



ORANGE COUNTY FIRE AUTHORITY

AGENDA

BOARD OF DIRECTORS REGULAR MEETING

Thursday, January 28, 2021

6:00 P.M.

Regional Fire Operations and Training Center

Board Room

1 Fire Authority Road

Irvine, CA 92602

Link to:

[Board of Directors Member Roster](#)

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 Board of Directors 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>



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 and identify the need and the requested modification or accommodation. Please notify us as soon as is feasible, however 48 hours prior to the meeting is appreciated to enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

NOTICE REGARDING PUBLIC PARTICIPATION **DURING COVID-19 EMERGENCY**

During the Statewide COVID-19 Emergency, the public is not permitted to convene in person for this public meeting. However, the public may still view and comment on the meeting as follows:

- To watch the meeting online, please go to website at www.OCFA.org
- To submit an e-comment, please email to PublicComments@ocfa.org.

You may comment on items on the agenda or not on the agenda. Your comments will be forwarded electronically and immediately to the members of the Board. Comments related to a particular agenda item will only be considered prior to the close of public comments on that item.

CALL TO ORDER

INVOCATION by OCFA Brett Peterson

PLEDGE OF ALLEGIANCE by Director Tettermer

ROLL CALL

PUBLIC COMMENTS

Please refer to instructions on how to submit a public comment during COVID-19 Emergency on Page 1 of this Agenda.

REPORTS

- A. Report from the Budget and Finance Committee Chair**
- B. Report from the Human Resources Committee Chair**
- C. Report from the Fire Chief**
 - COVID-19 Vaccination POD
 - 2nd Quarter Update
 - Cancer Awareness Month

1. PRESENTATIONS

A. Recognition of former OCFA Board of Directors

Dave Harrington, Aliso Viejo
Elizabeth Swift, Buena Park
Robert Johnson, Cypress
Sergio Farias, San Juan Capistrano
Juan Villegas, Santa Ana
Thomas Moore, Seal Beach

B. Welcome to New Directors and Administer Oath of Office

Ross Chun, Aliso Viejo (*sworn-in prior to meeting*)
Sunny Park, Buena Park
Frances Marquez, Cypress (*sworn-in prior to meeting*)
Troy Bourne, San Juan Capistrano
Jessie Lopez, Santa Ana
Joe Kalmick, Seal Beach

2. CONSENT CALENDAR

All matters on the consent calendar are considered routine and are to be approved with one motion unless a Director or a member of the public requests separate action on a specific item.

A. Minutes from the November 19, 2020, Regular Meeting of the Board of Directors

Submitted by: Maria D. Huizar, Clerk of the Authority

The record will reflect that any Director not in attendance at the meeting of the Minutes will be registered as an abstention, unless otherwise indicated.

Recommended Action:

Approve as submitted.

B. FY 2020/2021 Mid-Year Financial Report

Submitted by: Robert Cortez, Assistant Chief/Business Services Department, Tricia Jakubiak, Treasurer and Stuart Lam, Budget Manager

Budget and Finance Committee reviewed and approved recommendation at their January 13, 2021, Regular meeting by a 7-0 vote (Rossini absent).

Recommended Action:

Direct staff to return to the Board of Directors on March 25, 2021, for approval of the budget adjustments discussed herein for the FY 2020/2021 budget.

C. Annual Grant Priorities for 2021

Submitted by: Robert Cortez, Assistant Chief/Business Services Department and Jay Barkman, Legislative Analyst

This is an annual and routine item presented to Budget and Finance Committee since 2012. Budget and Finance Committee reviewed and approved recommendation at their January 13, 2021, Regular meeting by a 7-0 vote (Rossini absent).

Recommended Action:

Approve OCFA's Annual Grant Priorities for 2021.

3. DISCUSSION

A. 2021-22 Legislative Platform

Submitted by: Robert Cortez, Assistant Chief/Business Services Department and Jay Barkman, Legislative Analyst

Recommended Action:

Adopt the 2021-22 Legislative Platform and direct staff to initiate procedures to implement the platform.

B. 2020 Long Term Liability Study and Accelerated Pension Payment Plan

Submitted by: Robert Cortez, Assistant Chief/Business Services Department and Tricia Jakubiak, Treasurer

Budget and Finance Committee reviewed and approved recommendation at their January 13, 2021, Regular meeting by a 7-0 vote (Rossini absent).

Recommended Actions:

1. Direct staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to adjust the FY 2020/21 General Fund budget to increase expenditures and operating transfers out by a combined value of \$13,534,587 the amount identified as the unencumbered fund balance identified in the FY 2019/20 financial audit, and to allocate the funding among three of OCFA's high-priority funding areas including \$3,000,000 to the Accelerated Pension Payment Plan, \$3,949,257 to the Workers' Compensation Program, and \$6,585,330 to the General Fund to replenish the required 10% contingency reserve. The specific technical budget adjustment to carry-out this action will be included in the March mid-year budget adjustment agenda item for final approval by the Board.

C. Military Service Buy-Back

Submitted by: Lori Zeller, Deputy Chief/Administration & Support Bureau and Stephanie Holloman, Assistant Chief/Human Resources Director

Budget and Finance Committee reviewed and approved recommendation at their January 13, 2021, Regular meeting by a 4-3 vote (Farias, Ta, and Sachs dissented and Rossini absent).

Recommended Action:

Defer consideration of the Military Service Buy-Back proposal until the next time in which the OCFA and OCPFA are engaged in labor negotiations for a successor MOU (current MOU expires August 31, 2022).

D. Amendments to the Board Rules of Procedure and Human Resources Committee Protocol

Submitted by: David Kendig, General Counsel, Keith Dobyns, Deputy General Counsel and Stephanie Holloman, Assistant Chief/Human Resources Director

Human Resources Committee reviewed and approved recommendation at their January 5, 2021, Special Meeting by a 4-0 vote (Rossini and Sachs were absent).

Recommended Action:

Approve amendments to the Board Rules of Procedure and Human Resources Committee Protocols in the form of Attachments 1 and 2 hereto.

E. Election of Board Chair and Vice Chair

Recommended Action:

Take action as necessary.

4. PUBLIC HEARING

No Items.

BOARD MEMBER COMMENTS

CLOSED SESSION

The Brown Act permits legislative bodies to discuss certain matters without members of the public present. The Board of Directors find, based on advice from the General Counsel, that discussion in open session of the following matters will prejudice the position of the authority in existing and/or anticipated litigation:

CS1. CONFERENCE WITH LEGAL COUNSEL - SIGNIFICANT EXPOSURE TO LITIGATION pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9 of the Government Code: Two (2) Cases

CS2. CONFERENCE WITH LABOR NEGOTIATOR pursuant to Government Code Section 54957.6:

Agency Designated Representative:

Peter Brown (Liebert Cassidy and Whitmore)

Employee Organizations:

Orange County Employees Association

CLOSED SESSION REPORT

ADJOURNMENT –The next regular meeting of the Orange County Fire Authority Board of Directors is scheduled for Thursday, February 25, 2021, at 6:00 p.m.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury and as required by the State of California, Government Code § 54954.2(a), 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.

Maria D. Huizar, CMC
Clerk of the Authority

UPCOMING MEETINGS:

Human Resources Committee
Budget and Finance Committee
Executive Committee
Board of Directors

Tuesday, February 2, 2021, 12 noon
Wednesday, February 10, 2021, 12 noon
Thursday, February 25, 2021, 5:30 p.m.
Thursday, February 25, 2021, 6:00 p.m.

MINUTES ORANGE COUNTY FIRE AUTHORITY

**Board of Directors Regular Meeting
Thursday, November 19, 2020
6:00 P.M.**

**Regional Fire Operations and Training Center Board Room
1 Fire Authority Road
Irvine, CA 92602-0125**

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Board of Directors was called to order on November 19, 2020, at 6:00 p.m. by Chair Hasselbrink.

