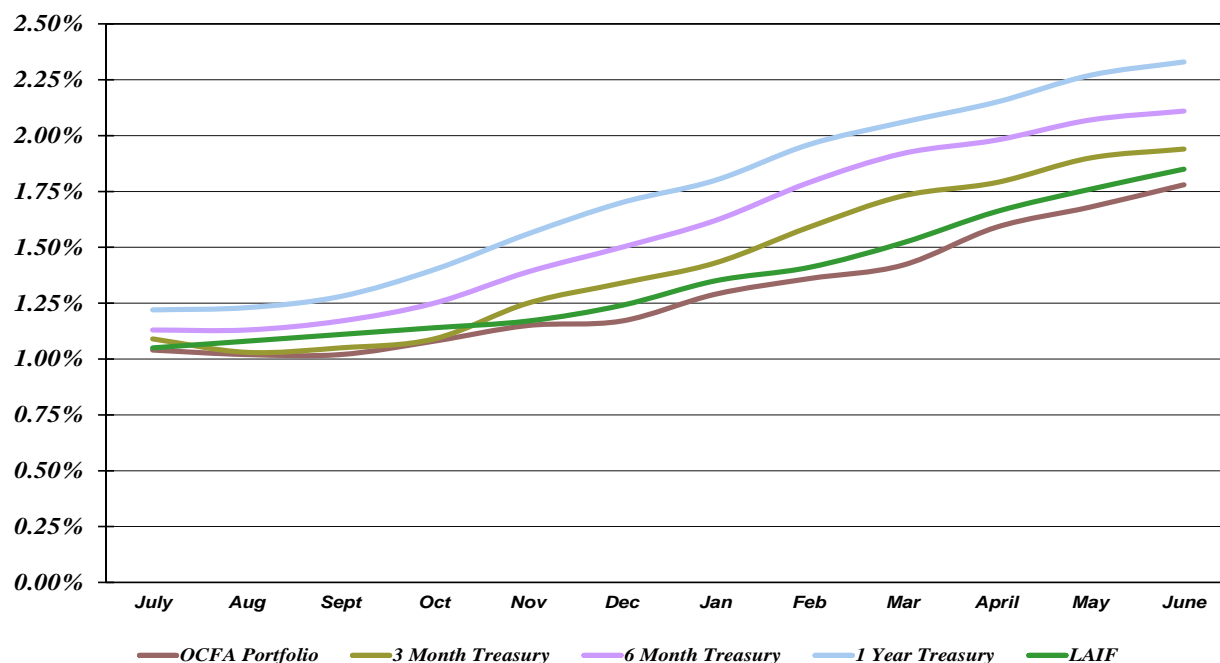


PORTFOLIO PERFORMANCE AND COMPARISON TO BENCHMARKS

The following chart compares the Authority's monthly portfolio performance with benchmarks including 3-month, 6-month, and 1-year Treasuries and LAIF. With the portfolio's average maturity of about 3 months, OCFA's overall portfolio yield was closely aligned with LAIF, but lagged the Treasury benchmarks performance during FY 2017/18.

- During FY 2017/18, Treasury yields rose considerably, especially in the second half of the fiscal year, compared to the prior year due to the 3 rate increases enacted by the Fed.
- In a rising/declining interest rate environment, LAIF's return tends to lag the market in rising/declining due to their maturity structure. As such, LAIF's return gradually rose throughout the fiscal year as interest rates climbed.
- In FY 2017/18, OCFA kept investments primarily in Federal Agency securities and LAIF and increased its investment in Treasuries as Treasury rates began to pick up. However, OCFA remains somewhat restrained due to the timing of cashflow needs. As interest rates are expected to continue to rise in the incoming fiscal year, OCFA's portfolio rate of return can also be expected to grow along with the rising interest rate environment.

