



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, April 8, 2020

12:00 Noon

Regional Fire Operations and Training Center

Board Room

1 Fire Authority Road
Irvine, California 92602

Gene Hernandez, Chair

Elizabeth Swift, Vice Chair

Ed Sachs Shelley Hasselbrink Joe Muller

Sergio Farias Don Sedgwick Tri Ta

Vince Rossini 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 the 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.

COVID-19 Accommodations: OCFA FACILITIES ARE CURRENTLY CLOSED TO THE PUBLIC. In compliance with the Executive Department/State of California Executive Order N-29-20, this meeting will be available telephonically or otherwise electronically to satisfy any requirement that the body allow members of the public to attend the meeting and offer public comment. Please visit www.OCFA.org for more information on the Committee meeting's participation process.

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Ta

ROLL CALL

PUBLIC COMMENTS

COVID-19 Accommodations: Public Comments will be accepted via email at PublicComments@ocfa.org. Comments may be submitted in reference to a specific item on the agenda or on items within the Committee's subject matter jurisdiction, but which are not listed on the agenda. All written comments will be distributed in writing via email to the Committee Members. Only those that are designed "TO BE READ ALOUD" in the subject line will be read aloud, and then will be read aloud for up to three minutes each, then reading will stop, and the balance will be distributed via email to the Committee Members. The time allotted to reading of comments aloud may be reduced by the Committee Chair depending on the volume of comments received.

2. CONSENT CALENDAR**A. Minutes for the March 11, 2020, Budget and Finance Committee Meeting**

Submitted by: Martha Halvorson, Acting Clerk of the Authority

Recommended Action:

Approve as submitted.

B. Organizational Service Level Assessment Update

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

Recommended Action:

Receive and file the report.

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

Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of April 23, 2020, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Communication with Auditors for Fiscal Year 2019/20 Financial Audit

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

Recommended Action:

Receive and file the report.

C. Options to Mitigate Escalating Charges to Cash Contract Cities

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

Recommended Action:

Conduct a study session and provide direction to staff.

REPORTS

REPORT FROM ASSISTANT CHIEF CORTEZ

- Update on COVID-19 Fiscal Impacts

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, May 13, 2020, at 12:00 noon.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 2nd day of April, 2020.

Martha Halvorson, CMC
Acting Clerk of the Authority

UPCOMING MEETINGS:

Executive Committee Meeting	Thursday, April 23, 2020, 5:30 p.m.
Board of Directors Meeting	Thursday, April 23, 2020, 6:00 p.m.
Human Resources Committee Meeting	Tuesday, May 5, 2020, 12:00 noon

MINUTES ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Meeting
Wednesday, March 11, 2020
12:00 Noon

Regional Fire Operations and Training Center
Room AE117
1 Fire Authority Road
Irvine, CA 92602

CALL TO ORDER

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

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present: Joseph Muller, Dana Point
Gene Hernandez, Yorba Linda
Tri Ta, Westminster
Beth Swift, Buena Park
Vince Rossini, Villa Park

Absent: Sergio Farias, San Juan Capistrano
Ed Sachs, Mission Viejo
Don Sedgwick, Laguna Hills

Also present were:

Fire Chief Brian Fennessy
Deputy Chief Mark Sanchez
Assistant Chief Kenny Dossey
Assistant Chief Lori Smith
Assistant Chief Nina Collins
General Counsel David Kendig

Deputy Chief Lori Zeller
Assistant Chief Robert Cortez
Assistant Chief Jim Ruane
Assistant Chief Randy Black
Clerk of the Authority Sherry Wentz

PUBLIC COMMENTS (F: 12.02B3)

Chair Hernandez opened the Public Comments portion of the meeting. Chair Hernandez 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 February 11, 2020, Budget and Finance Special Committee Meeting (F: 12.02B2)

On motion of Director Hasselbrink and second by Director Ta, the Budget and Finance Committee voted unanimously by those present to approve the Minutes of the February 11, 2020, special meeting as submitted. Directors Farias, Sachs, and Rossini were recorded as abstentions due to their absence from the February 11, 2020, meeting.

3. CONSENT CALENDAR

A. Monthly Investment Reports (F: 11.10D2)

On motion of Director Ta and second by Vice Chair Swift, the Budget and Finance Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of 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 (F: 15.04 19/20)

On motion of Director Ta and second by Vice Chair Swift, the Budget and Finance Committee voted unanimously by those present to direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the proposed mid-year budget adjustment and transfers.

4. DISCUSSION CALENDAR

A. Fiscal Year 2018/19 Backfill/Overtime and Calendar Year 2019 Total Earnings/Compensation Analysis (F: 15.11)

Assistant Chief Robert Cortez provided an overview and introduced Finance Manager Julie Nemes who presented a PowerPoint presentation on Fiscal Year 2018/19 Backfill/Overtime and Calendar Year 2019 Total Earnings/Compensation Analysis.

On motion of Director Rossini and second by Director Ta, the Budget and Finance Committee voted unanimously by those present to direct staff to place the item on agenda

for the Board of Directors meeting of 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 (F: 10.04)

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

A lengthy discussion ensued concerning the proposed options.

Director Ta left at this point (12:30 p.m.)

By consensus, the Budget and Finance Committee directed staff to schedule a special Study Session meeting on March 25, 2020, at 3:00 p.m.

Director Ta was absent.

REPORTS (F: 12.02B6)

Fire Chief Fennessy asked Treasurer Tricia Jakubiak to provide an overview of the Monthly Investment Reports.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

There were no Committee Member comments.

ADJOURNMENT (F: 11.18)

Chair Hernandez adjourned the meeting at 1:01 p.m. The next Budget and Finance Special Study Session meeting is scheduled for Wednesday, March 25, 2020, at 3:00 p.m.

Martha Halvorson, CMC
Acting Clerk of the Authority



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
April 8, 2020

Agenda Item No. 2B
Consent Calendar

Organizational Service Level Assessment Update

Contact(s) for Further Information

Robert Cortez, Assistant Chief
Business Services Department

robertcortez@ocfa.org

714.573.6012

Summary

This agenda item is submitted to provide an update of the Citygate Service Level Assessments (SLAs) for the period covering December 2019 thru February of 2020.