INVOCATION

Senior Chaplain Dave Keehn offered the invocation.

PLEDGE OF ALLEGIANCE

Director Johnson led the Assembly in the Pledge of Allegiance to the Flag.

ROLL CALL

Chair, Shelley Hasselbrink, Los Alamitos	Vice Chair, Vince Rossini, Villa Park*
Lisa Bartlett, County of Orange*	Letitia Clark, Tustin*
Carol Gamble, Rancho Santa Margarita*	Noel Hatch, Laguna Woods*
Dave Harrington, Aliso Viejo*	Gene Hernandez, Yorba Linda*
Robert Johnson, Cypress	Anthony Kuo, Irvine
Joe Muller, Dana Point*	John R. O'Neill, Garden Grove*
Sandy Rains, Laguna Niguel*	Ed Sachs, Mission Viejo*
Dave Shawver, Stanton*	Don Sedgwick, Laguna Hills*
Michele Steggell, La Palma*	Elizabeth Swift, Buena Park*
Tri Ta, Westminster*	Mark Tettmer, Lake Forest
Juan Villegas, Santa Ana	Donald P. Wagner, County of Orange*
Kathleen Ward, San Clemente*	

Absent: Sergio Farias, San Juan Capistrano

Thomas Moore, Seal Beach

Also present were:

Fire Chief Brian Fennessy	Deputy Chief Lori Zeller
Assistant Chief Randy Black	Assistant Chief Robert Cortez
Assistant Chief Kenny Dossey	Assistant Chief Jim Ruane
Assistant Chief Lori Smith	Assistant Chief Stephanie Holloman
General Counsel David Kendig	Dir. of Communications Colleen Windsor
Clerk of the Authority Maria Huizar	

**Board of Director Members participating via Teleconferencing.*

REPORTS

A. Report from the Budget and Finance Committee Chair (File 11.12)

Budget and Finance Chair Hernandez reported at the November 4, 2020, special meeting, the Committee voted unanimously to approve and forward the Monthly Investment Reports, and the First Quarter Financial Newsletter to the Executive Committee to receive and file the reports. The Committee also voted unanimously to approve and forward the 2019 Homeland Security Grant Program, 2019 Urban Areas Security Initiative Grant Program Agreement to Transfer Property or Funds, Audited Financial Reports for the Fiscal Year Ended June 30, 2020, and the FY 2020/21 Fiscal Update & Snowball Pension Paydown Payment to the Board of Directors for approval of the recommended actions.

B. Report from the Human Resources Committee Vice Chair (FILE 11.12)

Human Resources Chair Vince Rossini reported at the November 10, 2020, special meeting, the Committee received the Annual Workers' Compensation Program Report. The Committee also voted to approve and forward the New Classification Specification for Diversity and Inclusion Coordinator, and the New Classification Specification for Environmental, Health and Safety Analyst to the Executive Committee for approval. Lastly, Assistant Chief/Director of Human Resources Stephanie Holloman provided legislative updates on AB 2655, otherwise known the Kobe Bryant Law, and SB 1343 requiring non-supervisory personnel to complete sexual harassment and discrimination prevention training.

C. Report from the Fire Chief (FILE 11.14)

Fire Chief Brian Fennessy provided a briefing of both the Silverado and Blue Ridge fires, and a video summarizing the fire events. He presented a newscast video demonstrating the VLHT's, (Very Large Helitanker) capabilities, which assisted in the recent Orange County fires. Lastly, he reported the OCFA Toy Drive, due to COVID restrictions, there are designated drop off locations established where the toys are being collected within Orange County.

1. PRESENTATIONS (FILE 11.09B)

Chair Shelley Hasselbrink on behalf of the Board of Directors recognized the Finance Department's Budget team for their receipt of the Government Finance Officers Association (GFOA) Budget Award for the 12th year. Chair Hasselbrink also acknowledged and recognized the entire Purchasing Department for the Achievement of Excellence in Procurement (AEP) Award for the 12th year, and, the Finance Department staff having received the Recognition of the Comprehensive Annual Financial Report (CAFR) Award for the 22nd consecutive year.

PUBLIC COMMENTS (FILE 11.11)

Greg Tooley, OCFA Fire Captain, introduced forming a committee to address military buy back or service credit purchase for OCFA veterans.

Tony Olson, OCFA Firefighter/Paramedic, addressed the option for OCFA former military personnel to purchase service credit.

Scott Dierdorff, OCFA Fire Captain, addressed the option for OCFA former military personnel to purchase service credit.

Ryan Bishop, OCFA Firefighter and Local 3631 Vice President, requested consideration of OCFA employees as former military personnel the option to participate in a buyback service credit program.

2. CONSENT CALENDAR

On motion of Director Johnson and second by Director Hernandez, and following a roll call vote, declared passed 23-0 (Directors Farias and Thomas absent) Agenda Items 2A-2C, and 2E-2F with a Board Member pulling Agenda Item 2D.

A. Minutes from the October 22, 2020, Regular Meeting of the Board of Directors (FILE 11.06)

Action: Approve as submitted.

B. 2021 Board Meetings Schedule (FILE 11.05)

Action: Adopt Resolution No. 2020-08 entitled A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS ESTABLISHING THE REGULAR MEETING DATES FOR CALENDAR YEAR 2021.

C. Audited Financial Reports for the Fiscal Year Ended June 30, 2020 (FILE 15.06)

Actions:

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

D. Award of Public Works Contracts for Regional Fire Operations and Training Center (RFOTC) Training Grounds Improvements (FILE 19.07B25)

Director Clark pulled this item with questions about the award process.

A brief discussion ensued.

Director Gamble proposed a substitute motion.

On motion of Director Gamble and second by Director Harrington, and following a roll call vote, declared passed 23-0 (Directors Farias and Moore absent) to reject all bids and go out for a qualification process with a two-week response time, and two-week bid time to follow.

E. 2019 Homeland Security Grant Program (FILE 16.02A1)

Action:

1. Approve and authorize the Fire Chief to execute any necessary agreement(s) to accept and administer the FY 2019 Homeland Security Grant Program.
2. Approve a budget adjustment to the FY 2020/21 General Fund (121) budget to increase revenues and expenditures by \$180,000 for the grant program award.

F. 2019 Urban Areas Security Initiative Grant Program Agreement to Transfer Property or Funds (FILE 16.02H2)

Action:

1. Approve and authorize the Fire Chief to execute the agreement and any necessary attachments to accept and administer the Urban Area Security Initiative (UASI) Grant Program award.
2. Approve a Budget Adjustment to the FY 2020/21 General Fund (121) budget to increase revenue and expenditures by \$48,600 for the grant program award.

3. DISCUSSION

A. FY 2020/21 Fiscal Update & Snowball Pension Paydown Payment (FILE 10.02)

Assistant Chief Robert Cortez presented a PowerPoint presentation regarding the FY 2020/21 Fiscal Update & Snowball Pension Paydown Payment.

On motion of Director Ta and second by Director Johnson, and following a roll call vote, declared passed 22-0 (Directors Farias, Moore, and Shawver were absent), to:

1. Receive and file the FY 2020/21 Fiscal Update.
2. Direct staff to remit the FY 2020/21 budgeted Snowball pension paydown payment of \$12.4 million to OCERS prior to December 31, 2020.

4. PUBLIC HEARING

No Items.

BOARD MEMBER COMMENTS (FILE 11.13)

Director Johnson noted this was his last OCFA Board of Directors meeting, having served eight years, thanking all directors; noted it was a pleasure to serve.

Director Villegas noted this was his last OCFA Board of Directors meeting, proud to serve, firefighters did a wonderful job for the City of Santa Ana; so professional, incredible work. He appreciated the leadership, the Division Chiefs, the Fire Chief, a pleasure and honor to serve by their side. He additionally thanked Chair Hasselbrink for her leadership.