Comparison to Benchmarks - FY 2017/18

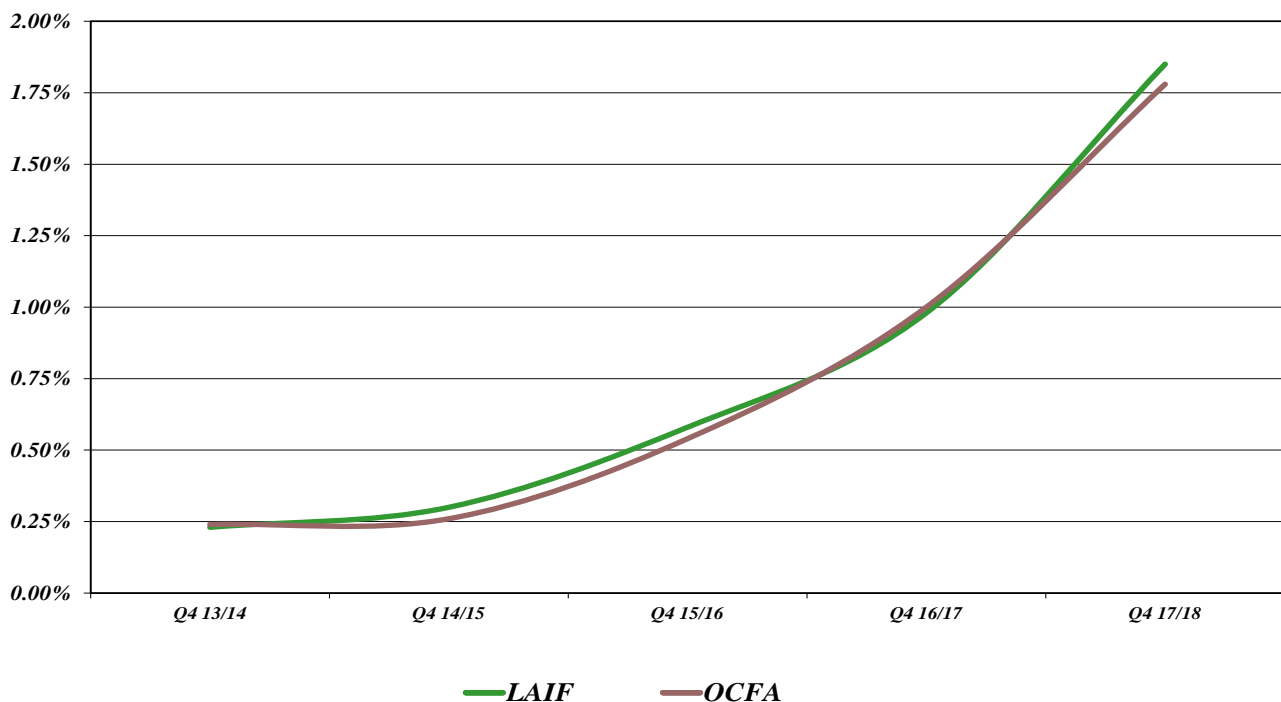




**PORTFOLIO PERFORMANCE AND
COMPARISON TO BENCHMARKS**

The following chart provides a 5-year history of the Authority's portfolio yield from FY 2013/14 through FY 2017/18 compared to a 5-year history of LAIF's yield. As demonstrated with this historical view, OCFA's portfolio yield performs very similarly to LAIF.

OCFA & LAIF Portfolio Yields - 5 Year History





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

Portfolio balances during FY 2017/18 were largely the same as in FY 2016/17.

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

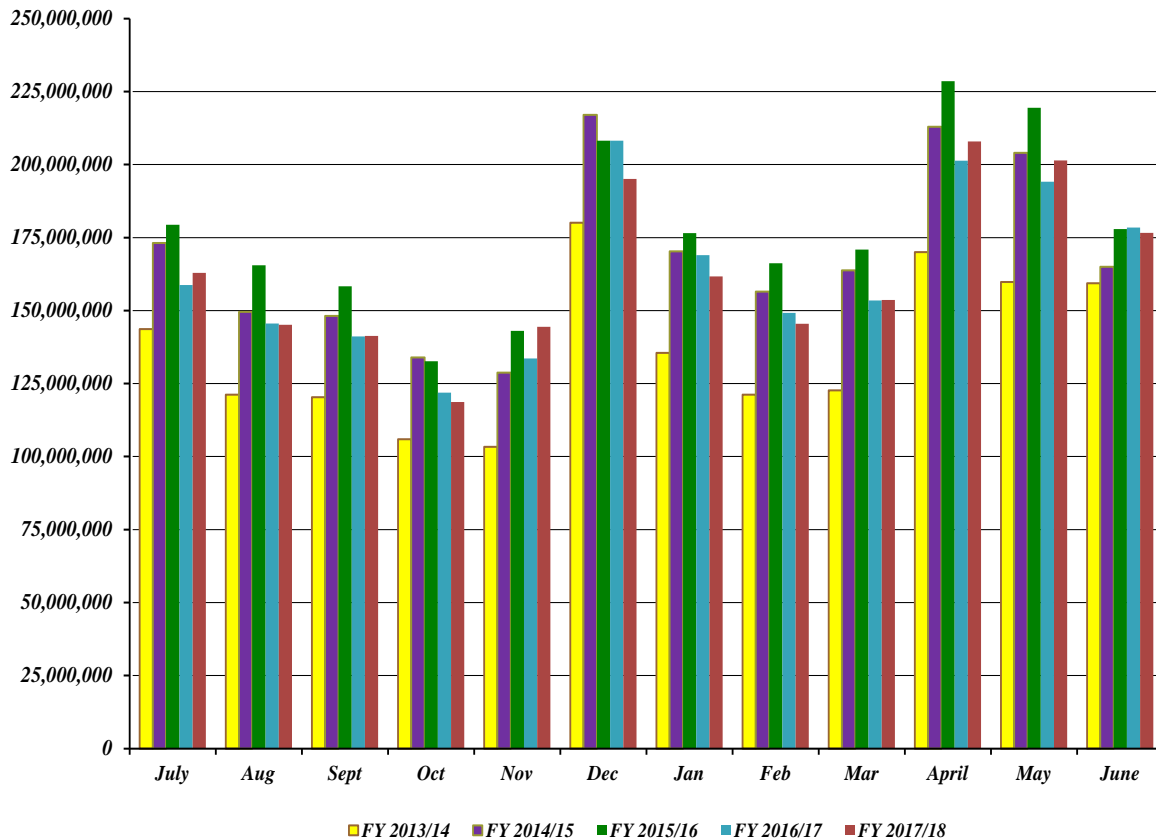
To resolve the temporary cash shortages in the General Fund, OCFA has issued Tax and Revenue Anticipation Notes (TRANs) on an as-needed basis. In FY's 2014/15 and 2015/16, in order to fund its General Fund's expected cashflow timing deficit, OCFA issued \$44.0 million and \$36.3 million TRANs, respectively, which contributed to higher portfolio balances throughout those fiscal years. OCFA's TRANs are typically issued in July and repaid annually in June at the end of the fiscal year; therefore, the ending portfolio balance at June 30th excludes TRANs proceeds. In the previous few years, including FY's 2013/14, 2016/17 and 2017/18, OCFA did not need to issue TRANs since it was able to meet its temporary cashflow timing shortages through use of a General Fund cashflow reserve, combined with interfund borrowing; thus cashflow balances for those years (without TRANs proceeds) were lower than FY's 2014/15 and 2015/16. In the past, OCFA has also used lease purchase financing to fund certain capital expenditures including helicopters, vehicles, communication equipment, and information systems.



