



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Regular Meeting

Wednesday, March 11, 2020

12:00 Noon

Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Gene Hernandez, Chair

Elizabeth Swift, Vice Chair

Sergio Farias Shelley Hasselbrink Joe Muller

Vince Rossini Ed Sachs Don Sedgwick Tri Ta

Jennifer Cervantez - Ex Officio

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

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



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

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Sachs

ROLL CALL

PUBLIC COMMENTS

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

2. MINUTES

A. Minutes for the February 11, 2020, Budget and Finance Committee Special Meeting

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT 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 March 26, 2020, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. FY 2019/20 Mid-Year Budget Adjustment

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 Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the proposed mid-year budget adjustments and transfers.

4. DISCUSSION CALENDAR

A. Fiscal Year 2018/19 Backfill/Overtime and Calendar Year 2019 Total Earnings/Compensation Analysis

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 Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

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

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 Actions:

1. Receive and file the update regarding staff outreach to brief OCFA Directors on the actions recommended by the Budget and Finance Committee at its meeting of February 11, 2020.
2. Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee's additional recommendation that the Board of Directors: *Direct staff and General Counsel to prepare a proposed form of agreement between the OCFA and cash contract cities incorporating the terms of Option 1 for review and approval by the Board of Directors before submitting the agreement to cash contract cities for approval.*

REPORTS

No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, April 8, 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 5th day of March 2020.

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

UPCOMING MEETINGS:

Executive Committee Meeting

Thursday, March 26, 2020, 5:30 p.m.

Board of Directors Meeting

Thursday, March 26, 2020, 6:00 p.m.

MINUTES ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Special Meeting

Tuesday, February 11, 2020

12:00 Noon

Regional Fire Operations and Training Center

Room AE117

1 Fire Authority Road

Irvine, CA 92602

CALL TO ORDER

A special meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on February 11, 2020, at 12:00 p.m. by Chair Hasselbrink.

PLEDGE OF ALLEGIANCE

Director Swift 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
Beth Swift, Buena Park
Shelley Hasselbrink, Los Alamitos

Absent: Sergio Farias, San Juan Capistrano
Vince Rossini, Villa Park
Ed Sachs, Mission Viejo

Also present were:

Fire Chief Brian Fennessy
Deputy Chief Mark Sanchez
Assistant Chief Kenny Dossey
Clerk of the Authority Sherry Wentz

Deputy Chief Lori Zeller
Assistant Chief Robert Cortez
Communications Director Colleen Windsor

PUBLIC COMMENTS (F: 12.02B3)

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

1. PRESENTATIONS

No items.

2. MINUTES

A. Minutes for the January 8, 2020, Budget and Finance Committee Regular Meeting (F: 12.02B2)

On motion of Director Ta and second by Director Hernandez, the Budget and Finance Committee voted by those present to approve the Minutes of the January 8, 2020, regular meeting as submitted. Chair Hasselbrink was recorded as an abstention, due to her absence from the January 8, 2020, meeting.

Director Muller was absent for the vote.

3. CONSENT CALENDAR

A. Second Quarter Financial Newsletter (F: 15.07)

On motion of Director Hernandez and second by Director Ta, the Budget and Finance Committee voted by those present to 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.

Director Muller was absent for the vote.

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 Vice Chair Sedgwick, the Budget and Finance Committee voted by those present to direct staff to place the item on 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.

Director Muller arrived at this point (12:11 p.m.).

B. Options to Mitigate Escalating Charges to Cash Contract Cities Beginning FY 2020/21 (F: 10.04)

Deputy Chief Lori Zeller presented a PowerPoint presentation on Options to Mitigate Escalating Charges to Cash Contract Cities.

A lengthy discussion ensued.

On motion by Director Ta and second by Director Hernandez, the Budget and Finance Committee voted unanimously to send the Options to Mitigate Escalating Charges to Cash Contract Cities Beginning FY 2020/21 to the Board of Directors with its recommendation that the Board approve Option 1 with a payback provision and directed staff to return in two years for a progress review.

REPORTS (F: 12.02B6)

No items.

ELECTION OF COMMITTEE CHAIR AND VICE CHAIR (F: 12.02B1)

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

Vice Chair Sedgwick nominated Director Hernandez with a second by Director Muller. There were no additional nominations.

On motion of Vice Chair Sedgwick and second by Director Muller, the Committee acclaimed Director Hernandez as Chair for the ensuing term.

Chair Hernandez assumed the chair and opened the nominations for the Budget and Finance Committee Vice Chair.

Chair Hernandez nominated Director Swift with a second by Director Ta. There were no additional nominations.

On motion by Chair Hernandez and second by Director Ta, the Committee acclaimed Director Swift as Vice Chair for the ensuing term.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

There were no Committee Member comments.

ADJOURNMENT (F: 11.18)

Chair Hernandez adjourned the meeting at 12:43 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, March 11, 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
March 11, 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	janewong@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 March 26, 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 January 31, 2020. A preliminary investment report as of February 21, 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 – January 2020/Preliminary Report – February 2020

Orange County Fire Authority Monthly Investment Report



Final Report – January 2020

Preliminary Report – February 2020



Monthly Investment Report Table of Contents

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Orange County Fire Authority

Final Investment Report

January 31, 2020



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of January 2020, the size of the portfolio decreased significantly by \$46.1 million to \$160.1 million. Significant receipts for the month included various apportionments of property taxes in the amount of \$17.5 million, two cash contract payments totaling \$5.4 million and various intergovernmental agency payments and other charges for current services totaling \$2.5 million. Significant disbursements for the month included primarily two biweekly payrolls which were approximately \$13 million each with related benefits and a \$40.4 million payment to OCERS for the prepayment of the retirement cost for fiscal year 2020/21. Total January cash outflows amounted to approximately \$72 million. The portfolio's balance is expected to decrease significantly in the following month as there are no major receipts expected in February.

In January, the portfolio's yield to maturity (365-day equivalent) remained at 1.73%. The effective rate of return declined by 6 basis points to 1.71% for the month and by 4 basis points to 2.08% for the fiscal year to date. The average maturity of the portfolio decreased by 10 days to 20 days to maturity.

Economic News

The U.S. economy continued to grow in January 2020. There were a total of 225,000 jobs created in January which was more than expected. The unemployment rate rose from 3.5% to 3.6% but for good reason as more people entered the labor market looking for work. Both the Conference Board Consumer Confidence and the University of Michigan Consumer Sentiment indices increased reaffirming that consumers continue to drive growth. Activity in both the manufacturing and non-manufacturing sectors increased from last month. Industrial production fell 0.3% as unseasonably warm weather held down the output of utilities and Boeing slowed production of civilian aircraft. The CPI (Consumer Price Index) rose 0.1%.



BENCHMARK COMPARISON AS OF JANUARY 31, 2020

3 Month T-Bill: 1.55%

1 Year T-Bill: 1.53%

6 Month T-Bill: 1.56%

LAIF: 1.97%

OCFA Portfolio: 1.71%

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value-	\$160,111,527	\$206,205,550	\$153,781,149
Yield to Maturity (365 day)	1.73%	1.73%	2.28%
Effective Rate of Return	1.71%	1.77%	2.26%
Days to Maturity	20	30	46



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
January 31, 2020

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/Call 365 Equiv.
Money Mkt Mutual Funds/Cash	16,098,806.14	16,098,806.14	16,098,806.14	10.18	1	1	1.105	1.120
Federal Agency Coupon Securities	11,000,000.00	11,011,000.00	11,007,803.65	6.96	1,019	62	1.558	1.580
Federal Agency Disc. -Amortizing	46,200,000.00	46,108,426.00	46,105,019.31	29.14	91	48	1.585	1.607
Treasury Discounts -Amortizing	10,000,000.00	9,989,900.00	9,988,100.00	6.31	104	26	1.628	1.651
Local Agency Investment Funds	75,000,000.00	75,132,772.35	75,000,000.00	47.41	1	1	1.940	1.967
Investments	158,298,806.14	158,340,904.49	158,199,729.10	100.00%	105	20	1.705	1.729
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	1,723,538.97	1,723,538.97	1,723,538.97		1	1	0.000	0.000
Accrued Interest at Purchase		46,444.44	46,444.44					
Subtotal		1,769,983.41	1,769,983.41					
Total Cash and Investments	160,022,345.11	160,110,887.90	159,969,712.51		105	20	1.705	1.729

Total Earnings	January 31 Month Ending	Fiscal Year To Date
Current Year	265,549.33	1,856,987.39
Average Daily Balance	182,966,292.71	151,487,418.22
Effective Rate of Return	1.71%	2.08%

"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, Treasurer

2/7/20

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 159,969,712.51
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ 141,814.96
Total	\$ 160,111,527.47

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
January 31, 2020

						(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			16,098,806.14	16,098,806.14	16,098,806.14	1.120	1.120	1	
Subtotal and Average			14,940,804.61		16,098,806.14	16,098,806.14	16,098,806.14		1.120	1	
Federal Agency Coupon Securities											
3130AH7E7	993	Fed Home Loan Bank (Callable on 4/3/20)		12/19/2019	11,000,000.00	11,011,000.00	11,007,803.65	2.000	1.580	62	10/03/2022
Subtotal and Average			11,009,569.83		11,000,000.00	11,011,000.00	11,007,803.65		1.580	62	
Federal Agency Disc. -Amortizing											
313312TX8	988	Farm Credit Disc Note		12/19/2019	6,000,000.00	5,991,960.00	5,991,420.00	1.560	1.609	33	03/05/2020
313384UN7	987	Fed Home Loan Bank		12/20/2019	11,000,000.00	10,978,110.00	10,977,120.00	1.560	1.610	48	03/20/2020
313384TJ8	990	Fed Home Loan Bank		12/19/2019	7,200,000.00	7,194,456.00	7,193,800.00	1.550	1.598	20	02/21/2020
313384SR1	991	Fed Home Loan Bank		12/19/2019	11,000,000.00	10,999,560.00	10,998,565.42	1.565	1.612	3	02/04/2020
313384XL8	992	Fed Home Loan Bank		12/19/2019	11,000,000.00	10,944,340.00	10,944,113.89	1.550	1.605	118	05/29/2020
Subtotal and Average			71,067,019.26		46,200,000.00	46,108,426.00	46,105,019.31		1.607	48	
Treasury Discounts -Amortizing											
912796TH2	982	US Treasury Bill		09/30/2019	5,000,000.00	4,993,400.00	4,991,979.17	1.750	1.788	33	03/05/2020
912796TG4	994	US Treasury Bill		12/31/2019	5,000,000.00	4,996,500.00	4,996,120.83	1.470	1.514	19	02/20/2020
Subtotal and Average			11,271,479.66		10,000,000.00	9,989,900.00	9,988,100.00		1.651	26	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			75,000,000.00	75,132,772.35	75,000,000.00	1.967	1.967	1	
Subtotal and Average			74,677,419.35		75,000,000.00	75,132,772.35	75,000,000.00		1.967	1	
Total and Average			182,966,292.71		158,298,806.14	158,340,904.49	158,199,729.10		1.729	20	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
January 31, 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	1,703,538.97	1,703,538.97	1,703,538.97		0.000	1
Average Balance			0.00	Accrued Interest at Purchase		46,444.44	46,444.44			1
				Subtotal		1,769,983.41	1,769,983.41			
Total Cash and Investments			182,966,292.71		160,022,345.11	160,110,887.90	159,969,712.51		1.729	20

Orange County Fire Authority

In service of others!