Prior Board/Committee Action(s)

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

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

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

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

RECOMMENDED ACTION(S)

Receive and file the report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

The Board approved a budget of \$700,725 to complete the Citygate SLA reviews. As of the date this staff report was prepared, the OCFA has expended approximately 83% of the contract amount and is well within budget.

Background

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

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

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

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

The organizational assessments were originally scheduled to be completed by the end of 2019. However, due to additional analysis requests, changes in scope, additional time needed to review and provide comment to draft findings, as well as scheduling conflicts, SLA completion dates have shifted. All SLA's are now anticipated to be completed by the end of spring 2020.

Since the kickoff meetings, Citygate has met with OCFA staff to gather the necessary data to perform the assessment. Currently all five SLA areas are at the tail-end of the Mid-Project briefings or Draft Report phase of the assessment, as illustrated in the most recent monthly organizational update provided for the month of February 2020. These monthly SLA updates (Attachments 1-3) are provided to OCFA employees and shared with labor in an effort to inform the organization of the progress. The Human Resources SLA, which is a subset of the Executive Leadership SLA, was presented to the Human Resources Committee as a "receive and file" item at its September 17, 2019, meeting.

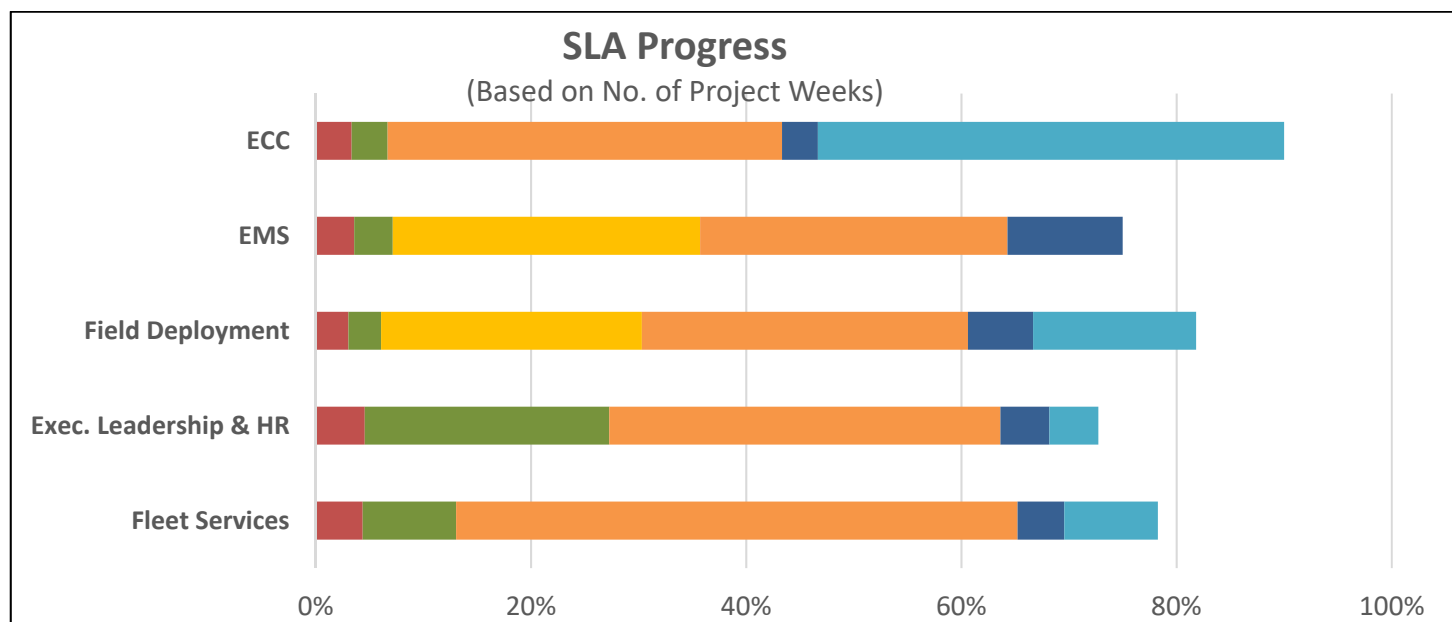
Attachment(s)

1. December 2019 SLA Monthly Update
2. January 2020 SLA Monthly Update
3. February 2020 SLA Monthly Update



Organizational Service Level Assessment (SLA) Update

As of December 31, 2019



Information Request

Start Up Meetings

Data Gathering

Analysis

Mid Project Meeting

Draft Report

Final Report & Briefings

Emergency Command Center (ECC)

Work Completed in December – Mission Critical Partners (MCP) provided the 2nd draft report for comment. Citygate held a conference call with ECC Chief and submitted comments to MCP.

Work Scheduled in the Next Reporting Period – In January, Citygate anticipates delivering a revised draft report for fact-checking.

Emergency Medical Services (EMS)

Work Completed in December – Citygate received completed workload assessment, analyzed and conferred with staff on the progress of the Criteria Based Dispatch review. Citygate prepared draft findings and recommendations.

Work Scheduled in the Next Reporting Period – In January, Citygate anticipates preparing the Mid-Project findings /recommendations briefing for an on-site meeting.

Field Deployment

Work Completed in December – Citygate delivered the Mid-Project findings/recommendations briefing and moved forward with the risk assessment portions of the full report.

Work Scheduled in the Next Reporting Period – In January, Citygate anticipates receiving feedback from staff. Citygate will then prepare the SLA draft report.

Executive Leadership Team & Human Resources

Work Completed in December – Citygate worked with staff to identify a viable date to conduct a briefing meeting with all members of the Executive Management team.

Work Scheduled in the Next Reporting Period – Citygate is scheduled to conduct the briefing meeting in January.