REVIEW OF TRENDS REGARDING THE SIZE OF THE PORTFOLIO

The following chart provides a 5-year history of the size of the OCFA's portfolio. During the last five fiscal years, portfolio balances have been rising gradually due to higher revenues, steady increase in the General Fund cashflow reserve and the Worker's Compensation Fund reserve. In addition, due to the projected seasonal/short-term cashflow needs, the OCFA resumed issuing TRANs in FY's 2014/15 and 2015/16, which contributed to the higher portfolio balances for those years. It should be noted, however, that the balances shown below represent total portfolio balance as opposed to fund balance available. Portfolio balance is always higher than fund balance because the portfolio includes cash and investments that are already committed to various contracts and purchase orders or that are reserved for future obligations.

Size of the Portfolio - 5 Year Historical Trend





INVESTMENT RISK IN THE PORTFOLIO

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

Credit (Default) Risk

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

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



INVESTMENT RISK IN THE PORTFOLIO

Market Risk

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

Interest Rate Risk

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

OCFA's portfolio reflected an average maturity under one year throughout FY 2017/18 due to projected cashflow needs and market expectations of rising interest rates in the near future.

Liquidity Risk

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



COMPOSITION OF THE PORTFOLIO

Authorized Investments

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

***OCFA's portfolio only included those investments authorized in
Section 10 of the Policy in FY 2017/18.***

Portfolio Diversification

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

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



COMPOSITION OF THE PORTFOLIO

Portfolio Diversification

	<i>US Treasury Securities</i>	<i>LAIF</i>	<i>Federal Agencies</i>	<i>Commercial Paper</i>	<i>Money Market Mutual Funds</i>	<i>Total Portfolio</i>
Maximum	100%	75%	75%	15%	15%	100%
FY Average	17.78%	39.60 %	36.59%	0.00%	6.03%	100%
July	11.67%	39.81%	45.53%	0.00%	2.99%	100%
August	13.01%	41.93%	42.48%	0.00%	2.58%	100%
September	13.41%	45.36%	31.10%	0.00%	10.13%	100%
October	16.05%	48.45%	29.57%	0.00%	5.93%	100%
November	5.50%	44.68%	36.43%	0.00%	13.39%	100%
December	8.73%	30.83%	49.35%	0.00%	11.09%	100%
January	9.29%	39.09%	49.56%	0.00%	2.06%	100%
February	10.35%	42.13%	42.76%	0.00%	4.76%	100%
March	18.17%	42.29%	34.45%	0.00%	5.09%	100%
April	35.27%	31.55%	28.12%	0.00%	5.06%	100%
May	37.57%	32.26%	24.29%	0.00%	5.88%	100%
June	34.39%	36.78%	25.44%	0.00%	3.39%	100%



COMPOSITION OF THE PORTFOLIO

Maturity Diversification

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

OCFA’s portfolio complied with maturity diversification requirements as stated in Section 15.3 of the Policy throughout FY 2017/18.

Market Value

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



GASB 31 IMPACTS

What is GASB 31?

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

How Does GASB 31 Impact OCFA's Portfolio?

At June 30, 2018, all of the Authority's investments were reported at fair value in compliance with GASB 31 guidelines. The fair value reporting of OCFA's investments resulted in a net decrease of (\$368,494) to book value. **This fair value adjustment is for financial statement reporting only.**

Under GASB 31 guidelines, investment income is similarly increased/decreased for financial statement purposes. Investment income is impacted by the change in fair value of the investments from the beginning to the end of the reporting period. OCFA previously recognized and reported a decrease to investment valuation at June 2017 of (\$206,004); therefore, an additional loss/decrease of (\$162,490) was recognized and recorded to investment earnings as of June 30, 2018 to reflect the change in fair value of (\$368,494) at the end of the fiscal year.

