



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Special Meeting

Tuesday, February 11, 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 Director Muller

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 January 8, 2020, Budget and Finance Committee Meeting

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT CALENDAR

A. Second Quarter Financial Newsletter

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of February 27, 2020, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

4. DISCUSSION CALENDAR

A. Monthly Investment Reports

Submitted by: Tricia 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 February 27, 2020, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

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

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 27, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors authorize staff to implement the proposed Option 2 beginning with the FY 2020/21 cash contract city charge calculations.

REPORTS

No items.

ELECTION OF COMMITTEE CHAIR AND VICE CHAIR

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, March 11, 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 6th day of February 2020.

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

UPCOMING MEETINGS:

Executive Committee Meeting
Board of Directors Meeting

Thursday, February 27, 2020, 5:30 p.m.
Thursday, February 27, 2020, 6:00 p.m.

MINUTES ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Regular Meeting

Wednesday, January 8, 2020

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 January 8, 2020, at 12:20 p.m. by Vice Chair Sedgwick.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

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

Absent: Sergio Farias, San Juan Capistrano
Shelley Hasselbrink, Los Alamitos
Ed Sachs, Mission Viejo

Also present were:

Deputy Chief Lori Zeller	Deputy Chief Mark Sanchez
Assistant Chief Robert Cortez	Assistant Chief Lori Smith
Assistant Chief Jim Ruane	Assistant Chief Kenny Dossey
Assistant Chief Randy Black	Assistant Chief Nina Collins
Communications Director Colleen Windsor	Clerk of the Authority Sherry Wentz
General Council David Kendig	

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 November 13, 2019, Budget and Finance Committee Regular Meeting (F: 12.02B2)

On motion of Director Muller and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to approve the Minutes of the November 13, 2019, regular meeting as submitted.

3. CONSENT CALENDAR

A. Monthly Investment Reports (F: 11.10D2)

On motion of Director Muller 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 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 (F: 17.16)

On motion of Director Muller and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to receive and file the report.

C. Next Generation Aerial Operations Pilot Program Budget Adjustment (F: 18.09D)

On motion of Director Muller 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 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 (F: 15.04 19/20)

Assistant Chief Robert Cortez introduced Budget Manager Deborah Gunderson who provided an overview of the FY 2019/2020 Mid-Year Financial Report.

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 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 (F: 11.10G)

Assistant Chief Robert Cortez provided an overview and introduced Legislative Analyst Jay Barkman who reviewed the Grant Priorities for 2020, and the non-substantive revisions to the Grant Policy.

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 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 (F: 10.04)

Deputy Chief Lori Zeller presented the report.

A lengthy discussion ensued concerning the proposed options.

On motion of Director Ta and second by Director Hernandez, the Budget and Finance Committee voted unanimously by those present to direct staff to continue the discussion of this item to February's Budget and Finance Committee meeting.

REPORTS (F: 12.02B6)

No items.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

There were no Committee Member comments.

ADJOURNMENT (F: 11.18)

Vice Chair Sedgwick adjourned the meeting at 1:11 p.m. The next regular meeting of the Budget and Finance Committee meeting for Wednesday, February 12, 2020, will be rescheduled to Tuesday, February 11, 2020, due to the holiday.

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



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
February 11, 2020

Agenda Item No. 3A
Consent Calendar

Second Quarter Financial Newsletter

Contact(s) for Further Information

Robert Cortez, Assistant Chief Business Services Department	robertcortez@ocfa.org	714.573.6012
Tricia Jakubiak, Treasurer	triciajakubiak@ocfa.org	714.573.6301
Deborah Gunderson, Budget Manager	deborahgunderson@ocfa.org	714.573.6302

Summary

This routine agenda item is submitted to provide information regarding revenues and expenditures in the General Fund and the Capital Improvement Program Funds through the second quarter of FY 2019/20.

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 February 27, 2020, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

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

Attachment(s)

Second Quarter Financial Newsletter – July 2019 to December 2019

2nd Quarter July to December 2019

Financial Newsletter

Summary

The Quarterly Financial Newsletter provides summary level information regarding the General Fund (GF) operating budget and Capital Improvement Program (CIP) budget to highlight revenue and expenditure trends and areas of note.

With the 2nd Quarter (i.e. 50%) of the fiscal year completed, General Fund actual revenues are exceeding budget estimates and expenditures are slightly lower than anticipated. As of the end of the quarter, OCFA received 53% of budgeted revenues and expended 49% of appropriations.

CIP projects are well underway with 25% of the GF CIP and Fire Apparatus budgets expended thus far.

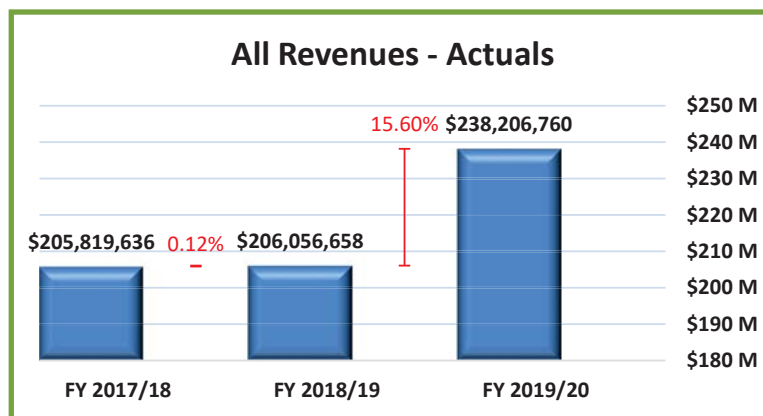
For additional info, see attached newsletter.



General Fund

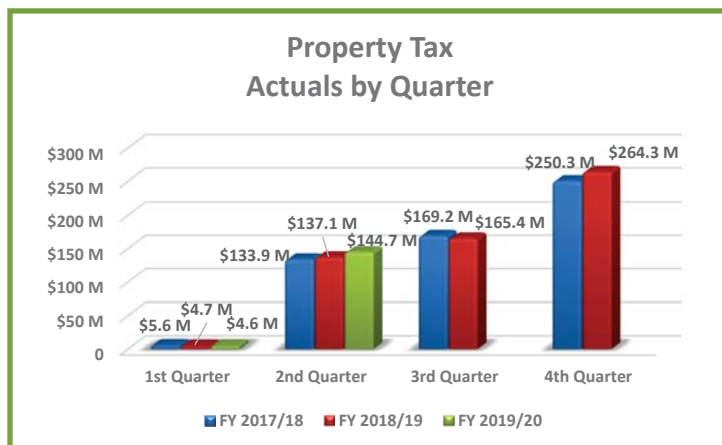
REVENUES - General Fund revenues received as of the 2nd Quarter amounted to \$238 million; approximately 15.6% higher than the prior year. The increase is primarily

due to new revenues in the 2019/20 fiscal year such as Garden Grove contract charges and funding attributed to the FIRIS and NextGen pilot programs. The top five revenues, which are comprised of Property Taxes, Cash