Fleet Services

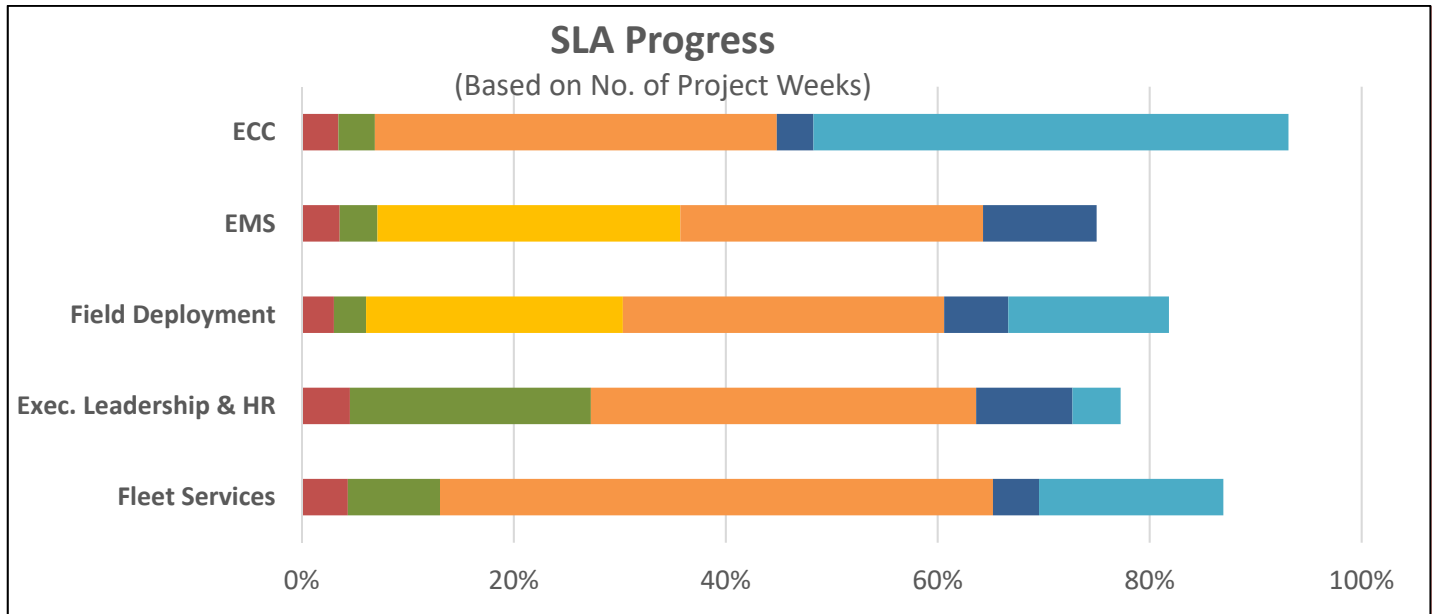
Work Completed in December – Citygate received staff comments to the Mid-Project briefing.

Work Scheduled in the Next Reporting Period – In January, Citygate will prepare and submit the draft SLA report and coordinate a review of the draft report.



Organizational Service Level Assessment (SLA) Update

As of January 31, 2020



Information Request

Start Up Meetings

Data Gathering

Analysis

Mid Project Meeting

Draft Report

Final Report & Briefings

Emergency Command Center (ECC)

Work Completed in January – Citygate and Mission Critical Partners (MCP) were provided with final comments and edited the draft report.

Work Scheduled in the Next Reporting Period – In February, Citygate anticipates delivering the final report for fact checking and will look to schedule briefing dates.

Emergency Medical Services (EMS)

Work Completed in January – Citygate prepared and delivered the mid-project findings/recommendations briefing.

Work Scheduled in the Next Reporting Period – In February, Citygate anticipates working with staff on fact-checking clarifications and then will draft the Service Level Assessment report.

Field Deployment

Work Completed in January – Citygate continued with the drafting of the Service Level Assessment report.

Work Scheduled in the Next Reporting Period – In February, Citygate anticipates preparing and delivering the draft service level assessment report.

Executive Leadership Team & Human Resources

Work Completed in January – Citygate prepared and delivered the mid-project findings/recommendations briefing.

Work Scheduled in the Next Reporting Period – In February, Citygate anticipates working with staff on fact-checking clarifications and then will draft the Service Level Assessment report.

Fleet Services

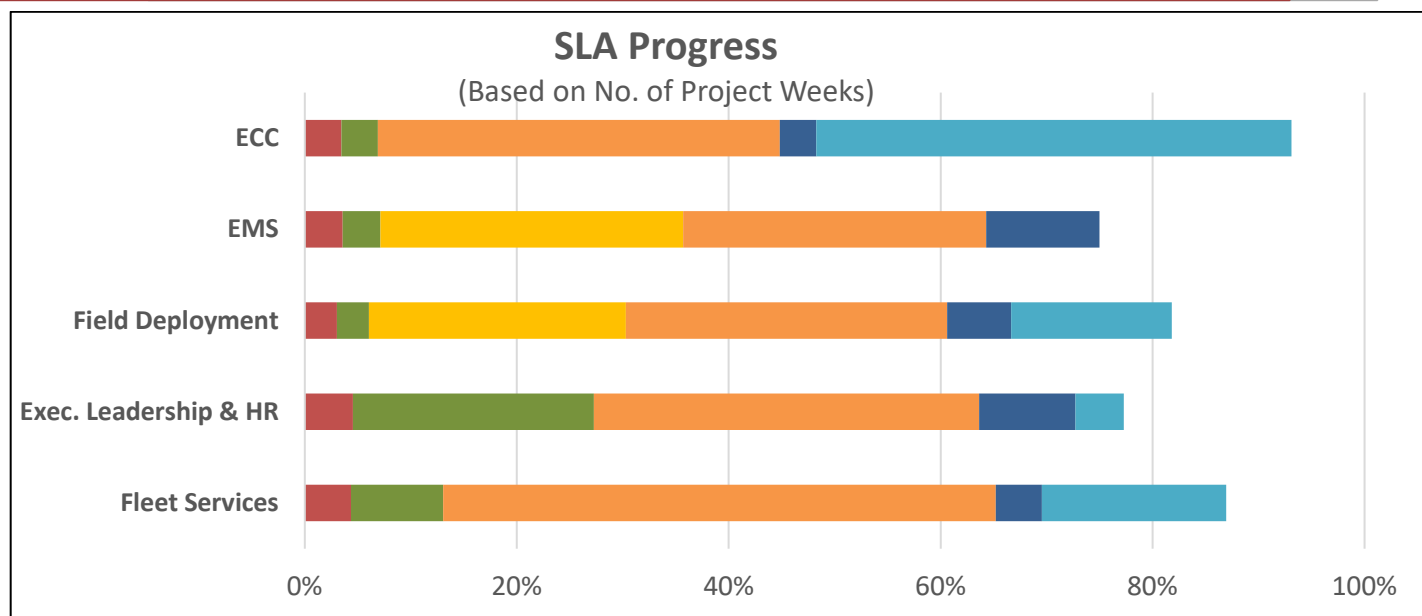
Work Completed in January – Citygate reviewed staff comments regarding the Mid-Project briefing and also received additional requested data and information from Fleet staff.