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

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

					Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	(02/01/2020 - 02/01/2020)	4 Maturities	0 Payments		92,822,345.11	58.04%	92,822,345.11	92,955,117.46
Aging Interval: 1 - 30 days	(02/02/2020 - 03/02/2020)	3 Maturities	0 Payments		23,200,000.00	14.50%	23,188,486.25	23,190,516.00
Aging Interval: 31 - 60 days	(03/03/2020 - 04/01/2020)	3 Maturities	0 Payments		22,000,000.00	13.73%	21,960,519.17	21,963,470.00
Aging Interval: 61 - 91 days	(04/02/2020 - 05/02/2020)	0 Maturities	0 Payments		0.00	0.00%	0.00	0.00
Aging Interval: 92 - 121 days	(05/03/2020 - 06/01/2020)	1 Maturities	0 Payments		11,000,000.00	6.84%	10,944,113.89	10,944,340.00
Aging Interval: 122 - 152 days	(06/02/2020 - 07/02/2020)	0 Maturities	0 Payments		0.00	0.00%	0.00	0.00
Aging Interval: 153 - 183 days	(07/03/2020 - 08/02/2020)	0 Maturities	0 Payments		0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(08/03/2020 - 11/01/2020)	0 Maturities	0 Payments		0.00	0.00%	0.00	0.00
Aging Interval: 275 - 365 days	(11/02/2020 - 01/31/2021)	0 Maturities	0 Payments		0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(02/01/2021 - 01/31/2023)	1 Maturities	0 Payments		11,000,000.00	6.88%	11,007,803.65	11,011,000.00
Aging Interval: 1096 days and after	(02/01/2023 -)	0 Maturities	0 Payments		0.00	0.00%	0.00	0.00
Total for		12 Investments	0 Payments			100.00	159,923,268.07	160,064,443.46



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 January 31, 2020, OCFA has \$75,000,000 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 \$75,132,772 or \$132,772 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 January 31, 2020 is included on the following page.



Fair Value Including Accrued Interest	\$	101,307,906,612.59
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Orange County Fire Authority

Preliminary Investment Report

February 21, 2020



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
February 21, 2020

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/Call 365 Equiv.
Money Mkt Mutual Funds/Cash	4,267,615.27	4,267,615.27	4,267,615.27	3.18	1	1	1.105	1.120
Federal Agency Coupon Securities	11,000,000.00	11,006,930.00	11,005,160.48	8.20	1,019	41	1.558	1.580
Federal Agency Disc. -Amortizing	39,000,000.00	38,915,030.00	38,912,494.72	29.00	103	52	1.583	1.605
Treasury Discounts -Amortizing	5,000,000.00	4,997,900.00	4,997,083.33	3.72	157	12	1.763	1.788
Local Agency Investment Funds	75,000,000.00	75,132,772.35	75,000,000.00	55.89	1	1	1.940	1.967
Investments	134,267,615.27	134,320,247.62	134,182,353.80	100.00%	120	19	1.772	1.797
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	666,388.94	666,388.94	666,388.94		1	1	0.000	0.000
Accrued Interest at Purchase		46,444.44	46,444.44					
Subtotal		712,833.38	712,833.38					
Total Cash and Investments	134,934,004.21	135,033,081.00	134,895,187.18		120	19	1.772	1.797

Total Earnings	February 21 Month Ending	Fiscal Year To Date
Current Year	150,672.75	2,007,660.14
Average Daily Balance	150,313,301.51	151,382,941.73
Effective Rate of Return	1.74%	2.05%

"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, Treasurer

2/28/20

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 134,895,187.18
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ 141,814.96
Total	\$ 135,037,002.14

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
February 21, 2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	(See Note 1 on page 18)		(See Note 2 on page 18)	
									YTM/C 365	Days to Call / Maturity	Maturity Date	
Money Mkt Mutual Funds/Cash												
SYS528	528	Federated Treasury Obligations			4,267,615.27	4,267,615.27	4,267,615.27	1.120	1.120	1		
Subtotal and Average			9,035,217.87		4,267,615.27	4,267,615.27	4,267,615.27		1.120	1		
Federal Agency Coupon Securities												
3130AH7E7	993	Fed Home Loan Bank (Callable on 4/3/20)		12/19/2019	11,000,000.00	11,006,930.00	11,005,160.48	2.000	1.580	41	10/03/2022	
Subtotal and Average			11,006,419.13		11,000,000.00	11,006,930.00	11,005,160.48		1.580	41		
Federal Agency Disc. -Amortizing												
313312TX8	988	Farm Credit Disc Note		12/19/2019	6,000,000.00	5,997,420.00	5,996,880.00	1.560	1.609	12	03/05/2020	
313384UN7	987	Fed Home Loan Bank		12/20/2019	11,000,000.00	10,988,120.00	10,987,130.00	1.560	1.610	27	03/20/2020	
313384XL8	992	Fed Home Loan Bank		12/19/2019	11,000,000.00	10,954,460.00	10,954,059.72	1.550	1.605	97	05/29/2020	
313384VR7	995	Fed Home Loan Bank		02/04/2020	11,000,000.00	10,975,030.00	10,974,425.00	1.550	1.598	54	04/16/2020	
Subtotal and Average			45,754,864.70		39,000,000.00	38,915,030.00	38,912,494.72		1.605	52		
Treasury Discounts -Amortizing												
912796TH2	982	US Treasury Bill		09/30/2019	5,000,000.00	4,997,900.00	4,997,083.33	1.750	1.788	12	03/05/2020	
Subtotal and Average			9,516,799.80		5,000,000.00	4,997,900.00	4,997,083.33		1.788	12		
Local Agency Investment Funds												
SYS336	336	Local Agency Invstmnt Fund			75,000,000.00	75,132,772.35	75,000,000.00	1.967	1.967	1		
Subtotal and Average			75,000,000.00		75,000,000.00	75,132,772.35	75,000,000.00		1.967	1		
Total and Average			150,313,301.51		134,267,615.27	134,320,247.62	134,182,353.80		1.797	19		

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
February 21, 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	646,388.94	646,388.94	646,388.94		0.000	1
Average Balance			0.00	Accrued Interest at Purchase		46,444.44	46,444.44			1
				Subtotal		712,833.38	712,833.38			
Total Cash and Investments			150,313,301.51		134,934,004.21	135,033,081.00	134,895,187.18		1.797	19

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of February 22, 2020

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

					Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(02/22/2020 - 02/22/2020)	4 Maturities	0 Payments	79,934,004.21	59.28%	79,934,004.21	80,066,776.56
Aging Interval:	1 - 30 days	(02/23/2020 - 03/23/2020)	3 Maturities	0 Payments	22,000,000.00	16.30%	21,981,093.33	21,983,440.00
Aging Interval:	31 - 60 days	(03/24/2020 - 04/22/2020)	1 Maturities	0 Payments	11,000,000.00	8.14%	10,974,425.00	10,975,030.00
Aging Interval:	61 - 91 days	(04/23/2020 - 05/23/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	92 - 121 days	(05/24/2020 - 06/22/2020)	1 Maturities	0 Payments	11,000,000.00	8.12%	10,954,059.72	10,954,460.00
Aging Interval:	122 - 152 days	(06/23/2020 - 07/23/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	(07/24/2020 - 08/23/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(08/24/2020 - 11/22/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(11/23/2020 - 02/21/2021)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(02/22/2021 - 02/21/2023)	1 Maturities	0 Payments	11,000,000.00	8.16%	11,005,160.48	11,006,930.00
Aging Interval:	1096 days and after	(02/22/2023 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			10 Investments	0 Payments		100.00	134,848,742.74	134,986,636.56



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
March 11, 2020

Agenda Item No. 3B
Consent Calendar

FY 2019/20 Mid-Year Budget Adjustment

Contact(s) for Further Information

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Summary

This item is submitted to request approval to adjust revenues, expenditures and transfers to reflect changes identified after adoption of the FY 2019/20 budget.

Prior Board/Committee Action

A comprehensive mid-year financial review was presented to the Budget and Finance Committee and the Board of Directors in January, highlighting proposed mid-year changes that are needed to the FY 2019/20 budget based on events that have occurred since the budget was adopted last May. The Board directed staff to return in March with the technical budget adjustments required to implement the proposed changes.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the proposed mid-year budget adjustments and transfers.

Impact to Cities/County

The proposed mid-year adjustments to the FY 2019/20 budget will have no impact to cash contract city charges in the current fiscal year. Future increases for cash contract cities are currently estimated at 4.5% per year for FYs 2020/21 and 2021/22 based on the Five-Year Financial Forecast.