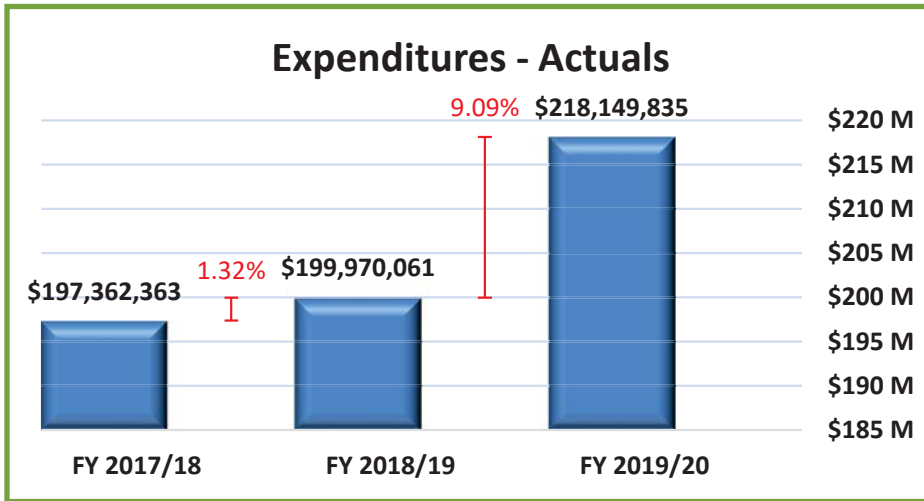


Contracts, Miscellaneous, State Reimbursements, and Community Risk Reduction Fees are trending as expected, apart from Property Tax; we are recommending a Mid-year Budget Adjustment to increase Property tax by \$2.7 million.

2nd Quarter Property Tax revenues are trending at a similar pace and pattern when compared to prior fiscal years.

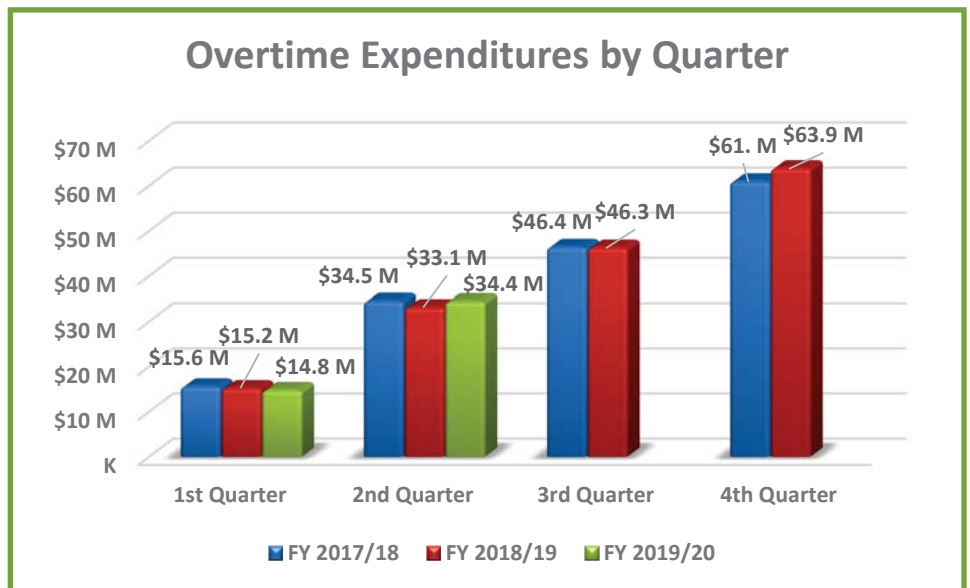


EXPENDITURES — General Fund expenditures for the 2nd Quarter amounted to \$218 million and reflect an increase of 9.09% when compared to the prior fiscal year. Initial budget estimates projected 2nd Quarter expenditures ending at \$222 million.



Lower than anticipated salary and employee benefit costs due to vacancies are the drivers. Services and supplies ended the quarter higher than anticipated due to higher than originally budgeted expenditures for the Next Generation Aerial Operations Pilot Program; however this was off-set by the lower than anticipated salary and benefits costs.

The following Overtime Expenditures by Quarter chart captures historical cumulative overtime expenditures from fiscal year 2017/18 through the 2nd Quarter of 2019/20. Actual overtime expenditures are trending slightly higher than last year, but on track with the 2017-18 fiscal year. Overtime expenses increased this year over last due to emergency incidents and upstaffing for high fire risk weather conditions such as the October and November 2019 wind events. Open Position overtime continues to be the largest category of overtime, however after researching the overtime data we were able to reclassify some overtime to the Emergency category. This served to adjust the trend we saw beginning in the first quarter and put all categories of overtime in line with budgetary estimates.



We hope you have found this summary information illustrative and useful. Additional detailed information is included in following Newsletter pages, including progress for each of the CIP funds.



Orange County Fire Authority

Second Quarter Financial Newsletter – July 2019 to December 2019

OVERVIEW

This report covers fiscal activities in the General Fund and CIP Funds through the second quarter of Fiscal Year 2019/20. Budget figures include all budget adjustments authorized by the Board through the end of the second quarter.

GENERAL FUND

With 50% of the year completed, General Fund revenues are 53.2% of budget and expenditures are 49.3% as shown below:

General Fund (excludes 12110)	YTD Actual	Budget	Variance in Dollars	% Variance
Revenues	238,483,199	448,049,397	209,566,198	53.2%
Expenditures	218,149,835	442,529,942	224,380,107	49.3%

Top Five Revenues. The analysis presented below compares the five largest revenue categories received through the second quarter, as compared to the budgetary estimate for this point in the fiscal year. Categories in which the variance is exceeded by 10% or \$1 million, are discussed below the table.

Top Five Revenues	YTD Actual Receipts	Trended YTD Budget Estimate	Variance: Actual to Budget Est. in Dollars	% Variance
Property Taxes	144,685,449	141,992,408	2,693,041	2%
Cash Contracts	71,624,813	72,058,412	(433,599)	-1%
State Reimbursements	9,829,501	6,000,000	3,829,501	64%
Miscellaneous	5,580,361	5,500,000	80,361	1%
Community Risk Reduction Fees	2,783,871	2,646,168	137,703	5%
Total	234,503,995	228,196,988	6,307,007	3%

- **Property Taxes:** This category is exceeding budget estimates by \$2.7 million or 2%. Staff has recommended a Mid-Year adjustment to property tax.
- **State Reimbursements:** Reimbursements are trending higher than estimated by 64% or \$3.8 million. This is reflective of Assistance-by-Hire overtime reimbursements for out-of-county emergency incident response and will be adjusted at Mid-year.

Expenditures. The analysis presented below compares the actual expenditures through the second quarter, as compared to the budgetary estimate for this point in the fiscal year. Categories in which the variance is exceeded by 10% or \$1 million, are discussed below the table.

Expenditures by Department	YTD Actual Expenditures	Trended YTD Budget Estimate	Variance: Actual to Budget Est. in Dollars	% Variance
Business Services	17,606,098	17,977,869	(371,770)	-2%
Command & Emergency Planning	4,118,532	3,988,519	130,013	3%
Community Risk Reduction	4,848,838	5,443,542	(594,704)	-11%
EMS	2,909,124	2,791,454	117,670	4%
Executive Management	3,349,530	3,778,481	(428,951)	-11%
Human Resources	5,103,119	5,617,055	(513,936)	-9%
Logistics	16,108,991	16,520,584	(411,593)	-2%
Operations	145,944,447	148,619,247	(2,674,800)	-2%
Special Operations	18,161,153	17,409,907	751,247	4%
Total	218,149,835	222,146,657	(3,996,823)	-2%

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

- **Community Risk Reduction** – This department’s expenditures are below budget estimates by 11% or approximately \$595,000. This is reflective of vacancies and underfilled positions throughout the department.
- **Executive Management** – This department is trending below budget estimates by approximately \$429,000 or 11%. This is due to vacancies in key positions.
- **Operations** – This department is trending below budget estimates primarily due to vacancies. While the Overtime category of salaries are exceeding budget estimates and will be adjusted at the Mid-year Budget Adjustment, vacancies in Operations are resulting in larger than expected salary savings at this point in the fiscal year. Salary savings are incorporated into the Mid-year Budget Adjustment and we expect this trend to narrow over the next two quarters.