Work Scheduled in the Next Reporting Period – In February, Citygate will prepare and submit the draft Service Level Assessment report and coordinate a review with the project team.



Organizational Service Level Assessment (SLA) Update

As of February 29, 2020



Emergency Command Center (ECC)

Work Completed in February – Citygate and Mission Critical Partners (MCP) received final input from OCFA staff and worked on edits to the 2nd draft project report.

Work Scheduled in the Next Reporting Period – In March, Citygate anticipates delivering the final report for fact checking and discuss scheduling briefing dates.

Emergency Medical Services (EMS)

Work Completed in February – Citygate worked on fact checking clarifications to the Mid-Project briefing report and began to draft the full SLA report.

Work Scheduled in the Next Reporting Period – In March, Citygate anticipates completing the full SLA draft report and discuss future scheduling of a briefing.

Field Deployment

Work Completed in February – Citygate assisted staff with Placentia related re-deployment questions and worked on other OCFA requests.

Work Scheduled in the Next Reporting Period – In March, Citygate anticipates preparing the SLA draft report.

Executive Leadership Team & Human Resources

Work Completed in February – OCFA staff fact-checked the mid-project findings and recommendations document.

Work Scheduled in the Next Reporting Period – In March, Citygate anticipates working with staff on fact-checking clarifications and then will draft the full SLA report.

Fleet Services

Work Completed in February – Citygate continued preparing the draft SLA report.

Work Scheduled in the Next Reporting Period – In March, Citygate will submit the draft SLA report and coordinate a review with the project team.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
April 8, 2020

Agenda Item No. 3A
Discussion Calendar

Monthly Investment Reports

Contact(s) for Further Information

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

Summary

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

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of April 23, 2020, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Attached is the final monthly investment report for the month ended February 29, 2020. A preliminary investment report as of March 20, 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 – February 2020/Preliminary Report – March 2020

Orange County Fire Authority Monthly Investment Report



Final Report – February 2020

Preliminary Report – March 2020



Monthly Investment Report Table of Contents

<i>Final Investment Report – February 29, 2020.....</i>	<i>1</i>
<i>Executive Summary.....</i>	<i>2</i>
<i>Benchmark Comparison.....</i>	<i>3</i>
<i>Portfolio Size, Yield, & Duration.....</i>	<i>3</i>
<i>Portfolio Summary.....</i>	<i>4</i>
<i>Portfolio Details.....</i>	<i>5</i>
<i>Aging Report.....</i>	<i>8</i>
<i>Notes to Portfolio Management Report.....</i>	<i>9</i>
<i>Local Agency Investment Fund.....</i>	<i>10</i>
 <i>Preliminary Investment Report – March 20, 2020</i>	<i>12</i>
<i>Portfolio Summary.....</i>	<i>13</i>
<i>Portfolio Details.....</i>	<i>14</i>
<i>Aging Report.....</i>	<i>17</i>
<i>Notes to Portfolio Management Report.....</i>	<i>18</i>
 <i>Glossary.....</i>	<i>19</i>



Orange County Fire Authority

Final Investment Report

February 29, 2020



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of February 2020, the size of the portfolio decreased significantly by \$23.0 million to \$137.3 million. Significant receipts for the month included two cash contract payments totaling \$5.5 million, an apportionment of property taxes, various intergovernmental agency payments and other charges for current services totaling \$1.9 million. Significant disbursements for the month included primarily two biweekly payrolls which were approximately \$14 million each with related benefits. Total February cash outflows amounted to approximately \$31 million. The portfolio's balance is expected to decrease in the following month as there are no major receipts expected in March.

In February, the portfolio's yield to maturity (365-day equivalent) increased by 2 basis points to 1.75%. The effective rate of return increased by 3 basis points to 1.74% for the month and decreased by 4 basis points to 2.04% for the fiscal year to date. The average maturity of the portfolio decreased by 4 days to 16 days to maturity.

Economic News

The U.S. economy displayed mixed results in February 2020. There were a total of 273,000 jobs created in February which was more than expected. The unemployment rate fell to 3.5% from 3.6%. The Conference Board Consumer Confidence Index improved slightly in February, following an increase in January. The University of Michigan Consumer Sentiment index also increased but respondents to the survey raised concerns about the coronavirus. Manufacturing activity cooled as coronavirus effects rattled supply chains, and the non-manufacturing sector reflected continued growth but growing concerns about the coronavirus. Industrial production rose .6% as chillier weather kept utilities busy. The CPI (Consumer Price Index) was firm at .22% and 2.4% year-over-year. Existing home sales jumped 6.5% in February, but the housing recovery is likely to be derailed by the coronavirus outbreak.

In an emergency move, on March 3, the Federal Reserve cut the federal funds rate by 50 basis points to protect the longest ever economic expansion from the spreading corona virus. The target range was 1 – 1.25%. The Fed said the fundamentals of the US economy remained strong and indicated they would use all appropriate policy tools to achieve strong, sustainable growth and safe guard against downside risks. As the corona virus continued to spread and hammered the markets, the Fed cut interest rates again by 100 basis points to .25% on a Sunday evening March 15. The Fed indicated it will keep interest rates near zero until it is confident the economy has weathered recent events and is on track to achieve maximum employment and price stability goals.