<i>GASB 31 Adjustment to Books – Beginning of year</i>	<i>\$ (206,004.00)</i>
<i>Net Change in Fair Value (decrease to earnings)</i>	<i>\$ (162,490.00)</i>
<i>GASB 31 Adjustment to Books – End of year loss</i>	<i>\$ (368,494.00)</i>



INVESTMENT INCOME

Portfolio investment income in FY 2017/18 amounted to \$2,165,262 (pre-GASB 31 adjustment) compared to \$1,200,836 in FY 2016/17. The increase in investment income was primarily due to higher investment yield compared to FY 2016/17. The effective yield for the portfolio was 1.30% in FY 2017/18 compared to 0.73% in FY 2016/17. This increase in the overall effective yield from the prior year was consistent with the overall bond market performance.

ANTICIPATED INVESTMENT ACTIVITY IN THE NEXT FISCAL YEAR

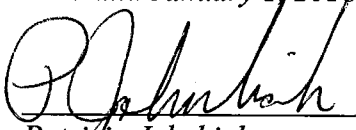
Cash forecasts for FY 2018/19 are based primarily on the FY 2018/19 Adopted Budget. OCFA's Adopted Budget reflects revenues which are in balance with expenditures for the year, and the Budget will enable OCFA to sustain its reserves at the Board-mandated policy level. It is anticipated that the CIP Reserves will continue to be spent down this year on planned projects. However, due to positive overall cashflow projections for FY 2018/19, OCFA did not need to issue TRANs for the FY 2018/19. As a result, the portfolio's balance is expected to decrease during the first half of the FY 2018/19 and fluctuate throughout the fiscal year when property taxes are received, but would level off at the end of the fiscal year.

In addition, based on the Fed's latest assessment of the economy, market expectations are that the Fed will likely continue to raise interest rates, again, in the near future. Thus, interest rates are expected to continue to rise during FY 2018/19, which may result in an increase in investment income over the prior year.



TREASURER'S CERTIFICATION

"As Treasurer of the Orange County Fire Authority, I certify that I have complied with the annual Investment Policies adopted by the Board of Directors and effective January 1, 2017 and January 1, 2018."


Patricia Jakubiak
Treasurer

9/5/18
Date

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



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
September 12, 2018

Agenda Item No. 4A
Discussion Calendar

Monthly Investment Reports

Contact(s) for Further Information

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

Summary

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

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of September 27, 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 July 31, 2018. A preliminary investment report as of August 24, 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 – July 2018/Preliminary Report – August 2018

Orange County Fire Authority Monthly Investment Report



Final Report – July 2018

Preliminary Report – August 2018



Monthly Investment Report Table of Contents

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Orange County Fire Authority

Final Investment Report

July 31, 2018



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of July 2018, the size of the portfolio decreased by \$8.1 million to \$168.5 million. Significant receipts for the month included cash contract payments, apportionments of property taxes, intergovernmental agency payments, and charges for current services totaling \$18.2 million. Significant disbursements for the month included two biweekly payrolls which were approximately \$12.1 million each with related benefits. Significant disbursements also included a total payment of \$1.4 million for insurance. Total July cash outflows amounted to approximately \$27.9 million. The portfolio's balance is expected to decrease further in the following month as there are no major receipts scheduled for August.

In July, as the new fiscal year started, the portfolio's yield to maturity (365-day equivalent) rose by 3 basis points to 1.82%. The effective rate of return edged up by 2 basis points to 1.80%, and the average maturity of the portfolio shortened by 15 days to 69 days to maturity.

Economic News

The U.S. economy stayed strong overall in July 2018, despite some mixed economic activities. Employment conditions continued to be solid. There was a total of 157,000 new jobs created in July, and the unemployment rate declined by 1 basis point to an even lower rate of 3.9%. Consumer confidence measures were slightly mixed but remained high. Retail sales came in strong in July rising by 0.5%, a stronger pace than expected. Manufacturing and non-manufacturing retreated slightly, but continued expanding. The CPI (Consumer Price Index) rose by 0.2% for the month, as expected. Durable goods orders dropped more than expected while industrial production picked up slightly for the month. Both new and existing home sales fell in July. On August 1, 2018, the Federal Open Market Committee met and voted to keep the federal funds rate unchanged at a target range of 1.75% - 2.00%, but the Committee also upgraded its assessment of the economy.



BENCHMARK COMPARISON AS OF JULY 31, 2018

3 Month T-Bill: 1.99%

1 Year T-Bill: 2.39%

6 Month T-Bill: 2.17%

LAIF: 1.94%

OCFA Portfolio: 1.80%

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value-	\$168,533,407	\$176,624,636	\$162,867,749
Yield to Maturity (365 day)	1.82%	1.79%	1.07%
Effective Rate of Return	1.80%	1.78%	1.04%
Days to Maturity	69	84	69



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
July 31, 2018

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

(See Note 1 on page 9)