Expenditures by type are outlined below, with exception details following the table:

Expenditures by Type	YTD Actual Expenditures	Trended YTD Budget Estimate	Variance: Actual to Budget in Dollars	% Variance
Salary and Employee Benefits	191,160,390	195,984,746	(4,824,356)	-2%
Services and Supplies	25,547,166	24,535,658	1,011,508	4%
Equipment	1,442,278	1,626,253	(183,976)	-11%
Total	218,149,835	222,146,657	(3,996,823)	-2%

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

- **Salary & Employee Benefits** –This category is trending under budget estimates by approximately \$4.8 million or 2%. This is primarily due to vacancies throughout OCFA.

Salary savings are incorporated into the Mid-year Budget Adjustment and we expect this trend to narrow over the next two quarters.

- **Services and Supplies** – Actual expenditures finished approximately \$1.0 million or 4% over estimates through the second quarter. This is primarily due to the Next Generation Aerial Operations Pilot Program which was closed out with a \$1.1 million budget adjustment in January.
- **Equipment** – This category is trending under budget estimates by 11% or \$184,000. Larger expenditure projects within the Authority have not made the amount of progress at this point in the fiscal year as was expected.

CIP FUNDS

Revenues and expenditures for the Capital Improvement Program funds are summarized below. Any variances are noted following the fund table:

General Fund CIP

Fund 12110	YTD Actual	Budget	Percent
Expenditures	2,205,394	8,523,006	26%

- This Fund receives transfers from the General Fund as its revenue source.
- Appropriations of \$8.5 million include funding for routine maintenance and replacement of equipment such as tablets, PCs, laptops, printers, 800 MHz radios, VHF radios, MDC system, fire station telephone/alarm system upgrade, network servers, data storage, CPR auto continuous chest compression devices, high pressure airbags, fire shelters, thermal imaging cameras, fire station bathroom gender accommodation projects, FS 41 tarmac repairs and dormitory privacy, FS 51 painting and leak repairs, and FS 6 and 26 kitchen, flooring and/or bathroom remodels.
- YTD Expenditures of approximately \$2.2 million are attributable primarily to the CPR auto continuous chest compression devices, and various IT projects.

Fire Stations and Facilities

Fund 123	YTD Actual	Budget	Percent
Revenue	669,381	385,115	173.8%
Expenditures	287,875	9,511,707	3.0%

- Revenues in this fund are attributable to interest earned through the second quarter and an unbudgeted developer contribution.
- Appropriations of \$9.5 million include funding for replacement of Fire Station 9, 10, and 12, RFOTC Training Grounds expansion and upgrade; FS 49 Apparatus bay floor reconstruction, infrastructure security enhancements, retrofit of existing fire station life and

safety systems, US&R warehouse training center improvements, and FS 42 site stabilization.

- Expenditures through the second quarter are attributable to the RFOTC Training Grounds expansion and upgrade; infrastructure security enhancements and FS 42 site stabilization.

Communications & Info. Systems

Fund 124	YTD Actual	Budget	Percent
Revenue	81,762	91,948	88.9%
Expenditures	577,299	4,643,508	12.4%

- Revenues in this fund are attributable to interest earned through the second quarter.
- Appropriations of \$4.6 million include funding for: OCFA Enterprise Audio Video Equipment Upgrades, RFOTC Data Center Fire Suppression system, Disaster Recovery Co-Location facility, 800 MHz System Upgrade-OCFA base stations and ECC, Incident Reporting Application Replacement, IFP Replacement, and theHIVE cloud upgrade
- YTD expenditures are spread almost evenly across all the projects save theHive, reflecting progress on all projects. The 800 M

Fire Apparatus

Fund 133	YTD Actual	Budget	Percent
Revenue	1,098,598	2,185,515	50.3%
Expenditures	4,557,649	17,698,655	25.8%

- Revenues in this fund are attributable to vehicle replacement program payments from cash contract cities, and interest earned through the second quarter.
- Expenditures in this fund include vehicle outfitting, air utility vehicle, 2 dozer tenders, 2 compact track loaders, a dozer and its tractor and trailer, foam tender, full size 4 door, 3 utility pickups, a superintendent vehicle, a TDA 100' quint, 6 cargo vans, 7 mid-size pickups, 3 vans, 4 general pickups, and 1 light service truck.

SUMMARY

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



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
February 11, 2020

Agenda Item No. 4A
Discussion Calendar

Monthly Investment Reports

Contact(s) for Further Information

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Treasury & Financial Planning

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Jane Wong, Assistant Treasurer

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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 February 27, 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

Attached is the final monthly investment report for the month ended December 31, 2019. A preliminary investment report as of January 24, 2020, is also provided as the most complete report that was available at the time this agenda item was prepared.

Attachment(s)

Final Investment Report – December 2019/Preliminary Report – January 2020

Orange County Fire Authority Monthly Investment Report



Final Report – December 2019

Preliminary Report – January 2020



Monthly Investment Report Table of Contents

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Orange County Fire Authority

Final Investment Report

December 31, 2019



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of December 2019, the size of the portfolio increased significantly by \$72.0 million to \$206.2 million. Significant receipts for the month included the third apportionment of secured property taxes in the amount of \$94.5 million, nine cash contract payments totaling \$20.3 million and various intergovernmental agency payments and other charges for current services totaling \$1.2 million. Significant disbursements for the month included primarily two biweekly payrolls which were approximately \$14.0 million each with related benefits and a \$13.7 million payment to OCERS for additional UAAL (Unfunded Actuarial Accrued Liability) pay-down as previously approved by the Board. Total December cash outflows amounted to approximately \$46.0 million. The portfolio's balance is expected to decrease significantly in the following month as there are no major receipts expected in January.

In December, the portfolio's yield to maturity (365-day equivalent) decreased 18 basis points to 1.73%. The effective rate of return declined by 24 basis points to 1.77% for the month and by 8 basis points to 2.12% for the fiscal year to date. The average maturity of the portfolio increased by 10 days to 30 days to maturity.

Economic News

The U.S. economy continued to grow in December 2019. Job gains were lower than expected but adequate with 145,000 new jobs created. The unemployment rate was unchanged at 3.5%, staying at a nearly 50-year record low. Consumer confidence slipped slightly as expectations fell about economic growth in the next six months. Retail sales increased 0.3% in December and 5.8% year-over-year. There was better than expected expansion in the non-manufacturing/services sector. However, the manufacturing slump worsened amid the trade war with China. The CPI (Consumer Price Index) rose 0.2%. Industrial production declined as warm winter weather caused utility output to drop. Existing home sales rose 3.6% yet, new sales unexpectedly dropped by 0.4%. On January 29, 2019, the Federal Open Market Committee met and, as expected, voted to keep the federal funds rate at the target range of 1.50% to 1.75%. The Fed indicated the current policy is appropriate to sustain expansion.