BENCHMARK COMPARISON AS OF FEBRUARY 29, 2020

3 Month T-Bill: 1.54%

1 Year T-Bill: 1.41%

6 Month T-Bill: 1.51%

LAIF: 1.91%

OCFA Portfolio: 1.74%

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value-	\$137,309,170	\$160,111,527	\$133,139,278
Yield to Maturity (365 day)	1.75%	1.73%	2.29%
Effective Rate of Return	1.74%	1.71%	2.29%
Days to Maturity	16	20	38



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
February 29, 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	7,189,615.27	7,189,615.27	7,189,615.27	5.24	1	1	1.095	1.110
Federal Agency Coupon Securities	11,000,000.00	11,003,960.00	11,004,027.69	8.03	1,019	33	1.558	1.580
Federal Agency Disc. -Amortizing	39,000,000.00	38,931,240.00	38,925,965.83	28.39	103	44	1.583	1.605
Treasury Discounts -Amortizing	5,000,000.00	4,999,400.00	4,999,027.78	3.65	157	4	1.763	1.788
Local Agency Investment Funds	75,000,000.00	75,132,772.35	75,000,000.00	54.70	1	1	1.886	1.912
Investments	137,189,615.27	137,256,987.62	137,118,636.57	100.00%	117	16	1.728	1.752
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	2,274.52	2,274.52	2,274.52		1	1	0.000	0.000
Accrued Interest at Purchase		46,444.44	46,444.44					
Subtotal		48,718.96	48,718.96					
Total Cash and Investments	137,191,889.79	137,305,706.58	137,167,355.53		117	16	1.728	1.752

	February 29 Month Ending	Fiscal Year To Date
Total Earnings		
Current Year	202,607.25	2,059,594.64
Average Daily Balance	146,257,516.10	150,865,831.49
Effective Rate of Return	1.74%	2.04%

"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 Jakubick, Treasurer

3/6/20

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 137,167,355.53
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ 141,814.96
Total	\$ 137,309,170.49

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
February 29, 2020

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 (See Note 4 on page 9)			7,189,615.27	7,189,615.27	7,189,615.27	1.110	1.110	1	
Subtotal and Average			8,111,916.87		7,189,615.27	7,189,615.27	7,189,615.27		1.110	1	
Federal Agency Coupon Securities											
3130AH7E7	993	Fed Home Loan Bank (Callable on 4/3/20)		12/19/2019	11,000,000.00	11,003,960.00	11,004,027.69	2.000	1.580	33	10/03/2022
Subtotal and Average			11,005,911.33		11,000,000.00	11,003,960.00	11,004,027.69		1.580	33	
Federal Agency Disc. -Amortizing											
313312TX8	988	Farm Credit Disc Note		12/19/2019	6,000,000.00	5,999,220.00	5,998,960.00	1.560	1.609	4	03/05/2020
313384UN7	987	Fed Home Loan Bank		12/20/2019	11,000,000.00	10,991,530.00	10,990,943.33	1.560	1.610	19	03/20/2020
313384XL8	992	Fed Home Loan Bank		12/19/2019	11,000,000.00	10,961,280.00	10,957,848.61	1.550	1.605	89	05/29/2020
313384VR7	995	Fed Home Loan Bank		02/04/2020	11,000,000.00	10,979,210.00	10,978,213.89	1.550	1.598	46	04/16/2020
Subtotal and Average			43,869,404.71		39,000,000.00	38,931,240.00	38,925,965.83		1.605	44	
Treasury Discounts -Amortizing											
912796TH2	982	US Treasury Bill		09/30/2019	5,000,000.00	4,999,400.00	4,999,027.78	1.750	1.788	4	03/05/2020
Subtotal and Average			8,270,283.19		5,000,000.00	4,999,400.00	4,999,027.78		1.788	4	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			75,000,000.00	75,132,772.35	75,000,000.00	1.912	1.912	1	
Subtotal and Average			75,000,000.00		75,000,000.00	75,132,772.35	75,000,000.00		1.912	1	
Total and Average			146,257,516.10		137,189,615.27	137,256,987.62	137,118,636.57		1.752	16	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
February 29, 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	-17,725.48	-17,725.48	-17,725.48	(See Note 4 on page 9)	0.000	1
Average Balance			0.00	Accrued Interest at Purchase		46,444.44	46,444.44			1
				Subtotal		48,718.96	48,718.96			
Total Cash and Investments			146,257,516.10		137,191,889.79	137,305,706.58	137,167,355.53		1.752	16

Orange County Fire Authority

In service of others!



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of March 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	(03/01/2020 - 03/01/2020)	4 Maturities	0 Payments	82,191,889.79	59.94%	82,191,889.79	82,324,662.14
Aging Interval: 1 - 30 days	(03/02/2020 - 03/31/2020)	3 Maturities	0 Payments	22,000,000.00	16.04%	21,988,931.11	21,990,150.00
Aging Interval: 31 - 60 days	(04/01/2020 - 04/30/2020)	1 Maturities	0 Payments	11,000,000.00	8.01%	10,978,213.89	10,979,210.00
Aging Interval: 61 - 91 days	(05/01/2020 - 05/31/2020)	1 Maturities	0 Payments	11,000,000.00	7.99%	10,957,848.61	10,961,280.00
Aging Interval: 92 - 121 days	(06/01/2020 - 06/30/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 122 - 152 days	(07/01/2020 - 07/31/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 153 - 183 days	(08/01/2020 - 08/31/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(09/01/2020 - 11/30/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 275 - 365 days	(12/01/2020 - 03/01/2021)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(03/02/2021 - 03/01/2023)	1 Maturities	0 Payments	11,000,000.00	8.03%	11,004,027.69	11,003,960.00
Aging Interval: 1096 days and after	(03/02/2023 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		10 Investments	0 Payments		100.00	137,120,911.09	137,259,262.14



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 February 29, 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 February 29, 2020 is included on the following page.



Fair Value Including Accrued Interest	\$	98,307,400,846.39
---------------------------------------	----	-------------------

Page 11



Orange County Fire Authority
Preliminary Investment Report
March 20, 2020



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
March 20, 2020

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

(See Note 1 on page 18)

(See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Call / Maturity	YTM/Call 360 Equiv.	YTM/Call 365 Equiv.
Money Mkt Mutual Funds/Cash	17,653,756.60	17,653,756.60	17,653,756.60	12.41	1	1	1.095	1.110
Federal Agency Coupon Securities	23,590,000.00	23,611,668.41	23,620,306.40	16.61	980	41	1.275	1.293
Federal Agency Disc. -Amortizing	26,000,000.00	25,996,030.00	25,954,411.77	18.25	106	47	1.355	1.374
Local Agency Investment Funds	75,000,000.00	75,132,772.35	75,000,000.00	52.73	1	1	1.886	1.912
Investments	142,243,756.60	142,394,227.36	142,228,474.77	100.00%	183	16	1.589	1.611
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	(See Note 4 on page 18) -413,380.60	-413,380.60	-413,380.60		0	0	0.000	0.000
Accrued Interest at Purchase		60,467.43	60,467.43					
Subtotal		-352,913.17	-352,913.17					
Total Cash and Investments	141,830,376.00	142,041,314.19	141,875,561.60		183	16	1.589	1.611