Director Harrington asked staff if they would prepare an agenda item for the military buyback item for a future Board of Directors meeting. He noted that there was a conversation in the past about equipment improvements for the firefighters; and would like to have a report on it in the future. He enjoyed serving with Director Johnson and Villegas, and wished everyone a Happy Thanksgiving.

Chair Hasselbrink asked that staff prepare for the military buyback item for a future meeting.

Director Ward recognized Division Chief Capobianco who provided an excellent appraisal and evaluation on the Silverado fire. Gave thanks to OCFA for keeping the cities apprised on what was occurring, and residents informed. San Clemente supports all of the firefighters.

Director Muller thanked both Directors Johnson and Villegas for their service on the Board, wished a speedy recovery to the two injured firefighters, encouraged those interested to participate in the virtual Turkey Trot, and Happy Thanksgiving to everyone.

Director Clark wants to advocate for the firefighters in reviewing the military buyback for the OCFA firefighters, offered kudos to the communication team for communicating during the Silverado and Blue Ridge fires.

Director Tettermer thanked both Director Johnson and Director Villegas for their service on the Board of Directors. He also wants the two firefighters to know they are in our hearts and prayers. He noted that Lake Forest was severely affected by the recent fire, and wants to recognize all those in the front line support, those behind the scenes, CAL FIRE's support, and all the other agencies that provided support, as well as Division Chief Contreras, the coordination of the evaluations, and thank you to Fire Chief Fennessy who enabled him to review the Helitanker and its air crew.

Minutes

OCFA Board of Directors Regular Meeting

November 19, 2020 Page - 5

Director Sedgwick thanked Fire Chief Fennessy for providing the videos on the helitanker and the recent fires, wanting to share it with his fellow council members.

Director Shawver offered thanks to the firefighters, and wished everyone a Happy Thanksgiving.

Chair Hasselbrink noted the hundreds of thank you cards provided by the many residents, and for the two injured firefighters, last night's the vigil held for the two injured firefighters was appreciated and well attended.

Director Hatch thanked Chair Hasselbrink for her magnificent job serving as Chair this year, hoping to be able to attend in person next year. He noted there is a sense of accomplishment with our Chief, the Deputy Chiefs, a year of accomplishment, comradery, hope to meet again in person in 2021.

Chair Hasselbrink addressed the Board, thanking all for getting through the rough year, stated focus on the good, family, wishing everyone a Happy Thanksgiving, holidays, and New Year.

CLOSED SESSION

None.

ADJOURNMENT – Chair Hasselbrink adjourned the meeting at 7:39 p.m. The December 2020 regular meeting is canceled. The next regular meeting of the Orange County Fire Authority Board of Directors is scheduled for Thursday, January 28, 2021, at 6:00 p.m.

Maria D. Huizar, CMC
Clerk of the Authority



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
January 28, 2021

Agenda Item No. 2B
Consent Calendar

FY 2020/2021 Mid-Year Financial Report

Contact(s) for Further Information

Robert Cortez, Assistant Chief Business Services Department	robertcortez@ocfa.org	714.573.6012
Tricia Jakubiak, Treasurer	triciajakubiak@ocfa.org	714.573.6301
Stuart Lam, Budget Manager	stuartlam@ocfa.org	714.573.6302

Summary

This item is submitted to provide a mid-year financial update on the FY 2020/21 budget in accordance with the OCFA's Fiscal Health Plan and to preview expected budget adjustments for approval in March.

Prior Board/Committee Action

Budget and Finance Committee reviewed and approved recommendation at their January 13, 2021, Regular meeting by a 7-0 vote (Rossini absent).

RECOMMENDED ACTION(S)

Direct staff to return to the Board of Directors on March 25, 2021, for approval of the budget adjustments discussed herein for the FY 2020/2021 budget.

Impact to Cities/County

Annual increases for cash contract cities are estimated at 4.5% for FY 2021/22 and 0.9% for FY 2022/23 based on the Five-Year Financial Forecast.

Fiscal Impact

Financial impact has been presented in the attached report.

Background

The OCFA's Fiscal Health Plan calls for a comprehensive system to monitor OCFA's fiscal performance. This includes a review and comparison of forecasted revenues and expenditures against actual revenues and expenditures, as well as a mid-year budget review. The attached report reviews the current year budget, highlights any potential financial challenges to the OCFA, and previews anticipated FY 2021/22 budget issues, to the extent they are known at this time.

FY 2020/21 Budget Review

Significant changes have occurred since the budget was adopted in May 2020, including increases to budgeted beginning fund balance, increase in property tax revenue, decreases in select revenue sources due to COVID-19, increases in both revenue and expenditures related to assistance-by-hire emergency responses, increases in expenditures due to newly approved Firefighter and Chief Officer MOUs, as well as all approved adjustments to-date such as Carryover and new grant funds. These changes are detailed in the attached Mid-Year Financial Report.

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

Exhibit 1 – 2020 Trend Analysis -- Forecast to Actual Comparison

Exhibit 2 – Updated Five-Year Financial Forecast

Exhibit 3 – Five-Year Financial Forecast Assumptions



In May 2020, the Board of Directors approved the updated Financial Stability Budget Policy. Together with the Fiscal Health Plan, these documents describe the Authority's strong fiscal policies, a comprehensive system for monitoring OCFA's fiscal performance, and a framework to assure timely and appropriate response to adverse fiscal circumstances. Included in the Fiscal Health Plan is the requirement for a mid-year financial report, which is presented below.

ECONOMIC OUTLOOK

Property tax is OCFA's largest source of revenue; therefore, this section focuses on economic factors impacting property values. Although there is uncertainty regarding the long-term financial impacts of the COVID-19, residential real estate assessed values have continued to increase through the pandemic. The December 2020 Chapman Economic and Business Review forecast estimates growth in housing appreciation rates of 4.4% in 2021 and a 12.4% increase in existing home sales. Mortgage rates are projected to remain low through 2021, resulting in stronger housing market conditions and higher housing affordability. Although residential permits decreased from 10,294 in 2019 to 6,270 in 2020, Chapman is projecting a 38% rebound to 8,655 permits in 2021.

CURRENT FISCAL YEAR FINANCES

The following are estimated changes to the budget that are needed since the adoption of the FY 2020/21 budget in May 2020. Overall, the proposed changes in the General Fund result in an estimated total revenue increase of approximately \$20.3 million and an estimated total expenditure increase of \$30.3 million. *Approximately \$24.0 million of the expenditure increases are related to emergency incidents that are offset by corresponding revenue increases, or are items that are cost neutral through use of dedicated fund balance.*

FY 2020/21 Potential Revenue Adjustments - \$20.3 million

Property Taxes: Based on secured tax billings provided by the Auditor/Controller, preliminary projections indicate an approximate \$2.3 million increase over budget. **\$2,319,540**

Assistance by Hire (ABH)/Emergency Incident: 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 \$20.3 million greater than budget due to various in-county and out-of-county responses, upstaffing for surge capacity, and responding to the COVID-19 pandemic. 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. **\$20,312,708**

Grant/Other Reimbursements: This category represents reimbursements for Grants or other programs where expenditures are reimbursed once incurred. The \$13K adjustment is for supplemental funding for the 2019 US&R Grant. **\$13,464**



Charges for Services: This category of revenue adjustments includes planning & development fees, inspection fees, and false alarm fees. The decrease of \$2.4 million in charges for services is primarily due to a decline in restaurant and entertainment venue projects and a halt in non-mandatory inspections due to COVID-19. **(\$2,405,423)**

Miscellaneous: This category of revenue adjustments includes the following: updates to cash contract city maintenance charges; donations, miscellaneous revenue, insurance settlements, mutual aid response charges, and interest earnings. **\$66,162**