BENCHMARK COMPARISON AS OF DECEMBER 31, 2019

3 Month T-Bill: 1.57%

1 Year T-Bill: 1.55%

6 Month T-Bill: 1.58%

LAIF: 2.04%

OCFA Portfolio: 1.77%

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value-	\$206,205,550	\$133,967,360	\$194,645,592
Yield to Maturity (365 day)	1.73%	1.91%	2.25%
Effective Rate of Return	1.77%	2.01%	2.25%
Days to Maturity	30	20	41



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

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

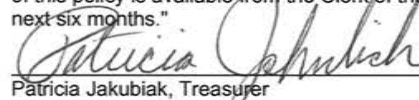
(See Note 1 on page 9)

(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/Call 365 Equiv.
Money Mkt Mutual Funds/Cash	15,242,567.62	15,242,567.62	15,242,567.62	7.43	1	1	1.164	1.180
Federal Agency Coupon Securities	11,000,000.00	11,010,450.00	11,011,579.62	5.37	1,019	93	1.558	1.580
Federal Agency Disc. -Amortizing	99,200,000.00	99,014,848.00	99,009,534.43	48.24	72	44	1.592	1.614
Treasury Discounts -Amortizing	15,000,000.00	14,975,200.00	14,972,158.34	7.30	107	41	1.722	1.745
Local Agency Investment Funds	65,000,000.00	65,115,069.37	65,000,000.00	31.67	1	1	2.015	2.043
Investments	205,442,567.62	205,358,134.99	205,235,840.01	100.00%	98	30	1.702	1.726
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	781,450.86	781,450.86	781,450.86		1	1	0.000	0.000
Accrued Interest at Purchase		46,444.44	46,444.44					
Subtotal		827,895.30	827,895.30					
Total Cash and Investments	206,224,018.48	206,186,030.29	206,063,735.31		98	30	1.702	1.726

Total Earnings	December 31 Month Ending	Fiscal Year To Date
Current Year	246,049.74	1,563,888.25
Average Daily Balance	163,902,601.81	146,183,912.19
Effective Rate of Return	1.77%	2.12%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 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

1/3/2020

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 206,063,735.31
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ 141,814.96
Total	\$ 206,205,550.27

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
December 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			15,242,567.62	15,242,567.62	15,242,567.62	1.180	1.180	1	
Subtotal and Average			16,030,183.94		15,242,567.62	15,242,567.62	15,242,567.62		1.180	1	
Federal Agency Coupon Securities											
3130AH7E7	993	Fed Home Loan Bank (Callable on 4/3/20)		12/19/2019	11,000,000.00	11,010,450.00	11,011,579.62	2.000	1.580	93	10/03/2022
Subtotal and Average			4,618,027.17		11,000,000.00	11,010,450.00	11,011,579.62		1.580	93	
Federal Agency Disc. -Amortizing											
313312TX8	988	Farm Credit Disc Note		12/19/2019	6,000,000.00	5,983,620.00	5,983,360.00	1.560	1.609	64	03/05/2020
313396RQ8	983	Freddie Mac		10/02/2019	6,000,000.00	5,997,960.00	5,997,405.00	1.730	1.787	9	01/10/2020
313384RU5	984	Fed Home Loan Bank		11/07/2019	10,000,000.00	9,995,000.00	9,994,438.89	1.540	1.588	13	01/14/2020
313384RU5	985	Fed Home Loan Bank		11/27/2019	10,000,000.00	9,995,000.00	9,994,294.44	1.580	1.628	13	01/14/2020
313384RU5	986	Fed Home Loan Bank		11/27/2019	16,000,000.00	15,992,000.00	15,990,871.11	1.580	1.628	13	01/14/2020
313384UN7	987	Fed Home Loan Bank		12/20/2019	11,000,000.00	10,962,820.00	10,962,343.33	1.560	1.610	79	03/20/2020
313384SE0	989	Fed Home Loan Bank		12/19/2019	11,000,000.00	10,989,880.00	10,989,458.33	1.500	1.544	23	01/24/2020
313384TJ8	990	Fed Home Loan Bank		12/19/2019	7,200,000.00	7,184,808.00	7,184,190.00	1.550	1.598	51	02/21/2020
313384SR1	991	Fed Home Loan Bank		12/19/2019	11,000,000.00	10,984,710.00	10,983,741.39	1.565	1.612	34	02/04/2020
313384XL8	992	Fed Home Loan Bank		12/19/2019	11,000,000.00	10,929,050.00	10,929,431.94	1.550	1.605	149	05/29/2020
Subtotal and Average			68,118,604.68		99,200,000.00	99,014,848.00	99,009,534.43		1.614	44	
Treasury Discounts -Amortizing											
912796TA7	981	US Treasury Bill		09/17/2019	5,000,000.00	4,998,650.00	4,997,922.22	1.870	1.934	8	01/09/2020
912796TH2	982	US Treasury Bill		09/30/2019	5,000,000.00	4,986,850.00	4,984,444.45	1.750	1.788	64	03/05/2020
912796TG4	994	US Treasury Bill		12/31/2019	5,000,000.00	4,989,700.00	4,989,791.67	1.470	1.514	50	02/20/2020
Subtotal and Average			10,135,786.02		15,000,000.00	14,975,200.00	14,972,158.34		1.745	41	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			65,000,000.00	65,115,069.37	65,000,000.00	2.043	2.043	1	
Subtotal and Average			65,000,000.00		65,000,000.00	65,115,069.37	65,000,000.00		2.043	1	
Total and Average			163,902,601.81		205,442,567.62	205,358,134.99	205,235,840.01		1.726	30	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
December 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	761,450.86	761,450.86	761,450.86		0.000	1
Average Balance			0.00	Accrued Interest at Purchase		46,444.44	46,444.44			1
				Subtotal		827,895.30	827,895.30			
Total Cash and Investments			163,902,601.81		206,224,018.48	206,186,030.29	206,063,735.31		1.726	30

Orange County Fire Authority

In service of others!



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of January 1, 2020

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	(01/01/2020 - 01/01/2020)	4 Maturities	0 Payments	81,024,018.48	39.33%	81,024,018.48	81,139,087.85
Aging Interval: 1 - 30 days	(01/02/2020 - 01/31/2020)	6 Maturities	0 Payments	58,000,000.00	28.14%	57,964,389.99	57,968,490.00
Aging Interval: 31 - 60 days	(02/01/2020 - 03/01/2020)	3 Maturities	0 Payments	23,200,000.00	11.24%	23,157,723.06	23,159,218.00
Aging Interval: 61 - 91 days	(03/02/2020 - 04/01/2020)	3 Maturities	0 Payments	22,000,000.00	10.64%	21,930,147.78	21,933,290.00
Aging Interval: 92 - 121 days	(04/02/2020 - 05/01/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 122 - 152 days	(05/02/2020 - 06/01/2020)	1 Maturities	0 Payments	11,000,000.00	5.31%	10,929,431.94	10,929,050.00
Aging Interval: 153 - 183 days	(06/02/2020 - 07/02/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(07/03/2020 - 10/01/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 275 - 365 days	(10/02/2020 - 12/31/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(01/01/2021 - 12/31/2022)	1 Maturities	0 Payments	11,000,000.00	5.34%	11,011,579.62	11,010,450.00
Aging Interval: 1096 days and after	(01/01/2023 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		18 Investments	0 Payments		100.00	206,017,290.87	206,139,585.85



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 December 31, 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 December 31, 2019 is 1.001770298. When applied to OCFA's LAIF investment, the fair value is \$65,115,069 or \$115,069 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 December 31, 2019 is included on the following page.