Total Earnings	March 20 Month Ending	Fiscal Year To Date
Current Year	128,054.45	2,187,649.09
Average Daily Balance	139,178,158.16	149,980,401.70
Effective Rate of Return	1.68%	2.02%

"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

3/27/20

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 141,875,561.60
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ 141,814.96
Total	\$ 142,017,376.56

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
March 20, 2020

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 (See Note 4 on page 18)			17,653,756.60	17,653,756.60	17,653,756.60	1.110	1.110	1	
Subtotal and Average			16,650,058.26		17,653,756.60	17,653,756.60	17,653,756.60		1.110	1	
Federal Agency Coupon Securities											
3134GVCY2	996	Freddie Mac (Callable on 5/28/20)		03/18/2020	11,000,000.00	11,017,930.00	11,026,426.71	1.800	1.149	68	02/28/2023
3130AH7E7	993	Fed Home Loan Bank (Callable on 4/3/20)		12/19/2019	11,000,000.00	11,003,740.00	11,001,510.38	2.000	1.580	13	10/03/2022
3130AEAH3	997	Fed Home Loan Bank		03/20/2020	1,590,000.00	1,589,998.41	1,592,369.31	1.521	0.305	44	05/04/2020
Subtotal and Average			12,736,347.74		23,590,000.00	23,611,668.41	23,620,306.40		1.293	41	
Federal Agency Disc. -Amortizing											
313384XL8	992	Fed Home Loan Bank		12/19/2019	11,000,000.00	10,997,580.00	10,967,320.83	1.550	1.605	69	05/29/2020
313384VR7	995	Fed Home Loan Bank		02/04/2020	11,000,000.00	10,999,010.00	10,987,686.11	1.550	1.598	26	04/16/2020
313384WL9	998	Fed Home Loan Bank		03/20/2020	4,000,000.00	3,999,440.00	3,999,404.83		0.122	45	05/05/2020
Subtotal and Average			33,791,825.07		26,000,000.00	25,996,030.00	25,954,411.77		1.374	47	
Treasury Discounts -Amortizing											
Subtotal and Average			999,927.08								
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			75,000,000.00	75,132,772.35	75,000,000.00	1.912	1.912	1	
Subtotal and Average			75,000,000.00		75,000,000.00	75,132,772.35	75,000,000.00		1.912	1	
Total and Average			139,178,158.16		142,243,756.60	142,394,227.36	142,228,474.77		1.611	16	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
March 20, 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	-433,380.60	-433,380.60	-433,380.60	(See Note 4 on page 18)	0.000	1
Average Balance			0.00	Accrued Interest at Purchase		60,467.43	60,467.43			0
				Subtotal		-352,913.17	-352,913.17			
Total Cash and Investments			139,178,158.16		141,830,376.00	142,041,314.19	141,875,561.60		1.611	16

(This Page Intentionally Left Blank)



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of March 21, 2020

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	(03/21/2020 - 03/21/2020)	4 Maturities	0 Payments	92,240,376.00	65.04%	92,240,376.00	92,373,148.35
Aging Interval: 1 - 30 days	(03/22/2020 - 04/20/2020)	1 Maturities	0 Payments	11,000,000.00	7.75%	10,987,686.11	10,999,010.00
Aging Interval: 31 - 60 days	(04/21/2020 - 05/20/2020)	2 Maturities	0 Payments	5,590,000.00	3.94%	5,591,774.14	5,589,438.41
Aging Interval: 61 - 91 days	(05/21/2020 - 06/20/2020)	1 Maturities	0 Payments	11,000,000.00	7.73%	10,967,320.83	10,997,580.00
Aging Interval: 92 - 121 days	(06/21/2020 - 07/20/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 122 - 152 days	(07/21/2020 - 08/20/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 153 - 183 days	(08/21/2020 - 09/20/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(09/21/2020 - 12/20/2020)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 275 - 365 days	(12/21/2020 - 03/21/2021)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(03/22/2021 - 03/21/2023)	2 Maturities	0 Payments	22,000,000.00	15.53%	22,027,937.09	22,021,670.00
Aging Interval: 1096 days and after	(03/22/2023 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		10 Investments	0 Payments		100.00	141,815,094.17	141,980,846.76



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2019 includes an increase of \$111,266 to the LAIF investment and an increase of \$30,549 to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

GLOSSARY

INVESTMENT TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yield. Rate of return on a bond.

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

ECONOMIC TERMS

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

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

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

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

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

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

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

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

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

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

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



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
April 8, 2020

Agenda Item No. 3B
Discussion Calendar

Communication with Auditors for Fiscal Year 2019/20 Financial Audit

Contact(s) for Further Information

Robert Cortez, Assistant Chief Business Services Department	robertcortez@ocfa.org	714.573.6012
Julie Nemes, Finance Manager/Auditor Business Services Department	julienemes@ocfa.org	714.573.6304
Bryan Gruber Lance, Soll & Lunghard, LLP	bryan.gruber@lslcpas.com	714.672.0022

Proir Board/Committee Action

Not Applicable.

Summary

This agenda item is submitted to provide an update to the Budget and Finance / Audit Committee on the Fiscal Year 2019/20 financial audit, including two-way communication between the Committee and the independent financial auditors in accordance with Statements on Auditing Standards (SAS) No. 114.

Recommended Action(s)

Receive and file the report.

Impact to Cities/County

Not Applicable

Fiscal Impact

Not Applicable

Background

The American Institute of Certified Public Accountants (AICPA) issues Statements of Auditing Standards (SAS), which address the guidelines auditors must follow while conducting audits of financial statements. In 2006, the AICPA issued SAS No. 114, The Auditor's Communication with Those Charged with Governance, which requires auditors and "those with power of governance" to engage in two-way communication regarding audit matters. Specific duties of "those with power of governance" (i.e., Board of Directors) may be delegated to a sub-group, such as an audit committee. The OCFA's Budget and Finance Committee serves as the Audit Committee. Two-way communication is needed in order to:

- Communicate the auditors' responsibilities (i.e., scope of the audit);
- Obtain information relevant to the audit;
- Provide timely observations arising from the audit that are relevant to the governing body's responsibilities in overseeing the financial reporting process; and
- Communicate any significant findings in writing.