Fiscal Impact

Financial impact is detailed in the report.

Background

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

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 currently proposed changes in the General Fund result in an estimated total revenue increase of approximately \$10.7 million and an estimated total expenditure increase of \$11.4 million. Of the \$11.4 million in expenditure increases,

\$5.3 million are cost neutral as they are offset by corresponding sources of revenue. These adjustments are further described below:

FY 2019/20 Potential Revenue Adjustments - \$10.7 million

Property Taxes: Based on secured tax billings provided by the Auditor/Controller, preliminary projections indicate an approximate \$2,265,000 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 \$4.4 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. **\$4,431,475**

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. **\$605,040**

Miscellaneous: This category of revenue adjustments includes the following: re-categorization of CAL FIRE contract revenues, updates to cash contract city maintenance charges; witness fees, miscellaneous revenue, revenue from SCE, and restitution. **\$3,440,042**

FY 2019/20 Potential Expenditure Adjustments - \$10.2 million

Assistance by Hire/Emergency Incident Costs: As mentioned under Revenue for Assistance by Hire, an adjustment of approximately \$4.7 million 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 up-staffing of Strike Teams that occurred during the wind events in the first half of the fiscal year. Of this \$4.7 million expenditure increase for ABH and up staffing of strike teams, the offsetting revenue reimbursement is currently estimated at \$4.4 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. **\$4,699,835⁽¹⁾**

Adjustment for Workers' Compensation Updated Actuarial: The latest Workers' Compensation Actuarial Study was completed end of February and includes payroll and claim data through December 31, 2019. A \$1.7 million adjustment is needed to augment the required funding level for the present value of ultimate limited losses. **\$1,718,921**

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 (\$272,700), communication installations in vehicles (\$250,000), and Irvine reimbursement using Maruchan funds (\$507,495). **\$2,431,574**

CAL FIRE Augmentation Funds: This expenditure category represents the final appropriation of CAL FIRE restricted funds already 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**

Expenditures with Revenue Offset: These expenditure items are completely offset by a corresponding revenue adjustment and include CFFJAC, US&R 2018 Grant supplement and CAL FIRE defensible space inspection tablets. **\$605,040⁽¹⁾**

Interfund Borrowing: At the time of budget development, staff was in the process of analyzing if OCFA's 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 Capital Improvement Program (CIP) and Workers' Compensation (W/C) Self-Insurance funds, temporarily loaned to the General Fund, 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**

¹ This expenditure increase is cost neutral, offset by a corresponding revenue source.

General Fund and Capital Improvement Program Funds –and Budget Transfer Adjustments

- **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 Program (CIP) Funds largely result from the timing for completion of projects. Funds for projects that did not get completed were carried-over to FY 2019/20.

Following the review of the Workers' Compensation Actuarial Study provided in February 2020, staff will hold off on making the \$5.5 million transfer from Self-Insurance Fund 190 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. The possibility of the transfer will be reevaluated as part of year end.

- **Fund 12110 – General Fund CIP:** An 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 123 – Fire Stations and Facilities:** An adjustment increasing revenue by \$578,000 is needed to reflect developer contributions.
- **Fund 124 – Communications and Information Systems:** An adjustment to increase revenue by \$40,000 is needed to reflect interest earnings and an 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 Emergency Medical Services (EMS) Immunization Tracking Program is being initiated.

- **Fund 139 – Settlement Agreement:** An adjustment of \$55,000 is needed to increase revenue from interest earnings and an adjustment increasing expenditures in the amount of \$10,000 is needed to accommodate Trustee and Public Agency Retirement Services (PARS) fees for administering the 115 Trust. In addition, \$507,495 of Maruchan Funds are being transferred back to the General Fund.
- **Fund 190 - Self Insurance:** A net revenue adjustment of \$2,492,104 is needed to reflect the workers' compensation payroll adjustment, described above, as well as an adjustment to expected earnings in the fund.

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

Attachment(s)

1. FY 2019/20 Mid-Year Budget Adjustments
2. Combined Budget Summary

FY 2019/2020 Mid-Year Budget Adjustments

The following adjustments to the FY 2019/20 budget are requested:

General Fund (Fund 121)

Revenues: \$10,741,557 increase

Expenditures: \$11,392,727 increase

General Fund CIP (Fund 12110)

Expenditures: \$377,878 increase

Fire Stations and Facilities Fund (Fund 123)

Revenues: \$578,000 increase

Communications and Information Systems Fund (Fund 124)

Revenues: \$40,000 increase

Expenditures: \$180,000 decrease

Fire Apparatus Fund (Fund 133)

Revenues: \$98,000 decrease

Irvine Settlement Agreement Fund (Fund 139)

Revenues: \$55,000 increase

Expenditures: \$497,495 decrease

Structural Fire Fund Entitlement Fund (Fund 171)

Revenues: \$4,000 increase

Self-Insurance Fund (Fund 190)

Revenues: \$2,492,104 increase

**ORANGE COUNTY FIRE AUTHORITY
COMBINED BUDGET SUMMARY
FY 2019/20**

Attachment 2

	121	12110	123	124	133	139	171	190	
	General Fund	General Fund CIP (1)	Fire Stations & Facilities	Communications & Info. Systems	Fire Apparatus	Settlement Agreement	SFF Entitlement	Self Insurance	Total
FUNDING SOURCES									
<i>Property Taxes</i>	274,312,362	-	-	-	-	-	-	-	274,312,362
<i>Intergovernmental</i>									
State Reimbursements	21,422,173	-	-	-	-	-	-	-	21,422,173
Federal Reimbursements	4,210,140	-	-	-	-	-	-	-	4,210,140
Community Redevelopment Pass-thru	15,267,155	-	-	-	-	-	-	-	15,267,155
<i>Charges for Current Services</i>									
Cash Contract Cities	126,036,048	-	-	-	1,750,537	-	-	-	127,786,585
HMS Revenue	-	-	-	-	-	-	-	-	-
Fees - Community Risk Reduction	6,111,323	-	-	-	-	-	-	-	6,111,323
Other Charges for Services	145,459	-	-	-	-	-	-	-	145,459
ALS Reimbursements, Supplies	4,547,600	-	-	-	-	-	-	-	4,547,600
Charges for Workers' Comp	-	-	-	-	-	-	-	19,573,946	19,573,946
<i>Use of Money and Property</i>									
Interest	1,256,026	-	375,115	131,948	336,978	412,402	21,945	1,861,251	4,395,665
<i>Other</i>									
Developer contributions	-	-	588,000	-	-	-	-	-	588,000
Miscellaneous	6,361,784	-	-	-	-	-	-	996,183	7,357,967
<i>Other Funding Sources</i>									
Total Revenues & Other Financing Sources	459,670,070	-	963,115	131,948	2,087,515	412,402	21,945	22,431,380	485,718,375
Operating Transfer In	507,495	5,907,542	-	-	8,000,000	24,175,495	-	-	38,590,532
Beginning Fund Balance	72,180,602	3,271,311	25,397,231	7,086,888	8,252,067	-	1,338,580	88,772,530	206,299,209
TOTAL AVAILABLE RESOURCES	\$532,358,167	\$9,178,853	\$26,360,346	\$7,218,836	\$18,339,582	\$24,587,897	\$1,360,525	\$111,203,910	\$730,608,116
EXPENDITURES									
Salaries & Emp Benefits	\$398,125,878	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$398,125,878
Services & Supplies	57,691,176	4,570,884	-	2,172,019	-	2,178,000	1,301,444	11,459,428	79,372,951
Capital Outlay/Equipment	3,838,871	4,330,000	9,511,707	2,291,489	17,698,655	-	-	-	37,670,722
Total Expenditures	\$459,655,925	\$8,900,884	\$9,511,707	\$4,463,508	\$17,698,655	\$2,178,000	\$1,301,444	\$11,459,428	\$515,169,551
Appropriation for Contingencies	3,000,000		-	-	-	-	-	-	3,000,000
Operating Transfer Out	30,083,037	-	8,000,000	-	-	507,495	-	-	38,590,532
Ending Fund Balance	\$39,619,205	\$277,969	8,848,639	2,755,328	640,927	21,902,402	59,081	\$99,744,482	173,848,033
TOTAL FUND COMMITMENTS & FUND BALANCE	\$532,358,167	\$9,178,853	\$26,360,346	\$7,218,836	\$18,339,582	\$24,587,897	\$1,360,525	\$111,203,910	\$730,608,116

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

Attachment 2



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
March 11, 2020

Agenda Item No. 4A
Discussion Calendar

Fiscal Year 2018/19 Backfill/Overtime and Calendar Year 2019 Total
Earnings/Compensation Analysis

Contact(s) for Further Information

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Julie Nemes, Finance Manager/Auditor	julienemes@ocfa.org	714.573.6304

Summary

This annual agenda item is submitted to provide an overview and analysis of the Fiscal Year 2018/19 backfill and overtime earnings along with employee total compensation for Calendar Year 2019, and to reaffirm current direction regarding filling permanent and temporary vacancies.

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

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

Impact to Cities/County

Not Applicable.

Fiscal Impact

Backfill/overtime costs are included in the annual budget.

Background

See extended background.

Attachment(s)

Frequently Asked Questions & Responses

Background

The OCFA's General Fund budget consists primarily of labor costs, with approximately 91.8% of final Fiscal Year (FY) 2018/19 expenditures allocated to salaries and employee benefits. For FY 2018/19, final backfill/overtime expenditures were \$63,886,060 or 17.5% of total salary and employee benefit costs. The primary factors driving OCFA's backfill/overtime costs are:

- OCFA's Constant Staffing Policy - \$51.8M
- Major Emergency Incident Response - \$4.6M
- Training Requirements - \$4.1M
- Discretionary - \$3.4M

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

Constant Staffing Backfill/Overtime (Non-Discretionary)

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

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

Major Emergency Incident Response (Non-Discretionary)

Another form of non-discretionary overtime incurred by OCFA is for major emergency incident response. OCFA responds to emergency incidents at the request of surrounding fire agencies (Mutual Aid), California Department of Forestry (CAL FIRE), Cleveland National Forest Service (CNF), and the California Office of Emergency Services (Cal OES). Backfill/overtime costs for responding to major emergency incidents in FY 2018/19 totaled \$4.6 million and represented approximately 7.2% of total backfill/overtime expenditures. Approximately 75-100% of these emergency related incident response costs (except Mutual Aid) are reimbursable.