State of California

Pooled Money Investment Account

Market Valuation

12/31/2019

Description		Carrying Cost Plus Accrued Interest Purch.	Amortized Cost	Fair Value	Accrued Interest
1*	United States Treasury:				
	Bills	\$ 17,174,339,397.43	\$ 17,350,129,672.69	\$ 17,365,398,000.00	NA
	Notes	\$ 30,739,969,843.54	\$ 30,731,614,309.82	\$ 30,856,016,000.00	\$ 123,724,495.00
1*	Federal Agency:				
	SBA	\$ 563,068,144.49	\$ 563,068,144.49	\$ 559,814,189.13	\$ 1,060,847.49
	MBS-REMICs	\$ 19,117,016.90	\$ 19,117,016.90	\$ 19,707,931.37	\$ 89,294.47
	Debentures	\$ 2,345,173,135.80	\$ 2,345,053,344.14	\$ 2,358,141,250.00	\$ 12,401,929.25
	Debentures FR	\$ -	\$ -	\$ -	\$ -
	Debentures CL	\$ 775,000,000.00	\$ 775,000,000.00	\$ 774,976,000.00	\$ 1,472,708.50
	Discount Notes	\$ 8,184,116,847.13	\$ 8,212,363,645.77	\$ 8,213,758,500.00	NA
1*	Supranational Debentures	\$ 664,499,557.94	\$ 664,015,463.49	\$ 668,156,900.00	\$ 3,146,068.25
1*	Supranational Debentures FR	\$ 200,189,619.96	\$ 200,189,619.96	\$ 200,208,546.60	\$ 690,069.72
2*	CDs and YCDs FR	\$ 400,000,000.00	\$ 400,000,000.00	\$ 400,000,000.00	\$ 521,646.05
2*	Bank Notes	\$ 700,000,000.00	\$ 700,000,000.00	\$ 700,074,261.44	\$ 5,441,333.35
2*	CDs and YCDs	\$ 15,050,000,000.00	\$ 15,050,000,000.00	\$ 15,051,899,567.98	\$ 80,940,374.96
2*	Commercial Paper	\$ 6,769,921,930.60	\$ 6,795,891,652.80	\$ 6,796,111,305.57	NA
1*	Corporate:				
	Bonds FR	\$ -	\$ -	\$ -	\$ -
	Bonds	\$ -	\$ -	\$ -	\$ -
1*	Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
1*	Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
	Time Deposits	\$ 4,736,240,000.00	\$ 4,736,240,000.00	\$ 4,736,240,000.00	NA
	AB 55 & GF Loans	\$ 605,929,000.00	\$ 605,929,000.00	\$ 605,929,000.00	NA
	TOTAL	\$ 88,927,564,493.79	\$ 89,148,611,870.06	\$ 89,306,431,452.09	\$ 229,488,767.04

Fair Value Including Accrued Interest

\$ 89,535,920,219.13

* Governmental Accounting Standards Board (GASB) Statement #72

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

The value of each participating dollar equals the fair value divided by the amortized cost (1.001770298).
As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$20,035,405.95 or \$20,000,000.00 x 1.001770298.



Orange County Fire Authority

Preliminary Investment Report

January 24, 2020



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
January 24, 2020

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Call / Maturity	YTM/Call 360 Equiv.	YTM/Call 365 Equiv.
Money Mkt Mutual Funds/Cash	14,072,806.14	14,072,806.14	14,072,806.14	9.01	1	1	1.164	1.180
Federal Agency Coupon Securities	11,000,000.00	11,009,130.00	11,008,558.85	7.05	1,019	69	1.558	1.580
Federal Agency Disc. -Amortizing	46,200,000.00	46,094,990.00	46,091,030.00	29.52	91	55	1.585	1.607
Treasury Discounts -Amortizing	10,000,000.00	9,987,050.00	9,984,969.45	6.39	104	33	1.628	1.651
Local Agency Investment Funds	75,000,000.00	75,132,772.35	75,000,000.00	48.03	1	1	2.015	2.043
Investments	156,272,806.14	156,296,748.49	156,157,364.44	100.00%	106	24	1.754	1.779
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	623,114.82	623,114.82	623,114.82		1	1	0.000	0.000
Accrued Interest at Purchase		46,444.44	46,444.44					
Subtotal		669,559.26	669,559.26					
Total Cash and Investments	156,895,920.96	156,966,307.75	156,826,923.70		106	24	1.754	1.779

Total Earnings	January 24 Month Ending	Fiscal Year To Date
Current Year	216,819.33	1,808,257.39
Average Daily Balance	190,469,722.83	151,293,813.42
Effective Rate of Return	1.73%	2.10%

"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, 2020. 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
 Patricia Jakubiak, Treasurer 1/31/2020

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
January 24, 2020

(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			14,072,806.14	14,072,806.14	14,072,806.14	1.180	1.180	1	
Subtotal and Average			14,880,841.90		14,072,806.14	14,072,806.14	14,072,806.14		1.180	1	
Federal Agency Coupon Securities											
3130AH7E7	993	Fed Home Loan Bank (Callable on 4/3/20)		12/19/2019	11,000,000.00	11,009,130.00	11,008,558.85	2.000	1.580	69	10/03/2022
Subtotal and Average			11,010,006.30		11,000,000.00	11,009,130.00	11,008,558.85		1.580	69	
Federal Agency Disc. -Amortizing											
313312TX8	988	Farm Credit Disc Note		12/19/2019	6,000,000.00	5,990,220.00	5,989,600.00	1.560	1.609	40	03/05/2020
313384UN7	987	Fed Home Loan Bank		12/20/2019	11,000,000.00	10,975,030.00	10,973,783.33	1.560	1.610	55	03/20/2020
313384TJ8	990	Fed Home Loan Bank		12/19/2019	7,200,000.00	7,192,440.00	7,191,630.00	1.550	1.598	27	02/21/2020
313384SR1	991	Fed Home Loan Bank		12/19/2019	11,000,000.00	10,996,260.00	10,995,218.06	1.565	1.612	10	02/04/2020
313384XL8	992	Fed Home Loan Bank		12/19/2019	11,000,000.00	10,941,040.00	10,940,798.61	1.550	1.605	125	05/29/2020
Subtotal and Average			78,349,351.25		46,200,000.00	46,094,990.00	46,091,030.00		1.607	55	
Treasury Discounts -Amortizing											
912796TH2	982	US Treasury Bill		09/30/2019	5,000,000.00	4,992,000.00	4,990,277.78	1.750	1.788	40	03/05/2020
912796TG4	994	US Treasury Bill		12/31/2019	5,000,000.00	4,995,050.00	4,994,691.67	1.470	1.514	26	02/20/2020
Subtotal and Average			11,646,190.05		10,000,000.00	9,987,050.00	9,984,969.45		1.651	33	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			75,000,000.00	75,132,772.35	75,000,000.00	2.043	2.043	1	
Subtotal and Average			74,583,333.33		75,000,000.00	75,132,772.35	75,000,000.00		2.043	1	
Total and Average			190,469,722.83		156,272,806.14	156,296,748.49	156,157,364.44		1.779	24	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
January 24, 2020

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	603,114.82	603,114.82	603,114.82		0.000	1
Average Balance			0.00	Accrued Interest at Purchase		46,444.44	46,444.44			1
				Subtotal		669,559.26	669,559.26			
Total Cash and Investments			190,469,722.83		156,895,920.96	156,966,307.75	156,826,923.70		1.779	24

