



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, January 8, 2020

12:00 Noon

Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Shelley Hasselbrink, Chair

Don Sedgwick, Vice Chair

Sergio Farias Gene Hernandez Joe Muller Ed Sachs 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 Chair Hasselbrink

ROLL CALL

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 November 13, 2019, Budget and Finance Committee Meeting**

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT 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 January 23, 2020, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Organizational Service Level Assessment Update

Submitted by: Robert Cortez, Assistant Chief/Business Services Department

Recommended Action:

Receive and file the report.

C. Next Generation Aerial Operations Pilot Program Budget Adjustment

Submitted by: Brian Fennessy, Fire Chief

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of January 23, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors authorize and approve the following proposed budget adjustment to recognize the donation from Southern California Edison, increasing revenues by \$880,000 and expenditures by \$1,115,522 in the FY 2019/20 General Fund (121).

4. DISCUSSION CALENDAR**A. FY 2019/2020 Mid-Year Financial Report**

Submitted by: Robert Cortez, Assistant Chief/Businesses 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 January 23, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors direct staff to return to the Board of Directors on March 26, 2020, for approval of the remaining budget adjustments for the FY 2019/20 budget.

B. Annual Grant Priorities for 2020

Submitted by: Robert Cortez, Assistant Chief/Business Services Department

Recommended Actions:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of January 23, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Approve OCFA's Annual Grant Priorities for 2020.
2. Approve non-substantive "housekeeping" revisions to the OCFA Grant Policy.
3. Approve proposed Resolution entitled A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS AMENDING THE ROLES/RESPONSIBILITIES/AUTHORITIES MATRIX for revisions for grant acceptance.

C. Options to Mitigate Escalating Charges to Contract Cities Beginning FY 2020/21

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

Recommended Action:

Review the proposed agenda item, provide direction to staff regarding continued evaluation of opportunities to stabilize charges to cash contract cities, and provide input on the two options presented.

REPORTS

No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, February 12, 2020, 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 2nd day of January 2020.

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

UPCOMING MEETINGS:

Executive Committee Meeting

Thursday, January 23, 2020, 5:30 p.m.

Board of Directors Meeting

Thursday, January 23, 2020, 6:00 p.m.

MINUTES ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Regular Meeting
Wednesday, November 13, 2019
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 November 13, 2019, at 12:01 p.m. by Vice Chair Sedgwick.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present: Don Sedgwick, Laguna Hills
Joseph Muller, Dana Point
Tri Ta, Westminster
Gene Hernandez, Yorba Linda
Ed Sachs, Mission Viejo

Absent: Sergio Farias, San Juan Capistrano
Shelley Hasselbrink, Los Alamitos

Also present were:

Deputy Chief Lori Zeller	Fire Chief Brian Fennessy
Assistant Chief Robert Cortez	Assistant Chief Lori Smith
Assistant Chief Jim Ruane	Assistant Chief Mark Sanchez
Assistant Chief Randy Black	Assistant Chief Nina Collins
Communications Director Colleen Windsor	Clerk of the Authority Sherry Wentz

PUBLIC COMMENTS (F: 12.02B3)

Vice Chair Sedgwick opened the Public Comments portion of the meeting. Vice Chair Sedgwick 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 October 9, 2019, Budget and Finance Committee Regular Meeting (F: 12.02B2)

On motion of Director Hernandez and second by Director Ta, the Budget and Finance Committee voted to approve the Minutes of the October 9, 2019, regular meeting as submitted. Director Sachs was recorded as an abstention, due to his absence from the October 9, 2019, meeting.

3. CONSENT CALENDAR (Agenda Item No. 3B was pulled for separate consideration)

A. Annual Statement of Investment Policy and Investment Authorization (F: 11.10D)

On motion of Director Ta and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board of Directors meeting of November 21, 2019, with Budget and Finance Committee's recommendations that the Board of Directors take the following actions:

1. Review and approve the submitted Investment Policy of the Orange County Fire Authority, to be effective January 1, 2020.
2. Pursuant to Government Code Sections 53601 and 53607, renew delegation of investment authority to the Treasurer for a one-year period, to be effective January 1, 2020.

B. First Quarter Financial Newsletter (F: 15.07)

Assistant Chief Robert Cortez pulled this item from the Consent Calendar to highlight the Financial Newsletter's new single-page format.

On motion of Director Hernandez and second by Director Sachs, the Budget and Finance Committee voted unanimously by those present to direct staff to place the item on the Executive Committee meeting of November 21, 2019, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

C. Acceptance of Funds from the 2018 Homeland Security Grant Program for an Administrative Fire Captain Assigned to the Orange County Intelligence Assessment Center (F: 16.02A1)

On motion of Director Ta and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to direct staff to place the item on the Board of Directors meeting of November 21, 2019, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Approve and authorize the Fire Chief to execute any necessary agreement(s) to accept and administer the FY 2018 Homeland Security Grant Program.
2. Approve a budget adjustment to the FY 2019/20 General Fund (121) budget to increase revenues and expenditures by \$180,000.

4. DISCUSSION CALENDAR

A. Monthly Investment Reports (F: 11.10D2)

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

On motion of Director Ta and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to direct staff to place the item on agenda for the Executive Committee meeting of November 21, 2019, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Audited Financial Reports for the Fiscal Year Ended June 30, 2019 (F: 15.06)

Assistant Chief Robert Cortez provided an overview of the Audited Financial Reports for the Fiscal Year Ended June 30, 2019.

On motion of Director Hernandez and second by Director Sachs, the Budget and Finance Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board of Directors meeting of November 21, 2019, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Receive and approve the reports.
2. Review the calculations used to determine the fund balance amounts assigned to the capital improvement program and workers' compensation and confirm the calculations' consistency with the OCFA's Assigned Fund Balance Policy.

C. 2019 Long Term Liability Study & Accelerated Pension Payment Plan (F: 17.06A)

Assistant Chief Robert Cortez provided an overview and introduced Treasurer Tricia Jakubiak who presented a PowerPoint presentation on the Long Term Liability Study 2019.

The Committee had a brief discussion on the allocation of the \$5 million unencumbered funds.

On motion of Director Sachs and second by Director Muller, the Budget and Finance Committee approved an additional option (Option 1) to the staff reports recommended actions and directed staff to place the item on the agenda for the Board of Directors meeting of November 21, 2019, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Direct staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to implement one of the following options.
 - a. **Option 1** (Substitute Recommendation by Budget and Finance Committee):
 - i. Direct staff to adjust the FY 2019/20 General Fund budget to increase expenditures by \$4,030,172, or 80% of the unencumbered fund balance identified in the FY 2018/19 financial audit, for the purpose of making a payment towards OCFA's unfunded pension liability; and,
 - ii. Direct staff to transfer the remaining \$1,007,542, or 20% of the unencumbered fund balance identified in the FY 2018/19 financial audit, from the General

Fund (121) to the Capital Improvement Program (CIP) Fund 12110 to fund fire station improvement Projects.

b. **Option 2** (Original Staff Recommendation):

- i. Adjust the FY 2019/20 General Fund budget to increase expenditures by \$5,037,714, the amount identified as the unencumbered fund balance identified in the FY 2018/19 financial audit, for the purpose of making a payment towards OCFA's unfunded pension liability.

Director Hernandez and Vice Chair Sedgwick opposed.

D. Amendment to the Board Rules of Procedure for All Monthly Board Committee Meetings to Go Dark in August

Assistant Chief Robert Cortez provided an overview of the proposed Amendment to the Board Rules of Procedure for all monthly committee meetings to go dark in August.

On motion of Director Muller and second by Director Sachs, the Budget and Finance Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board of Directors meeting of November 21, 2019, with the Budget and Finance Committee's recommendation that the Board adopt the proposed Resolution entitled A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS AMENDING THE BOARD RULES OF PROCEDURE TO HAVE ALL MONTHLY BOARD COMMITTEE MEETINGS TO GO DARK IN AUGUST.

REPORTS (F: 12.02B6)

No items.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

Director Sachs commended the Fire Chief for his upstaffing procedures and the positive impact during the recent fires. He thanked Division Chief Capobianco for providing a recent presentation of OCFA's tactical response to a house fire during peak winds, as it provided an educational value for the residences of the City of Mission Viejo.

Director Hernandez commented that the community is impressed with our services.

ADJOURNMENT (F: 11.18)

Vice Chair Sedgwick adjourned the meeting at 12:44 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, January 8, 2020, at 12:00 noon.

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



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
January 8, 2020

Agenda Item No. 3A
Consent Calendar

Monthly Investment Reports

Contact(s) for Further Information

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

Summary

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

Prior Board/Committee Action

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 January 23, 2020, 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

Since the Committee did not meet in December, attached are the final monthly investment reports for the months ending October 31 and November 30, 2019. A preliminary investment report as of December 13, 2019, is also provided as the most complete report that was available at the time this agenda item was prepared.

Attachment(s)

1. Final Investment Report – October 2019/Preliminary Report – November 2019
2. Final Investment Report – November 2019/Preliminary Report – December 2019



ORANGE COUNTY FIRE AUTHORITY

P.O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Road, Irvine, CA 92602


Brian Fennessy, Fire Chief

(714) 573-6000

www.ocfa.org

December 4, 2019

TO: Budget and Finance Committee
Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer 

SUBJECT: **Investment Report**

Due to the cancellation of the December 11, 2019 meeting of the Budget and Finance Committee, I am enclosing the monthly investment report for your review. The report includes the following:

- Final Investment Report for October 2019
- Preliminary Investment Report for November 2019

Since the December meeting of the Executive Committee has also been cancelled, this report will be forwarded to the January 8, 2020 meeting of the Budget and Finance Committee for action to be taken. If you have any questions, please call me at (714) 573-6301.

Enclosure

Orange County Fire Authority Monthly Investment Report



Final Report – October 2019

Preliminary Report – November 2019



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Orange County Fire Authority

Final Investment Report

October 31, 2019



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of October 2019, the size of the portfolio decreased by \$19.0 million to \$123.5 million. Significant receipts for the month included cash contract payments, an apportionment of property taxes, charges for current services and intergovernmental agency contract and grant payments totaling \$11.6 million. Significant disbursements for the month included primarily two biweekly payrolls which were approximately \$12.7 million each with related benefits. Total October cash outflows amounted to approximately \$31.3 million. The portfolio's balance is expected to increase in November.

In October, the portfolio's yield to maturity (365-day equivalent) dropped by 12 basis points to 2.05/%. The effective rate of return declined by 20 basis points to 2.08% and by 5 basis points to 2.24% for the month and the fiscal year to date, respectively. The average maturity of the portfolio shortened further by 6 days to 18 days to maturity.

Economic News

In October 2019, U.S. economic growth remained stable, despite a continuing global economic slowdown and the pending trade negotiations with China. Employment conditions rebounded from the prior month and continued to be solid. There were 128,000 new jobs added in October, a stronger number than expected. In addition, the September employment number was upwardly revised to 180,000 new jobs instead of 136,000 as previously reported. The unemployment rate remained at a near 50-year record low, albeit edging up to 3.6%. Consumer confidence measures continued to be mixed, but persisted at high levels. Retail sales reversed and picked up in October. Both the Manufacturing and Non-manufacturing ISM (Institute for Supply Management) Indices improved for the month. The CPI (Consumer Price Index) rose by 0.4%, but overall inflation stayed low. Durable goods orders increased while industrial production declined further. Home sales activity improved in October.



BENCHMARK COMPARISON AS OF OCTOBER 31, 2019

3 Month T-Bill: 1.68%

1 Year T-Bill: 1.61%

6 Month T-Bill: 1.67%

LAIF: 2.19%

OCFA Portfolio: 2.08%

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value-	\$123,446,525	\$142,461,470	\$121,052,604
Yield to Maturity (365 day)	2.05%	2.17%	1.99%
Effective Rate of Return	2.08%	2.28%	1.95%
Days to Maturity	18	24	49



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
October 31, 2019

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 Call/ Maturity	YTM/Call 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	16,066,398.05	16,066,398.05	16,066,398.05	13.07	1	1	1.332	1.350
Federal Agency Disc. -Amortizing	15,000,000.00	14,964,810.00	14,956,514.17	12.16	182	51	2.178	2.208
Treasury Discounts -Amortizing	30,000,000.00	29,941,800.00	29,928,180.56	24.34	148	46	2.032	2.060
Local Agency Investment Funds	62,000,000.00	62,101,854.65	62,000,000.00	50.43	1	1	2.160	2.190
Investments	123,066,398.05	123,074,862.70	122,951,092.78	100.00%	59	18	2.023	2.051
<hr/>								
Cash								
Passbook/Checking (not included in yield calculations)	353,617.33	353,617.33	353,617.33		1	1	0.000	0.000
Total Cash and Investments	123,420,015.38	123,428,480.03	123,304,710.11		59	18	2.023	2.051

Total Earnings	October 31 Month Ending	Fiscal Year To Date
Current Year	227,851.86	1,119,004.90
Average Daily Balance	128,816,416.12	147,957,444.67
Effective Rate of Return	2.08%	2.24%

"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, 2019. 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)

\$ 123,304,710.11

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

\$ 141,814.96

Total

\$ 123,446,525.07

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
October 31, 2019

(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 Call/ Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations			16,066,398.05	16,066,398.05	16,066,398.05	1.350	1.350	1	
Subtotal and Average			7,427,559.45		16,066,398.05	16,066,398.05	16,066,398.05		1.350	1	
Federal Agency Coupon Securities											
Subtotal and Average			11,903,225.81								
Federal Agency Disc. -Amortizing											
313312QH6	977	Federal Farm Credit Bank		04/18/2019	9,000,000.00	8,983,710.00	8,976,697.50	2.390	2.489	39	12/10/2019
313396RQ8	983	Freddie Mac		10/02/2019	6,000,000.00	5,981,100.00	5,979,816.67	1.730	1.787	70	01/10/2020
Subtotal and Average			15,621,518.79		15,000,000.00	14,964,810.00	14,956,514.17		2.208	51	
Treasury Discounts -Amortizing											
912796SS9	978	US Treasury Bill		06/03/2019	10,000,000.00	9,994,600.00	9,992,019.44	2.210	2.263	13	11/14/2019
912796SU4	979	US Treasury Bill		06/27/2019	5,000,000.00	4,994,250.00	4,992,144.44	2.020	2.066	28	11/29/2019
912796SU4	980	US Treasury Bill		07/18/2019	5,000,000.00	4,994,250.00	4,992,319.45	1.975	2.045	28	11/29/2019
912796TA7	981	US Treasury Bill		09/17/2019	5,000,000.00	4,985,300.00	4,982,079.17	1.870	1.934	69	01/09/2020
912796TH2	982	US Treasury Bill		09/30/2019	5,000,000.00	4,973,400.00	4,969,618.06	1.750	1.788	125	03/05/2020
Subtotal and Average			29,903,107.64		30,000,000.00	29,941,800.00	29,928,180.56		2.060	46	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			62,000,000.00	62,101,854.65	62,000,000.00	2.190	2.190	1	
Subtotal and Average			63,961,004.42		62,000,000.00	62,101,854.65	62,000,000.00		2.190	1	
Total and Average			128,816,416.12		123,066,398.05	123,074,862.70	122,951,092.78		2.051	18	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
October 31, 2019

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		07/01/2019	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2019	333,617.33	333,617.33	333,617.33		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			128,816,416.12		123,420,015.38	123,428,480.03	123,304,710.11		2.051	18

Orange County Fire Authority

In service of others!



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of November 1, 2019

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	(11/01/2019 - 11/01/2019)	4 Maturities 0 Payments	78,420,015.38	63.60%	78,420,015.38	78,521,870.03
Aging Interval:	1 - 30 days	(11/02/2019 - 12/01/2019)	3 Maturities 0 Payments	20,000,000.00	16.20%	19,976,483.33	19,983,100.00
Aging Interval:	31 - 60 days	(12/02/2019 - 12/31/2019)	1 Maturities 0 Payments	9,000,000.00	7.28%	8,976,697.50	8,983,710.00
Aging Interval:	61 - 91 days	(01/01/2020 - 01/31/2020)	2 Maturities 0 Payments	11,000,000.00	8.89%	10,961,895.84	10,966,400.00
Aging Interval:	92 - 121 days	(02/01/2020 - 03/01/2020)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	122 - 152 days	(03/02/2020 - 04/01/2020)	1 Maturities 0 Payments	5,000,000.00	4.03%	4,969,618.06	4,973,400.00
Aging Interval:	153 days and after	(04/02/2020 -)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Total for			11 Investments 0 Payments		100.00	123,304,710.11	123,428,480.03



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank (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, 2019 includes an increase of \$111,266 to the LAIF investment and an increase of \$30,549 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 October 31, 2019, OCFA has \$62,000,000 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 September 30, 2019 is 1.001642817. When applied to OCFA's LAIF investment, the fair value is \$62,101,855 or \$101,855 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at October 31, 2019 is included on the following page.