(See Note 2 on page 9)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	5,547,779.02	5,547,779.02	5,547,779.02	3.32	1	1	1.401	1.420
Federal Agency Coupon Securities	26,000,000.00	25,762,350.00	26,000,000.00	15.55	962	283	1.283	1.301
Federal Agency Disc. -Amortizing	10,000,000.00	9,975,850.00	9,976,725.00	5.97	117	44	1.928	1.955
Treasury Coupon Securities	18,000,000.00	17,950,410.00	17,954,017.29	10.74	203	99	1.958	1.985
Treasury Discounts -Amortizing	43,000,000.00	42,896,420.00	42,898,304.38	25.66	130	45	1.877	1.903
Local Agency Investment Funds	64,808,617.18	64,687,222.15	64,808,617.18	38.76	1	1	1.917	1.944
Investments	167,356,396.20	166,820,031.17	167,185,442.87	100.00%	212	69	1.796	1.821
<hr/>								
Cash								
Passbook/Checking (not included in yield calculations)	1,716,457.76	1,716,457.76	1,716,457.76		1	1	0.000	0.000
Total Cash and Investments	169,072,853.96	168,536,488.93	168,901,900.63		212	69	1.796	1.821

Total Earnings	July 31 Month Ending	Fiscal Year To Date
Current Year	272,167.77	272,167.77
Average Daily Balance	177,606,971.32	177,606,971.32
Effective Rate of Return	1.80%	1.80%

"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)

\$ 168,901,900.63

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

\$ (368,493.66)

Total

\$ 168,533,406.97

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
July 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
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations			5,547,779.02	5,547,779.02	5,547,779.02	1.420	1.420	1	
Subtotal and Average			9,287,089.45		5,547,779.02	5,547,779.02	5,547,779.02		1.420	1	
Federal Agency Coupon Securities											
3133EFJP3	869	Federal Farm Credit Bank (Callable Anytime)		10/15/2015	10,000,000.00	9,979,700.00	10,000,000.00	1.100	1.054	75	10/15/2018
3133EGPD1	921	Federal Farm Credit Bank (Callable Anytime)		04/20/2017	7,000,000.00	6,886,600.00	7,000,000.00	1.180	1.375	365	08/01/2019
3134GBHT2	922	Fed Home Loan Mtg Corp		04/25/2017	9,000,000.00	8,896,050.00	9,000,000.00	1.625	1.518	450	10/25/2019
Subtotal and Average			26,000,000.00		26,000,000.00	25,762,350.00	26,000,000.00		1.301	283	
Federal Agency Disc. -Amortizing											
313385D29	945	Fed Home Loan Bank		04/26/2018	5,000,000.00	4,993,900.00	4,994,058.33	1.860	1.924	23	08/24/2018
313385J49	948	Fed Home Loan Bank		06/14/2018	5,000,000.00	4,981,950.00	4,982,666.67	1.920	1.986	65	10/05/2018
Subtotal and Average			17,512,493.15		10,000,000.00	9,975,850.00	9,976,725.00		1.955	44	
Treasury Coupon Securities											
912828T83	943	Treasury Note		04/19/2018	9,000,000.00	8,971,380.00	8,973,310.85	0.750	1.960	91	10/31/2018
912828M64	944	Treasury Note		04/19/2018	9,000,000.00	8,979,030.00	8,980,706.44	1.250	2.010	106	11/15/2018
Subtotal and Average			17,946,887.76		18,000,000.00	17,950,410.00	17,954,017.29		1.985	99	
Treasury Discounts -Amortizing											
912796PU7	940	US Treasury Bill		04/19/2018	9,000,000.00	8,996,310.00	8,996,400.00	1.800	1.835	8	08/09/2018
912796PZ6	941	US Treasury Bill		04/19/2018	9,000,000.00	8,976,330.00	8,976,750.00	1.860	1.901	50	09/20/2018
912796QD4	942	US Treasury Bill		04/19/2018	9,000,000.00	8,961,840.00	8,962,462.50	1.925	1.971	78	10/18/2018
912796PV5	946	US Treasury Bill		05/24/2018	4,000,000.00	3,995,400.00	3,995,502.22		1.874	22	08/23/2018
912796PY9	947	US Treasury Bill		05/31/2018	5,000,000.00	4,990,550.00	4,990,635.00	1.873	1.909	36	09/06/2018
912796QB8	949	US Treasury Bill		06/28/2018	7,000,000.00	6,975,990.00	6,976,554.66	1.884	1.920	64	10/04/2018
Subtotal and Average			42,864,896.89		43,000,000.00	42,896,420.00	42,898,304.38		1.903	45	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			64,808,617.18	64,687,222.15	64,808,617.18	1.944	1.944	1	
Subtotal and Average			63,995,604.08		64,808,617.18	64,687,222.15	64,808,617.18		1.944	1	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
July 31, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Total and Average			177,606,971.32		167,356,396.20	166,820,031.17	167,185,442.87		1.821	69

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

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2018	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2018	1,696,457.76	1,696,457.76	1,696,457.76		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			177,606,971.32		169,072,853.96	168,536,488.93	168,901,900.63		1.821	69