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of January 25, 2020

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	(01/25/2020 - 01/25/2020)	4 Maturities	0 Payments	89,695,920.96	57.21%	89,695,920.96	89,828,693.31
Aging Interval: 1 - 30 days	(01/26/2020 - 02/24/2020)	3 Maturities	0 Payments	23,200,000.00	14.79%	23,181,539.73	23,183,750.00
Aging Interval: 31 - 60 days	(02/25/2020 - 03/25/2020)	3 Maturities	0 Payments	22,000,000.00	14.00%	21,953,661.11	21,957,250.00
Aging Interval: 61 - 91 days	(03/26/2020 - 04/25/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 92 - 121 days	(04/26/2020 - 05/25/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 122 - 152 days	(05/26/2020 - 06/25/2020)	1 Maturities	0 Payments	11,000,000.00	6.98%	10,940,798.61	10,941,040.00
Aging Interval: 153 - 183 days	(06/26/2020 - 07/26/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(07/27/2020 - 10/25/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 275 - 365 days	(10/26/2020 - 01/24/2021)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(01/25/2021 - 01/24/2023)	1 Maturities	0 Payments	11,000,000.00	7.02%	11,008,558.85	11,009,130.00
Aging Interval: 1096 days and after	(01/25/2023 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		12 Investments	0 Payments		100.00	156,780,479.26	156,919,863.31



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 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 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
February 11, 2020

Agenda Item No. 4B
Discussion Calendar

**Options to Mitigate Escalating Charges to
Cash 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 may be feasibly implemented to relieve escalating charges to OCFA's cash contract cities.

Prior Board/Committee Action

At its January 8, 2020, meeting, the Budget and Finance Committee (B&FC) discussed the options presented by staff to mitigate escalating charges to cash contract cities and directed staff to return in February 2020 with additional information relating to the options proposed, as well as potential financial and operational impacts that might occur with the loss of cash contract cities.

At the January 10, 2020, meeting of the City Manager Technical Advisory Committee (TAC), staff reviewed the options that had been presented to the B&FC with the TAC. The TAC expressed some interest in the options, with a few TAC members requesting additional briefings individually to better understand the concepts. There was a suggestion to consider adding a requirement for future payback by a cash contract city, if the mitigation concept involves exclusion of accelerated pension payments and a cash contract city later exercises its option to withdraw from OCFA.

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 February 27, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors authorize staff to implement the proposed Option 2 beginning with the FY 2020/21 cash contract city charge calculations.

Impact to Cities/County

Proposed adjustments to the cash contract city annual charge calculations may relieve some pressure of on-going increases to cash contract cities. Stability in future charges to cash contract cities will benefit OCFA's regional system.

Fiscal Impact

Approval of the suggested adjustments will positively impact cash contract cities by facilitating a quicker depletion of the recapture bank compared to status quo.

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 cash 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 contract 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 options that may be feasibly implemented to mitigate escalating charges to OCFA's cash contract cities and began exploring the options with the B&FC at its January 8, 2020, meeting.

Mitigation Options Discussed with B&FC in January 2020:

- **Option 1:** Authorize staff to exclude the value of accelerated pension paydown payments from the annual increase calculation for cash contract cities beginning in FY 2020/21, for the regional benefit of stabilizing future pension costs while also stabilizing rising cash contract city charges. This exclusion will not apply to regular required payments of pension liability, as established by Orange County Employees Retirement System (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 regional, system-wide 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 draw-down of the value in the recapture bank much faster than Option 2, potentially completing the draw-down in FY 2021/22, whereas conservative projections without this change indicate that the 5% recapture bank won't be resolved until FY 2022/23 with Option 2, or later if we remain status-quo.

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.

Committee Feedback to Proposed Mitigation Options

Feedback provided by the B&FC and the TAC was aligned in that members of both Committees expressed desire to:

- Take steps toward stabilizing cash contract charges
- Further stabilize membership in OCFA
- Continue pension paydown, with cash contract cities paying their fair share
- Require payback to OCFA of the relief offered under Option 1 related to accelerated pension paydown, should a cash contract city later exercise its option to withdraw

While we don't anticipate the loss of all cash contract cities, the B&FC was interested in understanding the potential impacts of such a situation. Therefore, staff has provided a service area map demonstrating the gaps in operational jurisdiction that OCFA would incur if cash contract cities were not a part of the system (Attachment 2) along with budgetary impacts listed below. Note that Placentia is excluded, since withdrawal for that city is already underway:

- Revenue reduction of \$113,873,640
- Corresponding expenditure and service reductions in fire, medic, support, capital, and administrative functions

These impacts are not all-inclusive and are intended only to provide a brief glimpse into the significant impacts that would occur without cash contract cities as a part of the OCFA system. The stability of OCFA and our seamless service jurisdiction is greatly enhanced by keeping all member agencies as partners in our regional system.

Staff Recommendation for Option 2 Based on Committee Feedback

Factoring in the feedback provided through the B&FC and TAC reviews, much of which focused on concerns for excluding accelerated pension payments from cash contract city charges, staff is recommending support to implement Option 2. Option 2 would only exclude new budget additions designed to enhance OCFA's ability to provide regional, system-wide services, throughout our jurisdiction. This exclusion will not apply to cost increases associated with current services already in place nor would it apply to the accelerated pension paydown.

Staff would then monitor the results from implementing Option 2 over the coming years, with the goals that (1) the value in the recapture bank be depleted to zero, and (2) charges to cash contract cities drop below the 4.5% cap. Staff will also monitor progress towards achieving OCFA's goal to fund its OCERS pension plan to the 85% threshold. We anticipate that additional options for relief may become available once we achieve that 85% funding goal.

Attachments:

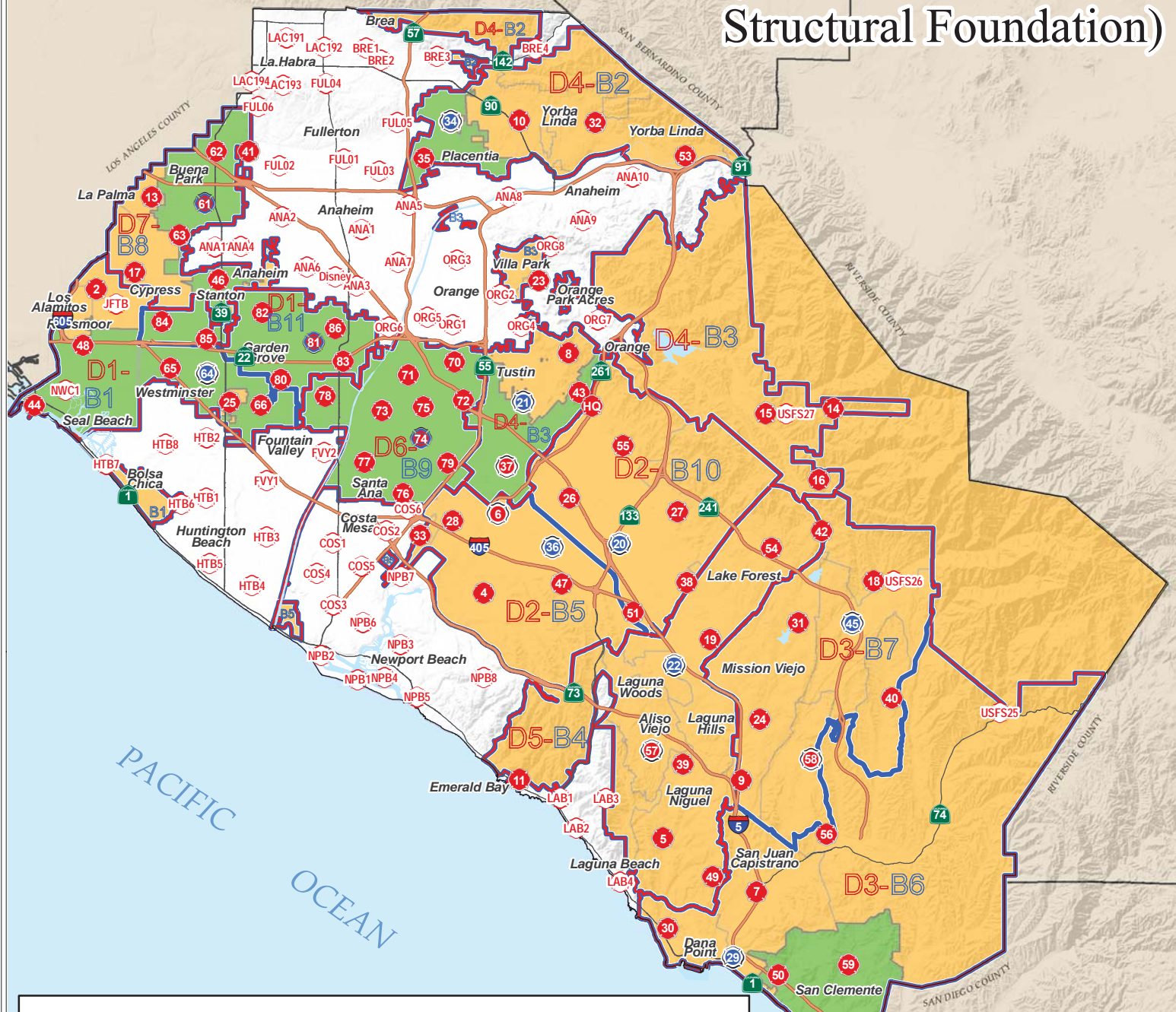
1. Comparison of Mitigation Options
2. OCFA Service Area Map