Fair Value Including Accrued Interest	\$	92,062,479,215.81
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Orange County Fire Authority

Preliminary Investment Report

November 22, 2019



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
November 22, 2019

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

(See Note 1 on page 18)

(See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Call/ Maturity	YTM/Call 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	3,706,055.08	3,706,055.08	3,706,055.08	3.26	1	1	1.332	1.350
Federal Agency Disc. -Amortizing	25,000,000.00	24,960,290.00	24,953,758.05	21.96	136	38	1.933	1.960
Treasury Discounts -Amortizing	20,000,000.00	19,967,200.00	19,959,429.18	17.57	140	40	1.932	1.958
Local Agency Investment Funds	65,000,000.00	65,106,783.11	65,000,000.00	57.21	1	1	2.160	2.190
Investments	113,706,055.08	113,740,328.19	113,619,242.31	100.00%	55	16	2.043	2.071
<hr/>								
Cash								
Passbook/Checking (not included in yield calculations)	525,484.71	525,484.71	525,484.71		1	1	0.000	0.000
Total Cash and Investments	114,231,539.79	114,265,812.90	114,144,727.02		55	16	2.043	2.071

Total Earnings	November 22 Month Ending	Fiscal Year To Date
Current Year	146,116.05	1,265,120.95
Average Daily Balance	118,175,411.48	143,438,791.36
Effective Rate of Return	2.05%	2.22%

"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, 2019. 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)

\$ 114,144,727.02

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

\$ 141,814.96

Total

\$ 114,286,541.98

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
November 22, 2019

(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 Call/ Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations			3,706,055.08	3,706,055.08	3,706,055.08	1.350	1.350	1	
Subtotal and Average			5,917,437.53		3,706,055.08	3,706,055.08	3,706,055.08		1.350	1	
Federal Agency Disc. -Amortizing											
313312QH6	977	Federal Farm Credit Bank		04/18/2019	9,000,000.00	8,994,150.00	8,989,842.50	2.390	2.489	17	12/10/2019
313396RQ8	983	Freddie Mac		10/02/2019	6,000,000.00	5,987,940.00	5,986,160.00	1.730	1.787	48	01/10/2020
313384RU5	984	Fed Home Loan Bank		11/07/2019	10,000,000.00	9,978,200.00	9,977,755.55	1.540	1.588	52	01/14/2020
Subtotal and Average			22,220,917.41		25,000,000.00	24,960,290.00	24,953,758.05		1.960	38	
Treasury Discounts -Amortizing											
912796SU4	979	US Treasury Bill		06/27/2019	5,000,000.00	4,999,200.00	4,998,316.67	2.020	2.066	6	11/29/2019
912796SU4	980	US Treasury Bill		07/18/2019	5,000,000.00	4,999,200.00	4,998,354.17	1.975	2.045	6	11/29/2019
912796TA7	981	US Treasury Bill		09/17/2019	5,000,000.00	4,990,400.00	4,987,793.06	1.870	1.934	47	01/09/2020
912796TH2	982	US Treasury Bill		09/30/2019	5,000,000.00	4,978,400.00	4,974,965.28	1.750	1.788	103	03/05/2020
Subtotal and Average			25,855,238.36		20,000,000.00	19,967,200.00	19,959,429.18		1.958	40	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			65,000,000.00	65,106,783.11	65,000,000.00	2.190	2.190	1	
Subtotal and Average			64,181,818.18		65,000,000.00	65,106,783.11	65,000,000.00		2.190	1	
Total and Average			118,175,411.49		113,706,055.08	113,740,328.19	113,619,242.31		2.071	16	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
November 22, 2019

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		07/01/2019	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2019	505,484.71	505,484.71	505,484.71		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			118,175,411.48		114,231,539.79	114,265,812.90	114,144,727.02		2.071	16

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of November 23, 2019

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	(11/23/2019 - 11/23/2019)	4 Maturities	0 Payments	69,231,539.79	60.65%	69,231,539.79	69,338,322.90
Aging Interval: 1 - 30 days	(11/24/2019 - 12/23/2019)	3 Maturities	0 Payments	19,000,000.00	16.63%	18,986,513.34	18,992,550.00
Aging Interval: 31 - 60 days	(12/24/2019 - 01/22/2020)	3 Maturities	0 Payments	21,000,000.00	18.36%	20,951,708.61	20,956,540.00
Aging Interval: 61 - 91 days	(01/23/2020 - 02/22/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 92 - 121 days	(02/23/2020 - 03/23/2020)	1 Maturities	0 Payments	5,000,000.00	4.36%	4,974,965.28	4,978,400.00
Aging Interval: 122 days and after	(03/24/2020 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		11 Investments	0 Payments		100.00	114,144,727.02	114,265,812.90



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, 2019 includes an increase of \$111,266 to the LAIF investment and an increase of \$30,549 to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

GLOSSARY

INVESTMENT TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yield. Rate of return on a bond.

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

ECONOMIC TERMS

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

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

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

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

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

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

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

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

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

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

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

Orange County Fire Authority Monthly Investment Report



Final Report – November 2019

Preliminary Report – December 2019



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Orange County Fire Authority

Final Investment Report

November 30, 2019



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of November 2019, the size of the portfolio increased by \$10.5 million to \$134.0 million. Significant receipts for the month included the first and second apportionments of secured property taxes for a total of \$44.5 million and two cash contract payments along with various intergovernmental agency payments and other charges for current services totaling \$10.3 million. Significant disbursements for the month included primarily three biweekly payrolls (instead of the typical two per month) which were approximately \$13.5 million each with related benefits. Total November cash outflows amounted to approximately \$45.2 million. The portfolio's balance is expected to increase significantly in December as the next major property tax receipt is expected for the month.

In November, the portfolio's yield to maturity (365-day equivalent) dropped by 14 basis points to 1.91/%. The effective rate of return declined by 7 basis points to 2.01% and by 4 basis points to 2.20% for the month and the fiscal year to date, respectively. The average maturity of the portfolio increased slightly by 2 days to 20 days to maturity.

Economic News

In November 2019, U.S. economic growth appeared to strengthen, although overall economic activity remained mixed. Employment conditions continued to be resilient and strong. There were a total of 266,000 new jobs added in November, a much stronger number than expected. In addition, the unemployment rate dipped back to 50-year record low at 3.5% in November from 3.6% previously. Consumer confidence measures stayed mixed, but remained at high levels. Retail sales rose, but less than expected. Both the Manufacturing and Non-manufacturing ISM (Institute for Supply Management) Indices reversed and pulled back slightly for the month. The CPI (Consumer Price Index) increased by 0.3%, but overall inflation stayed low. Industrial production rose by 1.1%, the best pace in more than two years. On December 11, 2019, the Federal Open Market Committee met and voted to keep the federal funds rate unchanged at the target range of 1.50% - 1.75%.



BENCHMARK COMPARISON AS OF NOVEMBER 30, 2019

3 Month T-Bill: 1.57%

1 Year T-Bill: 1.57%

6 Month T-Bill: 1.59%

LAIF: 2.10%

OCFA Portfolio: 2.01%

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
<i>Book Value-</i>	\$133,967,360	\$123,446,525	\$135,771,668
<i>Yield to Maturity (365 day)</i>	1.91%	2.05%	2.10%
<i>Effective Rate of Return</i>	2.01%	2.08%	2.08%
<i>Days to Maturity</i>	20	18	45



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
November 30, 2019

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 Call/ Maturity	YTM/Call 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	7,797,055.08	7,797,055.08	7,797,055.08	5.83	1	1	1.164	1.180
Federal Agency Disc. -Amortizing	51,000,000.00	50,918,130.00	50,914,058.06	38.09	91	37	1.766	1.791
Treasury Discounts -Amortizing	10,000,000.00	9,971,350.00	9,966,780.55	7.46	135	67	1.835	1.861
Local Agency Investment Funds	65,000,000.00	65,106,783.11	65,000,000.00	48.62	1	1	2.074	2.103
Investments	133,797,055.08	133,793,318.19	133,677,893.69	100.00%	45	20	1.886	1.912
Cash								
Passbook/Checking (not included in yield calculations)	147,651.12	147,651.12	147,651.12		1	1	0.000	0.000
Total Cash and Investments	133,944,706.20	133,940,969.31	133,825,544.81		45	20	1.886	1.912

Total Earnings	November 30 Month Ending	Fiscal Year To Date
Current Year	198,833.61	1,317,838.51
Average Daily Balance	120,603,116.44	142,593,850.90
Effective Rate of Return	2.01%	2.20%

"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, 2019. 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 Jakubrak, Treasurer

12/6/19

Cash and Investments with GASB 31 Adjustment:

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

\$ 133,825,544.81

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

\$ 141,814.96

Total

\$ 133,967,359.77

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
November 30, 2019

(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 Call/ Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations			7,797,055.08	7,797,055.08	7,797,055.08	1.180	1.180	1	
Subtotal and Average			6,174,551.68		7,797,055.08	7,797,055.08	7,797,055.08		1.180	1	
Federal Agency Disc. -Amortizing											
313312QH6	977	Federal Farm Credit Bank		04/18/2019	9,000,000.00	8,996,850.00	8,994,622.50	2.390	2.489	9	12/10/2019
313396RQ8	983	Freddie Mac		10/02/2019	6,000,000.00	5,989,680.00	5,988,466.67	1.730	1.787	40	01/10/2020
313384RU5	984	Fed Home Loan Bank		11/07/2019	10,000,000.00	9,981,000.00	9,981,177.78	1.540	1.588	44	01/14/2020
313384RU5	985	Fed Home Loan Bank		11/27/2019	10,000,000.00	9,981,000.00	9,980,688.89	1.580	1.628	44	01/14/2020
313384RU5	986	Fed Home Loan Bank		11/27/2019	16,000,000.00	15,969,600.00	15,969,102.22	1.580	1.628	44	01/14/2020
Subtotal and Average			26,410,995.18		51,000,000.00	50,918,130.00	50,914,058.06		1.791	37	
Treasury Discounts -Amortizing											
912796TA7	981	US Treasury Bill		09/17/2019	5,000,000.00	4,991,750.00	4,989,870.83	1.870	1.934	39	01/09/2020
912796TH2	982	US Treasury Bill		09/30/2019	5,000,000.00	4,979,600.00	4,976,909.72	1.750	1.788	95	03/05/2020
Subtotal and Average			23,617,569.59		10,000,000.00	9,971,350.00	9,966,780.55		1.861	67	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			65,000,000.00	65,106,783.11	65,000,000.00	2.103	2.103	1	
Subtotal and Average			64,400,000.00		65,000,000.00	65,106,783.11	65,000,000.00		2.103	1	
Total and Average			120,603,116.44		133,797,055.08	133,793,318.19	133,677,893.69		1.912	20	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
November 30, 2019

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		07/01/2019	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2019	127,651.12	127,651.12	127,651.12		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			120,603,116.44		133,944,706.20	133,940,969.31	133,825,544.81		1.912	20

Orange County Fire Authority

In service of others!



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of December 1, 2019

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	(12/01/2019 - 12/01/2019)	4 Maturities 0 Payments	72,944,706.20	54.51%	72,944,706.20	73,051,489.31
Aging Interval:	1 - 30 days	(12/02/2019 - 12/31/2019)	1 Maturities 0 Payments	9,000,000.00	6.72%	8,994,622.50	8,996,850.00
Aging Interval:	31 - 60 days	(01/01/2020 - 01/30/2020)	5 Maturities 0 Payments	47,000,000.00	35.05%	46,909,306.39	46,913,030.00
Aging Interval:	61 - 91 days	(01/31/2020 - 03/01/2020)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	92 - 121 days	(03/02/2020 - 03/31/2020)	1 Maturities 0 Payments	5,000,000.00	3.72%	4,976,909.72	4,979,600.00
Aging Interval:	122 days and after	(04/01/2020 -)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Total for			11 Investments 0 Payments		100.00	133,825,544.81	133,940,969.31



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, 2019 includes an increase of \$111,266 to the LAIF investment and an increase of \$30,549 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 November 30, 2019, OCFA has \$65,000,000 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 September 30, 2019 is 1.001642817. When applied to OCFA's LAIF investment, the fair value is \$65,106,783 or \$106,783 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at November 30, 2019 is included on the following page.



Fair Value Including Accrued Interest	\$	87,087,977,481.91
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Orange County Fire Authority

Preliminary Investment Report

December 13, 2019



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
December 13, 2019

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 Call/ Maturity	YTM/Call 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	7,849,567.62	7,849,567.62	7,849,567.62	6.29	1	1	1.164	1.180
Federal Agency Disc. -Amortizing	42,000,000.00	41,948,100.00	41,943,579.44	33.62	60	30	1.618	1.641
Treasury Discounts -Amortizing	10,000,000.00	9,977,850.00	9,973,316.67	7.99	135	54	1.835	1.861
Local Agency Investment Funds	65,000,000.00	65,106,783.11	65,000,000.00	52.10	1	1	2.074	2.103
Investments	124,849,567.62	124,882,300.73	124,766,463.73	100.00%	32	15	1.845	1.870
Cash								
Passbook/Checking (not included in yield calculations)	464,778.53	464,778.53	464,778.53		1	1	0.000	0.000
Total Cash and Investments	125,314,346.15	125,347,079.26	125,231,242.26		32	15	1.845	1.870

Total Earnings	December 13 Month Ending	Fiscal Year To Date
Current Year	89,077.93	1,406,916.44
Average Daily Balance	135,064,424.72	142,009,538.52
Effective Rate of Return	1.85%	2.18%

"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, 2019. 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

12/20/19

Cash and Investments with GASB 31 Adjustment:

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

\$ 125,231,242.26

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

\$ 141,814.96

Total

\$ 125,373,057.22

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
December 13, 2019

(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 Call/ Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations			7,849,567.62	7,849,567.62	7,849,567.62	1.180	1.180	1	
Subtotal and Average			11,932,574.00		7,849,567.62	7,849,567.62	7,849,567.62		1.180	1	
Federal Agency Disc. -Amortizing											
313396RQ8	983	Freddie Mac		10/02/2019	6,000,000.00	5,993,460.00	5,992,215.00	1.730	1.787	27	01/10/2020
313384RU5	984	Fed Home Loan Bank		11/07/2019	10,000,000.00	9,987,400.00	9,986,738.89	1.540	1.588	31	01/14/2020
313384RU5	985	Fed Home Loan Bank		11/27/2019	10,000,000.00	9,987,400.00	9,986,394.44	1.580	1.628	31	01/14/2020
313384RU5	986	Fed Home Loan Bank		11/27/2019	16,000,000.00	15,979,840.00	15,978,231.11	1.580	1.628	31	01/14/2020
Subtotal and Average			48,161,550.72		42,000,000.00	41,948,100.00	41,943,579.44		1.641	30	
Treasury Discounts -Amortizing											
912796TA7	981	US Treasury Bill		09/17/2019	5,000,000.00	4,994,850.00	4,993,247.22	1.870	1.934	26	01/09/2020
912796TH2	982	US Treasury Bill		09/30/2019	5,000,000.00	4,983,000.00	4,980,069.45	1.750	1.788	82	03/05/2020
Subtotal and Average			9,970,300.00		10,000,000.00	9,977,850.00	9,973,316.67		1.861	54	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			65,000,000.00	65,106,783.11	65,000,000.00	2.103	2.103	1	
Subtotal and Average			65,000,000.00		65,000,000.00	65,106,783.11	65,000,000.00		2.103	1	
Total and Average			135,064,424.72		124,849,567.62	124,882,300.73	124,766,463.73		1.870	15	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
December 13, 2019

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		07/01/2019	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2019	444,778.53	444,778.53	444,778.53		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			135,064,424.72		125,314,346.15	125,347,079.26	125,231,242.26		1.870	15

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of December 14, 2019

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	(12/14/2019 - 12/14/2019)	4 Maturities 0 Payments	73,314,346.15	58.54%	73,314,346.15	73,421,129.26
Aging Interval:	1 - 30 days	(12/15/2019 - 01/13/2020)	2 Maturities 0 Payments	11,000,000.00	8.77%	10,985,462.22	10,988,310.00
Aging Interval:	31 - 60 days	(01/14/2020 - 02/12/2020)	3 Maturities 0 Payments	36,000,000.00	28.71%	35,951,364.44	35,954,640.00
Aging Interval:	61 - 91 days	(02/13/2020 - 03/14/2020)	1 Maturities 0 Payments	5,000,000.00	3.98%	4,980,069.45	4,983,000.00
Aging Interval:	92 days and after	(03/15/2020 -)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Total for			10 Investments 0 Payments		100.00	125,231,242.26	125,347,079.26



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, 2019 includes an increase of \$111,266 to the LAIF investment and an increase of \$30,549 to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

GLOSSARY

INVESTMENT TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yield. Rate of return on a bond.

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

ECONOMIC TERMS

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

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

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

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

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

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

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

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

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

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

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



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
January 8, 2020

Agenda Item No. 3B
Consent Calendar

Organizational Service Level Assessment Update

Contact(s) for Further Information

Robert Cortez, Assistant Chief
Business Services Department

robertcortez@ocfa.org

714.573.6012

Summary

This agenda item is submitted to provide an update of the Citygate Service Level Assessments (SLAs) for the period covering September thru November of 2019.

Prior Board/Committee Action(s)

At its regular November 15, 2018, meeting, the Executive Committee awarded a Master Consulting Agreement with Citygate Associates, LLC, the number one ranked firm in the OCFA's Request for Qualifications (RFQ) process for as-needed organizational service level review consulting services.

At its regular January 9, 2019, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of Citygate's scope of work, associated costs, and proposed budget.

At its regular January 24, 2019, meeting, the Board of Directors approved Citygate's initial scope of work, associated costs, and necessary budget adjustments for performance of SLAs in five areas of the OCFA during 2019.

At its regular meeting on October 24, 2019, the Executive Committee approved the reallocation of funding from the approved Purchase Orders issued for the Executive Leadership Team and Fleet Services SLAs into the Field Deployment Services SLA. The total contract amount remained unchanged (\$700,725).