Backfill/Overtime costs for constant staffing and major emergency incident response are considered non-discretionary and represent 88.25% of FY 2018/19 Backfill/Overtime costs.

Training Requirements (Discretionary & Non-Discretionary)

OCFA incurs additional backfill/overtime costs related to various training requirements for suppression personnel. Examples include mandatory training requirements for federal, state, and local programs including Urban Search and Rescue (US&R), Airport Rescue Firefighting (ARFF), Weapons of Mass Destruction (WMD), and Incident Command (IC). Additionally, the OCFA historically incurs overtime and backfill costs to provide training academies for new and/or promoted dispatchers, firefighters, engineers, captains, battalion chiefs, and reserve firefighters. Backfill/overtime costs as a result of training activities in FY 2018/19 totaled \$4.1 million and represented 6.4% of the total backfill/overtime expenditures.

Backfill/Overtime/Discretionary

For FY 2018/19, total discretionary backfill/overtime was \$3.4 million or 5.3% and is attributable to the following:

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

Regular vs. Overtime Analysis

Similar to prior years, backfill/overtime continues to be approximately 27% more cost effective than hiring a full-time benefited employee for filling temporary vacancies. For FY 2018/19, the estimated cost savings to OCFA by using overtime rather than full time employees to fill vacancies was \$19.9 million.

Total Employee Compensation Reporting

Effective in CY 2018, employers were required to only report the normal employer paid retirement costs and not report the Unfunded Actuarial Accrued Liability (UAAL) as part of an individual employee's compensation. Currently, the UAAL comprises 43-60% of the employer retirement costs.

Compensation Cost Transparency

Annual employee compensation costs are posted and readily available on the OCFA website dating back to CY 2009. Since 2012, the format of the report includes all earnings segregated by base salary, overtime, unused leave payouts, and other/special pay. Employer paid retirement and benefits are also included in the employee compensation report. This year's report will be posted to the OCFA website and submitted to the State Controller on or before April 30, 2020, in compliance with the due date.

Filling Vacant Positions

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

Academies to be held in FY 2019/20

3 Firefighter Academies
3 Fire Apparatus Engineer Academies
3 Fire Captain Academies

Academies planned for FY 2020/21

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

We have reached nearly full staffing at the firefighter rank immediately following Firefighter Academy 48 and 49's graduations. Currently, we are conducting Firefighter Academy 50 and Firefighter Academy 51 will begin in August 2020. Firefighter vacancies have continued to accumulate quickly as we promote firefighters into the engineer and captain ranks, and also experience retirement activity among all ranks. As a result, staff is seeking continued Board authorization for the hiring of approximately 50 firefighters per academy for all academies during the next two fiscal years (FY 2020/21 and 21/22), due to attrition/promotions that will occur during and following academy graduations. This may result in total firefighter positions temporarily exceeding total permanent authorized firefighter positions pending promotions and retirements/other separations.

In addition, the Handcrew Firefighter rank will be impacted due to promotions that will occur during and following academy graduations. Handcrew Firefighter vacancies will accumulate quickly as we promote hand crew firefighters into the firefighter ranks. As a result, staff is seeking continued Board authorization for the hiring of approximately 16 Handcrew Firefighters during the fiscal year, due to attrition/promotions that will occur during and following academy graduations. This may result in total Handcrew Firefighter positions temporarily exceeding total permanent authorized Handcrew Firefighter positions pending promotions and retirements/other separations.

Backfill/Overtime Monitoring & Analysis

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

The OCFA also has policies, procedures, and systems in place that monitor and report overtime usage. Due to the long fire season, combined with open positions and vacancies, and promotions and retirements during CY 2019, the OCFA was required to force many employees that possessed specialty skills to work extended hours. As stated earlier, the OCFA has aggressively been conducting various academies to help reduce the distribution of overtime and impact on employees. OCFA staff has also been working with the Orange County Professional Firefighters Association, Local 3631, to enhance existing policies and make modifications to the Staffing System to reduce the amount of forced overtime.

As discussed in this report, the majority of backfill/overtime incurred by the OCFA is non-discretionary and emergency response activity is generally 75-100% reimbursable. The small portion of overtime considered discretionary (5.3% of total backfill/overtime expenditures) is carefully managed and closely monitored.

FY 2018/19 BACKFILL/OVERTIME ANALYSIS FREQUENTLY ASKED QUESTIONS**1. What is a firefighter's standard work schedule?**

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

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

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

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

OCFA's backfill/overtime budget is significant, due to the reasons outlined in #2 above. Due to retirements and promotions, there are positions that have gone unfilled. In addition, a labor agreement includes provisions to hold 5 positions open for each rank in the firefighter labor group. This will be phased out over the next fiscal year ending as of September 2020. For FY 2018/19, vacant positions reached a high of 169, which required constant staffing on an overtime/backfill basis. Recent and planned academies along with promotional exams are expected to continue reducing the number of vacancies and open positions.

4. How many continuous hours may a firefighter work?

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

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

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



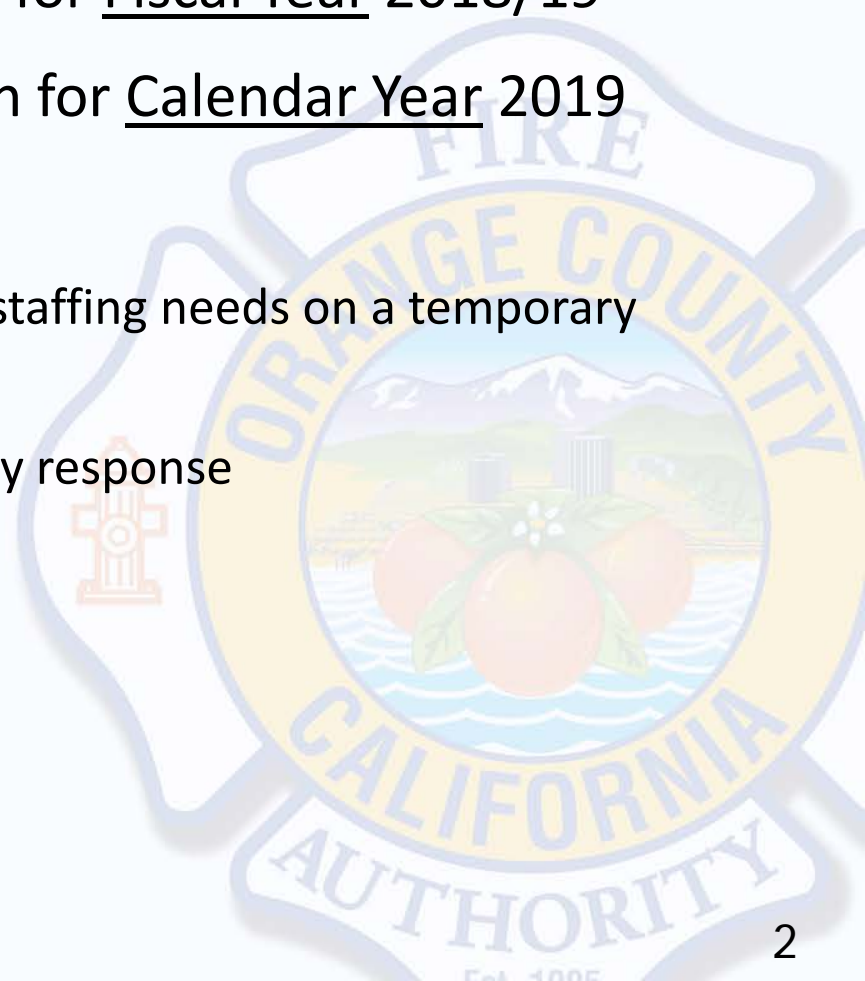
Fiscal Year 2018/19 Backfill/Overtime & Calendar Year 2019 Total Earnings/Compensation Analysis

Budget and Finance Committee Meeting
March 11, 2020



Agenda

- Backfill and overtime earnings for Fiscal Year 2018/19
- Detail employee compensation for Calendar Year 2019
- Backfill/overtime:
 - Cost effective option to meeting staffing needs on a temporary basis
 - Provides for consistent emergency response
- Recommendations



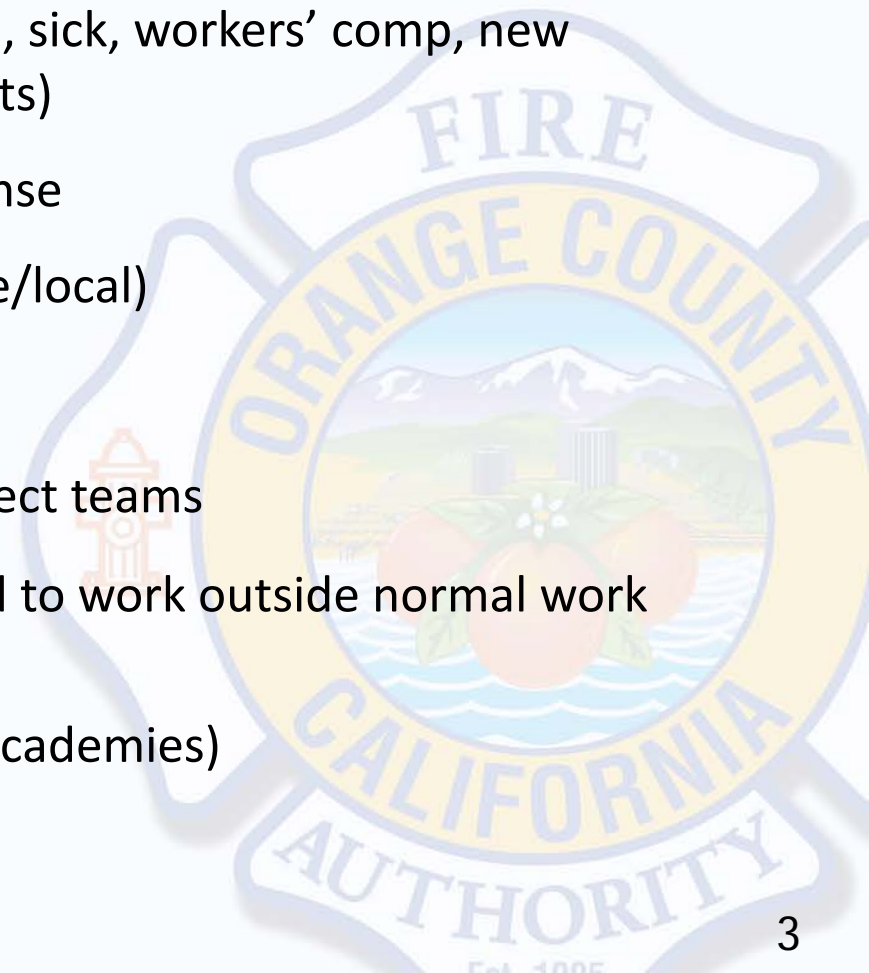
FY 2018/19 Backfill/Overtime Categories

- *Non-Discretionary Categories:*

- Constant Staffing Policy (vacation, sick, workers' comp, new positions, promotions, retirements)
- Major emergency incident response
- Training (mandatory federal/state/local)