**Summary of Projected Contract Charge Increases
Mitigation Options 1 and 2**

	2020/21	2021/22	2022/23	2023/24
<u>Option 1:</u>				
(A) Starting Recapture Bank Balance <i>(Note)</i>	5.00%	0.14%	0.00%	0.00%
(B) Calculated Increase to Contracts Before Recapture Bank	(0.36%)	2.68%	1.52%	1.44%
(C) % Draw-Down from Recapture Bank & Added to Contract Increase	4.86%	0.14%	0.00%	0.00%
(D) Total Increase to Contract After Recapture Bank $(B + C = D)$	4.50%	2.82%	1.52%	1.44%
(E) Ending Recapture Bank Balance $(A - C = E)$	0.14%	0.00%	0.00%	0.00%
<u>Option 2:</u>				
(A) Starting Recapture Bank Balance <i>(Note)</i>	5.00%	3.12%	1.67%	0.00%
(B) Calculated Increase to Contracts Before Recapture Bank	2.62%	3.05%	2.27%	2.04%
(C) % Draw-Down from Recapture Bank & Added to Contract Increase	1.88%	1.45%	1.67%	0.00%
(D) Total Increase to Contract After Recapture Bank $(B + C = D)$	4.50%	4.50%	3.94%	2.04%
(E) Ending Recapture Bank Balance $(A - C = E)$	3.12%	1.67%	0.00%	0.00%
<i>Reduction to Annual Increases – Option 1 vs. Option 2</i>	0.00%	(1.68%)	(2.42%)	(0.61%)

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.

OCFA Cities (Cash-Contracted and Structural Foundation)



Data Reference and Symbolology

- OCFA Division and Battalion Stations
- OCFA Division Stations
- OCFA Battalion Stations
- OCFA Fire Stations
- Non OCFA Fire Stations
- Major Roads
- Highways
- Water Bodies
- Divisions
- Battalions
- Cash-Contract Cities
- Structural Foundation Cities

Information Technology Division -
Geographic Information Systems

Information shown hereon is a compilation of data from sources of varying accuracy and is provided as a convenience to the user. The Orange County Fire Authority does not guarantee its accuracy and completeness. It is the user's responsibility to verify all information to their own satisfaction.



1/27/2020

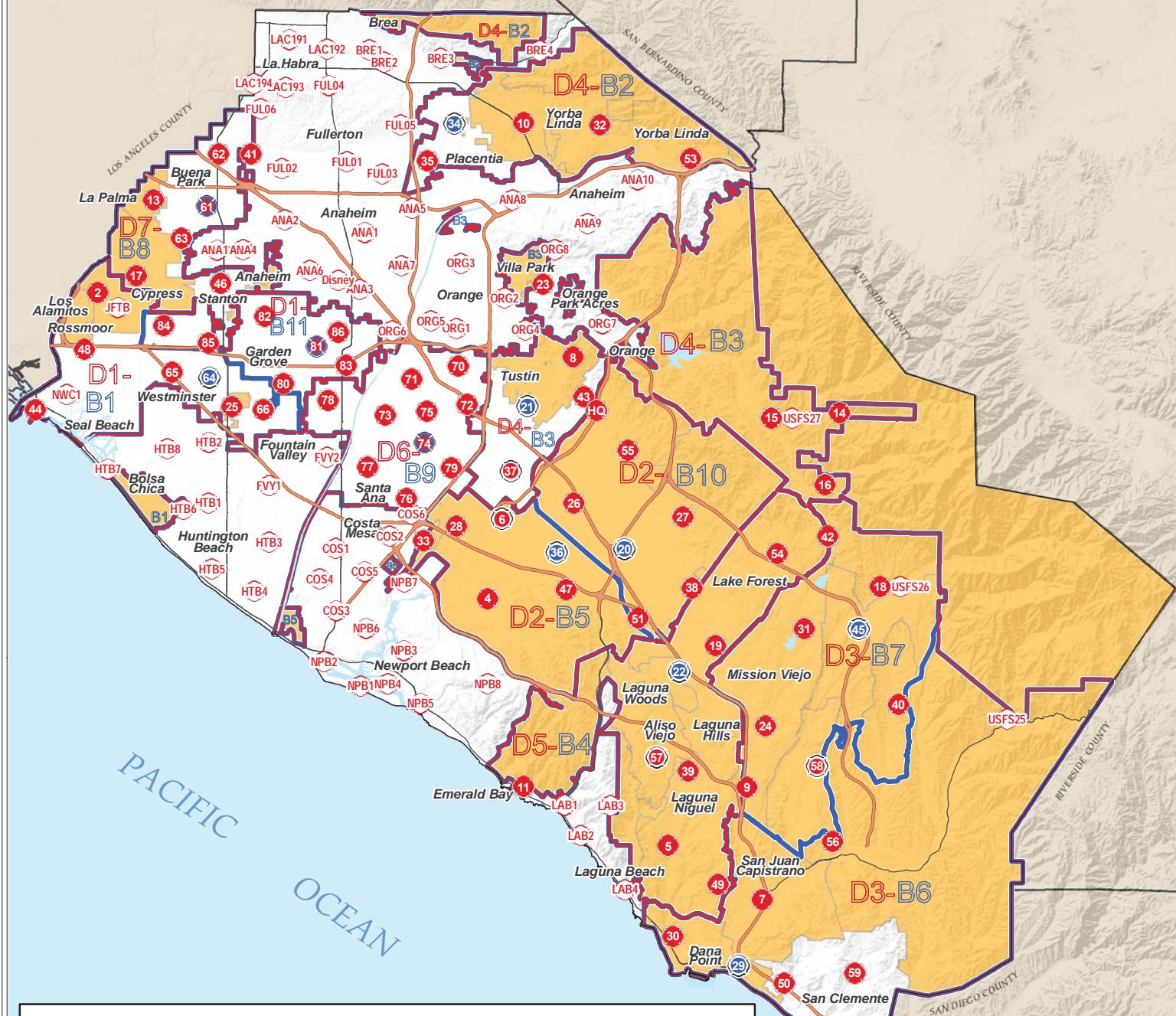
0 5 10
Miles

The topographic background is a hillshade relief of a digital elevation model taken from a federal website that hosts national elevation data.