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of August 1, 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	(08/01/2018 - 08/01/2018)	4 Maturities	0 Payments	72,072,853.96	42.67%	72,072,853.96	71,951,458.93
Aging Interval:	1 - 30 days	(08/02/2018 - 08/31/2018)	3 Maturities	0 Payments	18,000,000.00	10.65%	17,985,960.55	17,985,610.00
Aging Interval:	31 - 60 days	(09/01/2018 - 09/30/2018)	2 Maturities	0 Payments	14,000,000.00	8.27%	13,967,385.00	13,966,880.00
Aging Interval:	61 - 91 days	(10/01/2018 - 10/31/2018)	5 Maturities	0 Payments	40,000,000.00	23.62%	39,894,994.68	39,870,860.00
Aging Interval:	92 - 121 days	(11/01/2018 - 11/30/2018)	1 Maturities	0 Payments	9,000,000.00	5.32%	8,980,706.44	8,979,030.00
Aging Interval:	122 - 152 days	(12/01/2018 - 12/31/2018)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	(01/01/2019 - 01/31/2019)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(02/01/2019 - 05/02/2019)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(05/03/2019 - 08/01/2019)	1 Maturities	0 Payments	7,000,000.00	4.14%	7,000,000.00	6,886,600.00
Aging Interval:	366 - 1095 days	(08/02/2019 - 07/31/2021)	1 Maturities	0 Payments	9,000,000.00	5.33%	9,000,000.00	8,896,050.00
Aging Interval:	1096 days and after	(08/01/2021 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			17 Investments	0 Payments		100.00	168,901,900.63	168,536,488.93



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, 2018 includes a decrease of (\$121,754) to the LAIF investment and a decrease of (\$246,740) to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Local Agency Investment Fund (LAIF)

As of July 31, 2018, OCFA has \$64,808,617 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of June 30, 2018 is 0.998126869. When applied to OCFA's LAIF investment, the fair value is \$64,687,222 or (\$121,395) 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 July 31, 2018 is included on the following page.



Fair Value Including Accrued Interest	\$	90,155,032.049.30
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Orange County Fire Authority
Preliminary Investment Report
August 24, 2018



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
August 24, 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	1,721,068.60	1,721,068.60	1,721,068.60	1.23	1	1	1.401	1.420
Federal Agency Coupon Securities	26,000,000.00	25,811,910.00	26,000,000.00	18.65	962	259	1.283	1.301
Federal Agency Disc. -Amortizing	5,000,000.00	4,989,150.00	4,989,066.67	3.58	113	41	1.958	1.986
Treasury Coupon Securities	18,000,000.00	17,963,550.00	17,965,424.54	12.89	203	75	1.958	1.985
Treasury Discounts -Amortizing	30,000,000.00	29,946,330.00	29,944,147.50	21.48	140	35	1.901	1.928
Local Agency Investment Funds	58,808,617.18	58,698,460.94	58,808,617.18	42.18	1	1	1.917	1.944
Investments	139,529,685.78	139,130,469.54	139,428,324.49	100.00%	240	67	1.796	1.821
Cash								
Passbook/Checking (not included in yield calculations)	601,469.32	601,469.32	601,469.32		1	1	0.000	0.000
Total Cash and Investments	140,131,155.10	139,731,938.86	140,029,793.81		240	67	1.796	1.821

Total Earnings	August 24 Month Ending	Fiscal Year To Date
Current Year	188,021.58	460,189.35
Average Daily Balance	158,627,500.87	169,325,020.58
Effective Rate of Return	1.80%	1.80%

"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

8/31/18

Cash and Investments with GASB 31 Adjustment:

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

\$ 140,029,793.81

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

\$ (368,493.66)

Total

\$ 139,661,300.15

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
August 24, 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
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations			1,721,068.60	1,721,068.60	1,721,068.60	1.420	1.420	1	
Subtotal and Average			5,743,746.64		1,721,068.60	1,721,068.60	1,721,068.60		1.420	1	
Federal Agency Coupon Securities											
3133EFJP3	869	Federal Farm Credit Bank (Callable Anytime)		10/15/2015	10,000,000.00	9,986,100.00	10,000,000.00	1.100	1.054	51	10/15/2018
3133EGPD1	921	Federal Farm Credit Bank (Callable Anytime)		04/20/2017	7,000,000.00	6,918,870.00	7,000,000.00	1.180	1.375	341	08/01/2019
3134GBHT2	922	Fed Home Loan Mtg Corp		04/25/2017	9,000,000.00	8,906,940.00	9,000,000.00	1.625	1.518	426	10/25/2019
Subtotal and Average			26,000,000.00		26,000,000.00	25,811,910.00	26,000,000.00		1.301	259	
Federal Agency Disc. -Amortizing											
313385J49	948	Fed Home Loan Bank		06/14/2018	5,000,000.00	4,989,150.00	4,989,066.67	1.920	1.986	41	10/05/2018
Subtotal and Average			9,774,943.40		5,000,000.00	4,989,150.00	4,989,066.67		1.986	41	
Treasury Coupon Securities											
912828T83	943	Treasury Note		04/19/2018	9,000,000.00	8,979,480.00	8,980,349.75	0.750	1.960	67	10/31/2018
912828M64	944	Treasury Note		04/19/2018	9,000,000.00	8,984,070.00	8,985,074.79	1.250	2.010	82	11/15/2018
Subtotal and Average			17,959,958.56		18,000,000.00	17,963,550.00	17,965,424.54		1.985	75	
Treasury Discounts -Amortizing											
912796PZ6	941	US Treasury Bill		04/19/2018	9,000,000.00	8,988,570.00	8,987,910.00	1.860	1.901	26	09/20/2018
912796QD4	942	US Treasury Bill		04/19/2018	9,000,000.00	8,974,620.00	8,974,012.50	1.925	1.971	54	10/18/2018
912796PY9	947	US Treasury Bill		05/31/2018	5,000,000.00	4,997,350.00	4,996,878.33	1.873	1.909	12	09/06/2018
912796QB8	949	US Treasury Bill		06/28/2018	7,000,000.00	6,985,790.00	6,985,346.67	1.884	1.920	40	10/04/2018
Subtotal and Average			36,590,235.08		30,000,000.00	29,946,330.00	29,944,147.50		1.928	35	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			58,808,617.18	58,698,460.94	58,808,617.18	1.944	1.944	1	
Subtotal and Average			62,558,617.18		58,808,617.18	58,698,460.94	58,808,617.18		1.944	1	
Total and Average			158,627,500.87		139,529,685.78	139,130,469.54	139,428,324.49		1.821	67	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
August 24, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2018	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2018	581,469.32	581,469.32	581,469.32		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			158,627,500.87		140,131,155.10	139,731,938.86	140,029,793.81		1.821	67