RECOMMENDED ACTION(S)

Receive and file the report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

The Board approved a budget of \$700,725 to complete the Citygate SLA reviews. As of the date this staff report was prepared, the OCFA has expended approximately 75% of the contract amount and is well within budget.

Background

Following a 2018 RFQ process, Citygate Associates, LLC (Citygate) was selected and ultimately awarded a 3-year term agreement, with two additional one-year renewals, to perform as-needed organizational service level review consulting services for OCFA. Citygate, is a public sector firm that provides management consulting to a full array of local government functions, with particular emphasis on fire protection, law enforcement, community development, public works, animal services, and human resources.

Five organizational SLA areas, also known as cost centers, were identified and approved for review during calendar year 2019, which include Emergency Command Center (ECC), Emergency Medical Services (EMS), Fleet Services, Field Deployment, and Executive Leadership Team/Human Resources. These assessments are intended to accomplish the same objectives as a strategic plan, but in smaller pieces, and allow for progress to be made on identified objectives, while other portions of the organization are still being assessed.

Each SLA evaluates, at a forensics data-driven level, the operational performance of the cost centers, not just compared to national and Citygate team best practices, but to the needs of the OCFA, its employees and its agency customers. Each SLA will be a stand-alone assessment report, that will cover elements assessed, the operational metrics, and describe strengths and areas of opportunity.

The SLA process began with a series of kickoff meetings during February and March of 2019 in which OCFA assessment leads met with Citygate consultants, the Chief, and members of the Executive Management Team to discuss the assessment, process and timelines, leader's intent, initial data/information requests and to begin the scheduling of future information gathering meetings. All five SLAs follow the same project process flow that begins with information requests, start-up meetings, and progressively move thru data gathering, analysis, mid-project meetings, development of a draft report, final report, and briefings.

The organizational assessments were originally scheduled to be completed by the end of 2019. However, due to additional analysis requests, changes in scope, additional time needed to review and provide comment to draft findings, as well as scheduling conflicts, SLA completion dates have shifted. The ECC SLA is projected to be completed by January of 2020. All other remaining SLA's including EMS, Field Deployment, Executive Leadership and Fleet Services are anticipated to be completed no later than spring of 2020.

Since the kickoff meetings, Citygate has met with OCFA staff to gather the necessary data to perform the assessment. Currently all five SLA areas are at the Mid-Project Meeting or Draft Report stage of the assessment, as illustrated in the most recent monthly organizational update provided for the month of November. These monthly SLA updates (Attachments 1-3) are provided to OCFA employees and shared with labor in an effort inform the organization of the progress. The Human Resources SLA, which is a subset of the Executive Leadership SLA, was presented to the Human Resources Committee as a "receive and file" item at its September 17, 2019, meeting.

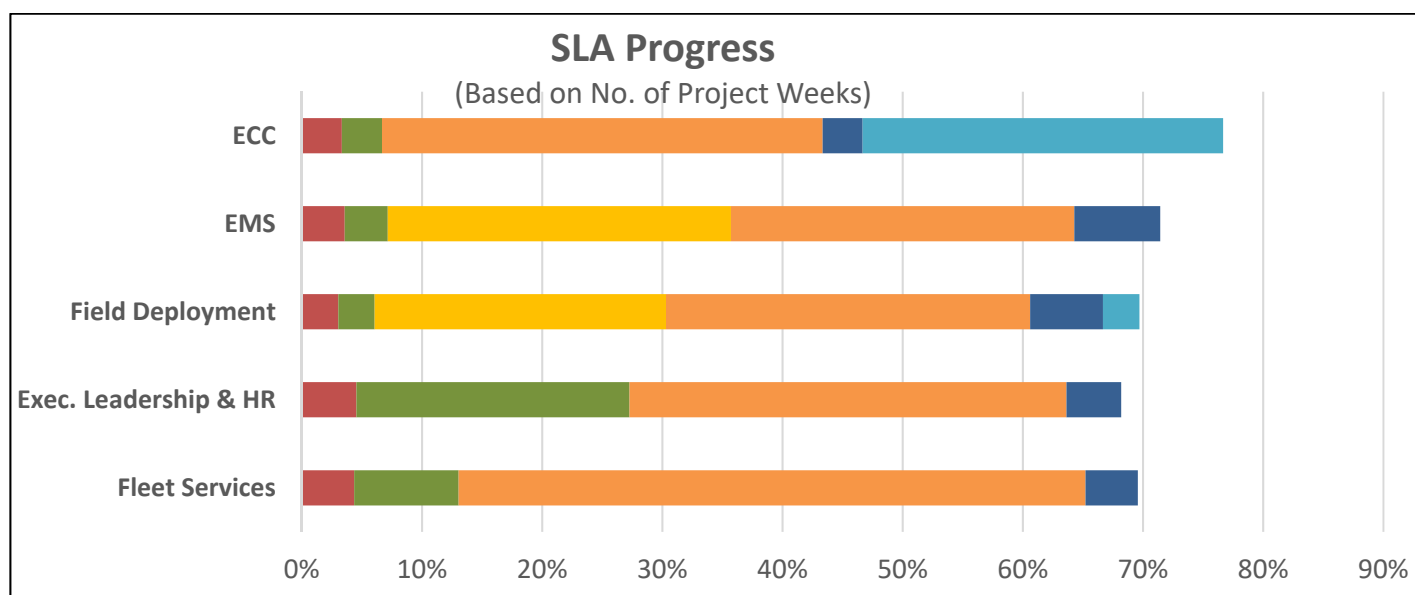
Attachment(s)

1. September 2019 SLA Monthly Update
2. October 2019 SLA Monthly Update
3. November 2019 SLA Monthly Update



Organizational Service Level Assessment (SLA) Update

As of September 30, 2019



Emergency Command Center (ECC)

Work Completed in September – Mission Critical Partners (MCP) continued to prepare the draft report for Citygate’s review.

Work Scheduled in the Next Reporting Period – In October, Citygate will deliver the draft report to OCFA for fact-checking and begin to schedule briefing dates.

Emergency Medical Services (EMS)

Work Completed in September – Citygate continued to work with OCFA staff on workload analysis.

Work Scheduled in the Next Reporting Period – In October, Citygate will conduct final site meeting and prepare the mid-project findings/recommendations briefing for an on-site meeting in early November.

Field Deployment

Work Completed in September – Citygate met with OCFA staff and received comments regarding the mid-project briefing as well as a list of station relocation/add scenarios. Citygate completed initial GIS work on station scenario information. Citygate also worked on the auto aid balancing portion of the project.

Work Scheduled in the Next Reporting Period – In October, Citygate will complete the final GIS work and submit for review.

Executive Leadership Team & Human Resources

Work Completed in September – Citygate worked on initial executive leadership team findings and opinions to be presented at a future workshop. The Human Resources report was provided to the HR Committee.

Work Scheduled in the Next Reporting Period – In October, Citygate will work to schedule the mid-project meeting.

Fleet Services

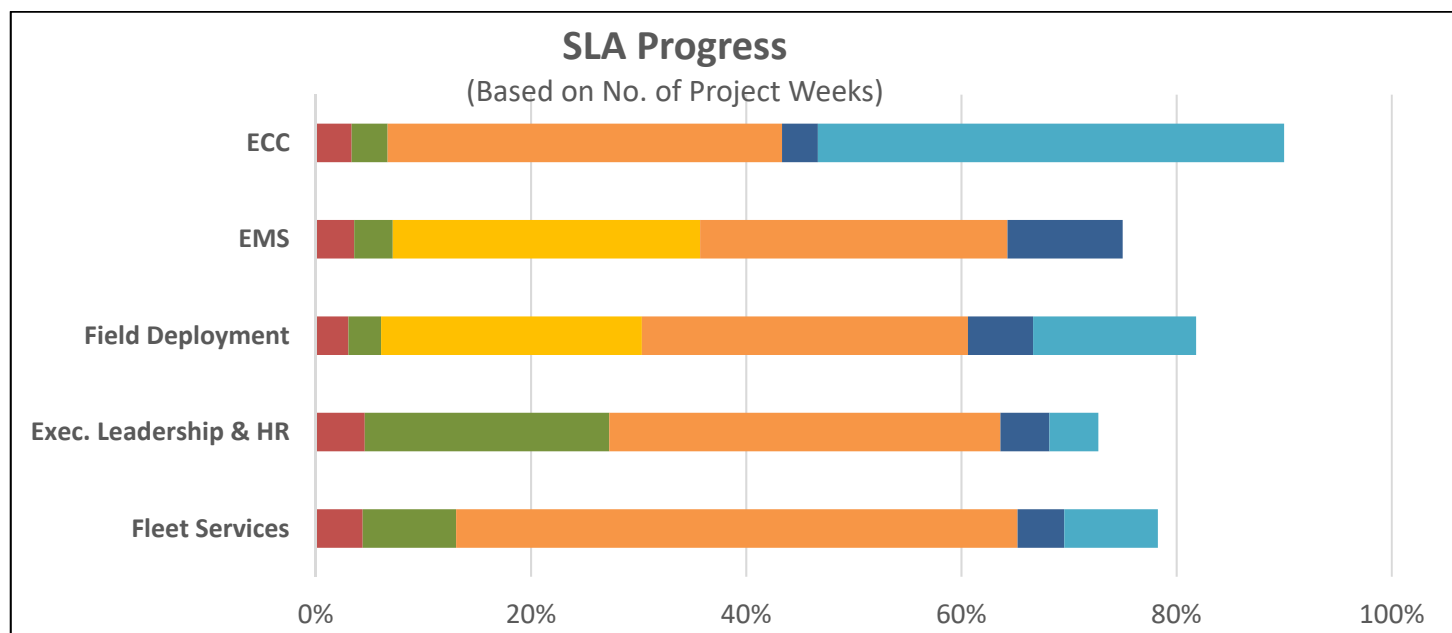
Work Completed in September – Citygate completed draft findings and recommendations briefing and met with staff.

Work Scheduled in the Next Reporting Period – In October, Citygate anticipates preparing the first draft report and will submit for review.



Organizational Service Level Assessment (SLA) Update

As of October 31, 2019



Information Request

Start Up Meetings

Data Gathering

Analysis

Mid Project Meeting

Draft Report

Final Report & Briefings

Emergency Command Center (ECC)

Work Completed in October – Citygate received Mission Critical Partners first draft report and requested edits.

Work Scheduled in the Next Reporting Period – In November, Citygate will deliver the draft report and discuss scheduling briefing dates.

Emergency Medical Services (EMS)

Work Completed in October – Citygate continued to work with EMS staff on workload analysis and agreed to meet on final continuous quality improvement (CQ/I) workload analysis.

Work Scheduled in the Next Reporting Period – In November, Citygate will prepare for the mid-project findings/recommendations briefing.

Field Deployment

Work Completed in October – Citygate submitted GIS scenarios for fact-checking. Additionally, conducted move/add latter truck analysis, including new growth station areas identified by staff into GIS scenarios to prepare a decision matrix that will help to prioritize new stations.

Work Scheduled in the Next Reporting Period – In November, Citygate will continue to address staff requests and will then begin preparing the draft findings and recommendations briefing.

Executive Leadership Team & Human Resources

Work Completed in October – Citygate completed the assessment work and drafted findings and recommendations.

Work Scheduled in the Next Reporting Period – Citygate will look to schedule the Executive Team briefing meeting.

Fleet Services

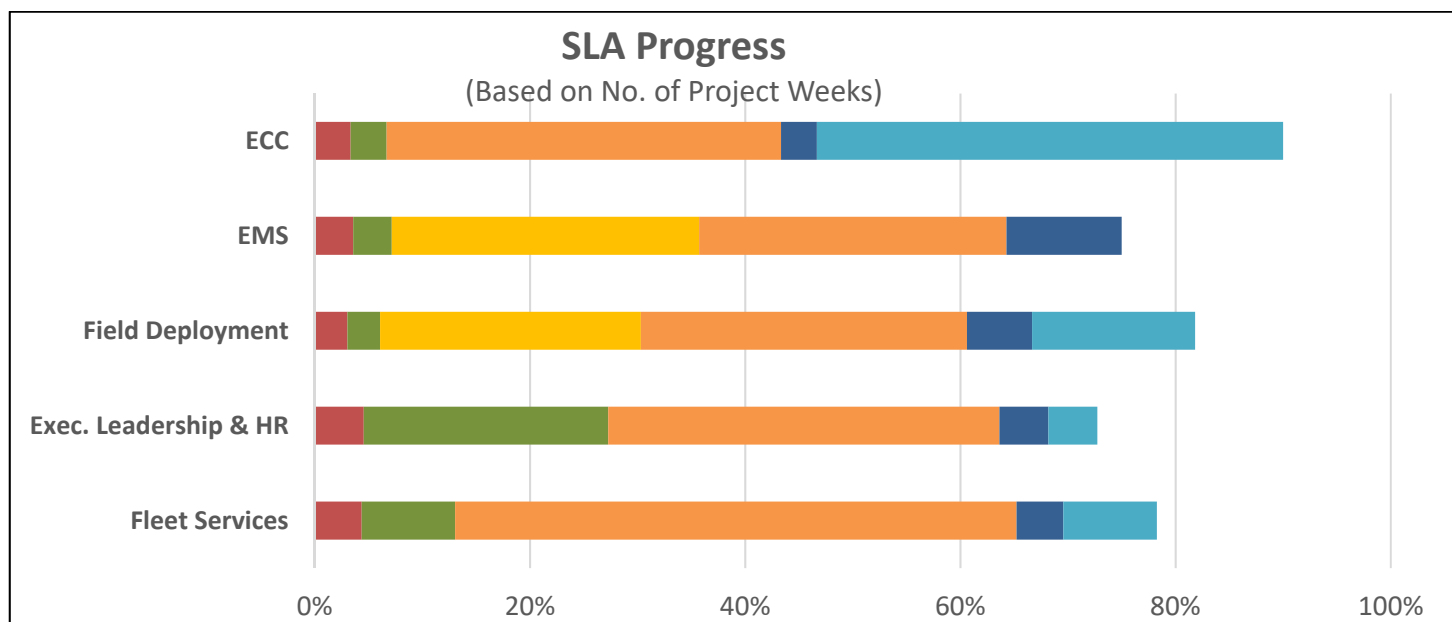
Work Completed in October – Citygate prepared the first draft report and submitted for fact-check review.

Work Scheduled in the Next Reporting Period – In November, Citygate anticipates receiving draft comments and will then prepare the final report.



Organizational Service Level Assessment (SLA) Update

As of November 30, 2019



Information Request

Start Up Meetings

Data Gathering

Analysis

Mid Project Meeting

Draft Report

Final Report & Briefings

Emergency Command Center (ECC)

Work Completed in November – Mission Critical Partners prepared a second draft report and provided to ECC staff for fact-checking.

Work Scheduled in the Next Reporting Period – In December, Citygate anticipates delivering an updated draft report for review and then schedule briefing dates.

Emergency Medical Services (EMS)

Work Completed in November – Citygate continued to work on final CQ/I workload analysis. Citygate requested that OCFA staff prepare workload measures by position.

Work Scheduled in the Next Reporting Period – In December, Citygate anticipates receiving needed workload analysis in order to prepare for the Mid-Project Findings/Recommendations briefing meeting.

Field Deployment

Work Completed in November – Citygate continued the move/add latter truck analysis, including new growth station areas identified by staff.

Work Scheduled in the Next Reporting Period – In December, Citygate anticipates delivering the updated Mid-Project Findings and Recommendations briefing.

Executive Leadership Team & Human Resources

Work Completed in November – Citygate completed the assessment work and drafted findings and recommendations for a November briefing. The November briefing was rescheduled due to scheduling conflicts.

Work Scheduled in the Next Reporting Period – The briefing meeting has been rescheduled to January 2020.

Fleet Services

Work Completed in November – OCFA staff continued its review of the first draft findings report.

Work Scheduled in the Next Reporting Period – Citygate anticipates receiving back comments related to the draft findings in order to prepare and submit the draft SLA Report for review.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
January 8, 2020

Agenda Item No. 3C
Consent Calendar

Next Generation Aerial Operations Pilot Program Budget Adjustment

Contact(s) for Further Information

Brian Fennessy, Fire Chief	brianfennessy@ocfa.org	714.573.6010
Robert Cortez, Assistant Chief Business Services Department	robertcortez@ocfa.org	714.573.6012

Summary

This item is submitted for approval of a budget adjustment to recognize an increase in donation by Southern California Edison (SCE) and provide funding needed to close out the Next Generation Aerial Operations Based Pilot Program (NextGen).

Prior Board/Committee Action

On June 27, 2019, the Board of Directors authorized the execution of agreements with SCE, Coulson Aviation (USA), Inc. (CAI), and several Air Tactical Group Supervisors (ATGS) in support of the NextGen Pilot Program.

On August 22, 2019, the Board of Directors authorized the Purchasing Manager to increase the aggregate total amount for ATGS services by \$250,000 to \$500,000 for the Fire Integrated Real-time Intelligence System Pilot Program, with the individual agreement amounts not to exceed \$120,000.

On December 5, 2019, the Executive Committee approved and authorized the execution of Amendment One to the Funding Agreement with SCE to increase its previous donation by \$880,000 to extend the NextGen Pilot program. In addition, the Committee authorized the Purchasing Manager to execute Amendment One with Coulson Aviation (USA), Inc., to extend the term of the agreement through January 1, 2020. Furthermore, the Committee also authorized the Purchasing Manager to increase the Professional Services Agreements for ATGS's, as needed, up to \$200,000 each for an aggregate total not to exceed \$750,000 for overall ATGS services.