Source:

Z:\Projects\SpecialProjects\CityMaps\OCFA_CITY_Juris_CashCities.mxd

OCFA Cities (Cash-Contracted Cities Omitted)



Data Reference and Symbolology

- OCFA Division and Battalion Stations
- OCFA Division Stations
- OCFA Battalion Stations
- OCFA Fire Stations
- Non OCFA Fire Stations
- Major Roads
- Highways
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Options to Mitigate Escalating Charges to Cash Contract Cities

Budget & Finance Committee

February 11, 2020



Background

- **Cash contract charges have been increasing by the maximum 4.5% per year for 3 years and are currently projected to continue at that rate for at least 2 to 3 more years**
- **Excess increases above the annual cap have accumulated in the recapture bank, currently totaling 5%**
- **Staff considers these factors prior to requesting budget additions that will benefit OCFA services/support (and are affordable within OCFA finances), understanding that the additions cause further escalation in costs to cash contract cities**
- **In response to inquiries from individual Directors, staff developed options to reduce the impact of OCFA cost increases on cash contract cities for B&FC and Board consideration**

January 2020 Discussions

- Options were initially discussed with the B&FC at its January 8, 2020 meeting:
 - Option 1 – exclude new costs for the accelerated pension paydown plan from increases to cash contract cities
 - Option 2 – exclude new costs that enhance OCFA’s ability to provide regional, system-wide services from increases to cash contract cities
 - January staff recommendation: *“Provide direction to staff regarding continued evaluation of opportunities to stabilize charges to cash contract cities, and provide input on the two options presented.”*
- The B&FC discussion focused on Option 1, and the Committee directed staff to return in February with additional information

January 2020 Discussions

- **The agenda item was also discussed with the City Managers' Technical Advisory Committee (TAC) on January 9, 2020**
- **Feedback from the TAC and the B&FC were aligned, with both Committee's expressing desire to:**
 - Take steps toward stabilizing charges to cash contract cities
 - Further stabilize membership in OCFA
 - Continue pension paydown, with cash contract cities paying their fair share
 - If Option 1 is pursued, require payback to OCFA of the relief related to accelerated pension paydown, should a cash contract city later exercise its option to withdraw

February 2020

Staff Recommendations

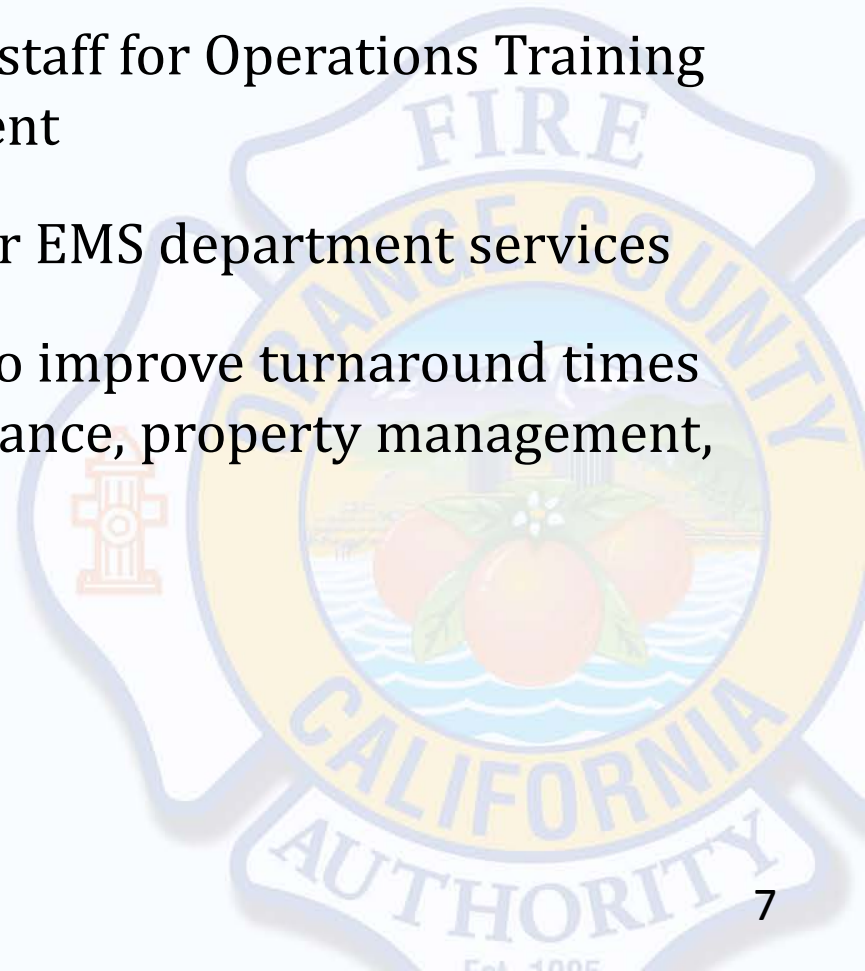
- Since the feedback received in January focused on concerns with Option 1, yet both Committees also expressed support for action to mitigate escalating charges for cash contract cities, staff has made the following changes:
 - Additional information is provided in the February 11, 2020 staff report, as requested
 - The recommended action has been modified to align with feedback received, by offering some relief, without impacting pension paydown:
 - February staff recommendation: *“Authorize staff to implement the proposed Option 2 beginning with the FY 2020/21 cash contract city charge calculations.”*

February 2020 - Option 2

- **Excludes** cost increases associated with new budget additions designed to enhance OCFA's ability to provide regional, system-wide services from increases to cash contract cities
- **Does not exclude** cost increases associated with current services already in place
- **Does not exclude** MOU cost increases
- **Does not exclude** accelerated pension paydown plan
- Facilitates a quicker depletion of the recapture bank, compared to status quo
- Provides relief to the charges that cash contract cities must pay after the recapture bank is depleted, estimated in FY 2022/23

February 2020 Discussions

- **Examples of cost increases (if requested and approved during budget development) that would be excluded with Option 2:**
 - Costs for adding management staff for Operations Training and Organizational Development
 - Costs for additional dispatch or EMS department services
 - Costs for added support staff to improve turnaround times for areas such as fleet maintenance, property management, human resources, etc.



February 2020 Discussions

- **The mitigation of increases to cash contract cities with implementation of Option 2 would equate to:**
 - Roughly a 0.23% reduction in the percentage increase applied to cash contract charges, per year, for every \$1M* per year in budget increases
 - In other words, if the increase to cash contract charges would have been 4% in 2022/23 (after depletion of the recapture bank) under current, status quo processes, then the increase would instead be 3.31% with Option 2
 - $0.23\% \text{ per year} \times 3 \text{ years} = 0.69\% \text{ reduction in 2022/23}$

*Assumes \$1M budget increase enhances regional, system-wide services throughout OCFA jurisdiction.

Questions?