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of August 25, 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	(08/25/2018 - 08/25/2018)	4 Maturities	0 Payments	61,131,155.10	43.66%	61,131,155.10	61,020,998.86
Aging Interval: 1 - 30 days	(08/26/2018 - 09/24/2018)	2 Maturities	0 Payments	14,000,000.00	9.99%	13,984,788.33	13,985,920.00
Aging Interval: 31 - 60 days	(09/25/2018 - 10/24/2018)	4 Maturities	0 Payments	31,000,000.00	22.10%	30,948,425.84	30,935,660.00
Aging Interval: 61 - 91 days	(10/25/2018 - 11/24/2018)	2 Maturities	0 Payments	18,000,000.00	12.83%	17,965,424.54	17,963,550.00
Aging Interval: 92 - 121 days	(11/25/2018 - 12/24/2018)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 122 - 152 days	(12/25/2018 - 01/24/2019)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 153 - 183 days	(01/25/2019 - 02/24/2019)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(02/25/2019 - 05/26/2019)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 275 - 365 days	(05/27/2019 - 08/25/2019)	1 Maturities	0 Payments	7,000,000.00	5.00%	7,000,000.00	6,918,870.00
Aging Interval: 366 - 1095 days	(08/26/2019 - 08/24/2021)	1 Maturities	0 Payments	9,000,000.00	6.43%	9,000,000.00	8,906,940.00
Aging Interval: 1096 days and after	(08/25/2021 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		14 Investments	0 Payments		100.00	140,029,793.81	139,731,938.86



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, 2018 includes a decrease of (\$121,754) to the LAIF investment and a decrease of (\$246,740) 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 & Finance Committee Meeting
September 12, 2018

Agenda Item No. 4B
Discussion Calendar

**Carryover of FY 2017/18 Uncompleted Projects and
Use of Unexpended Fund Balance**

Contact(s) for Further Information

Lori Zeller, Deputy Chief Administration and Support Bureau	lorizeller@ocfa.org	714.573.6020
Patricia Jakubiak, Treasurer	triciajakubiak@ocfa.org	714.573.6301
Deborah Gunderson, Budget Manager	deborahgunderson@ocfa.org	714.573.6302

Summary

This item is submitted for approval to carryover funding for various projects, grants, and unexpended funds that were not used in FY 2017/18 and require funding in FY 2018/19.

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 September 27, 2018, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the following proposed carryover budget adjustments:

1. Approve a budget adjustment in the General Fund (121) increasing revenues by \$500,000 and expenditures by \$5,517,226.
2. Approve a budget adjustment in the General Fund CIP (12110) increasing expenditures by \$1,330,777.
3. Approve a budget adjustment in the Fire Stations and Facilities Fund (123) increasing expenditures by \$1,946,642.
4. Approve a budget adjustment in the Communications and Information Systems Fund (124) increasing expenditures by \$2,957,040.
5. Approve a budget adjustment in the Fire Apparatus Fund (133) increasing expenditures by \$3,972,280.
6. Approve a budget adjustment transferring \$875,000 from the General Fund (121) to the General Fund CIP (12110) to ensure sufficient fund balance in the fund to complete the projects.

Impact to Cities/County

The proposed adjustments to the FY 2018/19 budget will have no impact to cash contract city charges.

Fiscal Impact

Approval of the requested adjustments will increase revenues and appropriations in the funds listed commensurate with the equivalent amounts of unexpended fund balance from FY 2017/18.

Background

The annual carryover request includes projects in the General and CIP funds, as summarized on Attachment 1. Due to the complexity, size, and time required to complete these projects, they were not completed in FY 2017/18 and staff is recommending appropriations for these projects be carried over to FY 2018/19 so the projects can be completed. Carryover requests reflect simply a timing change of planned expenditures.