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 January 23, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors authorize and approve the following proposed budget adjustment to recognize the donation from Southern California Edison, increasing revenues by \$880,000 and expenditures by \$1,115,522 in the FY 2019/20 General Fund (121).

Impact to Cities/County

Not Applicable.

Fiscal Impact

Authorization of the Budget Adjustment will increase revenues by \$880,000 tied to the SCE donation, and increase expenditures by \$1,115,522, which includes \$235,522 in additional expenditures to cover the cost of administrative project close out. Additional funding in the form of reimbursement from other fire agencies that requested aerial services from the OCFA may also be received in the future as claims are processed and paid.

Background

NextGen Pilot Program

The NextGen Pilot Program was designed to enhance the regional wildland firefighting capabilities through the use of various innovative technology. As the fire season and the Pilot Program progressed, the region is already realizing the benefits of having these additional resources available. The NextGen platform was utilized on 19 incidents throughout Los Angeles City, Los Angeles County, Ventura County, Riverside County, and Orange County. Some of the larger incidents that have benefitted from the programs include the Saddleridge Fire, Getty Fire, Tick Fire, and the Maria Fire.

As a result of the realized benefit of having the Pilot Program resources available, and due to the potential for a recurrence of high-risk fire conditions, SCE agreed to increase its previous donation by \$880,000 to continue the NextGen Pilot Program for an additional 33-days. SCE's approval to continue the program came after the November Executive Committee and Board meetings, and as such, necessitated a special Executive Committee meeting on December 5, 2019, to authorize the acceptance of the donation and amendments to the pilot project related vendor agreements. The donation and agreement amendments were approved with the understanding that staff would bring back a staff report in January 2020 seeking approval for a budget adjustment.

Following is a summary of the NextGen Pilot program funding and expenditures:

		Amount
Project Funding	SCE Donations and OCFA Budget	\$5,130,000
Project Expenses	Coulson Aviation (USA), Inc. and ATG Service Provider Costs	\$5,365,522
	Funding Needed to Close out the Project	\$235,522

Staff recommends approval of the stated recommended actions.

Attachment(s)

Amendment One to the Funding Agreement with SCE

**AMENDMENT NUMBER ONE TO THE
FUNDING AGREEMENT BY AND BETWEEN THE ORANGE COUNTY FIRE
AUTHORITY AND SOUTHERN CALIFORNIA EDISON COMPANY**

This Amendment Number One to the Funding Agreement ("First Amendment") is by and between THE ORANGE COUNTY FIRE AUTHORITY, a California Joint Powers Authority ("OCFA") and SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation ("SCE"), and is effective on the last date when both Parties sign this Amendment One (the "Amendment Effective Date"). OCFA and SCE may be referred to herein collectively as the "Parties").

RECITALS

WHEREAS, the Parties have entered into that certain Funding Agreement, which is incorporated herein by reference, that sets forth the terms and conditions pursuant to which SCE has contributed funds to OCFA for the funding of helicopter leases and operations to support fire suppression activities; and

WHEREAS, the current helicopter leases expire on or around November 28, 2019; and

WHEREAS, OCFA desires to extend the leases, and SCE intends to provide additional funding to OCFA for the fixed lease costs of the helicopters for the extended lease terms.

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Additional Funding and New Lease Term.

Within seven business days of the Amendment Effective Date, SCE will electronically transfer to OCFA an additional payment in the amount of Eight Hundred and Eighty Thousand Dollars (\$880,000). OCFA will use this payment exclusively to fund an extension of the current leases and operations described in the Funding Agreement through at least December 31, 2019. If, for any reason, OCFA does not enter lease extensions by December 15, 2019, or such other date agreed to by the Parties in writing, then OCFA shall return the additional payment to SCE.

2. Governing Law.

This First Amendment shall be interpreted, governed, and construed under the laws of the State of California as if executed and to be performed wholly within the State of California.

3. Other Agreement Terms.

Except as specifically modified in this First Amendment, the terms and conditions of the Funding Agreement shall remain in full force and effect for the term of this First Amendment as set forth in the following section number 4.

4. Term and Survival.

This First Amendment shall be effective as of the Amendment Effective Date through the date that all obligations of the Parties hereto with respect to this First Amendment and the Funding Agreement have been satisfied, except that the Parties shall continue to be bound by the provisions of the Funding Agreement which by their nature survive such completion or termination, including Section 4 ("Indemnification").

5. Counterparts and Electronic Signatures.

This First Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument. Documents executed, scanned and transmitted electronically and electronic signatures shall be deemed original signatures for purposes of the First Amendment and all matters related thereto, with such scanned and electronic signatures having the same legal effect as the original signatures.

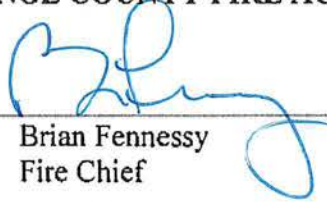
[Signatures on Following Page]

IN WITNESS WHEREOF, the Parties hereto have caused this First Amendment to the Funding Agreement to be executed by their duly authorized representatives.

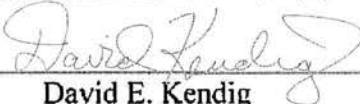
"OCFA"

ORANGE COUNTY FIRE AUTHORITY

Date: 12/05/19

By: 
Brian Fennessy
Fire Chief

APPROVED AS TO FORM.

By: 
David E. Kendig
General Counsel

ATTEST:



Sherry A.F. Wentz
Clerk of the Board

Date: 12/05/19

"SCE"

**SOUTHERN CALIFORNIA EDISON
COMPANY**

Date: 12/4/2019

By: 
Name J. CHRIS THOMPSON
Title VP, LOCAL PUBLIC AFFAIRS

Date: _____

By: _____
Name _____
Title _____



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
January 8, 2020

Agenda Item No. 4A
Discussion Calendar

FY 2019/2020 Mid-Year Financial Report

Contact(s) for Further Information

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Summary

This item is submitted to provide a mid-year financial update on the FY 2019/20 budget in accordance with the OCFA's Fiscal Health Plan and to preview expected budget adjustments for approval in March.

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 January 23, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors direct staff to return to the Board of Directors on March 26, 2020, for approval of the remaining budget adjustments for the FY 2019/20 budget.

Impact to Cities/County

Annual increases for cash contract cities are estimated at 4.5% for FY 2020/21 and 4.5% for FY 2021/22 based on the Five-Year Financial Forecast.

Fiscal Impact

Financial impact has been presented in the attached report.

Background

The OCFA's Fiscal Health Plan calls for a comprehensive system to monitor OCFA's fiscal performance. This includes a review and comparison of forecasted revenues and expenditures against actual revenues and expenditures, as well as a mid-year budget review. The attached report reviews the current year budget, highlights any potential financial challenges to the OCFA, and previews anticipated FY 2020/21 budget issues, to the extent they are known at this time.

FY 2019/20 Budget Review

Changes have occurred since the budget was adopted in May 2019, including increases to budgeted beginning fund balance, increase in property tax revenue, increases in both revenue and expenditures related to assistance-by-hire emergency responses, as well as all approved adjustments to-date such as Carryover budgeted funds/projects and new grant funds. These changes are detailed in the attached Mid-Year Financial Report.

Attachment(s)**Mid-year Financial Report**

Exhibit 1 – 2019 Trend Analysis -- Forecast to Actual Comparison

Exhibit 2 – Updated Five-Year Financial Forecast

Exhibit 3 – Five-Year Financial Forecast Assumptions



In May 2018, the Board of Directors approved the updated Fiscal Health Plan and Financial Stability Budget Policies. These documents describe the Authority's strong fiscal policies, a comprehensive system for monitoring OCFA's fiscal performance, and a framework to assure timely and appropriate response to adverse fiscal circumstances. Included in the Fiscal Health Plan is the requirement for a mid-year financial report, which is presented below.

ECONOMIC OUTLOOK

Property tax is OCFA's largest source of revenue; therefore, this section focuses on economic factors impacting property values. The December 2019 Chapman Economic and Business Review forecast estimates growth in housing appreciation rates of 3.2% in 2020. Mortgage rates are projected to remain low through 2020, which results in higher housing affordability. The recent "near housing recession" translated to less residential permits issued in 2019 than estimated this time last year. Less residential building, coupled with increased affordability, leads Chapman to conclude in the near term "a tight supply of housing will lead to stronger market conditions in 2020, perhaps even a seller's market."

Over the long term, Chapman projects that demand for housing will be constrained. Residential permit issuance in 2020 is growing just slightly over 2019, and will not exceed levels set in the past four years. This is due to falling population growth in Orange County from net loss migration, declining birth rates, and slowdown of immigration from other nations.

CURRENT FISCAL YEAR FINANCES

The following are estimated changes to the General Fund budget that are needed since the adoption of the FY 2019/20 budget in May 2019. Overall the proposed changes in the General Fund result in an estimated total revenue increase of approximately \$6.5 million and an estimated total expenditure increase of \$7.4 million. Of the \$7.4 million in expenditure increases, \$4.8 million are cost neutral as they are directly offset by corresponding sources of revenue.

FY 2019/20 Potential Revenue Adjustments - \$6.5 million

Property Taxes: Based on secured tax billings provided by the Auditor/Controller, preliminary projections indicate an approximate \$2.3 million increase over budget.	\$2,265,000
Assistance by Hire (ABH): ABH is the term used when OCFA responds to requests for assistance to incidents outside our area of responsibility, on a reimbursement basis. Current year activity is \$3.4 million greater than budget due to various out-of-county responses. Staff will be monitoring this source of revenue for additional reimbursements. An expenditure adjustment is also proposed to the overtime/backfill category to cover the costs associated with providing the ABH services.	\$3,435,814
Grant/other Reimbursements: This category represents reimbursements for Grants or other programs, such as California Fire Fighter Joint Apprenticeship Committee (CFFJAC), where expenditures are reimbursed once incurred.	\$590,040



Miscellaneous: This category of revenue adjustments includes the following: **\$224,379**
re-categorization of CAL FIRE contract revenues, updates to cash contract city maintenance charges; witness fees, miscellaneous revenue, revenue from SCE, and restitution.

FY 2019/20 Potential Expenditure Adjustments - \$7.4 million

Assistance by Hire/Emergency Incident Costs: As mentioned under Revenue for ABH, an adjustment is needed for out-of-county responses, primarily in the overtime/backfill category, but also for response-related supplies. This category also comprises the expenditures for upstaffing of strike teams that occurred during the wind events in the first half of the fiscal year. Of this \$4 million expenditure increase for ABH and upstaffing of strike teams, the offsetting revenue reimbursement is currently estimated at \$3.4 million. An additional portion of these expenditures may still be determined to be reimbursable, as staff continues the process of reviewing cost details and submitting eligible costs for reimbursement. Staff will be monitoring these categories closely as the fiscal year progresses. **\$3,974,127⁽¹⁾**

Supplies/Equipment/Professional Services: This category captures one-time costs which have increased since budget development, or were unknown at budget development, including fuel (\$300,000), incident management team costs (\$150,000), suppression personal protective equipment (\$500,000), phone lines/data circuits (\$272,000) and communication installations in vehicles (\$250,000). **\$1,476,054**

CAL FIRE Augmentation Funds: This expenditure category represents the final appropriation of CAL FIRE restricted funds received from CAL FIRE (the restricted revenue was previously recognized in the budget, but the associated expenditures were not yet included in the budget). The funds are restricted to purposes determined by CAL FIRE to be supportive of the mission related to Drought Augmentation. **\$762,878⁽¹⁾**

Expenditures with Revenue Offset: These expenditure items are completely offset by a corresponding revenue adjustment and include CFFJAC expenditures, US&R 2018 Grant supplement and CAL FIRE defensible space inspection tablets. **\$590,040⁽¹⁾**

¹ This expenditure increase is wholly or partially cost neutral, offset by a corresponding revenue source



Interfund Borrowing: At the time of budget development, staff was in the process of analyzing if OCFA's operating cash flow needs could be met with interfund borrowing in lieu of issuing a Tax and Revenue Anticipation Note. When the budget was adopted in May, the analysis had been completed and the Board approved interfund borrowing as our temporary cash flow management mechanism in FY 2019/20. For interfund borrowing, money is borrowed from the CIP and Workers' Compensation (W/C) Self-Insurance funds, temporarily loaned to the General Fund, and then repaid back with interest once property tax revenues are received. The interest is reflected as a cost to the General Fund. This adjustment funds the interest owed from the General Fund to the CIP and W/C funds associated with the borrowing. **\$600,000**

General Fund and CIP funds – Beginning Fund Balance and Budget Transfer Adjustment

- **Budgeted beginning fund balances:** As part of the annual mid-year adjustment, budgeted beginning fund balances will be adjusted in accordance with the FY 2018/19 year-end audit. These increases resulted primarily from additional revenue received in the fiscal year, as well as salary savings and S&S savings in the General Fund. The beginning fund balance adjustments for Capital Improvement Funds (CIP) largely result from the timing for completion of projects. Funds for projects that did not get completed were carried-over to FY 2019/20.

Staff is recommending that excess fund balance in the Self-Insurance Fund 190 in the amount of \$5.5 million be transferred to the General Fund CIP Fund 12110 and the Fire Stations and Facilities Fund 123 in the amount of \$2.75 million each. The purpose of the transfer is to provide funding for modifying existing fire stations to enhance gender accommodations.

- **Fund 12110 – General Fund CIP:** A net adjustment increasing expenditures in the amount of \$377,878 is needed for the following projects: Fire Station (FS) 32 requires new security fencing and a gate, bathroom improvements at FS 14, 16 and 32, and Dormitory Privacy at FS 53.
- **Fund 124 – Communication and Information Systems:** A net adjustment decreasing expenditures in the amount of \$180,000 is needed in the Fund. The OCFA Enterprise Audio Video improvements project is being deferred to subsequent fiscal years while a new EMS Immunization Tracking program is being initiated.
- **Fund 139 – Settlement Agreement:** An adjustment increasing expenditures in the amount of \$10,000 is needed to accommodate Trustee and PARS fees for administering the 115 Trust.



FUTURE FISCAL YEAR FINANCES

Significant factors that are anticipated to influence the FY 2020/21 budget include:

- **Prepayment of OCERS Contributions** – Staff will conduct an analysis of OCFA's cash flow position; we expect to prepay half of the employer contributions to take advantage of an approximately 4.5% discount. This discount has declined in recent years, from 7.25% to 5.8% and now to 4.5%. Although the discount has declined, it still amounts to a valuable savings and is worth taking advantage of.
- **Property Taxes** - Since property tax is the largest source of income for the General Fund at about 63%, we have contracted with Harris and Associates to update our property tax projections. Updated preliminary information for our FY 2019/20 budget will not be available until February 2020; therefore, in the interim we are continuing to use RSG's prior projection through FY 2022/23 of the Five-Year Financial Forecast.
- **Retirement Rates** - The Orange County Employees Retirement System (OCERS) Board has adopted retirement rates for FY 2020/21. Compared to rates used in the Five-Year Forecast, employer rates for general employees decreased by 0.61% and rates for the safety employees increased by 0.28% after removing the impact of the additional pension liability contributions OCFA has made to OCERS. Consistent with Board direction, we continue to pay the original rates, capturing those savings and increasing payments directly to our unfunded liability.

PENDING ISSUES

- **CIP Project Budget Funding/Timing** – The next five-year Capital Improvement Program budget is being developed. As we build the CIP, staff is working on options to align the updated five-year CIP schedule with available funding that is primarily derived from transfers from the General Fund, and with exploration of additional financing options.

MONITORING FINANCIAL HEALTH

Financial Forecast

The Fiscal Health Plan directs staff to monitor our financial indicators through frequent updates to the Authority's Five Year Financial Forecast, measuring revenues, expenditures, debt, and committed and uncommitted fund balance. These categories are forecasted using all available information, Board actions, and economic conditions (Exhibits 2 and 3).

A trend report has been developed comparing the differences between the forecasted data and actual financial results and is attached to this Review as Exhibit 1.