FY 2020/21 Potential Expenditure Adjustments - \$30.3 million

Assistance by Hire/Emergency Incident Costs: As mentioned under Revenue for ABH, an adjustment is needed for out-of-county responses, primarily in the overtime/backfill category, but also for response-related supplies. This category also comprises the expenditures for upstaffing for surge capacity, the helitanker program, incident management team, and COVID-19 expenditures. Staff will be monitoring these categories closely as the fiscal year progresses. **\$20,517,295⁽¹⁾**

MOU Impacts: This expenditure category represents the impact of the Orange County Professional Firefighters Association MOU approved by the Board on 8/27/20 and the Chief Officers Association MOU approved by the Board on 9/24/20. **\$4,289,153**

Personnel Expenditures: The majority of this adjustment (\$128,151) is to reclassify the cost for a limited term Construction Manager from the CIP to the General Fund. This cost was already approved in the FY 2020/21 budget; therefore, this is only an accounting change to better classify the expenditure. The remaining portion of this adjustment covers staffing changes due to position reclassifications, which were pre-approved by the Human Resources Committee and the Executive Committee. **\$164,153**

Supplies/Equipment/Professional Services: This category includes one-time adjustments for services and supplies which were unknown or for which costs have increased since budget development. The adjustments include increased insurance premiums (\$422K); paramedic tuition and EMS equipment/supplies (\$413K); personal protective equipment (\$215K); and vehicle outfitting (\$126K). **\$1,264,285**

Grant/Other Reimbursable Programs: These expenditure items include supplemental funding for the 2019 US&R Grant, FIRIS program expenditures, and Fire Ground Survival Training program expenditures, most of which are offset by corresponding revenue adjustments. **\$135,204⁽¹⁾**

¹ Expenditure increase is wholly or partially cost neutral, offset by a corresponding revenue source or dedicated fund balance.



Pension Paydown: Included in this adjustment is a \$3 million paydown of OCFA's unfunded pension liability from unencumbered fund balance remaining at the end of FY 2019/20 and a \$500K paydown required by the Irvine Settlement Agreement. **\$3,500,000⁽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. When the budget was adopted in May, the Board approved interfund borrowing as our cash flow management mechanism in FY 2020/21. The money is borrowed from the CIP and Work Comp Self-Insurance funds and repaid with interest which is reflected as a cost to the General Fund. **\$400,000**

¹ Expenditure increase is wholly or partially cost neutral, offset by a corresponding revenue source or dedicated fund balance.

FY 2020/21 CIP and Other Fund Adjustments

- **Fund 12110 – General Fund CIP:** A decrease in expenditures in the amount of \$98,222 is needed to move the budgeted funds from the CIP to the General Fund for the Limited Term Construction Manager position who will oversee the bathroom modification projects (\$98,222). This is purely an accounting change from one Fund to another with no impact on overall expenses. (Note that the remaining portion of this accounting change is included in Fund 123 below.)
- **Fund 123 – Fire Stations and Facilities:** A decrease in expenditures of \$2,397,098 is needed for the following: budget reduction for delayed RFOTC Training Grounds Expansion and Upgrade Project (\$2,100,000), budget reduction for the completed Phase II US&R Warehouse Training Center Improvements Project (\$267,169) and budget transfer from Fund 123 to the General Fund to move the budgeted funds for the Limited Term Construction Manager position who will oversee the bathroom modification projects (\$29,929).
- **Fund 133 – Fire Apparatus:** An increase in expenditures of \$75,000 is needed for the purchase of a heavy rescue vehicle.
- **Fund 139 – Settlement Agreement:** An increase in expenditures in the amount of \$15,000 is needed to accommodate Trustee and PARS fees for administering the 115 Trust.
- **Interest Earnings:** Interest earning revenues for each of the CIP and Other Funds have been decreased due to a lower than anticipated interest rate environment. The combined interest earnings decrease is \$525,898.

FY 2020/21 Fund Balance Transfer Adjustments

- **Unencumbered Fund Balance:** The FY 2019/20 year-end audit identified unencumbered fund balance in the amount of \$13,534,587. This fund balance increase resulted primarily from additional revenue received in the fiscal year, as well as salary savings and S&S savings in the General Fund. Staff recommends allocating the unencumbered fund balance as follows:
 - \$6.6 million is required to remain in the General Fund to replenish the contingency reserve to 10% of expenditures, pursuant to the OCFA's Financial Stability Budget Policy.



- Budget \$3,000,000 in Fund 121 for the Accelerated Pension Payment Plan, pursuant to the OCFA's Snowball Plan which assumes that an average of \$3 million per year will be allocated from year-end fund balance.
 - Transfer the remaining \$3,949,257 from Fund 121 to Fund 190 for the Workers' Compensation Program.
- **Irvine Settlement Agreement:** A fund balance transfer from Fund 139 to Fund 121 is needed to make a \$500,000 accelerated pension payment to OCERS as required in the Irvine Settlement Agreement.

FUTURE FISCAL YEAR FINANCES

Significant factors that are anticipated to influence the FY 2021/22 budget include:

- **Prepayment of OCERS Contributions** – Staff will conduct an analysis of OCFA's cash flow position; we expect to prepay half of the employer contributions to take advantage of an approximately 5.8% discount. This discount has fluctuated in recent years, from 7.25% to 5.8%, to 4.5%, and now back to 5.8%. The prepayment discount amounts to savings of millions of dollars.
- **Property Taxes** - Since property tax is the largest source of income for the General Fund at about 63% we have contracted with Harris and Associates to update our property tax projections. Updated preliminary information for our FY 2021/22 budget will not be available until February 2021; therefore, in the interim we are continuing to use Harris & Associates' prior projection for FYs 2021/22 through 2024/25 of the Five-Year Financial Forecast.
- **Retirement Rates** - The Orange County Employees Retirement System (OCERS) Board has adopted retirement rates for FY 2021/22. Compared to rates used in the Five-Year Cashflow Forecast, employer rates for general employees decreased by 2.59% and rates for the safety employees increased by 2.84% after removing the impact of the additional pension liability contributions OCFA has made to OCERS. Consistent with Board direction, we continue to pay the original rates, capturing those savings and increasing payments directly to our unfunded liability.