Additionally, staff is recommending the use of unexpended (leftover) fund balance from FY 2017/18 to fund an assortment of projects and expenses which were appropriately requested for funding by staff during the FY 2018/19 budget development process, but which the Executive Management team did not initially approve in 2018/19 as they were working to hold cost increases down on behalf of our cash contract cities, and instead desired to fund these needs using unexpended fund balance from FY 2017/18 where feasible.

Attachments

List of Carryover and Unexpended Fund balance adjustment requests

Orange County Fire Authority
Carryover Budget Adjustment - FY 2017/18 to FY 2018/19

Description	Carryover Revenue	Carryover Expenditure	Appropriate Fund Balance
Fund 121 - General Fund			
<i>Carryover Expenditures (timing change):</i>			
Urban Search & Rescue Grant Funds	\$500,000	\$790,925	\$290,925
CalFire Augmentation (vehicles, cameras, equipment)		865,030	865,030
Maruchan Donated Funds - City of Irvine projects		438,428	438,428
New vehicle communications installation costs		200,000	200,000
Double stacking light service bays		25,000	25,000
RFOTC Security upgrade		95,000	95,000
Incident Management Team training & major purchases		175,000	175,000
Fire Station 61 Recovery		123,082	123,082
Banner Training Funds		90,000	90,000
Lexipol - Online Fire Policy manual (as approved by EC)		364,055	364,055
Carbon Monoxide Gas Monitors		32,000	32,000
<i>Carryover Funding Requests (one-time funding):</i>			
DIR User Assessment increase		271,942	271,942
Insurance premium increases		90,380	90,380
Safety Management Software		100,000	100,000
WEFIT Physicals and testing		248,479	248,479
Special Assignment - Cancer Prevention Program (Captain)		271,905	271,905
Classification and compensation studies		35,000	35,000
One-time modification to light bay(s)		191,000	191,000
Extra-help IT installers for 800 MHz project		50,000	50,000
Staffing System Software Upgrades & Enhancements		180,000	180,000
Mission Driven Culture Training (as approved by EC)		880,000	880,000
Total: Fund 121	500,000	5,517,226	5,017,226
Fund 12110 - General Fund CIP			
CalFire Augmentation (Weather/Fire Monitoring Equip.P406)		16,883	16,883
Mobile Data Computers (P303)		99,389	99,389
800 MHz Radios (P332)		138,071	138,071
VHF radios (P333)		51,673	51,673
Fire Station Phones/Alarms/Sound (P334)		56,761	56,761
Tarmac Repairs FS #41		75,000	75,000
Dormitory Privacy & Repairs FS #53, & #41		200,000	200,000
Bathroom Modification FS #13 & #44		400,000	400,000
Kitchen Remodel - FS #6		200,000	200,000
Weather/Fire EOC Upgrade (P407)		93,000	93,000
Total: Fund 12110	-	1,330,777	1,330,777

Orange County Fire Authority
Carryover Budget Adjustment - FY 2017/18 to FY 2018/19

Description	Carryover Revenue	Carryover Expenditure	Appropriate Fund Balance
Fund 123 - Fire Stations and Facilities			
FS #18 Carport - CalFire Graybook Funding (P219)		100,000	100,000
RFOTC Emergency Power Circuit (P243)		18,113	18,113
US&R Warehouse/Training Ctr improvement (P246)		124,354	124,354
Infrastructure Security Enhancement (P247)		463,135	463,135
FS #42 Site Stabilization (P248)		742,960	742,960
FS #9 Replacement (P536)		498,080	498,080
Total: Fund 123	-	1,946,642	1,946,642
Fund 124 - Communications & Information Systems			
Incident Reporting Replacement (P325)		841,262	841,262
800 MHz CCCS replacement (P346)		91,075	91,075
Next Generation CAD2CAD (P347)		24,703	24,703
RFOTC Data Ctr Fire Suppression Sys Upgrade (P348)		1,000,000	1,000,000
OCFA Disaster Recovery Co-Location Facility (P349)		1,000,000	1,000,000
Total: Fund 124	-	2,957,040	2,957,040
Fund 133 - Vehicle Replacement Fund			
3 Engine - Type III (\$480,000 ea)		1,440,000	1,440,000
2 Mid size 4 door (\$42,923 ea)		85,846	85,846
4 Pickup Utility 3/4 ton (\$45,680 ea)		182,720	182,720
2 Water Tenders (\$346,000 ea)		692,000	692,000
4 Full-size Cargo Van (\$44,250 ea)		177,000	177,000
1 Hook Truck/Dump Truck (\$149,350 ea)		149,350	149,350
1 Minivan (\$28,000 ea)		28,000	28,000
1 Service Truck - light (\$60,000 ea)		60,000	60,000
6 Pickup General 3/4 Ton (\$46,140 ea)		276,840	276,840
vehicle outfitting costs		672,000	672,000
Fire Station 61 Recovery		208,524	208,524
Total: Fund 133	-	3,972,280	3,972,280