- *Discretionary Categories:*

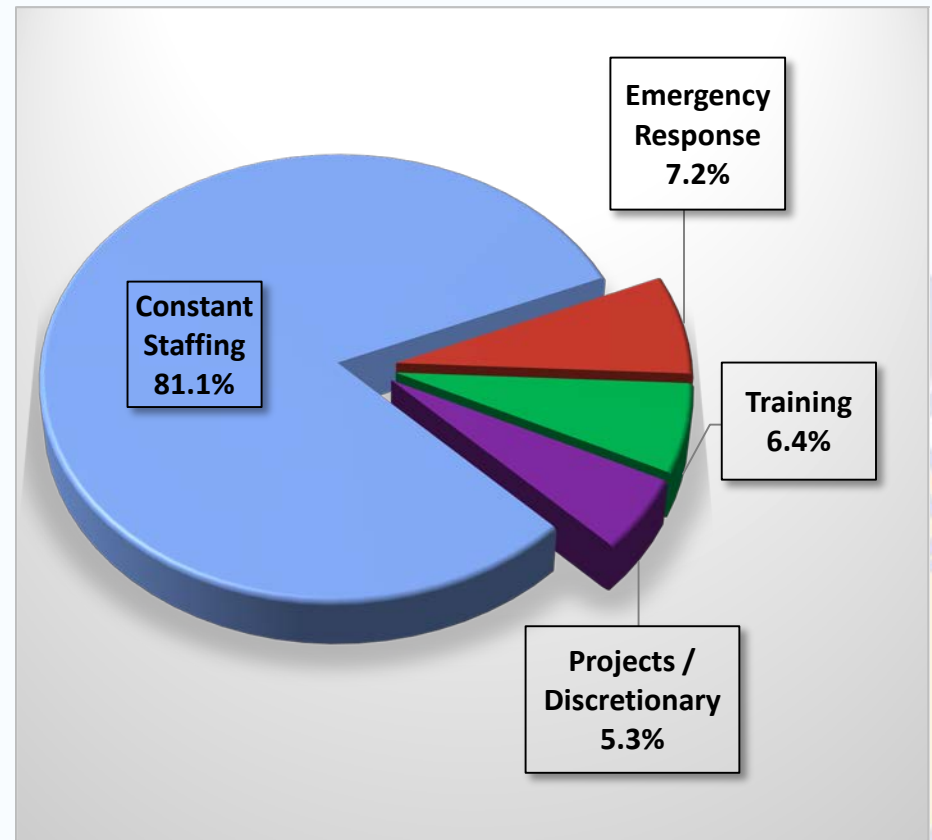
- Special events/assignments, project teams
- Department personnel requested to work outside normal work schedules
- Training (new hire/promotional academies)



FY 2018/19 Backfill/Overtime by Category

Categories of Backfill/OT	FY 2018/19 (in millions)
Constant Staffing (ND)	\$51.8
Emergency Response* (ND)	\$4.6
Training (Discretionary & Non-Discretionary)	\$4.1
Projects/Discretionary	\$3.4
FY 2018/19 Total	\$63.9

ND: Non-Discretionary



* Emergency response overtime is generally 75-100% reimbursable

Overtime Cost Effectiveness

Firefighter Position Example

Top Step Hourly Rate Regular Full-Time	Hourly Regular Rate	Hourly OT Rate
<u>Salaries:</u>		
Base Hourly Rate	\$32.97	\$49.46
Other Pays (Holiday, Educ. Inc., EMT)	\$7.93	\$0.15
Total Salaries	\$40.90	\$49.61
<u>Benefits:</u>		
Retirement	\$19.65	
Workers' Compensation/Medicare	\$1.64	\$1.88
Health Insurance	\$8.18	
Total Benefits	\$29.47	\$1.88
Total Hourly Salaries & Benefits	\$70.37	\$51.49

\$ Difference	\$18.88
% Difference	26.83%

It is approximately 27% more cost effective to use overtime to backfill temporary firefighter vacancies compared to hiring a regular full-time firefighter to fill floating temporary vacancies

FY 2018/19 Regular vs. Overtime Analysis

Firefighter Ranks Estimated Cost Savings

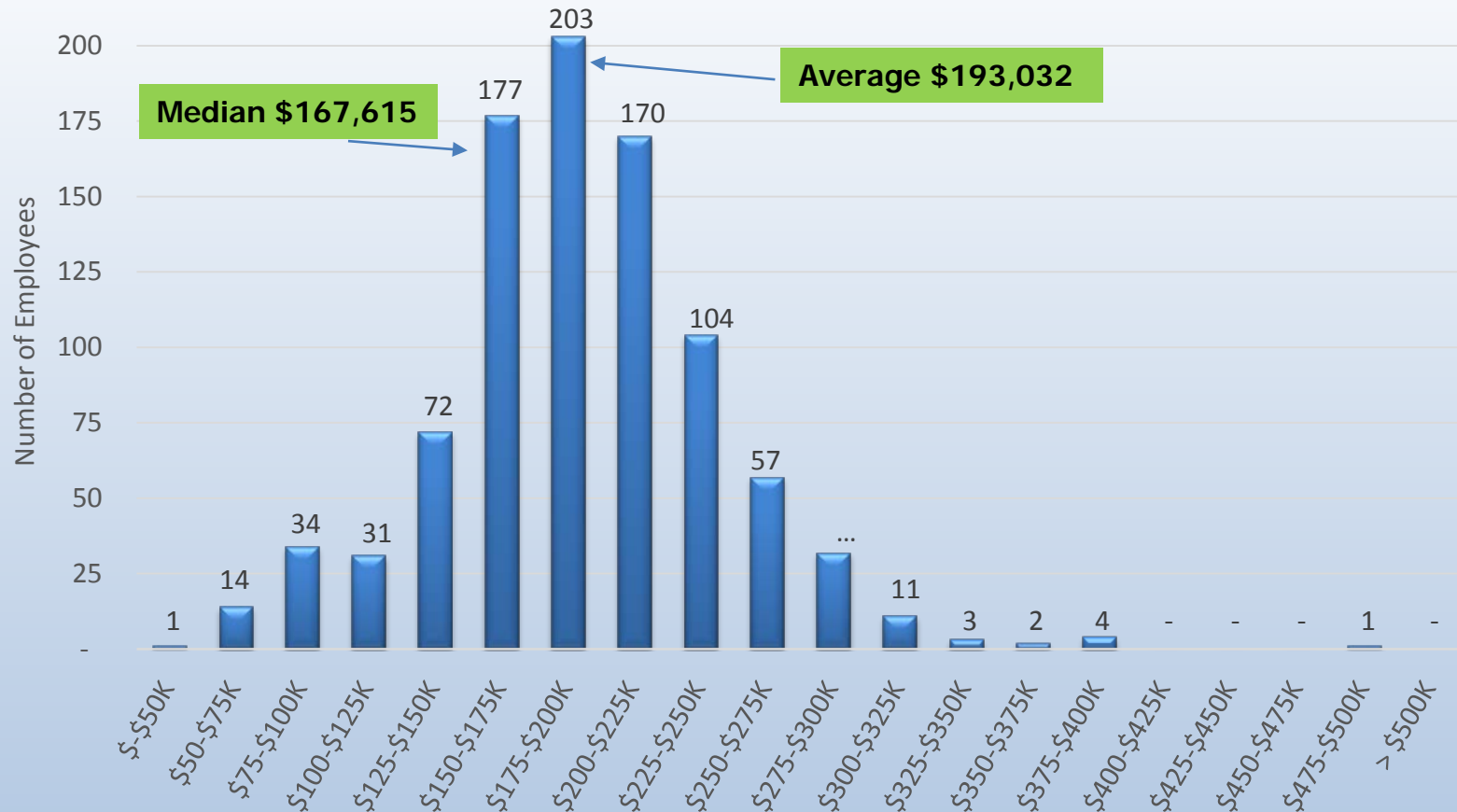
	Actual Overtime Hours Worked	FTE Equivalent	Estimated * FTE Cost	Estimated * Overtime Cost	Estimated * Cost Savings by Utilizing Backfill/Overtime
Fire Captain	311,513	107.0	\$27,669,967	\$21,026,332	\$6,643,635
Engineer	266,119	91.4	\$20,418,548	\$15,722,538	\$4,696,010
Firefighter	455,594	156.5	\$32,058,535	\$23,453,282	\$8,605,253
		354.9	\$80,147,050	\$60,202,152	\$19,944,898

The estimated \$19.9 million savings is a direct result of utilizing overtime/backfill rather than full-time employees at a blended savings of 23-27%