PENDING ISSUES

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

MONITORING FINANCIAL HEALTH

Financial Forecast

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

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

2020 Trend Analysis: Summary of 2-Year Forecast vs. Adjusted Actuals

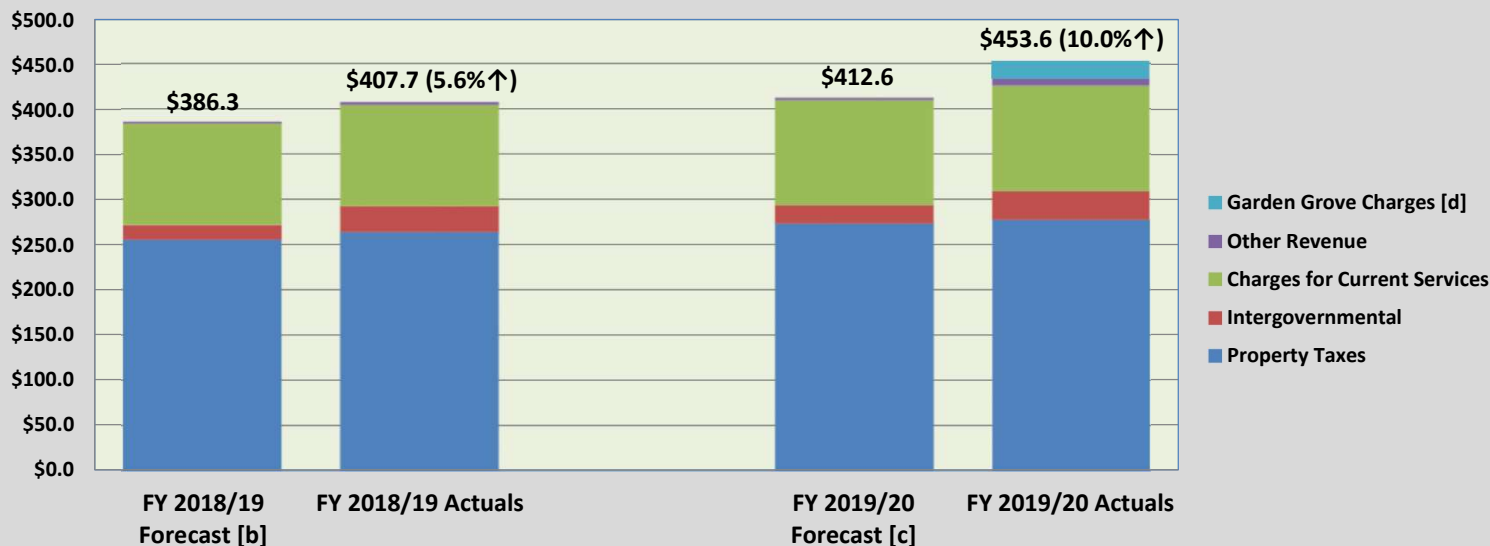
Exhibit 1

Comparison of 2018/19 Forecast to 2018/19 Actuals

and

Comparison of 2019/20 Forecast to 2019/20 Actuals

Revenue Comparison [a] (\$ in Millions)



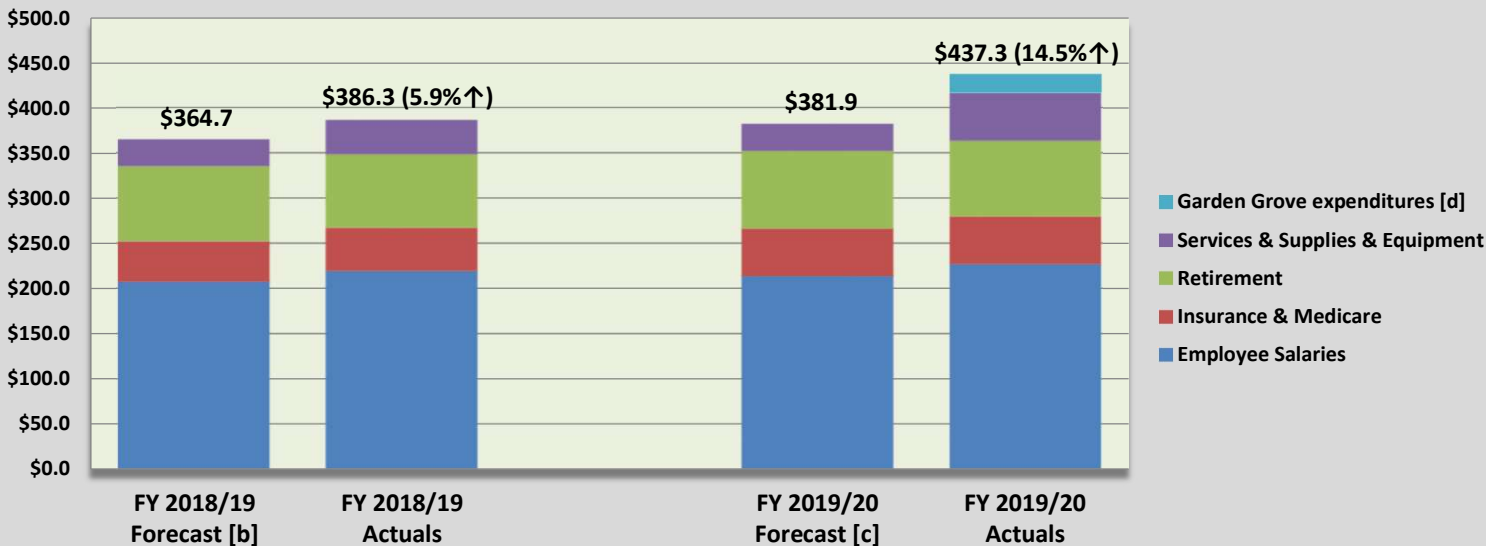
[a] Actual revenue adjusted for one-time sources not forecasted such as assistance by hire revenue, grant revenue, and one-time revenue associated with RDA dissolutions.

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

[c] As Presented in the FY2018/19 Adopted Budget.

[d] Garden Grove joined OCFA in August 2019.

Expenditure Comparison [e] (\$ in Millions)