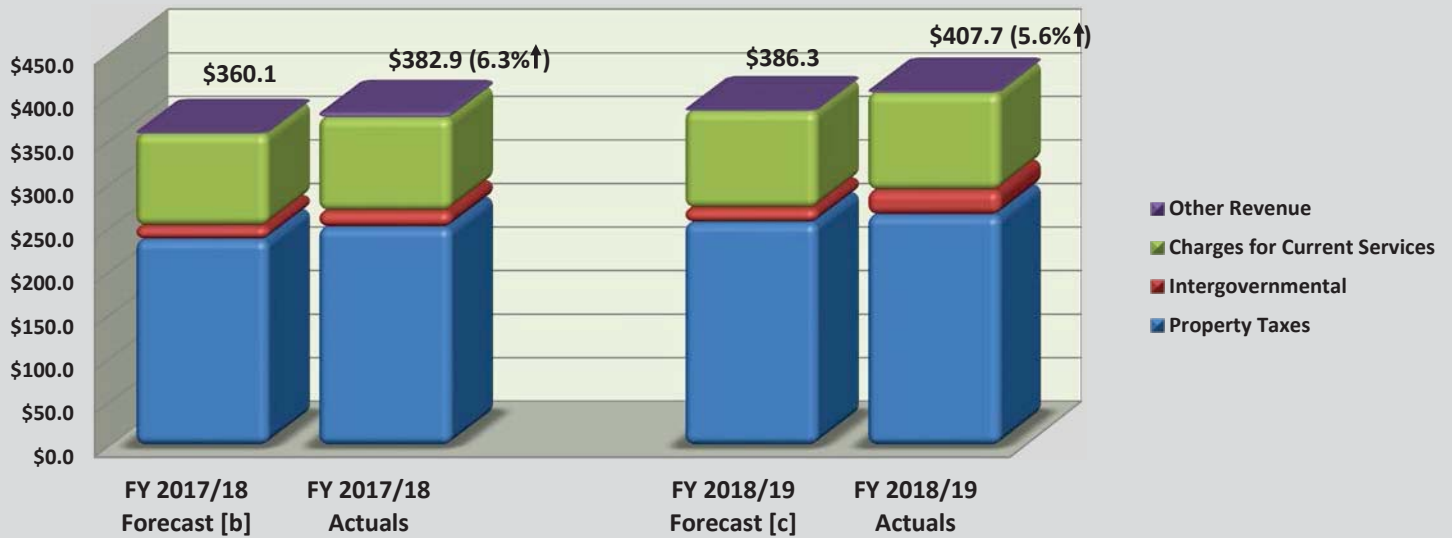
2019 Trend Analysis: Summary of 2-Year Forecast vs. Adjusted Actuals

Comparison of 2017/18 Forecast to 2017/18 Actuals

and

Comparison of 2018/19 Forecast to 2018/19 Actuals

Revenue Comparison [a] (\$ in Millions)

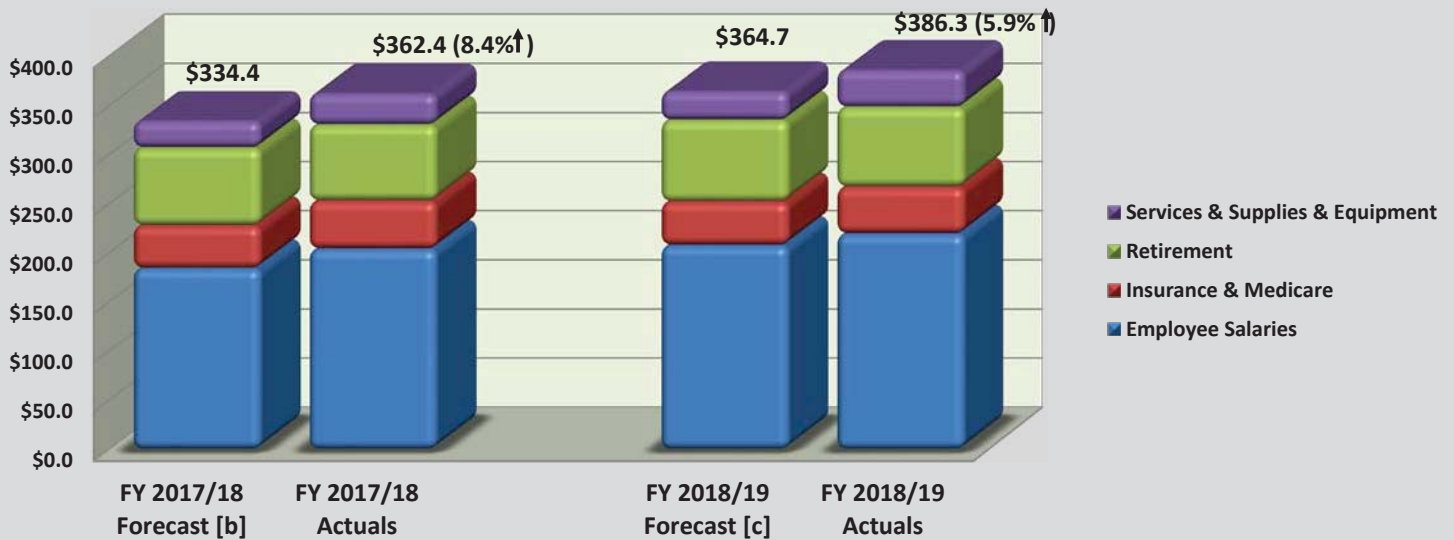


[a] Actual revenue adjusted for one-time sources not forecasted such as assistance by hire revenue, grant revenue, and one-time revenue associated with RDA dissolutions.

[b] As Presented in the FY2016/17 Adopted Budget.

[c] As Presented in the FY2017/18 Adopted Budget.

Expenditure Comparison [d] (\$ in Millions)



[d] Actual expenditures adjusted for one-time items not forecasted such as grant expenditures.

Scenario 1 - 0% Salary Increase After MOU Expirations

	PROJECTED FY 2019/20	PROJECTED FY 2020/21	PROJECTED FY 2021/22	PROJECTED FY 2022/23	PROJECTED FY 2023/24
A. BEGINNING FUND BALANCE	206,299,209	172,118,932	169,409,991	183,004,652	192,619,733
GENERAL FUND REVENUES					
Property Taxes	274,312,362	285,180,822	294,569,852	303,312,105	326,629,329
State Reimbursements	7,182,575	7,182,575	7,182,575	7,182,575	7,182,575
Federal Reimbursements	100,000	100,000	100,000	100,000	100,000
One-Time Grant/ABH/RDA	21,839,961	-	-	-	-
Community Redevelopment Agency Pass-thru	12,264,328	12,338,242	13,020,915	14,615,139	10,553,382
Cash Contracts	125,723,511	133,131,767	138,520,342	142,793,842	145,675,749
Community Risk Reduction Fees	6,161,323	6,161,323	6,161,323	6,161,323	6,161,323
ALS Supplies & Transport Reimbursement	4,547,600	4,547,600	4,547,600	4,547,600	4,547,600
Interest Earnings	1,170,026	1,095,513	1,149,485	1,202,410	1,253,983
Other Revenue	1,262,944	1,134,244	1,134,244	1,134,244	1,134,244
Unencumbered Fund Balance for Paydown of UAAL	4,030,172	-	-	-	-
TOTAL REVENUES	458,594,802	450,872,086	466,386,336	481,049,238	503,238,185
GENERAL FUND EXPENDITURES					
New Positions for New Stations	-	-	3,287,868	6,640,345	12,766,166
Employee Salaries	233,570,626	234,938,590	236,145,619	236,632,207	237,128,527
Retirement - Regular Annual Payments	87,422,117	87,740,000	91,920,544	92,172,912	92,715,105
Retirement - Paydown of UAAL (Rate Savings)	1,648,658	2,368,859	3,279,280	4,787,217	5,772,547
Retirement - Paydown of UAAL (Unencumb. Funds)	4,030,172	-	-	-	-
Retirement - Paydown of UAAL (\$1M per Year from WC)	1,000,000	1,000,000	-	-	-
Retirement - Paydown of UAAL (\$1M per Year, Increasing)	7,000,000	9,000,000	11,000,000	13,000,000	15,000,000
Workers' Comp Transfer out to Self-Ins. Fund	17,855,023	19,165,807	20,555,394	21,172,056	21,807,217
Other Insurance	34,018,755	36,408,283	38,628,742	40,994,076	43,514,793
Medicare	3,326,876	3,401,552	3,408,469	3,415,525	3,422,721
One-Time Grant/ABH Expenditures	5,302,173	-	-	-	-
Salaries & Employee Benefits	395,174,400	394,023,091	408,225,916	418,814,338	432,127,077
Services & Supplies/Equipment	40,936,247	31,884,507	31,891,557	32,558,607	32,655,658
Irvine Settlement Agreement (Transfer to Fund 139)	4,168,000	2,668,000	2,668,000	2,668,000	2,668,000
New Station/Enhancements S&S Impacts	-	-	181,611	374,119	818,853
One-Time Grant Expenditures	19,590,339	-	-	-	-
TOTAL EXPENDITURES	459,868,986	428,575,598	442,967,084	454,415,064	468,269,589
NET GENERAL FUND REVENUE	(1,274,184)	22,296,488	23,419,252	26,634,173	34,968,596
B. Incremental Increase in GF 10% Contingency	2,905,766	902,665	1,248,107	1,060,804	1,086,919
GENERAL FUND SURPLUS / (DEFICIT)	(4,179,950)	21,393,823	22,171,145	25,573,369	33,881,677
C. Operating Transfers (from) Operating Contingency	(4,179,950)	-	-	-	-
Transfers to CIP Funds from General Fund Surplus	-	21,393,823	22,171,145	12,786,684	16,940,839
One-Time Paydown of UAAL from General Fund Surplus	-	-	-	12,786,684	16,940,839
Capital Improvement Program/Other Fund Revenues					
Interest Earnings	3,371,639	2,816,359	2,887,072	3,099,991	3,371,054
Cash Contracts	1,750,537	1,842,156	1,897,419	1,954,341	2,012,971
Developer Contributions	-	1,048,573	2,626,729	822,770	-
Workers' Comp Transfer in from GF	17,855,023	19,165,807	20,555,394	21,172,056	21,807,217
Fund 139 Transfer in from GF	4,168,000	2,668,000	2,668,000	2,668,000	2,668,000
Operating Transfers from General Fund	-	21,393,823	22,171,145	12,786,684	16,940,839
Total CIP, W/C, Other Revenues	27,145,199	48,934,718	52,805,759	42,503,842	46,800,081
Capital Improvement Program/Other Fund Expenses					
Fund 12110 - General Fund CIP	8,900,884	6,805,100	5,959,000	2,758,300	2,866,300
Fund 123 - Fire Stations and Facilities	9,511,707	18,600,000	9,675,000	8,000,000	-
Fund 124 - Communications & Information Systems	4,463,508	3,774,898	1,950,000	851,394	600,000
Fund 133 - Fire Apparatus	17,698,655	9,217,037	7,765,682	6,201,720	8,627,790
Sub-Total CIP Expenses	40,574,754	38,397,035	25,349,682	17,811,414	12,094,090
Fund 139 - Irvine Settlement	2,685,495	668,000	668,000	668,000	668,000
Fund 171 - SFF Entitlement	1,301,443	-	-	-	-
Fund 190 - WC Self-Ins. (Cashflow Payments per Actuary)	11,459,428	13,481,289	14,441,523	15,470,152	16,572,047
Total CIP, W/C, Other Expenses	56,021,120	52,546,324	40,459,205	33,949,566	29,334,137
D. CIP SURPLUS/(DEFICIT)	(28,875,921)	(3,611,606)	12,346,554	8,554,277	17,465,944
ENDING FUND BALANCE (A+B+C+D) [a]	172,118,932	169,409,991	183,004,652	192,619,733	211,172,596
Fund Balances					
Operating Contingency (10% of Expenditures)	40,451,209	41,353,874	42,601,980	43,662,785	44,749,704
Reserve for Cash Contract City Station Maintenance	510,000	510,000	510,000	510,000	510,000
Committed - SFF Cities Enhancement	55,081	55,081	55,081	55,081	55,081
Fund 139 - Settlement Agreement	21,847,402	24,130,414	26,130,414	28,130,414	30,130,414
Capital Improvement Program	17,502,864	4,376,537	7,023,182	6,172,549	14,551,405
Fund 190 - WC Self-Insurance	91,752,376	98,984,085	106,683,994	114,088,904	121,175,992
Total Fund Balances	172,118,932	169,409,991	183,004,652	192,619,733	211,172,596

[a] Calculation removes Unencumbered Fund Balance for Paydown of UAAL shown under General Fund Revenues as these funds are already included in Beginning Fund Balance.

Scenario 2 - 1% Salary Increase After MOU Expirations

	PROJECTED FY 2019/20	PROJECTED FY 2020/21	PROJECTED FY 2021/22	PROJECTED FY 2022/23	PROJECTED FY 2023/24
A. BEGINNING FUND BALANCE	206,299,209	172,118,932	166,596,842	174,283,593	187,233,517
GENERAL FUND REVENUES					
Property Taxes	274,312,362	285,180,822	294,569,852	303,312,105	326,629,329
State Reimbursements	7,182,575	7,182,575	7,182,575	7,182,575	7,182,575
Federal Reimbursements	100,000	100,000	100,000	100,000	100,000
One-Time Grant/ABH/RDA	21,839,961	-	-	-	-
Community Redevelopment Agency Pass-thru	12,264,328	12,338,242	13,020,915	14,615,139	10,553,382
Cash Contracts	125,723,511	133,131,767	138,520,342	142,793,842	145,675,749
Community Risk Reduction Fees	6,161,323	6,161,323	6,161,323	6,161,323	6,161,323
ALS Supplies & Transport Reimbursement	4,547,600	4,547,600	4,547,600	4,547,600	4,547,600
Interest Earnings	1,170,026	1,097,817	1,156,605	1,214,991	1,272,653
Other Revenue	1,262,944	1,134,244	1,134,244	1,134,244	1,134,244
Unencumbered Fund Balance for Paydown of UAAL	4,030,172	-	-	-	-
TOTAL REVENUES	458,594,802	450,874,390	466,393,456	481,061,819	503,256,855
GENERAL FUND EXPENDITURES					
New Positions for New Stations	-	-	3,371,648	6,866,904	13,312,924
Employee Salaries	233,570,626	236,930,593	240,175,535	243,062,565	245,988,220
Retirement - Regular Annual Payments	87,422,117	88,500,040	93,524,282	94,713,240	96,216,039
Retirement - Paydown of UAAL (Rate Savings)	1,648,658	2,368,859	3,279,280	4,787,217	5,772,547
Retirement - Paydown of UAAL (Unencumb. Funds)	4,030,172	-	-	-	-
Retirement - Paydown of UAAL (\$1M per Year from WC)	1,000,000	1,000,000	-	-	-
Retirement - Paydown of UAAL (\$1M per Year, Increasing)	7,000,000	9,000,000	11,000,000	13,000,000	15,000,000
Workers' Comp Transfer out to Self-Ins. Fund	17,855,023	19,165,807	20,555,394	21,172,056	21,807,217
Other Insurance	34,018,755	36,408,283	38,628,742	40,994,076	43,514,793
Medicare	3,326,876	3,430,436	3,466,833	3,508,538	3,550,801
One-Time Grant/ABH Expenditures	5,302,173	-	-	-	-
Salaries & Employee Benefits	395,174,400	396,804,018	414,001,713	428,104,596	445,162,540
Services & Supplies/Equipment	40,936,247	31,884,507	31,891,557	32,558,607	32,655,658
Irvine Settlement Agreement (Transfer to Fund 139)	4,168,000	2,668,000	2,668,000	2,668,000	2,668,000
New Station/Enhancements S&S Impacts	-	-	181,611	374,119	818,853
One-Time Grant Expenditures	19,590,339	-	-	-	-
TOTAL EXPENDITURES	459,868,986	431,356,525	448,742,881	463,705,322	481,305,052
NET GENERAL FUND REVENUE	(1,274,184)	19,517,865	17,650,575	17,356,497	21,951,803
B. Incremental Increase in GF 10% Contingency	2,905,766	1,180,758	1,547,593	1,412,250	1,461,440
GENERAL FUND SURPLUS / (DEFICIT)	(4,179,950)	18,337,107	16,102,982	15,944,246	20,490,363
C. Operating Transfers (from) Operating Contingency	(4,179,950)	-	-	-	-
Transfers to CIP Funds from General Fund Surplus	-	18,337,107	16,102,982	15,944,246	10,245,182
One-Time Paydown of UAAL from General Fund Surplus	-	-	-	-	10,245,182
Capital Improvement Program/Other Fund Revenues					
Interest Earnings	3,371,639	2,781,833	2,747,839	2,925,825	3,154,109
Cash Contracts	1,750,537	1,842,156	1,897,419	1,954,341	2,012,971
Developer Contributions	-	1,048,573	2,626,729	822,770	-
Workers' Comp Transfer in from GF	17,855,023	19,165,807	20,555,394	21,172,056	21,807,217
Fund 139 Transfer in from GF	4,168,000	2,668,000	2,668,000	2,668,000	2,668,000
Operating Transfers from General Fund	-	18,337,107	16,102,982	15,944,246	10,245,182
Total CIP, W/C, Other Revenues	27,145,199	45,843,476	46,598,363	45,487,238	39,887,479
Capital Improvement Program/Other Fund Expenses					
Fund 12110 - General Fund CIP	8,900,884	6,805,100	5,959,000	2,758,300	2,866,300
Fund 123 - Fire Stations and Facilities	9,511,707	18,600,000	9,675,000	8,000,000	-
Fund 124 - Communications & Information Systems	4,463,508	3,774,898	1,950,000	851,394	600,000
Fund 133 - Fire Apparatus	17,698,655	9,217,037	7,765,682	6,201,720	8,627,790
Sub-Total CIP Expenses	40,574,754	38,397,035	25,349,682	17,811,414	12,094,090
Fund 139 - Irvine Settlement	2,685,495	668,000	668,000	668,000	668,000
Fund 171 - SFF Entitlement	1,301,443	-	-	-	-
Fund 190 - WC Self-Ins. (Cashflow Payments per Actuary)	11,459,428	13,481,289	14,441,523	15,470,152	16,572,047
Total CIP, W/C, Other Expenses	56,021,120	52,546,324	40,459,205	33,949,566	29,334,137
D. CIP SURPLUS/(DEFICIT)	(28,875,921)	(6,702,848)	6,139,158	11,537,673	10,553,342
ENDING FUND BALANCE (A+B+C+D) [a]	172,118,932	166,596,842	174,283,593	187,233,517	199,248,299
Fund Balances					
Operating Contingency (10% of Expenditures)	40,451,209	41,631,967	43,179,560	44,591,810	46,053,250
Reserve for Cash Contract City Station Maintenance	510,000	510,000	510,000	510,000	510,000
Committed - SFF Cities Enhancement	55,081	55,081	55,081	55,081	55,081
Fund 139 - Settlement Agreement	21,847,402	24,126,945	26,126,945	28,126,945	30,126,945
Capital Improvement Program	17,502,864	1,307,732	(2,176,530)	51,912	1,637,346
Fund 190 - WC Self-Insurance	91,752,376	98,965,118	106,588,538	113,897,769	120,865,676
Total Fund Balances	172,118,932	166,596,842	174,283,593	187,233,517	199,248,299

[a] Calculation removes Unencumbered Fund Balance for Paydown of UAAL shown under General Fund Revenues as these funds are already included in Beginning Fund Balance.