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

Firefighter Ranks Earnings Analysis

Calendar Year 2019 Firefighter Ranks Earnings*
(excluding trainees, minimum 2,000 hours)

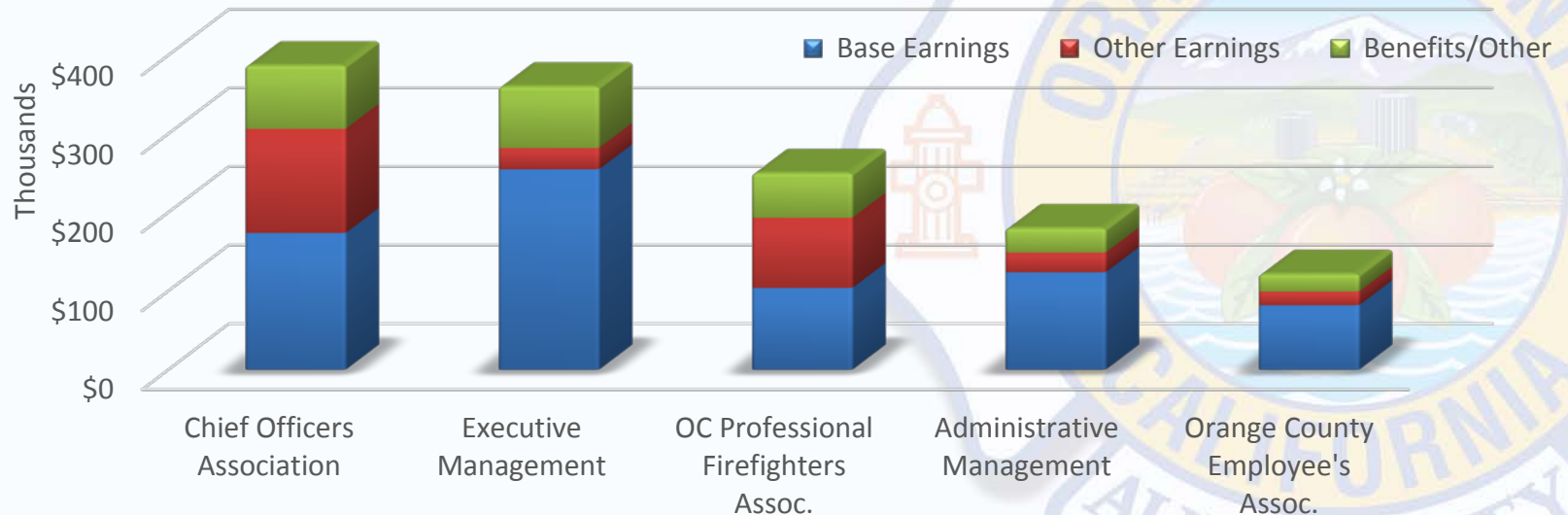


* Excludes benefits

Calendar Year 2019 Total Employee Compensation

Bargaining Group	Average Base Earnings	Average Total Earnings	Average Total Compensation
CHIEF OFFICERS ASSOCIATION	\$173,643	\$306,236	\$386,877
EXECUTIVE MANAGEMENT	\$254,730	\$293,285	\$360,069
OC PROFESSIONAL FIREFIGHTERS ASSOCIATION	\$103,730	\$193,032	\$249,822
ADMINISTRATIVE MANAGEMENT	\$123,672	\$148,904	\$179,665
ORANGE COUNTY EMPLOYEE'S ASSOC.	\$81,684	\$99,023	\$121,325

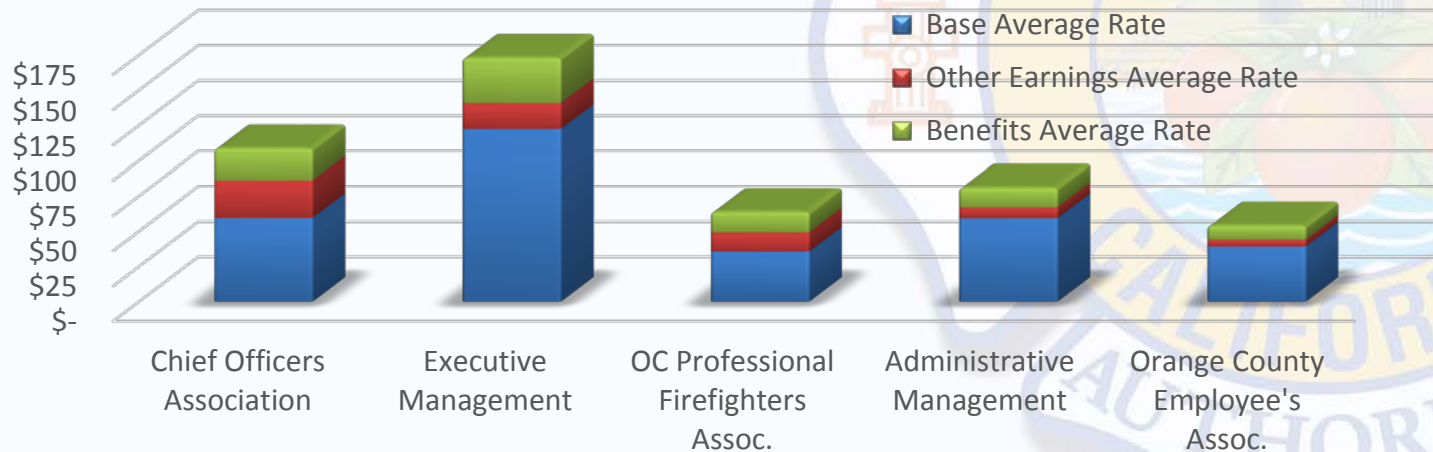
Average Employee Total Compensation



Calendar Year 2019 Total Compensation – Average Hourly Rate

Bargaining Group	BASE EARNINGS			TOTAL EARNINGS			TOTAL COMPENSATION		
	Average Base Earnings	Regularly Scheduled Hours	Average Hourly Rate	Average Total Earnings	Average Hours Worked	Average Hourly Rate	Average Total Compensation	Average Hours Worked	Average Hourly Rate
CHIEF OFFICERS ASSOCIATION	\$173,643	2,912	\$59.63	\$306,236	3,556	\$86.12	\$386,877	3,556	\$108.80
EXECUTIVE MANAGEMENT	\$254,730	2,080	\$122.47	\$293,285	2,080	\$141.00	\$360,069	2,080	\$173.11
OC PROFESSIONAL FIREFIGHTERS ASSOCIATION	\$103,730	2,912	\$35.62	\$193,032	3,906	\$49.41	\$249,822	3,906	\$63.95
ADMINISTRATIVE MANAGEMENT	\$123,672	2,080	\$59.46	\$148,904	2,216	\$67.19	\$179,665	2,216	\$81.07
ORANGE COUNTY EMPLOYEE'S ASSOC.	\$81,684	2,080	\$39.27	\$99,023	2,238	\$44.24	\$121,325	2,238	\$54.21

Employee Total Compensation – Average Hourly Rate



Calendar Year 2019 Top 10 Employees: Compensation Pensionable vs. Non-Pensionable Costs

	Title/Assignment	Total Compensation	Compensation Pensionable	Compensation Non-Pensionable	Employer Paid Pension (Non-Pensionable)	Employer Paid Health (Non-Pensionable)
1	Fire Captain/PM	\$551,502	\$180,434	\$371,068	\$50,595	\$24,040
2	Chief Officer	\$511,460	\$198,255	\$313,205	\$57,983	\$23,526
3	Chief Officer	\$504,516	\$207,647	\$296,869	\$62,045	\$23,761
4	Chief Officer	\$483,273	\$187,004	\$296,269	\$58,196	\$23,768
5	Chief Officer	\$471,340	\$187,004	\$284,336	\$58,114	\$22,783
6	Fire Captain/PM	\$461,341	\$163,021	\$298,320	\$49,688	\$24,040
7	Fire Captain/PM	\$458,915	\$167,380	\$291,535	\$48,094	\$24,040
8	Chief Officer	\$456,750	\$177,199	\$279,551	\$54,729	\$23,454
9	Chief Officer	\$454,640	\$207,419	\$247,221	\$61,184	\$19,907
10	Fire Captain	\$451,874	\$138,967	\$312,907	\$44,589	\$24,040

Calendar Year 2019 Top 10 Employees: Compensation Average Hourly Rate

	Title/Assignment	Total Compensation	Base Hours	Backfill/ Overtime Hours	Total Hours	Average Hourly Rate
1	Fire Captain/PM	\$551,502	2,720	3,859	6,579	\$83.83
2	Chief Officer	\$511,460	2,912	2,536	5,448	\$93.89
3	Chief Officer	\$504,516	2,144	1,554	3,698	\$136.41
4	Chief Officer	\$483,273	2,912	1,998	4,910	\$98.42
5	Chief Officer	\$471,340	2,912	1,875	4,787	\$98.46
6	Fire Captain/PM	\$461,341	2,912	3,124	6,036	\$76.44
7	Fire Captain/PM	\$458,915	2,912	3,004	5,916	\$77.57
8	Chief Officer	\$456,750	2,912	2,104	5,016	\$91.06
9	Chief Officer	\$454,640	2,080	1,180	3,260	\$139.46
10	Fire Captain	\$451,874	2,912	3,506	6,418	\$70.40

Calendar Year 2019 Top 10 Employees: Hours by Backfill/Overtime*

	Title/ Assignment	Base Hours Worked	Backfill for Constant Staffing	Overtime for Emergency Incidents (1)	Overtime to Attend Training	Other (2)	Total Hours
1	Fire Captain/PM	2,720	2,983	250	322	304	6,579
2	Chief Officer	2,912	2,126	136	180	94	5,448
3	Chief Officer	2,144	1,237	176	129	12	3,698
4	Chief Officer	2,912	1,599	57	218	124	4,910
5	Chief Officer	2,912	1,539	49	223	64	4,787
6	Fire Captain/PM	2,912	2,554	37	381	152	6,036
7	Fire Captain/PM	2,912	2,600	-	78	326	5,916
8	Chief Officer	2,912	1,841	179	72	12	5,016
9	Chief Officer	2,080	766	137	207	70	3,260
10	Fire Captain	2,912	3,098	48	171	189	6,418

* Per Cause Code

(1) Reimbursable

(2) Special Activities, Other Discretionary/Non-Discretionary, Administrative

Summary

- Approximately 88% of the backfill/overtime costs are non-discretionary (81% constant staffing and 7% emergency activity)
- OCFA staff has conducted and anticipates the following academies over the next two fiscal years:

<u>FY 2019/20</u>	<u>FY 2020/21</u>
3 Firefighter Academies	2 Firefighter Academies
3 Fire Apparatus Engineer Academies	2 Fire Apparatus Engineer Academies
3 Fire Captain Academies	2 Fire Captain Academies

- When backfill/overtime is required, it is approximately 27% more cost effective than hiring a full-time benefited employee for filling temporary vacancies

Recommended Action

Review the proposed agenda item and:

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

Questions/Comments?





Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
March 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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Administration & Support Bureau

Robert Cortez, Assistant Chief robertcortez@ocfa.org 714.573.6012
Business Services Department

Summary

This item is submitted to provide a progress update regarding outreach that staff has been conducting with representatives from OCFA member agencies for additional input on options that could be feasibly implemented to relieve escalating charges to OCFA's cash contract cities.

Prior Board/Committee Action

At the January 8, 2020, meeting, the Budget and Finance Committee (B&FC) discussed the options presented and directed staff to return in February 2020 with additional information.

At the January 9, 2020, meeting of the City Managers' Technical Advisory Committee (TAC), the TAC expressed some interest in the options, with a few TAC members requesting individual briefings. There was also a suggestion to consider requiring future payback if relief is offered and a cash contract city later exercises its option to withdraw from OCFA.

At the February 11, 2020, meeting of the B&FC, the Committee recommended that the Board of Directors approve Option 1 with a payback provision and directed staff to return in two years for a progress review.

RECOMMENDED ACTION(S)

1. Receive and file the update regarding staff outreach to brief OCFA Directors on the actions recommended by the Budget and Finance Committee at its meeting of February 11, 2020.
2. Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee's additional recommendation that the Board of Directors: *Direct staff and General Counsel to prepare a proposed form of agreement between the OCFA and cash contract cities incorporating the terms of Option 1 for review and approval by the Board of Directors before submitting the agreement to cash contract cities for approval.*

Impact to Cities/County

Proposed adjustments to the cash contract city annual charge calculations could relieve pressure arising from on-going increases to cash contract cities. Stability in future charges to cash 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 by facilitating a quicker depletion of the recapture bank compared to status quo and allowing annual increases to drop below the annual cap of 4.5% in FY 2021/22. OCFA's cash contract revenue will remain unchanged in FY 2020/21 and will be reduced by an estimated \$1 million in FY 2021/22, compared to status quo. A progress review will then be initiated with the Budget and Finance Committee as we enter the FY 2022/23 budget development process.

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 have historically included 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 spoken individually 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 for a variety of reasons (e.g., continuity of service area, sharing of costs, etc.), 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 and TAC in January 2020:

- **Option 1:** Direct 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 the Orange County Employees Retirement System (OCERS) each fiscal year.

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.

- **Option 2:** Direct 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 neither option is pursued.

Committee Feedback to Proposed Mitigation Options in January

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 provided a service area map demonstrating the gaps in operational jurisdiction that OCFA would incur if all 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.

February Discussions with B&FC

At the February B&FC meeting, the Committee recommended Option 1 (to exclude the value of accelerated pension paydown payments). In addition, the Committee recommended that staff return to the B&FC in two years for a progress review, and they recommended adding a provision that would require payback to OCFA of the relief offered under Option 1 should a cash contract city later exercises its option to withdraw from OCFA.

Conceptual terms for a payback agreement are anticipated to include the following:

- Each cash contract city will have the ability to opt-in to receive the annual savings in return for agreeing to pay back the accumulated savings if the city later exercises its option to withdraw from OCFA (i.e., the city provides notice to OCFA in 2028 and withdraws from OCFA effective 2030).

- The annual savings for each city that opts-in will be calculated and provided in writing to the city at the time the annual cash contract charge letters are provided. In addition to disclosing the annual savings, the running total of savings that accumulates over multiple years will be disclosed.
- The agreement will disclose that the OCFA Board of Directors may vote to discontinue this mitigation program following the planned review in two years, or at the time of any future program reviews.
- Lacking a vote by the Board of Directors to discontinue the mitigation program, the savings offered under this program will continue each year until the earlier of:
 - June 30, 2030, which is the end of the current ten-year membership window of the OCFA Joint Powers Agreement (JPA); or
 - The year in which the goals of the Accelerated Pension Paydown Plan are completed, which includes achieving 85% funding for the Pension Plan and 100% funding for the Retiree Medical Plan – at which time OCFA will have reached the natural end for the accelerated pension paydown payments.

February – March Individual Outreach & Briefings

Since the February B&FC meeting, staff has engaged in additional outreach meetings with representatives from OCFA member agencies (City Managers and OCFA Directors) to gather additional input on options to be considered, to solicit new ideas, and to confirm whether the work effort underway by staff and the B&FC is properly aligned with the interests of our members. Comments and suggestions received from the outreach briefings include:

- OCFA should require cash contract cities to continue to pay their full cost of fire service
- Consider Option 2 instead of Option 1, but still include the payback provision
- Consider Option 1 for two years, and then switch to Option 2 after two years
- Ensure that the provision of relief does not negatively impact the pension paydown plan
- Ensure that OCFA's financial health is not negatively impacted
- Explore formation of an Ad Hoc Committee to continue review of options
- Evaluate OCFA's cost of services with an emphasis on lowering costs or slowing growth

Future Program Reviews

As recommended by the B&FC during its February discussion, and pending approval by the Board of Directors, staff will return in two years for a progress review from implementation of Option 1. Staff will continuously monitor the results over the coming years, with the goals that (1) the value in the recapture bank be depleted to zero, (2) charges to cash contract cities drop below the 4.5% cap, and (3) the impacts to OCFA's finances remain economically feasible.

Attachment(s)

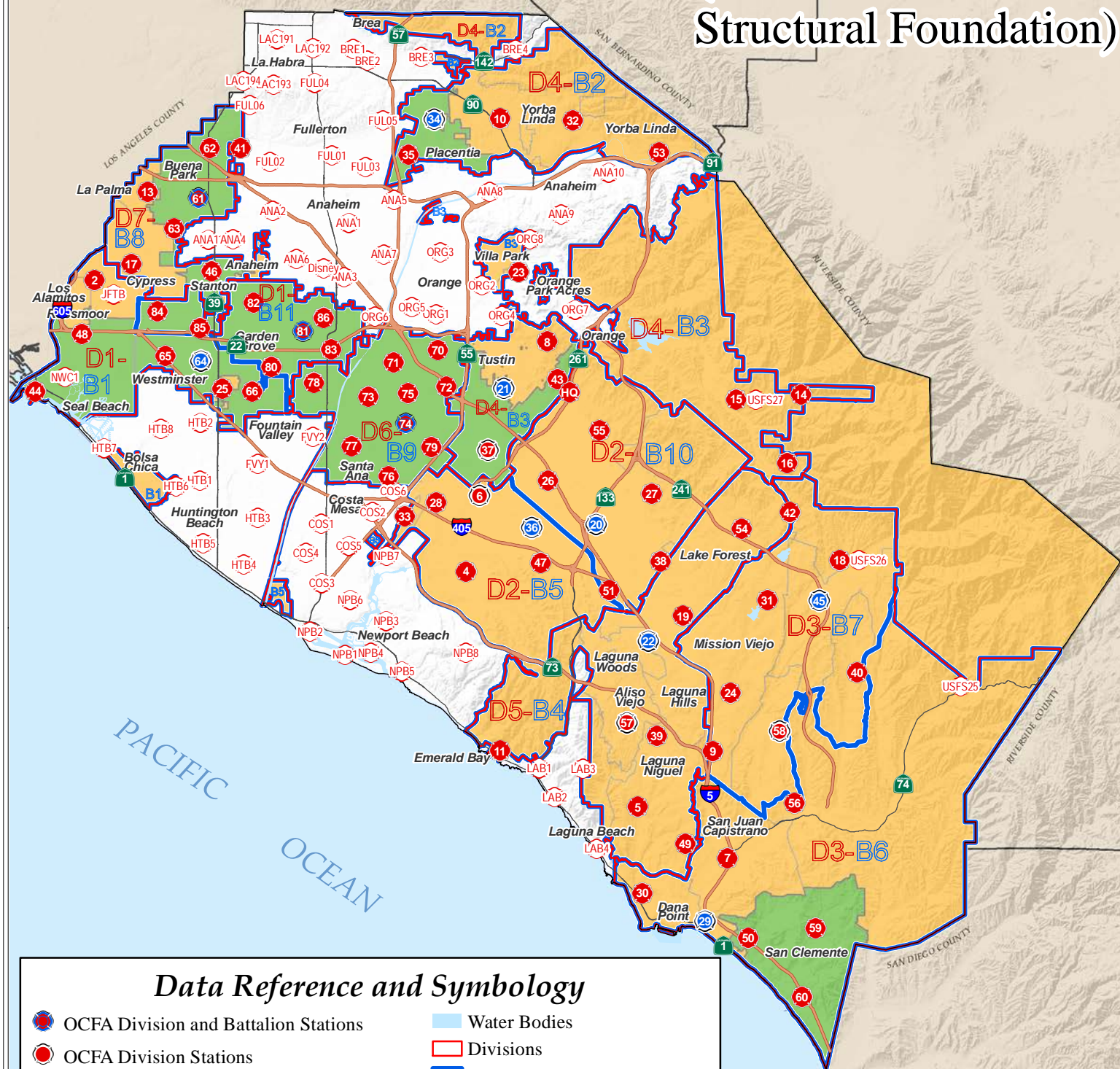
1. Comparison of Mitigation Options
2. OCFA Service Area Map