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

Scenario 1 - Typical Property Tax Forecast with 0% Salary Increase After MOU Expirations		PROJECTED FY 2020/21	PROJECTED FY 2021/22	PROJECTED FY 2022/23	PROJECTED FY 2023/24	PROJECTED FY 2024/25
A.	BEGINNING FUND BALANCE - All Funds Combined	214,187,358	178,783,656	177,616,601	170,085,013	171,763,041
GENERAL FUND Revenues & Expenditures						
	Property Taxes	287,967,482	296,013,473	303,709,899	314,579,911	325,502,685
	State Reimbursements	8,057,496	8,057,496	8,057,496	8,057,496	8,057,496
	Federal Reimbursements	100,000	100,000	100,000	100,000	100,000
	One-Time Grant/ABH/RDA	40,073,766	-	-	-	-
	Community Redevelopment Agency Pass-thru	16,828,753	17,017,436	18,321,556	19,346,947	19,050,047
	Cash Contracts	127,229,659	132,008,763	134,536,024	136,265,782	137,670,246
	Community Risk Reduction Fees	3,658,585	6,061,323	6,061,323	6,061,323	6,061,323
	ALS Supplies & Transport Reimbursement	4,547,600	4,547,600	4,547,600	4,547,600	4,547,600
	Interest Earnings	142,640	180,145	188,148	376,021	387,487
	Other Revenue	1,418,279	1,418,279	1,418,279	1,418,279	1,418,279
	[a] Unencumb. Fund Balance & Fund 139 Transfer	6,114,053	-	-	-	-
	General Fund Revenues	496,138,313	465,404,515	476,940,325	490,753,358	502,795,164
	New Positions for New Stations	-	2,871,854	5,835,319	5,928,390	8,661,778
	Employee Salaries	234,331,754	239,439,920	240,601,497	241,089,143	241,089,143
	Retirement - Regular Annual Payments	94,443,020	92,330,071	92,598,321	93,172,540	95,154,557
	Retirement - Accelerated Pension Paydown Plan	15,868,859	14,279,280	17,787,217	20,772,547	21,814,115
	Workers' Compensation (Transfer to Fund 190)	20,093,346	25,096,683	26,357,344	27,148,064	27,962,506
	Other Insurance	35,799,840	38,336,801	40,670,547	43,156,210	45,720,766
	Medicare	3,335,213	3,392,060	3,398,993	3,406,063	3,406,063
	One-Time Grant/ABH Expenditures	19,045,148	-	-	-	-
	Salaries & Employee Benefits	422,917,180	415,746,670	427,249,236	434,672,957	443,808,929
	Services & Supplies/Equipment	44,063,639	33,526,388	32,468,261	32,536,137	32,541,071
	Irvine Settlement Agreement (Transfer to Fund 139)	2,168,000	2,168,000	2,168,000	2,168,000	2,168,000
	New Station/Enhancements S&S Impacts	-	155,807	320,963	330,592	535,087
	One-Time Grant Expenditures	13,515,487	-	-	-	-
	General Fund Expenditures	482,664,306	451,596,865	462,206,461	469,707,687	479,053,087
B.	Incremental Increase in GF 10% Contingency	-	1,226,073	2,226,966	651,590	830,383
	GENERAL FUND SURPLUS/(DEFICIT)	13,474,006	12,581,577	12,506,899	20,394,082	22,911,693
C.	Operating Transfer from Operating Contingency	-	-	-	-	-
	← Transfers to CIP Funds from General Fund Surplus	13,474,006	12,581,577	12,506,899	20,394,082	22,911,693
	One-Time Paydown of UAAL from General Fund Surplus	-	-	-	-	-
CAPITAL IMPROVEMENT PROGRAM (CIP)						
	Interest Earnings	363,636	354,250	333,205	649,130	683,623
	Cash Contracts	1,632,441	1,681,414	1,731,857	1,783,813	1,837,329
	Developer Contributions	540,000	1,048,573	1,827,923	-	822,770
	→ Operating Transfers into CIP from General Fund Surplus	13,474,006	12,581,577	12,506,899	20,394,082	22,911,693
	Total CIP Revenues	16,010,083	15,665,814	16,399,884	22,827,025	26,255,415
	Fund 12110 - General Fund CIP	12,216,121	7,599,000	4,362,000	8,350,000	8,610,000
	Fund 123 - Fire Stations and Facilities	11,224,673	11,675,000	16,000,000	11,750,000	4,500,000
	Fund 124 - Communications & Information Systems	4,922,093	3,223,704	3,677,490	1,250,000	1,301,394
	Fund 133 - Fire Apparatus	15,671,698	6,517,421	12,945,946	10,554,957	8,298,047
	Total CIP Expenses	44,034,585	29,015,125	36,985,436	31,904,957	22,709,441
D.	CIP SURPLUS/(DEFICIT) - Deposit to/withdraw from CIP reserve	(28,024,502)	(13,349,311)	(20,585,552)	(9,077,932)	3,545,974
OTHER FUNDS						
	Fund 190 - WC Revenue - Transfer from GF	20,093,346	25,096,683	26,357,344	27,148,064	27,962,506
	Fund 190 - WC Cashflow Payments per Actuary	20,057,235	15,640,500	17,030,345	18,543,694	20,191,523
E.	Deposit to WC Cashflow Reserve	36,111	9,456,183	9,326,999	8,604,370	7,770,983
	Fund 139 - Irvine Settlement Revenue - Transfer from GF	2,168,000	2,168,000	2,168,000	2,168,000	2,168,000
	Fund 139 - Irvine Settlement Expenditures - Per Agreement	2,183,000	668,000	668,000	668,000	668,000
F.	Deposit to PARS - Pension Reserve [1]	(15,000)	1,500,000	1,500,000	1,500,000	1,500,000
G.	Fund 171 - SFEEF Expenditures	1,286,258	-	-	-	-
	ENDING FUND BALANCE (Note) - All Funds Combined	178,783,656	177,616,601	170,085,013	171,763,041	185,410,382
Ending Balance by Fund						
	Operating Contingency (10% of Expenditures)	42,288,886	43,514,959	45,741,924	46,393,514	47,223,897
	Reserve for Cash Contract City Station Maintenance	510,000	510,000	510,000	510,000	510,000
	Structural Fire Fund Entitlement Fund (Fund 171)	3,171	3,171	3,171	3,171	3,171
	Irvine Settlement Agreement (Fund 139)	23,577,045	25,136,291	26,692,018	28,300,582	29,914,914
	CIP FUND BALANCE	9,185,821	(4,455,212)	(25,315,156)	(34,927,641)	(31,944,625)
	Workers' Compensation Cashflow Reserve (Fund 190)	103,218,733	112,907,391	122,453,055	131,483,415	139,703,024
	Total Fund Balances	178,783,656	177,616,601	170,085,013	171,763,041	185,410,382
Note: Ending Fund Balance is calculated by adding rows A+B+C+D+E+F-G, and excludes row [a] since unencumbered fund balance is already included in the Beg. Fund Balance						

[1] The deposit to the PARS - Pension Reserve in FY2020/21 is \$1.5M. The forecast shows (\$15,000) which reflects PARS administration fees only due an offset from rebudgeting \$1.5M for one-time joint police-fire training facility and bidirectional amplifier expenditures.

Forecast Assumptions – Mid-Year Revised

Basic Assumptions

The Adopted FY 2020/21 budget, and the Five-Year Capital Improvement Plan approved by the Board of Directors on May 28, 2020 form the basis for this financial forecast with the following adjustments:

- Updated total beginning fund balance from the FY 2019/20 audited financial statements.
- All approved budget adjustments that have occurred since the adoption of the budget.
- Proposed FY 2020/21 mid-year adjustments.

General Fund Revenues

- ***Secured Property Taxes*** – Harris & Associates Final 2020 Report provides the growth factors assumed for the forecast. The following are projections of current secured property tax growth:

FY 2020/21	4.54%
FY 2021/22	2.96%
FY 2022/23	2.75%
FY 2023/24	3.78%
FY 2024/25	3.66%

- ***Public Utility, Unsecured, Homeowners Property Tax Relief, and Supplemental Delinquent Taxes*** – All of these categories of property taxes are projected to remain constant during the forecast period.
- ***State Reimbursements*** – State reimbursements are expected to remain constant, pending more details from CAL FIRE.
- ***Federal Reimbursements*** – This revenue is projected to remain constant.
- ***One-Time Grant/ABH/RDA Proceeds*** – These are one-time only revenues that vary significantly from year to year and therefore are not forecasted beyond the current year. Board actions to date and proposed mid-year adjustments have increased the FY 2020/21 adopted budget by \$40.1M for one-time increases in grants and assistance by hire.
- ***Community Redevelopment Agency Pass-thru Revenue*** – Harris & Associates completed a Redevelopment Area Excess Revenue Analysis of pass-thru and residual revenues from the dissolution of the redevelopment agencies dated 4/8/2020. The forecast figures come from this report.
- ***Cash Contracts*** – The forecast calculations are based on the Joint Powers Agreement and subsequent amendments and year-over-year changes are estimated between 2.23% and 4.50% per year. In addition, this revenue category includes estimated John Wayne Airport contract proceeds with an annual 4% increase cap, which is projected to continue through the forecast period.

- **Community Risk Reduction Fees** – Community risk reduction fees are projected to remain constant through the forecast period from FY 2021/22 through FY 2024/25, pending any changes approved by the Board. The fees are projected to be lower in FY 2020/21 by \$2.4M than the following years due to the impacts of COVID-19 on services and development.
- **ALS Supplies & Transport Reimbursements** – This revenue is estimated to remain flat, pending any changes approved by the Board.
- **Interest Earnings** – Assumes an annual return of 0.63% for FY 2020/21 and 0.25% for FY 2021/22 and FY 2022/23 and 0.5% thereafter.
- **Other Revenue** – This revenue source includes various items such as reimbursements for training and cost recovery for the firefighter handcrew.

General Fund Expenditures

- **Salaries & Employee Benefits** – S&EB is composed of the following factors:
 - ✓ **New Positions for New Stations** – The forecast assumes that vehicles will be in service beginning 1/1/2022 for Station 67 and 7/1/2024 for Station 12.
 - ✓ **Employee Salaries** – Projected salaries reflect increases consistent with the approved labor group MOUs.
 - ✓ **Retirement** – Retirement costs reflecting the projected employer retirement rates are based on the OCERS provided rates for FY 2020/21. The projected employer rates in the outer years of the forecast are based on a study prepared by Segal Consulting and provided by OCERS dated 7/9/2020. FY 2021/22 rates are approximately 0.44% lower for safety and 0.69% lower for non-safety compared to FY 2020/21 rates.

FY	Safety	General	Source
2020/21	53.94%	37.61%	FY 2020/21 based on OCERS provided rates. Outer years based on Segal Study dated 7/9/2020. Effective rates were adjusted to remove impact of additional OCFA UAAL contributions
2021/22	53.50%	36.92%	
2022/23	53.30%	37.02%	
2023/24	53.50%	37.32%	
2024/25	54.70%	38.12%	

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

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

- Contributing additional funds each year using projected savings that will be realized under new Public Employees' Pension Reform Act (PEPRA) of \$2.4M in FY 2020/21 and continuing in different amounts until payment is complete.
- Contributing an additional \$1M each year starting in FY 2016/17 and increasing by \$2M each year until it reaches \$15M and continuing at \$15M thereafter.