Scenario 3 - 2% Salary Increase After MOU Expirations

	PROJECTED FY 2019/20	PROJECTED FY 2020/21	PROJECTED FY 2021/22	PROJECTED FY 2022/23	PROJECTED FY 2023/24
A. BEGINNING FUND BALANCE	206,299,209	172,118,932	163,779,768	165,491,576	168,645,619
GENERAL FUND REVENUES					
Property Taxes	274,312,362	285,180,822	294,569,852	303,312,105	326,629,329
State Reimbursements	7,182,575	7,182,575	7,182,575	7,182,575	7,182,575
Federal Reimbursements	100,000	100,000	100,000	100,000	100,000
One-Time Grant/ABH/RDA	21,839,961	-	-	-	-
Community Redevelopment Agency Pass-thru	12,264,328	12,338,242	13,020,915	14,615,139	10,553,382
Cash Contracts	125,723,511	133,131,767	138,520,342	142,793,842	145,675,749
Community Risk Reduction Fees	6,161,323	6,161,323	6,161,323	6,161,323	6,161,323
ALS Supplies & Transport Reimbursement	4,547,600	4,547,600	4,547,600	4,547,600	4,547,600
Interest Earnings	1,170,026	1,100,124	1,163,784	1,227,788	1,291,818
Other Revenue	1,262,944	1,134,244	1,134,244	1,134,244	1,134,244
Unencumbered Fund Balance for Paydown of UAAL	4,030,172	-	-	-	-
TOTAL REVENUES	458,594,802	450,876,697	466,400,635	481,074,616	503,276,020
GENERAL FUND EXPENDITURES					
New Positions for New Stations	-	-	3,457,217	7,100,249	13,880,790
Employee Salaries	233,570,626	238,925,375	244,251,018	249,624,084	255,114,519
Retirement - Regular Annual Payments	87,422,117	89,261,142	95,146,177	97,305,734	99,822,987
Retirement - Paydown of UAAL (Rate Savings)	1,648,658	2,368,859	3,279,280	4,787,217	5,772,547
Retirement - Paydown of UAAL (Unencumb. Funds)	4,030,172	-	-	-	-
Retirement - Paydown of UAAL (\$1M per Year from WC)	1,000,000	1,000,000	-	-	-
Retirement - Paydown of UAAL (\$1M per Year, Increasing)	7,000,000	9,000,000	11,000,000	13,000,000	15,000,000
Workers' Comp Transfer out to Self-Ins. Fund	17,855,023	19,165,807	20,555,394	21,172,056	21,807,217
Other Insurance	34,018,755	36,408,283	38,628,742	40,994,076	43,514,793
Medicare	3,326,876	3,459,360	3,525,857	3,603,451	3,682,740
One-Time Grant/ABH Expenditures	5,302,173	-	-	-	-
Salaries & Employee Benefits	395,174,400	399,588,826	419,843,685	437,586,867	458,595,594
Services & Supplies/Equipment	40,936,247	31,884,507	31,891,557	32,558,607	32,655,658
Irvine Settlement Agreement (Transfer to Fund 139)	4,168,000	2,668,000	2,668,000	2,668,000	2,668,000
New Station/Enhancements S&S Impacts	-	-	181,611	374,119	818,853
One-Time Grant Expenditures	19,590,339	-	-	-	-
TOTAL EXPENDITURES	459,868,986	434,141,333	454,584,853	473,187,594	494,738,105
NET GENERAL FUND REVENUE	(1,274,184)	16,735,365	11,815,782	7,887,022	8,537,915
B. Incremental Increase in GF 10% Contingency	2,905,766	1,459,238	1,853,310	1,776,280	1,856,518
GENERAL FUND SURPLUS / (DEFICIT)	(4,179,950)	15,276,126	9,962,472	6,110,742	6,681,397
C. Operating Transfers (from) Operating Contingency	(4,179,950)	-	-	-	-
Transfers to CIP Funds from General Fund Surplus	-	15,276,126	9,962,472	6,110,742	6,681,397
One-Time Paydown of UAAL from General Fund Surplus	-	-	-	-	-
Capital Improvement Program/Other Fund Revenues					
Interest Earnings	3,371,639	2,747,259	2,607,689	2,599,419	2,667,262
Cash Contracts	1,750,537	1,842,156	1,897,419	1,954,341	2,012,971
Developer Contributions	-	1,048,573	2,626,729	822,770	-
Workers' Comp Transfer in from GF	17,855,023	19,165,807	20,555,394	21,172,056	21,807,217
Fund 139 Transfer in from GF	4,168,000	2,668,000	2,668,000	2,668,000	2,668,000
Operating Transfers from General Fund	-	15,276,126	9,962,472	6,110,742	6,681,397
Total CIP, W/C, Other Revenues	27,145,199	42,747,921	40,317,704	35,327,328	35,836,847
Capital Improvement Program/Other Fund Expenses					
Fund 12110 - General Fund CIP	8,900,884	6,805,100	5,959,000	2,758,300	2,866,300
Fund 123 - Fire Stations and Facilities	9,511,707	18,600,000	9,675,000	8,000,000	-
Fund 124 - Communications & Information Systems	4,463,508	3,774,898	1,950,000	851,394	600,000
Fund 133 - Fire Apparatus	17,698,655	9,217,037	7,765,682	6,201,720	8,627,790
Sub-Total CIP Expenses	40,574,754	38,397,035	25,349,682	17,811,414	12,094,090
Fund 139 - Irvine Settlement	2,685,495	668,000	668,000	668,000	668,000
Fund 171 - SFF Entitlement	1,301,443	-	-	-	-
Fund 190 - WC Self-Ins. (Cashflow Payments per Actuary)	11,459,428	13,481,289	14,441,523	15,470,152	16,572,047
Total CIP, W/C, Other Expenses	56,021,120	52,546,324	40,459,205	33,949,566	29,334,137
D. CIP SURPLUS/(DEFICIT)	(28,875,921)	(9,798,403)	(141,501)	1,377,762	6,502,711
ENDING FUND BALANCE (A+B+C+D) [a]	172,118,932	163,779,768	165,491,576	168,645,619	177,004,848
Fund Balances					
Operating Contingency (10% of Expenditures)	40,451,209	41,910,447	43,763,757	45,540,038	47,396,556
Reserve for Cash Contract City Station Maintenance	510,000	510,000	510,000	510,000	510,000
Committed - SFF Cities Enhancement	55,081	55,081	55,081	55,081	55,081
Fund 139 - Settlement Agreement	21,847,402	24,123,471	26,123,471	28,123,471	30,123,471
Capital Improvement Program	17,502,864	(1,765,356)	(11,453,284)	(19,205,439)	(21,403,182)
Fund 190 - WC Self-Insurance	91,752,376	98,946,124	106,492,551	113,622,468	120,322,922
Total Fund Balances	172,118,932	163,779,768	165,491,576	168,645,619	177,004,848

[a] Calculation removes Unencumbered Fund Balance for Paydown of UAAL shown under General Fund Revenues as these funds are already included in Beginning Fund Balance.

Forecast Assumptions – Mid-Year Revised

Basic Assumptions

The Adopted FY 2019/20 budget, and the Five-Year Capital Improvement Plan approved by the Board of Directors on May 23, 2019 form the basis for this financial forecast with the following adjustments:

- Updated total beginning fund balance from the FY 2018/19 audited financial statements
- All approved budget adjustments that have occurred since the adoption of the budget
- Proposed FY 2019/20 mid-year adjustments

General Fund Revenues

- ***Secured Property Taxes*** – Rosenow Spevacek Group’s (RSG) Final 2019 Report provides the growth factors assumed for the forecast. The following are projections of current secured property tax growth:

FY 2019/20	4.75%
FY 2020/21	4.21%
FY 2021/22	3.49%
FY 2022/23	3.14%
FY 2023/24	8.12% *

* Increase primarily attributable to dissolution of Irvine Successor Agency. Former pass-through revenues reported as secured property tax revenues post dissolution.

- ***Public Utility, Unsecured, Homeowners Property Tax Relief, and Supplemental Delinquent Taxes*** – All of these categories of property taxes are projected to remain constant during the forecast period.
- ***State Reimbursements*** – State reimbursements are expected to remain constant, pending more details from CAL FIRE.
- ***Federal Reimbursements*** – This revenue is projected to remain constant.
- ***One-Time Grant/ABH/RDA Proceeds*** – These are one-time only revenues that vary significantly from year to year and therefore are not forecasted beyond the current year. Board actions to date and proposed mid-year adjustments have increased the FY 2019/20 adopted budget by \$21.8M for one-time increases in grants and assistance by hire.
- ***Community Redevelopment Agency Pass-thru Revenue*** – RSG completed a Redevelopment Area Excess Revenue Analysis of pass-thru and residual revenues from the dissolution of the redevelopment agencies dated 4/3/2019. The forecast figures come from this report.
- ***Cash Contracts*** – The forecast calculations are based on the Joint Powers Agreement and subsequent amendments and year-over-year changes are estimated at 4.50% per year. In addition, this revenue category includes estimated John Wayne Airport contract proceeds with an annual 4% increase cap, which is projected to continue through the forecast period.

- **Community Risk Reduction Fees** – Community risk reduction fees are projected to remain constant through the forecast period, pending any changes approved by the Board.
- **ALS Supplies & Transport Reimbursements** – This revenue is estimated to remain flat, pending any changes approved by the Board.
- **Interest Earnings** – Assumes an annual return of 2.25% for FY 2019/20 through FY 2023/24.
- **Other Revenue** – This revenue source includes various items such as reimbursements for training and cost recovery for the firefighter handcrew.

General Fund Expenditures

- **Salaries & Employee Benefits** – S&EB is composed of the following factors:
 - ✓ **New Positions for New Stations** – The forecast assumes that vehicles will be in service beginning 7/1/2021 for Station 67, 7/1/2023 for Station 12, and 7/1/2023 for Station 52.
 - ✓ **Employee Salaries** – Projected salaries reflect increases consistent with the approved labor group MOUs. In addition, and consistent with prior mid-year forecasts, annual salary increases of 0%, 1%, and 2% are projected for the years that follow expiration of the current MOUs for Scenarios 1, 2, and 3, respectively.
 - ✓ **Retirement** – Retirement costs reflecting the projected employer retirement rates are based on the OCERS provided rates for FY 2019/20. The projected employer rates in the outer years of the forecast are based on a study prepared by Segal Consulting and provided by OCERS dated 6/28/2019. FY 2020/21 rates are approximately 3.74% higher for safety and 2.49% higher for non-safety compared to FY 2019/20 rates.

FY	Safety	General	Source
2019/20	50.20%	35.12%	FY 2019/20 based on OCERS provided rates. Outer years based on Segal Study dated 6/28/2019. Effective rates were adjusted to remove impact of additional OCFA UAAL contributions
2020/21	53.94%	37.61%	
2021/22	56.34%	39.51%	
2022/23	56.34%	39.71%	
2023/24	56.54%	39.91%	

Note: employer rates shown in the table above do not include the portion of the employee rate that is paid by OCFA

FY 2019/20 includes a mid-year adjustment of \$4.0M for accelerated paydown of OCFA's Unfunded Actuarial Accrued Liability (UAAL) from unencumbered fund balance carried over from FY 2018/19.

In accordance with the Updated Snowball Strategy presented to the board in November 2015, outer years of the forecast include the following projected UAAL paydowns:

- Contributing additional funds each year using projected savings that will be realized under new Public Employees' Pension Reform Act (PEPRA) of \$1.6M in FY 2019/20 and continuing in different amounts until payment is complete.

- Contributing an additional \$1M each year starting in FY 2016/17 and increasing by \$2M each year until it reaches \$15M and continuing at \$15M thereafter.
 - Contributing \$1 million per year from surplus fund balance available in the Workers' Compensation Self Insurance Fund from FY 2016/17 through FY 2020/21.
 - Beginning in FY 2017/18 at mid-year, if CIP is sufficiently funded, allocate 50% of the General Fund surplus, if any, to UAAL with the remaining 50% used to fund CIP.
- ✓ **Workers' Compensation** – FY 2019/20 assumes a 50% confidence level for ongoing Workers' Compensation costs. The 50% confidence level is assumed throughout the forecast period. Workers' Compensation costs in the forecast period are based on projected payments in the Rivelle Consulting Services September 2019 Study.
- ✓ **Other Insurance** – Medical insurance rates for firefighters are assumed to increase by 5% for years 2019, 2020, and 2021 per the Health Plan Agreement dated 3/29/2017. For staff members, it is projected to grow by 10% annually. This category also includes \$60,000 for unemployment insurance in FY 2019/20.
- ✓ **Medicare** – Annual amounts are calculated at 1.45% of projected salaries.
- **One-Time Grant/ABH Expenditures** – These are one-time only expenditures that vary significantly from year to year and therefore are not forecasted beyond FY 2019/20.
 - **Services and Supplies (S&S)** – S&S is held flat unless a new fire station is built, specific increases have been identified by section managers, or one-time grant proceeds have been received.

Net General Fund Revenue

This figure equals the General fund Revenue minus the General Fund Expenditures.

Incremental Increase in General Fund 10% Contingency

This is the amount needed to add to the General Fund 10% Contingency each year to maintain this category of fund balance at the required policy level of 10% of General Fund expenditures (less one-time expenditures).

Transfer to Fund 139 from General Fund Surplus

This is the amount needed to pay for City of Irvine Settlement Agreement costs.

General Fund Surplus/(Deficit)

This figure is equal to the Net General Fund Revenue less the incremental increase in the General Fund 10% Contingency and the transfer out to Fund 139. In years when there is a surplus, unless an exception is triggered, 50% is transferred to the CIP funds and 50% is used to paydown the UAAL as outlined in the Financial Stability Budget Policy approved by the Board on May 2018. In years when there is a deficit, the deficit amount must be drawn from the 10% Contingency, and once those are exhausted, from fund balance for CIP.

A revision to the Financial Stability Budget Policy was approved which allows transfer of CIP funds at fiscal year onset to prevent negative CIP fund balance.

Capital Improvement Program/Other Funds Revenue

- ***Interest Earnings*** – Assumes an annual return of 2.25% for FY 2019/20 through FY 2023/24.
- ***State/Federal Reimbursement*** – The forecast assumes no State/Federal reimbursement revenue in the forecast period.
- ***Cash Contracts*** – The forecast calculations are based on the Joint Powers Agreement and subsequent amendments.
- ***Developer Contributions*** – The forecast assumes developer contributions will be used to fund various vehicles for Station 12, Station 52, and Station 67.
- ***Workers' Compensation Transfer*** – These amounts equal the General Fund Workers' Compensation budget which reflects a reduction of \$1M used to paydown the UAAL per the Snowball Plan.
- ***Fund 139 Transfer*** – These amounts are transferred from the General Fund to pay for various expenditures required under the City of Irvine Settlement Agreement.
- ***Operating Transfer In*** – This figure equals the Operating Transfer Out from the General Fund.

Capital Improvement Program/Other Funds Expenditures

Expenditures for each CIP fund are based on the CIP Budget.

- ***Irvine Settlement (Fund 139)*** – Budgeted expenditures in Fund 139 are based on the City of Irvine Settlement Agreement.
- ***Structural Fire Fund Entitlement (Fund 171)*** – The forecast period assumes no Structural Fire Fund Entitlement expenditures beyond FY 2019/20.
- ***Self-Insurance Fund (Fund 190)*** – Self-Insurance fund expenditures are based on projected payments in the Rivelle Consulting Services September 2018 Workers' Compensation Actuarial Study.

Fund Balances

- ***Operating Contingency*** – Reflects policy of 10% of the General Fund expenditures each year (less one-time expenditures and UAAL payments). General Fund deficits (if applicable) are deducted from this category of fund balance once the Cash Flow fund balance is exhausted.

Assigned Fund Balances

- ***Irvine Settlement (Fund 139)*** – Funding is set aside for City of Irvine Settlement Agreement costs, including the 115 Trust.
- ***Self-Insurance Fund (Fund 190)*** – Funding is set aside for Workers' Compensation outstanding claims at the 50% confidence level per Board policy. The required amount is based on the actuarial report for Estimated Outstanding Losses as of the last full fiscal year prior to report issuance. The required funding levels are maintained by retaining funds in fund balance that reflect the difference between the workers' compensation transfer and Fund 190 expenditures.
- ***Capital Improvement Program*** – This fund balance includes funding for future capital replacements and is reduced annually by the cost of capital assets and increased in years when there are Operating Transfers into the CIP.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
January 8, 2020

Agenda Item No. 4B
Discussion Calendar

Annual Grant Priorities for 2020

Contact(s) for Further Information

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Summary

This annual agenda item is submitted to the Budget and Finance Committee for approval of OCFA's Annual Grant Priorities for 2020 and revisions to the Grant Policy.