**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

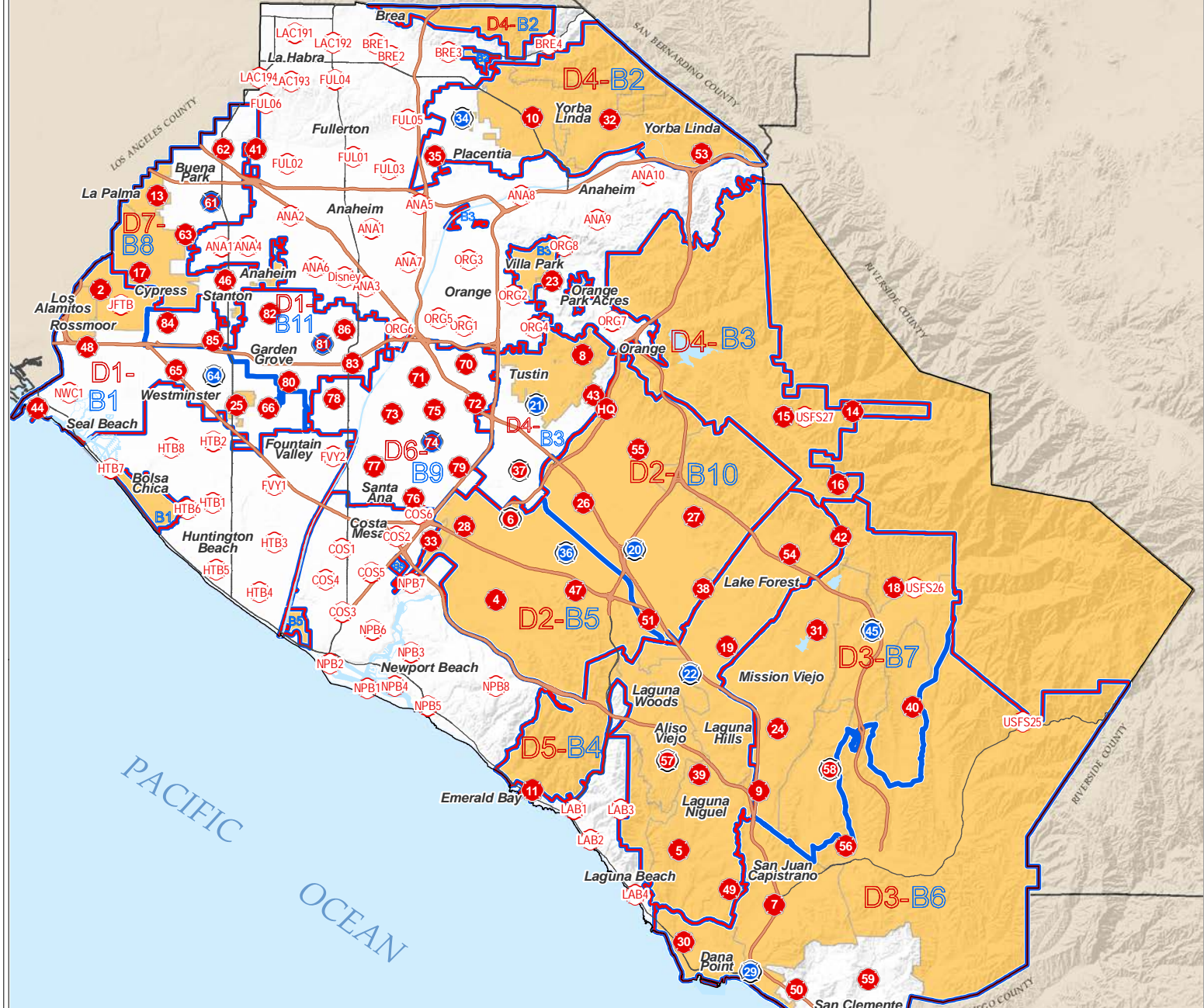
0 5 10
Miles

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 Symbology

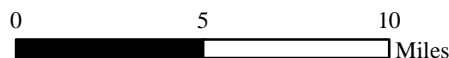
- OCFA Division and Battalion Stations
- OCFA Division Stations
- OCFA Battalion Stations
- OCFA Fire Stations
- Non OCFA Fire Stations
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1/27/2020



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

Source:

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Options to Mitigate Escalating Charges to Cash Contract Cities

**Budget & Finance Committee
March 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 benefit OCFA services/support, understanding that they 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 directed staff to return in February with additional information

January 2020 Discussions

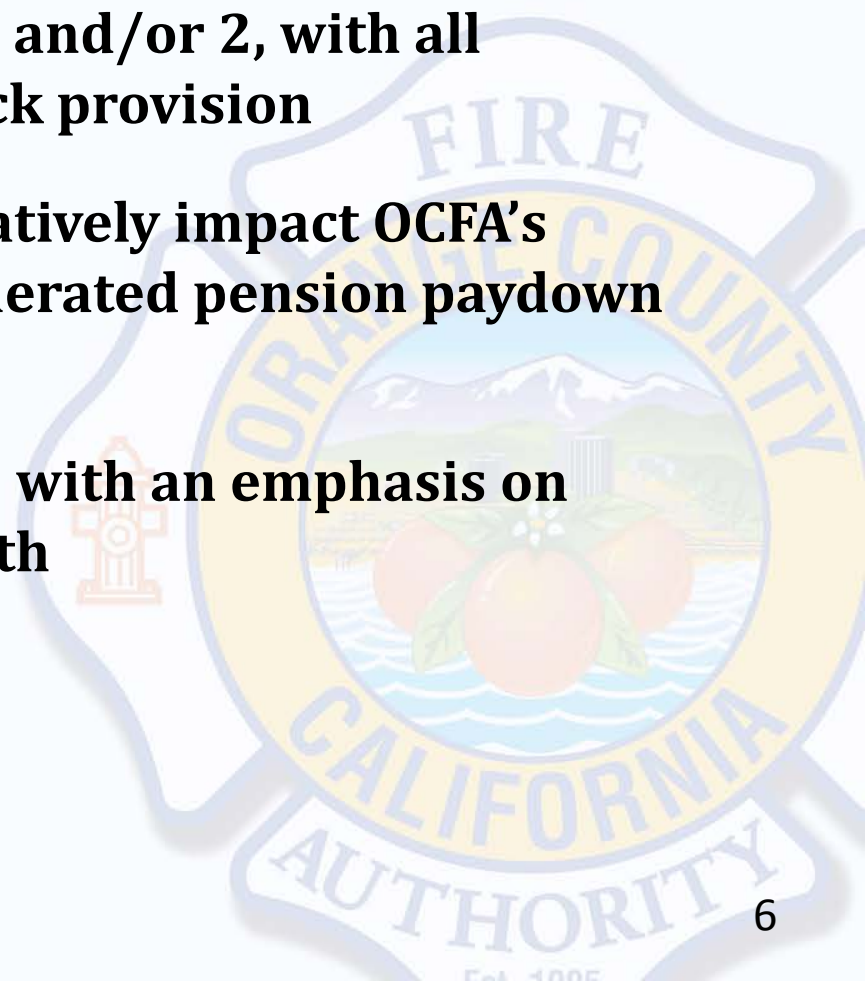
- The agenda item was also discussed with the City Managers' Technical Advisory Committee (TAC) on January 9, 2020
- Feedback from the TAC and the B&FC were aligned, with both Committee's expressing desire to:
 - Take steps toward stabilizing charges to cash contract cities
 - Further stabilize membership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

February 2020 Discussions

- **At the February meeting, the B&FC recommended that the Board of Directors:**
 - *Approve Option 1 with a payback provision, and direct staff to return in two years for a progress update*
- **Staff continued outreach efforts to brief Board members and City Managers in preparation for a Board discussion, in which the feedback indicated a need to:**
 - **Complete the outreach and be thorough in gathering broad input prior to requesting Board approval**
 - **Return to the B&FC to share the feedback and vet the concepts further**

Summary of Input Provided

- **OCFA should require cash contract cities to continue to pay their full cost of fire services**
- **Consider variations of Option 1 and/or 2, with all variations requiring the payback provision**
- **Ensure that relief does not negatively impact OCFA's financial condition, or the accelerated pension paydown plan**
- **Evaluate OCFA's cost of services with an emphasis on lowering costs or slowing growth**



Summary of Input Provided

- Further evaluate “what problem are we trying to solve?”
 - *Is this just a band-aid, that will lead to a need for yet another band-aid in the future?*
 - *What are the more detailed circumstances of cash contract cities’ financial conditions?*
- Consider eliminating the requirement for a program “check-in” in two years
 - *Instead, allow the program to run to completion, thus creating greater leverage (and incentive) for cash contract cities to remain in OCFA*

Summary of Input Provided

- A request was made to add more options to the staff report that ultimately gets presented to the Board, specifically:
 - *Option 3 – Do nothing*
 - *Option 4 – Establish a Working Group to include a maximum of 6 Directors (mix of cash contract and structural fire fund) and not to reflect a subset of B&FC members*
 - ✓ Purpose of the Working Group is to further vet the need for options, and the scope of options
 - ✓ City Managers/Finance Directors from cash contract cities to be invited to make presentations to the Working Group
 - ✓ Require cash contract cities to submit 3 years of CAFRs and Budgets for review, as part of the vetting process

March 2020 B&FC Discussion

- **Recommended action in staff report for March B&FC discussion:**

- Receive and file the update regarding staff outreach to brief OCFA Directors on the actions recommended by the B&FC
- Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2020, with the B&FC's additional recommendation that the Board of Directors:

Direct staff and General Counsel to prepare a proposed form of agreement between the OCFA and cash contract cities incorporating the terms of Option 1 for review and approval by the Board of Directors before submitting the agreement to cash contract cities for approval

- **Considering the variety of feedback provided during our Board outreach, what direction does the B&FC wish to provide?**

Questions?