The required two-way communication regarding audit matters is presented to this Committee via a written SAS No. 114 Auditor Communication Letter (Attachment 1) from OCFA's independent financial auditors Lance, Soll & Lunghard, LLP (LSL). In addition, a representative from the audit engagement team provides a presentation to the Committee at the beginning of the audit process. LSL is scheduled to begin its Fiscal Year 2019/20 interim audit fieldwork on May 4, 2020. Currently, LSL plans to conduct its interim audit fieldwork remotely due to the COVID-19 pandemic, and will work with OCFA's Finance staff to coordinate that process. The auditors will also present the financial statements to the Committee and Board of Directors at the completion of the audit later this year.

Attachment(s)

1. SAS No. 114 Auditor Communication Letter from LSL



March 19, 2020

Robert C. Cortez
Assistant Chief, Business Services
Orange County Fire Authority
1 Fire Authority Road
Irvine, CA 92602

We are engaged to audit the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority (the "Authority") for the year ended June 30, 2020. In addition, we were engagement to perform an audit of the financial statement for the OCFA Foundation (the "Foundation") and the Single Audit for the year ended June 30, 2020. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the Uniform Guidance,

As stated in our engagement letter dated March 19, 2020, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the Authority's compliance with those requirements.



Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of changes in net pension liability and related ratios, the schedule of changes in net OPEB liability and related ratios, the schedules of contributions, and the schedules of money weighted rate of return, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the combining and individual fund statements and schedules which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the introductory and statistical sections of the Comprehensive Annual Financial Report which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited, and we will not express an opinion or provide any assurance on it.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We will include the financial information for plan assets for the retiree medical plan held in trust with Orange County Employees Retirement System (the "Trust") and include the opinion of the group auditor. The component auditors will perform work on the financial information of the Trust that will be used as audit evidence for the reference component unit audit opinion.

We expect to begin our audit on approximately May 1, 2020 and issue our report on approximately October 15, 2020. Bryan S. Gruber, CPA, is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.



Orange County Fire Authority
Page 3

This information is intended solely for the use of the Board of Directors and management of the Orange County Fire Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Soll & Lingham, LLP



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
April 8, 2020

Agenda Item No. 3C
Discussion Calendar

**Options to Mitigate Escalating Charges to
Cash Contract Cities**

Contact(s) for Further Information

Lori Zeller, Deputy Chief
Administration & Support Bureau

lorizeller@ocfa.org

714.573.6020

Robert Cortez, Assistant Chief
Business Services Department

robertcortez@ocfa.org

714.573.6012

Summary

This item is submitted to facilitate a Study Session, as requested by the Budget and Finance Committee, regarding options that could be 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.

At the March 11, 2020, meeting of the B&FC, the Committee continued the item to a special meeting of the B&FC to be held on March 25, 2020. The special meeting was subsequently canceled due to impacts associated with the COVID-19 pandemic, and staff was directed to schedule the item for the regular meeting on April 8.

RECOMMENDED ACTION(S)

Conduct a study session and provide direction to staff.

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

Fiscal Update in Light of COVID-19

Over the last few weeks, the world has dramatically changed as a result of the COVID-19 pandemic. We recognize that the impacts of COVID-19 will not be known for some time and will likely impact the resources of public agencies throughout the United States and in particular, California. We are bringing back this agenda item, as previously directed prior to the recent changes with the COVID-19 pandemic. In doing so, we are mindful of the uncertainty of the situation.

Fiscal Impact Specific to Agenda Item

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.

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.

Mitigation Options Discussed with B&FC and City Manager's 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.
- **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.

- 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

Following the February B&FC meeting, staff engaged in additional outreach meetings with OCFA City Managers and 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 include:

- OCFA should require cash contract cities to continue to pay their full cost of fire service
- Consider variations of Option 1 and 2, with all variations including 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
- Further evaluate "what problem are we trying to solve?"
 - Is this just a band-aid that will cause need for another band-aid in the future?
 - What are the more detailed circumstances of cash contract cities' financial condition?
- Add two more specific options to the staff report for formal consideration, to include:
 - **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. The intended purpose of the Working Group would be to further vet the need for options, and the scope of options.

Attachment(s)

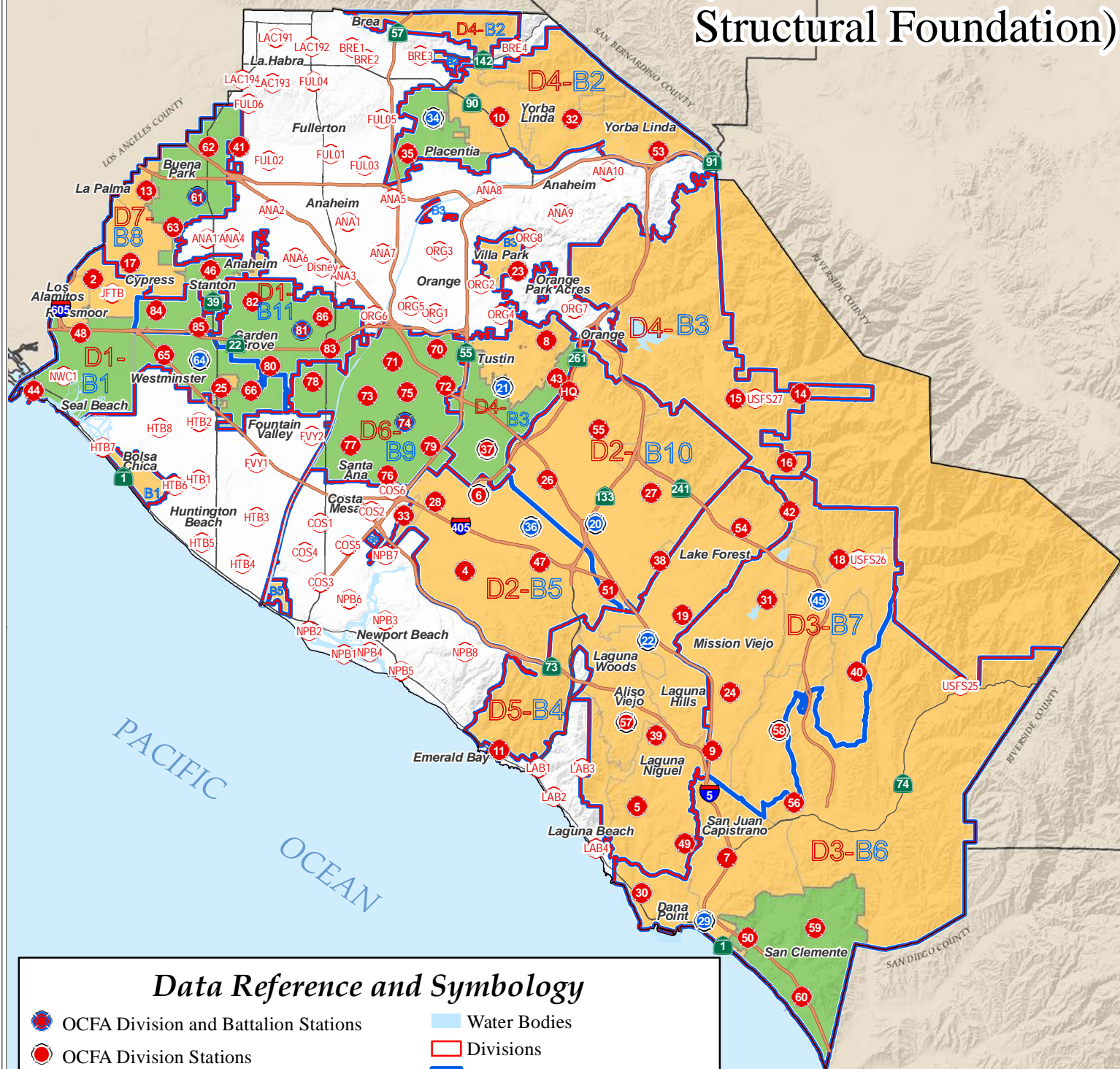
1. Comparison of Mitigation Options
2. OCFA Service Area Map