- Contributing \$1 million per year from surplus fund balance available in the Workers' Compensation Self Insurance Fund from FY 2016/17 through FY 2020/21.
- Beginning in FY 2017/18 at mid-year, if CIP is sufficiently funded, allocate 50% of the General Fund surplus, if any, to UAAL with the remaining 50% used to fund CIP.
- ✓ **Workers' Compensation** – FY 2020/21 assumes a 50% confidence level for ongoing Workers' Compensation costs. The 50% confidence level is assumed throughout the forecast period. Workers' Compensation costs in the forecast period are based on projected payments in the Rivelle Consulting Services Feb. 2020 Study.
- ✓ **Other Insurance** – Medical insurance rates for firefighters are assumed to increase by 5% for years 2020 and 2021 per the Health Plan Agreement dated 3/29/2017. For staff members, it is projected to grow by 10% annually. This category also includes \$70,000 for unemployment insurance in FY 2020/21.
- ✓ **Medicare** – Annual amounts are calculated at 1.45% of projected salaries.
- **One-Time Grant/ABH Expenditures** – These are one-time only expenditures that vary significantly from year to year and therefore are not forecasted beyond FY 2020/21.
- **Services and Supplies (S&S)** – S&S is held flat unless a new fire station is built, specific increases have been identified by section managers, or one-time grant proceeds have been received.

Net General Fund Revenue

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

Incremental Increase in General Fund 10% Contingency

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

Transfer to Fund 139 from General Fund Surplus

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

General Fund Surplus/(Deficit)

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

Capital Improvement Program/Other Funds Revenue

- ***Interest Earnings*** – Assumes an annual return of 0.63% for FY 2020/21 and 0.25% for FY 2021/22 and FY 2022/23 and 0.5% thereafter.
- ***State/Federal Reimbursement*** – The forecast assumes no State/Federal reimbursement revenue in the forecast period.
- ***Cash Contracts*** – The forecast calculations are based on the Joint Powers Agreement and subsequent amendments.
- ***Developer Contributions*** – The forecast assumes we will receive developer contributions to fund fire stations and vehicles in FY 2020/21, FY 2021/22, 2022/23, and FY 2024/25.
- ***Workers' Compensation Transfer*** – These amounts equal the General Fund Workers' Compensation budget which reflects a reduction of \$1M used to paydown the UAAL per the Snowball Plan.
- ***Fund 139 Transfer*** – These amounts are transferred from the General Fund to pay for various expenditures required under the City of Irvine Settlement Agreement.
- ***Operating Transfer In*** – This figure equals the Operating Transfer Out from the General Fund.

Capital Improvement Program/Other Funds Expenditures

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

- ***Irvine Settlement (Fund 139)*** – Budgeted expenditures in Fund 139 are based on the City of Irvine Settlement Agreement.
- ***Structural Fire Fund Entitlement (Fund 171)*** – The forecast period assumes no Structural Fire Fund Entitlement expenditures beyond FY 2020/21.
- ***Self-Insurance Fund (Fund 190)*** – Self-Insurance Fund expenditures are based on projected payments in the Rivelle Consulting Services February 2020 Workers' Compensation Actuarial Study.

Fund Balances

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

Assigned Fund Balances

- ***Irvine Settlement (Fund 139)*** – Funding is set aside for City of Irvine Settlement Agreement costs, including the 115 Trust.
- ***Self-Insurance Fund (Fund 190)*** – Funding is set aside for Workers' Compensation outstanding claims at the 50% confidence level per Board policy. The required amount is based on the actuarial report for Estimated Outstanding Losses as of the last full fiscal year.

prior to report issuance. The required funding levels are maintained by retaining funds in fund balance that reflect the difference between the workers' compensation transfer and Fund 190 expenditures.

- ***Capital Improvement Program*** – This fund balance includes funding for future capital replacements and is reduced annually by the cost of capital assets and increased in years when there are Operating Transfers into the CIP.



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
January 28, 2021

Agenda Item No. 2C
Consent Calendar

Annual Grant Priorities for 2021

Contact(s) for Further Information

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Summary

This annual agenda item is submitted to the Budget and Finance Committee for approval of Orange County Fire Authority's (OCFA) Annual Grant Priorities for 2021.

Prior Board/Committee Action

This is an annual and routine item presented to Budget and Finance Committee since 2012. Budget and Finance Committee reviewed and approved recommendation at their January 13, 2021, Regular meeting by a 7-0 vote (Rossini absent).

RECOMMENDED ACTION(S)

Approve OCFA's Annual Grant Priorities for 2021.

Impact to Cities/County

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

Fiscal Impact

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

Background

The OCFA applies for grant funding throughout the year based on needs identified throughout the organization. This staff report is provided to establish the 2021 Grant Priorities. The grant priorities for 2021 were established in collaboration with Executive Management and staff to address upcoming funding needs and opportunities. These discussions assisted in identifying potential projects and corresponding grant programs to pursue in the coming calendar year. Furthermore, we will continue to use the eCivis grant research tool to identify additional grant opportunities in 2021.

In 2020, OCFA received \$1.6 million and is pending receipt of \$4.4 million in various grant awards for COVID-19 response and personal protective equipment costs, managing the Urban Search & Rescue Task Force-5, and for overall preparedness to prevent, prepare, respond, and recover from acts of terrorism.

In 2019, OCFA received \$1,522,584 million from the Federal Emergency Management Agency (FEMA) under the Assistance for Firefighters Grant program to enable 35 OCFA members and 25 members from neighboring fire departments to be certified Fire Ground Survival (FGS) instructors under the International Association of Fire Fighters (IAFF). OCFA's certified instructors will train all of OCFA's members. This training and grant was originally set to be completed by September of 2020, however, the COVID-19 pandemic forced the suspension of training activities. FEMA recognized the impact of the pandemic and provided an extension of one year to September of 2021. OCFA is currently evaluating the timing of training in 2021.

In addition to current year awards, OCFA continues to receive funding under a 2017 FEMA *Staffing for Adequate Fire and Emergency Response* (SAFER) grant of \$3.6 million to fund a fourth firefighter position for Buena Park, Tustin, and San Clemente. In 2020, OCFA continued to meet the required minimum staffing to receive reimbursements. The grant will close March 14, 2021.

Attachment(s)

OCFA's Annual Grant Priorities for 2021



Orange County Fire Authority

Annual Grant Priorities

2021

Staffing for Adequate Fire and Emergency Response (SAFER)

\$3.6 million awarded

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

Firefighter Staffing: OCFA’s 2017 grant award funds a fourth firefighter for a single unit in each of the member cities of Buena Park, San Clemente, Placentia, and Tustin. With the departure of Placentia, the fourth firefighter position was reallocated. Prior to award of the grant, each city had an engine staffed with three firefighters. Adding a fourth firefighter on these units was targeted to improve service delivery and enhance firefighter safety. At the conclusion of the three-year grant period, the cost of each position will be phased-in for Buena Park, San Clemente, and Tustin. These cities will not incur the full cost of the positions until FY 2024/25. No application can be submitted during the current award period of 2018-2021.

OCFA has continued to meet the staffing levels required by the grant thanks to the two 50-person academies in 2020. When the grant closes on March 14, 2021 there will be no further minimum staffing levels required of OCFA by FEMA.