Prior Board/Committee Action

Not Applicable

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of January 23, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Approve OCFA's Annual Grant Priorities for 2020.
2. Approve non-substantive "housekeeping" revisions to the OCFA Grant Policy.
3. Approve proposed Resolution entitled A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS AMENDING THE ROLES/RESPONSIBILITIES/AUTHORITIES MATRIX for revisions for grant acceptance.

Impact to Cities/County

Successful grant applications for staffing and equipment will provide significant benefit to member cities and the county.

Fiscal Impact

If grant funds are awarded for staffing or equipment, these funds will help offset expenses.

Background

The Orange County Fire Authority (OCFA) applies for grant funding throughout the year based on needs identified throughout the organization. This staff report is provided to establish the 2020 Grant Priorities, and to approve "housekeeping" revisions to the Grant Policy. In 2019, OCFA received \$2,787,874 million in various grant awards for firefighter training, managing the Urban Search & Rescue Task Force-5, and for overall preparedness to prevent, prepare, respond, and recover from acts of terrorism.

Of this amount \$1,522,584 million was awarded from the Federal Emergency Management Agency (FEMA) under the Assistance for Firefighters Grant program to enable 35 OCFA members and 25 members from neighboring fire departments to be certified Fire Ground Survival (FGS) instructors under the International Association of Fire Fighters (IAFF). OCFA's certified instructors will train all of OCFA's members.

In addition to current year awards, OCFA continues to receive funding under a 2017 FEMA *Staffing for Adequate Fire and Emergency Response* (SAFER) grant of \$3.6 million to fund a fourth firefighter position for Buena Park, Tustin, Placentia, and San Clemente. In 2018, OCFA's staffing levels fell below the minimum required by FEMA, due to the higher than average number of retirements in 2017 and 2018. The OCFA submitted reimbursements for SAFER grant funds with the intent that the two 50-person recruit academies conducted in 2019 may bring us above the minimum; however, in our most recent quarterly report FEMA responded that the OCFA "is not on track to meet the targets of the grant by the end of the period of performance" and that extensions are not guaranteed. OCFA will continue the two 50-person academies in 2020 with the goal to meet the grant staffing levels next year.

In 2011, OCFA formally adopted a Grants Policy that originally grew out of recommendations from a 2010 internal control review, and OCFA's 2010 Strategic Plan. The Grants Policy has not been updated since then, and staff is proposing "housekeeping" revisions to bring the policy in alignment with current OCFA processes and organizational structures. For example, the policy refers to a Battalion Chief position and a "Grant Team" that no longer exists. Instead, grant projects are prioritized by the Executive Management Team based on needs identified from various other areas (Equipment Committee, Division Chiefs, member agencies).

The OCFA Roles, Responsibilities, and Authorities Matrix must also be amended to conform the Matrix with the proposed revisions to the Grants Policy. Under current practice, the Budget and Finance Committee reviews grants where the grantor requires formal acceptance by the governing body and makes recommendations to the Board. Most granting agencies that award funds do not require governing body acceptance; however, when OCFA accepts grant funds, the action usually requires an associated budget adjustment which requires Board approval anyhow. As a result, this current practice is being documented in the Grant Policy and Matrix and is considered a non-substantive "housekeeping" revision.

Attachment(s)

1. OCFA's Annual Grant Priorities for 2020
2. OCFA Grant Policy (Proposed Revisions)
3. Proposed Resolution



Orange County Fire Authority

Annual Grant Priorities

2020

Staffing for Adequate Fire and Emergency Response (SAFER)

\$3.6 million award

This Federal Emergency Management Agency (FEMA) grant funds the hiring of “front-line” firefighters. In 2017, the OCFA requested and received funding for new firefighter positions, including the addition of a fourth firefighter on engines to enhance service delivery, improve efficiency, and enhance firefighter safety. The grant provides three years of funding with a federal and local cost share split of 75% federal and 25% local in the first two years, and 35% federal and 65% local in the third year. There is no requirement the positions be maintained after the three-year grant period ends; however, the OCFA and the impacted cash contract cities listed below in the 2017 award have agreed to maintain the positions after the grant. Depending on the timing of Placentia’s exit we will request transferring the “grant” funded position to an alternative firefighter position added during the grant performance period.

2017 Award

Firefighter Staffing: OCFA’s grant award funds a fourth firefighter for a single unit in each of the member cities of Buena Park, San Clemente, Placentia, and Tustin. Prior to award of the grant, each city had an engine staffed with three firefighters. Adding a fourth firefighter on these units was targeted to improve service delivery and enhance firefighter safety. At the conclusion of the three-year grant period, the cost of each position will be phased-in for Buena Park, San Clemente, and Tustin. These cities will not incur the full cost of the positions until FY 2024/25. No application can be submitted during the current award period of 2018-2021.

In 2018, OCFA's staffing levels fell below the minimum required by FEMA due to the higher than average number of retirements in 2017 and 2018. OCFA submitted reimbursements for SAFER grant funds with the intent that the two 50-person recruit academies conducted in 2019 may bring us above the minimum. However, in our most recent quarterly report FEMA responded that OCFA “is not on track to meet the targets of the grant by the end of the period of performance” and that extensions are not guaranteed. OCFA will continue the two 50-person academies in 2020 with the goal to meet the grant staffing levels next year.

Assistance to Firefighters Grant (AFG)

\$1,522,584 million award

This Federal Emergency Management Agency (FEMA) grant funds the purchase of firefighting vehicles and safety equipment. Safety equipment applications are accepted for tools, personal protective equipment (PPE), training, wellness and fitness, and station modifications. Departments can submit one application and an additional “regional application,” in partnership with one or more other fire departments.

2018 Application

Fire Ground Survival Training: The Orange County Fire Authority (OCFA) received \$1,522,584 for 35 OCFA members and 25 members from neighboring fire departments to be certified Fire

Ground Survival (FGS) instructors under the International Association of Fire Fighters (IAFF). Grant funds will also allow OCFA's 35 certified trainers to provide instruction during the final six-months of the grant to all of OCFA's 1,067 members. The 25 certified trainers from Anaheim Fire Department, Costa Mesa Fire Department, Fountain Valley Fire Department, and Orange Fire Department will provide instruction separately to their 200+ members. According to the IAFF, "the purpose of the Fire Ground Survival program is to ensure that training for MAYDAY prevention and MAYDAY operations are consistent between all fire fighters, company officers, and chief officers. Firefighters must be trained to perform potentially life-saving actions if they become lost, disoriented, or injured."

California Office of Traffic Safety (OTS)

Application Closes: January 30, 2020

This grant provides federal funds through California's Office of Traffic Safety (OTS) for local agencies that provide emergency medical services. For local fire agencies the grant typically prioritizes applications to purchase extrication tools that will free traffic accident victims more quickly and speed patient treatment.

The OCFA Emergency Medical Services Department will apply for funding to provide [Prehospital Trauma Life Support \(PHTLS\)](#) training to OCFA personnel. The goal of PHTLS training is to "promote excellence in trauma patient management by all providers involved in the delivery of prehospital care." The training for all OCFA paramedics (577 personnel) is estimated to cost up to \$1 million dollars.

Fire Prevention and Wildfire Safety Grants

Application Opens: TBD

The OCFA will consider applications for various projects throughout the year under the category of general "fire prevention" activities. This includes wildfire projects that can be funded by CAL FIRE grants. Specifically, under the [California Climate Investments Fire Prevention Grant Program](#) monies are provided annually for local projects that reduce the risk of wildfire. A high priority of this program are projects that remove dead, dying, or diseased trees, planning, and education.

The OCFA will consider grants that support existing fire prevention education activities such as smoke alarm installations, or community based defensible space activities.

GRANT MANAGEMENT POLICY

1. OVERVIEW

~~With state takeaways and continued pressure on General Fund revenues, g~~Grant revenues are an important part of OCFA's overall resource picture. In recognition that grant programs at the State and Federal level are constantly being revised and adjusted, OCFA's grant process should be uniform and transparent, but flexible to the changing priorities of awardees and needs of OCFA.

2. PURPOSE

The purpose of this policy is to set forth an overall framework for guiding OCFA's use and management of grant resources.

3. GOALS

- 3.1. Establish framework for application, tracking, and managing of grant programs.
- 3.2. Identify roles and responsibilities in managing grant programs.
- 3.3. Establish criteria for evaluating the benefits and costs of grant programs.
- 3.4. Set forth OCFA's policy in complying with Single Audit Act requirements.

4. POLICY

- 4.1. OCFA will aggressively pursue grant funding from local, State and Federal governments and other private sources, consistent with goals and objectives that will be reviewed, updated, and submitted for Board approval annually.
 - 4.1.1. Under uncertain fiscal situations, OCFA should avoid grants that fund "pilot" operating programs or short-term staffing enhancements to existing programs. Taking on these programs could ultimately aggravate OCFA's fiscal position should the staffing enhancements be required to remain once the grant funding is no longer available.
 - 4.1.2. Indirect costs of administering grant programs will be recovered to the maximum extent feasible.

Orange County Fire Authority

- 4.2. OCFA will only seek grants when sufficient staff resources are available to effectively administer the program in compliance with grant requirements and successfully perform the grant scope of work.
- 4.3. The OCFA Grants Administrator shall track and inform OCFA departments of grant opportunities and evaluate applications with project leads, ~~the grant team,~~ and Executive Management.
- 4.4. OCFA's departments have the primary responsibility for developing ~~submittal~~ ideas for applying for grant opportunities, preparing effective grant applications, and for successfully managing grant programs after they have been awarded. For all grants, Assistant Chief/Deputy Chief shall designate a Project Lead who will be responsible for completing the scope of work and procuring equipment per OCFA and grant policies.

~~4.5. OCFA participates in the Orange County Cooperative Area established to receive and disburse homeland security grant funds throughout the County of Orange. The Emergency Planning and Coordination (EPAC) Chief is designated with the development of specific project requests, applications or priorities under these grant programs. EPAC shall coordinate with the Grant Administrator to report on the status of project priorities established by these programs.~~

~~4.6.4.5.~~ OCFA is the sponsor of a FEMA Urban Search and Rescue National Task Force. This program is funded by FEMA via a cooperative agreement. The Urban Search and Rescue Battalion Chief is responsible for managing and administering funds and shall coordinate with the Grant Administrator and Finance Section on reporting and reimbursements handled via federal grant systems as needed.

~~4.7.4.6.~~ Beginning in January 2012, and each January thereafter, staff will report to the Board on pending grant applications, and request Board approval of the proposed annual grant priorities for the upcoming year.

~~4.8.4.7.~~ Staff will continue to refine and develop the grant process based on the objectives of OCFA's Strategic Plan objective which seeks to enhance OCFA's grant efforts.

5. **ROLES AND RESPONSIBILITIES**

5.1. *AUTHORITY MANAGEMENT*

Accept all grants except:

- a. When the grantor requires approval by the governing body, or;

Orange County Fire Authority

- b. When Board approval is immediately needed to adjust budget appropriations for the grant and cannot wait for mid-year adjustment, or;
- c. When a contract award is needed, requiring approval by the Executive Committee or Board.

5.2. ~~EXECUTIVE COMMITTEE~~ BUDGET AND FINANCE COMMITTEE

- 5.2.1. ~~Accept all~~ Review grants ~~in which the~~ where grantor requires approval by the governing body, ~~and make recommendations to the Board.~~ Subsequent budget adjustments for the grant require Board of Directors' approval.

5.3. *BOARD OF DIRECTORS*

- 5.3.1. Approve budget adjustments ~~for grants and accept all grants in which the grantor requires approval by the governing body.~~

5.4. *GRANT ADMINISTRATOR*

- 5.4.1. Develop and maintain a Grant Management Policy Manual establishing roles and responsibilities for OCFA grant applicants, project managers, and resources for training in grant writing and management.

- 5.4.2. Solicit direction from Executive Team to develop ~~Develop~~ annual grant priorities for Board approval including an annual status and summary on current and past grant applications and awards.

~~5.4.3. Establish a Grant Team to develop, review, and provide input into project applications and the annual grant priorities to be approved by Board. The Grant Team shall consist of OCFA personnel, as determined by the Fire Chief, to provide a broad representation of areas impacted by grants.~~

- ~~5.4.4.~~ 5.4.3. Designated as the responsible agent to submit grant applications consistent with OCFA Grant Policies, Budget and funding priorities.

RESOLUTION NO. 2020-XX

**A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY
BOARD OF DIRECTORS AMENDING THE
ROLES/RESPONSIBILITIES/AUTHORITIES MATRIX**

A. *WHEREAS*, the Orange County Fire Authority Board of Directors last amended the roles, responsibilities and authorities matrix on April 25, 2019, and

B. *WHEREAS*, the OCFA is recommending to update the roles, responsibilities and authorities matrix to streamline the procurement process; and

C. *WHEREAS*, the Board has considered the attached amendments to the matrix.

NOW THEREFORE BE IT RESOLVED, that the Orange County Fire Authority Board of does hereby resolve as follows:

The Roles/Responsibilities/Authorities Matrix is amended as indicated by the redline version attached hereto as Exhibit A.

PASSED, APPROVED and ADOPTED this 23rd day of January 2020.

JOSEPH MULLER, CHAIR
OCFA Board of Directors

ATTEST:

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

ORANGE COUNTY FIRE AUTHORITY Roles/Responsibilities/Authorities

All authority rests with the Board of Directors unless it is delegated by statute or board action. When delegated, these authorities are further defined by contracts, resolutions, policies, or other board actions. The following chart defines OCFA's levels of authority. The Board of Directors has the authority to change these delegations within the parameters of legal and contractual restrictions.

	Authority Management	Executive Committee	Board of Directors
Levels of Service	Develop and implement programs to provide the identified "Levels of Service."	Approve temporary changes in "Levels of Service."	Approve "Levels of Service" for the Authority.
Resource Deployment	Establish policy/deployment that maintains the approved "Levels of Service."		
Automatic and Mutual Aid Agreements	Fire Chief authorized to execute and renew Automatic Aid and Mutual Aid Agreements as necessary.		
Standard Operating Procedures (SOPs) and General Orders (GOs)	Develop and implement SOPs and GOs consistent with Board policies.		
Budget Adoption	Develop the budget.	Budget & Finance Committee - Review the budget; make recommendations.	Approve the budget prior to June 30 each year (JPA Agreement, Article IV.1)
Budget Execution	Authorize expenditures within approved budget appropriations (JPA Agreement, Article IV.2)		
Budget: Intra- and inter-fund transfer; increases and decreases to appropriation.	Approve intra-fund transfers within adopted budgets		Approve inter-fund transfers between budgets; Approve increases and decreases to appropriations.
Fire Station 41, Air Operations Maintenance Facility - Leases	Negotiate, approve and execute leases and/or lease amendments for Hangars Nos. 1, 2, 3, and 4		

ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities

	Authority Management	Executive Committee	Board of Directors
Fund Balance - Assigned	Assign amounts for workers' compensation and the capital improvement program within requirements of the <i>Assigned Fund Balance Policy</i>	Budget & Finance Committee – Review calculations used to determine assignments for workers' compensation and the capital improvement program for consistency with <i>Assigned Fund Balance Policy</i>	Assign and un-assign fund balance for any specific purposes other than workers' compensation and the capital improvement program, within the guidelines of GASB Statement No. 54
Fund Balance – Committed			Commit and un-commit fund balance via minutes action, within the guidelines of GASB Statement No. 54
Contingency Planning and funding	Develop plan; administer budget in a manner consistent with plan and policies.	Budget & Finance Committee - Review contingencies and spending for compliance with plan and policies.	Establish plan and policies. Transfer of Appropriation for Contingencies requires prior approval of the Chair or the Vice Chair, in the absence of the Chair, and must be reported to the Board immediately in writing.
Debt obligation	Develop and recommend financing plans.	Budget & Finance Committee – Review of recommended financing plans.	Approve all debt obligations. (Note: long-term bonded indebtedness requires approval by 2/3 rd vote of the members.)
Commodity purchases (materials, equipment & supplies) Ord. 8, Sec. 1-3(18)	Approve purchase of all commodities contracts (selection process per Ord. 8, per Art. III selection process or Art. X cooperative purchasing).		Approve commodity purchases with the annual adoption of the budget, no further approval is required.

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Executive Committee	Board of Directors
Fixed asset purchases	Approve purchase of all fixed asset contracts (selection process per Ord. 8 per Art. III selection process or Art. X cooperative purchasing) within the budgeted amount approved by the Board of Directors.	Approve purchase of fixed assets that exceed the budgeted amount by more than 15% or \$100,000 (whichever is less).	Approve purchase of fixed assets included in the annual budget with the annual adoption of the budget, no further approval is required.
Professional and Consulting Services Contracts - general <i>services and consulting including architectural, engineering, and project management services.</i>	Approve all professional and consulting service contracts (selection process per Ord. 8, Art. III, or Art. X) for annual contract where the annual value to any one firm is less than \$100,000. Approve multi-year contracts (maximum five years) so long as the total annual contract amount does not exceed Authority Management.	Approve all professional and consulting service contracts in which the annual contract value to any one firm exceeds \$100,000. Contract extensions beyond the initial contract term and allowable contract extensions (exceeding five years) will require Executive Committee approval prior to contract extension.	
Contract Duration Five years (three years plus two additional one-year periods) <i>Applies to contracts exceeding small purchases as defined in Ord. 8 Sec 1-20</i>	Approve extension of contracts within management delegated authority for contracts with a duration up to five years.	Approve extension of contracts exceeding five years or contracts that exceed management delegated authority.	