**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

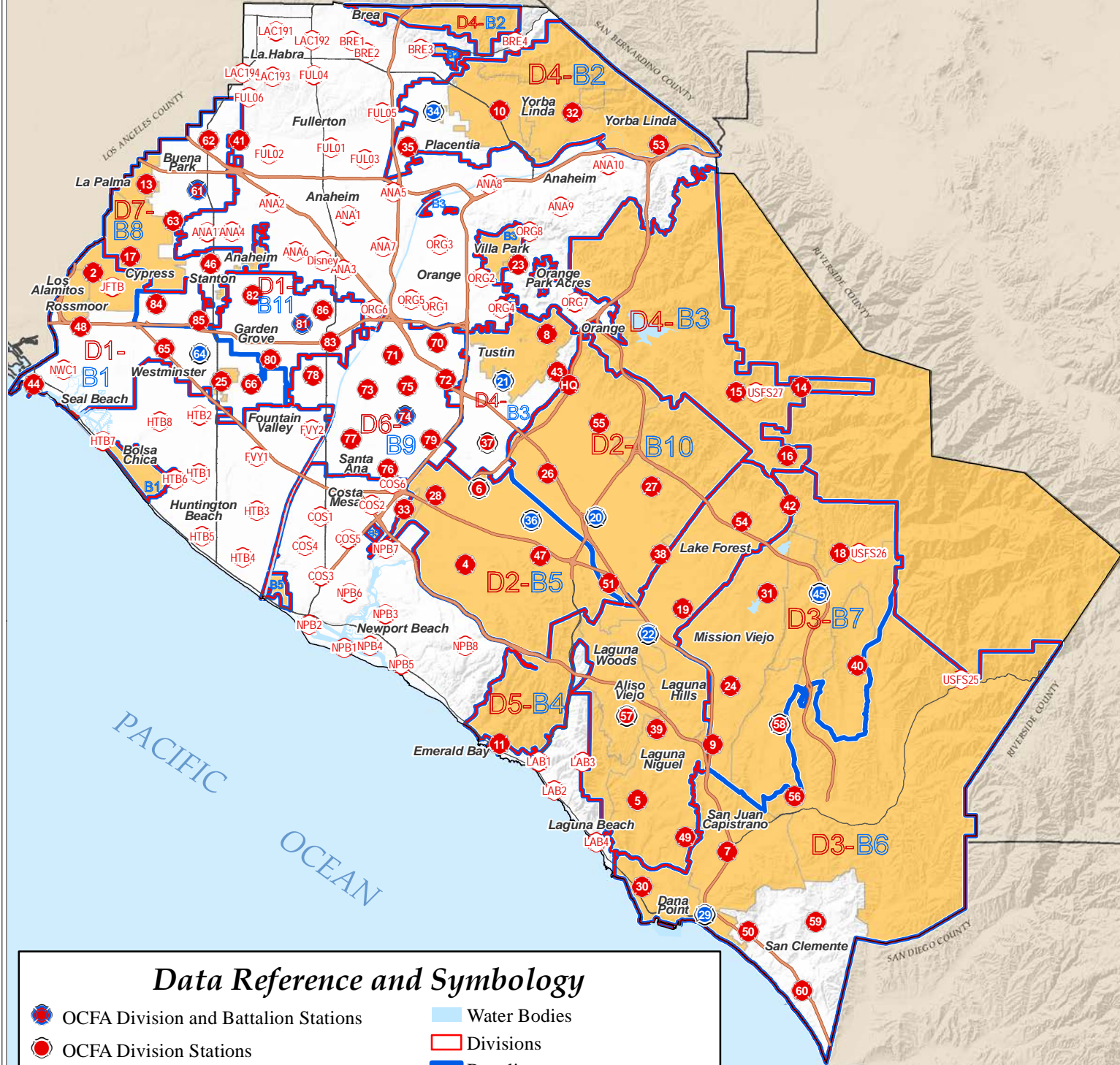
0 5 10
Miles

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 Symbolology

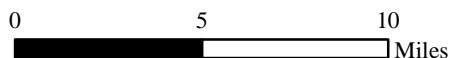
- OCFA Division and Battalion Stations
- OCFA Division Stations
- OCFA Battalion Stations
- OCFA Fire Stations
- Non OCFA Fire Stations
- Major Roads
- Highways
- Water Bodies
- Divisions
- Battalions
- Structural Foundation Cities

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



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