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Executive Committee	Board of Directors
Maintenance Service Contracts - includes <i>repair and maintenance for facilities & equipment.</i>	<p>Approve all maintenance service contracts (selection process per Ord. 8, Art. III, or Art. X) for annual contract where the annual value to any one contractor is less than \$200,000.</p> <p>Approve multi-year contracts (maximum five years) so long as the total annual contract amount does not exceed Authority Management.</p> <p>Approve maintenance service contract increases within limits delegated herein to Authority Management.</p>	<p>Approve all maintenance service contracts in which the annual value to any one contractor exceeds \$200,000.</p> <p>Contract extensions beyond the initial contract term and allowable contract extensions (five year maximum) will require Executive Committee approval prior to contract extension.</p>	
Change Orders/ Modifications Professional & Consulting Service Contract Amendments (<i>Non Public Projects</i>)	<p>For professional & consulting service contracts within the limits delegated herein to Authority Management, approve change orders in any amount so long as the revised amount remains within the delegated limits.</p> <p>For contracts originally approved by the Executive Committee or Board of Directors, approve change orders within the original scope of work, less than 15%.</p>	<p>Approve change order/modifications to professional & consulting service contracts with original or revised values that exceed those amounts delegated herein to Authority Management.</p>	.
Emergency Purchases (commodity and service contracts)	<p>Approve emergency purchases, as defined in Ord. 8, Sec. 1-3(14) & Sec. 1-22, up to the amounts delegated to Authority Management herein for purchases following standard selection process.</p>	<p>Purchases in excess of the amounts delegated to Authority Management require prior approval of Chair or Vice Chair and must be reported at the next Executive Committee meeting.</p>	

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Executive Committee	Board of Directors
Sole Source Contracts	Approve any sole source contract less than \$50,000 annually, so long as acceptable justification is provided by the using department per the requirements in Ord. 8, Sec. 1-21.	Approve any sole source contract when the annual amount exceeds \$50,000 or the three-year aggregate amount exceeds \$150,000. <i>Sole source justification form is a required attachment to the staff report.</i>	
Special Procurement Contracts – <i>utilized when it is in the best interest of OCFA to award a contract without bidding requirements and the procurement does not meet the definition of a sole source.</i>	Approve any special procurement contract less than \$50,000 annually, so long as acceptable justification is provided by the using department per the requirements in Ord. 8, Sec. 1-23.	Approve any special procurement contract when the annual amount exceeds \$50,000 or the three-year aggregate amount exceeds \$150,000. <i>Special procurement justification form is a required attachment to the staff report.</i>	
Public Projects - Informal & Formal as set forth in the California Public Contract Code Section 22032.	Approve all informal public projects in amounts up to the statutory limits authorized by Public Contract Code Section 22032 (Projects under \$200,000 effective 1-1-19).		Approve all formal public works contracts in amounts at or above the statutory limits authorized by Public Contract Code Section 22032(Projects over \$200,000 effective 1-1-19).
Public Projects - Change Orders/ Modifications for informal and formal Public Projects as set forth in Public Contract Code Section 22032	For informal public projects within the original scope of work, approve change orders in any amount so long as the revised total remains below the statutory limits authorized by Public Contract Code Section 22032 (b). For formal public projects originally approved by the Board of Directors, approve change orders within the original scope of work up to 15% of original contract amount.		Approve change order/modification on formal public projects over 15% of original contract amount.

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Executive Committee	Board of Directors
Public Projects – Emergency as defined in Public Contract Code Sections 22035 and 22050 (Ord. 8, Sec. 1-53)	Fire Chief or designee has authority to declare an emergency and authorize procurement of construction services and supplies without the competitive bidding requirements when it is impactable to convene a meeting of the Board of Directors prior to addressing the emergency needs.		Authorize exemption from procurement requirements by four-fifths vote (at next scheduled meeting) as required per Public Contract Code Sections 22035 and 22050.
Investment Practices	Provide financial data to Budget & Finance Committee, Executive Committee and Board of Directors. Develop draft policy.	Budget & Finance Committee - Review Treasury/Investment actions to insure compliance with policy. Executive Committee – review monthly reports.	Adopt investment and Treasury policies.
Setting of salaries/benefits and other terms and conditions of employment	Identify issues, recommend negotiations approach; negotiate with labor organizations as approved by the Board of Directors.	Review management recommendations; make recommendations to the Board of Directors.	Provide direction to chief negotiator on negotiations; adopt resulting MOUs and changes in the PSR.
Grievances	Administer procedures pursuant to MOU and PSR provisions.		
Disciplinary Actions	Implement disciplinary actions within legal and MOU requirements.		
Hire/Terminate	Hire/terminate Authority staff.	Make recommendations to the Board of Directors on General Counsel legal services contract and Fire Chief employment contract, and compensation of General Counsel and the Fire Chief.	Hire/terminate Fire Chief and General Counsel. Approve service contract for General Counsel. Approve employment contract for Fire Chief.
Appointments			Appointment of clerk, auditor, and treasurer (JPA Agreement Articles II.9 and II.13)

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Executive Committee	Board of Directors
Classification and Salary Ranges	Administer classification system within existing classes and budget.	Adopt and approve new or modified classes and corresponding salary ranges.	
Settlement of Employee Complaints and Grievances	Approve settlements up to \$10,000 within existing PSR parameters.	Approve settlements up to \$50,000.	Approve settlements over \$50,000.
File Legal Action			Authorize filing of legal action.
Respond to Legal Action			Authorize response to legal action.
Settlement of Claims and Litigation	Approve settlements of claims and litigation up to \$50,000. and workers' compensation claims under \$250,000.		Approve settlements of claims and litigation in excess of \$50,000 and workers' compensation claims above \$250,000.
Level of risk/coverage/exposure	Recommend risk management policies; administer risk management program within established Board of Directors and legal requirements.		Establish policies.
Write-Off for Uncollectible Accounts	Approve write-off of uncollectible accounts up to \$15,000.	Approve write-off of uncollectible accounts over \$15,000. Budget and Finance Committee review annual report of uncollectables and make a recommendation to Executive Committee for final decision.	
Accept Real Property Interests	Accept interest in real property if the Board of Directors or Executive Committee has previously approved.		Approve Purchase Agreements for the acquisition of real property.
Secured Fire Protection Agreements	Approve Secured Fire Protection Agreements, using the standard form agreement previously approved by the Board of Directors, and approved as to form by General Counsel.		Approve Secured Fire Protection Agreements that contain material differences from the standard form approved by the Board of Directors.

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Executive Committee	Board of Directors
Utility licenses and easements	Execute licenses and easements for utilities necessary to implement construction projects approved by the Board or Executive Committee	Approve licenses and easements for utilities where no prior approval of construction projects has occurred	
Accept Grants	Accept all grants except: (1) when the grantor requires approval by the governing body, or; (2) when an adjustment is immediately needed to appropriations to expend the grant, or; (3) when a contract award is needed, requiring approval by the Executive Committee or Board.	Accept all grants in which the grantor requires approval by the governing body.	<u>Accept all grants in which the grantor requires approval by the governing body.</u>



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
January 8, 2020

Agenda Item No. 4C
Discussion Calendar

**Options to Mitigate Escalating Charges to
Contract Cities Beginning FY 2020/21**

Contact(s) for Further Information

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Summary

This item is submitted for review of options that could be feasibly implemented to relieve escalating charges to OCFA's cash contract cities.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Review the proposed agenda item, provide direction to staff regarding continued evaluation of opportunities to stabilize charges to cash contract cities, and provide input on the two options presented.

Impact to Cities/County

Proposed adjustments to the cash contract city annual charge calculations could relieve pressure that has been causing continuous increases to cash contract cities. Stability in future charges to contract cities will benefit OCFA's regional system by improving the stability of its members.

Fiscal Impact

Approval of the suggested adjustments will positively impact cash contract cities. At the same time, OCFA's cash contract revenue will be reduced in future years starting in FY 2021/22. The reductions are estimated at \$1 million in FY 2021/22, \$2.6 million in FY 2022/23, and \$3.1 million in FY 2023/24.

Background

Each year, OCFA's budget staff completes detailed calculations to determine increases to cash contract city charges. As part of this process, any budgetary cost increases that are not applicable to cash contract cities are excluded from the charge calculation. Exclusions include items such as fee-funded expenses, grant-funded expenses, or expenses specific to the structural fire fund portion of OCFA's jurisdiction.

Pursuant to the OCFA's Amended Joint Powers Agreement and subsequent amendments (collectively referred to as "the JPA"), the annual calculated increase for cash contract cities is capped at 4.5% per year. Any increase greater than the 4.5% cap is "banked" for recapture in a future year if/when the annual increase is less than 4.5%. Currently, there is an accumulated value of 5% "banked" for recapture and addition to contract charges in FY 2020/21 and beyond¹. This means that if the OCFA's base budget were to have no increase whatsoever in FY 2020/21, nearly all of our cash cities (except Santa Ana and Garden Grove) would still incur an increase to their contract charges of the maximum 4.5% purely from the recapture bank.

In reality, there will be cost increases to the OCFA budget in FY 2020/21 driven by a variety of factors such as salaries and benefits, vendor contract increases, the accelerated pension paydown plan, and/or staffing and program enhancements that may be requested.

Some members of the OCFA Board of Directors have talked informally with staff about exploring options to reduce the increases that cash contract cities are incurring from OCFA charges. It is very beneficial for OCFA to retain all cash contract members in our regional service delivery system and we can positively impact that goal by stabilizing charges to those members. To this end, staff identified the following options that could be feasibly implemented to mitigate escalating charges to OCFA's cash contract cities:

- **Option 1:** Authorize staff to exclude the value of accelerated pension paydown payments from the annual increase calculation for contract cities beginning in FY 2020/21, for the regional benefit of stabilizing future pension costs while also stabilizing rising contract city charges. This exclusion will not apply to regular required payments of pension liability, as established by OCERS each fiscal year.
- **Option 2:** Authorize staff to exclude the value of new costs that are approved for addition to the annual budget in FY 2020/21 from the annual increases charged to cash contract cities when the addition enhances OCFA's ability to provide high-quality, regional services throughout our jurisdiction. This exclusion will not apply to cost increases associated with current services already in place.

Implementation of Option 1 would allow us to draw-down the value in the recapture bank much faster, potentially completing the draw-down in FY 2020/21, whereas conservative projections without this change indicate that the 5% recapture bank will not be resolved before FY 2022/23. Furthermore, any additional changes introduced by upcoming MOU updates can impact this conservative projection. Attachment 1 provides a summary of projected cash contract increases, showing the annual increases with no adjustments to our contract charge methodology (Status-Quo), compared to the annual increases assuming we implement Option 1. Staff is unable to demonstrate the impact of Option 2 since the FY 2020/21 budget development process has just begun and budget increase requests will be considered later in the process. We have provided financial forecasts for the Status-Quo scenario and the Option 1 scenario to demonstrate financial feasibility (Attachment 2). It should be noted that changes in future salary growth assumptions would alter the content of both financial forecasts equally, therefore the comparison remains relative regardless.

¹ The value that is currently banked for recapture for Santa Ana is less (currently 3.5%) because the Board previously approved exclusion of accelerated pension paydown payments for Santa Ana due to the fact that the unfunded pension liability accrued prior to Santa Ana joining OCFA. Also, the value banked for recapture for Garden Grove is 0%; OCFA has not incurred cost increases in excess of the cap since Garden Grove joined.

Staff is seeking input from the Budget and Finance Committee at this time regarding potential implementation of either (or both) of these options. We are in the early stages of budget development and can easily build these options into our financial modeling and budget planning, if desired by this Committee.

Attachment(s)

1. Comparison Status-Quo vs. Option 1
2. Financial Forecast Scenarios

Summary of Projected Contract Charge Increases Status-Quo vs. Option 1

	2020/21	2021/22	2022/23	2023/24
<u>Status-Quo - Assumes No Adjustments to Current Process:</u>				
(A) Starting Recapture Bank Balance <i>(Note)</i>	5.00%	2.98%	1.68%	0.00%
(B) Calculated Increase to Contracts Before Recapture Bank	2.48%	3.20%	2.42%	2.23%
(C) % Draw-Down from Recapture Bank & Added to Contract Increase	2.02%	1.30%	1.68%	0.00%
(D) Total Increase to Contract After Recapture Bank $(B + C = D)$	4.50%	4.50%	4.11%	2.23%
(E) Ending Recapture Bank Balance $(A - C = E)$	2.98%	1.68%	0.00%	0.00%
<u>Assumes Option 1 Adjustment:</u>				
(A) Starting Recapture Bank Balance	5.00%	0.00%	0.00%	0.00%
(B) Calculated Increase to Contracts Before Recapture Bank	(0.50%)	2.84%	1.68%	1.64%
(C) % Draw-Down from Recapture Bank & Added to Contract Increase	5.00%	0.00%	0.00%	0.00%
(D) Total Increase to Contract After Recapture Bank $(B + C = D)$	4.50%	2.84%	1.68%	1.64%
(E) Ending Recapture Bank Balance $(A - C = E)$	0.00%	0.00%	0.00%	0.00%
<i>Reduction to Annual Contract Charge Increases w/ Option 1</i>	0.00%	(1.68%)	(2.43%)	(0.60%)

Note: The value that is currently banked for recapture for Santa Ana is less (currently 3.5%) because the Board previously approved exclusion of accelerated pension paydown payments for Santa Ana due to the fact that the unfunded pension liability accrued prior to Santa Ana joining OCFA. Also, the value banked for recapture for Garden Grove is 0%; OCFA has not incurred cost increases in excess of the cap since Garden Grove joined.

**Orange County Fire Authority
Status-Quo Financial Forecast**

	Year 1 FY 2019/20	Year 2 FY 2020/21	Year 3 FY 2021/22	Year 4 FY 2022/23	Year 5 FY 2023/24
Beginning Fund Balance	206,299,209	172,118,932	166,596,842	174,283,593	187,233,517
General Fund Revenues	458,594,802	450,874,390	466,393,456	481,061,819	503,256,855
General Fund Expenditures	446,190,156	418,987,666	434,463,601	445,918,105	460,532,505
Paydown of UAAL	13,678,830	12,368,859	14,279,280	17,787,217	20,772,547
Total General Fund Expenditures	459,868,986	431,356,525	448,742,881	463,705,322	481,305,052
Net General Fund Revenue	(1,274,184)	19,517,865	17,650,575	17,356,497	21,951,803
Less Incremental Increase in 10% GF Op. Cont.	2,905,766	1,180,758	1,547,593	1,412,250	1,461,440
General Fund Surplus / (Deficit)	(4,179,950)	18,337,107	16,102,982	15,944,246	20,490,363
Operating Transfer to CIP Funds	-	18,337,107	16,102,982	15,944,246	10,245,182
Paydown of UAAL from General Fund Surplus	-	-	-	-	10,245,182
CIP/Other Revenues	27,145,199	45,843,476	46,598,363	45,487,238	39,887,479
CIP/Other Expenses	56,021,120	52,546,324	40,459,205	33,949,566	29,334,137
CIP Surplus / (Deficit)	(28,875,921)	(6,702,848)	6,139,158	11,537,673	10,553,342
Ending Fund Balance	172,118,932	166,596,842	174,283,593	187,233,517	199,248,299

**Orange County Fire Authority
Option 1 Financial Forecast**

	Year 1 FY 2019/20	Year 2 FY 2020/21	Year 3 FY 2021/22	Year 4 FY 2022/23	Year 5 FY 2023/24
Beginning Fund Balance	206,299,209	172,118,932	166,596,842	173,244,040	183,512,532
General Fund Revenues	458,594,802	450,874,390	465,365,810	478,434,914	500,179,250
General Fund Expenditures	446,190,156	418,987,666	434,463,601	445,918,105	460,532,505
Paydown of UAAL	13,678,830	12,368,859	14,279,280	17,787,217	20,772,547
Total General Fund Expenditures	459,868,986	431,356,525	448,742,881	463,705,322	481,305,052
Net General Fund Revenue	(1,274,184)	19,517,865	16,622,929	14,729,592	18,874,198
Less Incremental Increase in 10% GF Op. Cont.	2,905,766	1,180,758	1,547,593	1,412,250	1,461,440
General Fund Surplus / (Deficit)	(4,179,950)	18,337,107	15,075,336	13,317,341	17,412,758
Operating Transfer to CIP Funds	-	18,337,107	15,075,336	13,317,341	8,706,379
Paydown of UAAL from General Fund Surplus	-	-	-	-	8,706,379
CIP/Other Revenues	27,145,199	45,843,476	45,558,810	42,805,806	38,244,619
CIP/Other Expenses	56,021,120	52,546,324	40,459,205	33,949,566	29,334,137
CIP Surplus / (Deficit)	(28,875,921)	(6,702,848)	5,099,605	8,856,241	8,910,482
Ending Fund Balance	172,118,932	166,596,842	173,244,040	183,512,532	193,884,454