Assistance to Firefighters Grant (AFG)

\$2.2 million awarded

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

2021 Application

Staff is evaluating the replacement of our aging Self-Contained Breathing Apparatus (SCBAs) to newer models with increased capacity and safety features. The OCFA received a 2012 AFG award for close to \$1.4 million to replace SCBAs, and we have since grown to contract with the cities of Santa Ana and Garden Grove and have acquired their aging SCBAs. Frontline units must be replaced at the same time to ensure interoperability and consistency in our operations. Staff is examining our current inventory and determining front line operational and reserve needs to determine the total cost. Replacing our front line SCBAs are estimated to be in the millions of dollars. A grant will ensure that OCFA can complete this project for all frontline units at the same time and will additionally address other critical capital and equipment needs.

AFG-COVID-19 Supplemental: In June of 2020, OCFA received an AFG-COVID-19 Supplemental award of \$718,635.18 to purchase Personal Protective Equipment (PPE) necessary for our response to COVID 19. All award funds have been expended. Unfortunately, under the regular AFG 2020 application cycle, our request for funds to purchase a specialized “heavy wrecker” for use during significant or “over the side” traffic collisions was not approved. This vehicle is considered a lower priority by FEMA when compared to other frontline suppression vehicles, and OCFA will seek other sources of funding.

Fire Ground Survival Training: In September of 2019, OCFA received \$1,522,584 for 35 OCFA members and 25 members from neighboring fire departments to be certified Fire Ground Survival (FGS) instructors under the International Association of Fire Fighters (IAFF). Grant funds will also allow OCFA's 35 certified trainers to provide instruction during the final six-months of the grant to all of OCFA's 1,067 members. The 25 certified trainers from Anaheim Fire Department, Costa Mesa Fire Department, Fountain Valley Fire Department, and Orange Fire Department will provide instruction separately to their 200+ members. According to the IAFF, “the purpose of the Fire Ground Survival program is to ensure that training for MAYDAY prevention and MAYDAY operations are consistent between all firefighters, company officers, and chief officers. Firefighters must be trained to perform potentially life-saving actions if they become lost, disoriented, or injured.”

This training and grant was set to be completed by September of 2020, however, the COVID-19 pandemic forced the suspension of training activities. FEMA has recognized the impact of the pandemic and provided an extension until September 2021. OCFA hoped to re-institute training in January 2021, but is delaying the training due to local and state health guidelines related to the spike in COVID-19. OCFA is currently evaluating the timing of the training in 2021.

Fire Prevention and Wildfire Safety Grants

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

The OCFA will consider grants that support existing fire prevention education activities such as smoke alarm installations, or community based defensible space activities. The Community Risk Reduction Department will evaluate projects and our ability to take on the workload in light of the impacts of COVID-19 on staff and revenues.



Orange County Fire Authority **AGENDA STAFF REPORT**

**Board of Directors Meeting
January 28, 2021**

**Agenda Item No. 3A
Discussion Calendar**

2021-22 Legislative Platform

Contact(s) for Further Information

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Summary

This item is submitted for approval and adoption of the 2021-22 Legislative Platform.

Prior Board/Committee Action

The Board reviews and approves the Legislative Platform every two years.

RECOMMENDED ACTION(S)

Adopt the 2021-22 Legislative Platform and direct staff to initiate procedures to implement the platform.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

The OCFA Joint Powers Agreement provides that the Authority shall have the power to “prepare and support legislation related to the purposes of the Agreement” (Article 1, Section 4, subsection L). The purpose of the OCFA 2021-22 Legislative Platform is to provide a framework for the advocacy efforts of OCFA to be implemented by our lobbyists and OCFA staff. The attached document provides staff the ability to communicate OCFA positions or concerns on pending legislation. Legislation will be identified as it proceeds through the committee process for adoption of positions of support, opposition, or monitor.

The recommended positions included in the attachment are derived from past legislative history, anticipated legislation, prior OCFA positions, and discussions with Executive Management. During the course of the legislative year, we anticipate a number of bills will be introduced and we will provide analysis and a recommended position on legislation, regulation or budget proposals to the Executive Committee for its approval.

The platform identifies what areas or legislative actions will be undertaken or positions advanced by OCFA. The platform coincides with the two-year legislative cycles and will be renewed every two years. State and federal legislation consistent with the platform will be identified, and updates

will be provided periodically to the Executive Committee on the status and positions advocated by OCFA. Bills will be designated with positions of:

Support - OCFA may provide letters or testimony at committee hearings in support. Staff and lobbyists are approved to communicate this position publically and to provide assistance with drafting language or providing information (documents, data, and subject matter experts) to advance measures.

Oppose - OCFA may provide letters or testimony at committee hearings in opposition. Staff and lobbyists may communicate this position publically and work with others local agencies, private or community based groups to provide information (documents, data, and subject matter experts) to defeat measures.

Monitor - Legislation impacting OCFA or our partners (cities, county, public safety agencies) that staff is tracking, but has no significant cost or benefit will be identified and summarized. The Executive Committee may direct additional review or adopt a formal position.

Amendments - OCFA staff is authorized to work with general counsel and our lobbyists to assist legislators, their staff, or other groups by suggesting amendments that may lead to official support or remove concerns prior to the adoption of an official OCFA position. However, no implication of an official OCFA position may be made or communicated prior to Executive Committee action except for time sensitive matters as described below.

Time Sensitive Matters

In the instance where an adopted position on legislation or funding is deemed to be time-sensitive, and requires OCFA's input immediately, the Fire Chief (or staff) shall consult with the Board Chair and Vice-Chair. If immediate action is required and there is significant benefit or impact to OCFA, a support or oppose position may be communicated prior to formal adoption. A Board Advisory will be provided to inform all Directors, and the item will then be placed on the agenda for the next Executive Committee.

Attachment(s)

OCFA 2021-22 Legislative Platform

2021-22 Legislative Platform

Operations and Community Safety

Wildfire Prevention & Suppression

- Support increased state funding of CALFIRE, Contract Counties and other sources of funding for staffing and pre-positioning of resources during high threat periods (winds, drought, flooding)
- Support funding of aerial resources for both suppression and incident awareness and assessment (IAA)
- Support use of technology to forecast high fire risk conditions, wildfire progression (modeling), and monitoring (cameras, sensors, IAA)
- Support funding for education, fuel reduction, and planning to reduce fire ignitions and loss of life during wildfires

Building & Development

- Support funding, tax incentives, and educational programs that encourage home hardening to reduce building ignition during wildfires from embers
- Oppose legislation or efforts to eliminate local discretion and input on developments (housing and commercial) in the Wildland Urban Interface
- Monitor legislation impacting the fire code and related topics (i.e. high rise buildings, hazardous materials, home hardening, etc.)
- Monitor legislation that mandates use of solar energy in new developments, mobile fueling expansion, and proposals for “new energy” infrastructure that impact fire and health safety codes

Fireworks

- Support legislation and budget proposals that streamline enforcement, licensing and disposal of fireworks or explosive material

Arson

- Support stronger penalties and efforts to prosecute arson crimes

Disaster Recovery & UASI

- Support funding for Urban Area Security Initiative (UASI) and other Department of Homeland Security grants that address regional or national threats, emergency preparedness, and communication

Emergency Medical Services and 911 System

BLS/ALS & Transport

- Support measures that increase Medi-CAL reimbursement to fire departments for ambulance transport and paramedic treatment
- Support measures that increase county and city authority to exercise local oversight and administration of the EMS system, including the design of service areas and contracting for service
- Support funding and the adoption of standards that improve firefighter safety
- Oppose mandated training or services by local EMS agencies without funding or cost recovery mechanisms

Alternate Destination & Alternative Transport

- Support legislation that encourages local agencies, either through funding or regulatory reforms, to treat patients by transporting to appropriate alternate destinations

Paramedic Licensing

- Monitor measures that revise paramedic licensing processes and impact OCFA hiring or promotional processes

911 Dispatch

- Support measures that reduce false or abusive use of 911 requests for services
- Support legislation and funding for the improvement or expansion of 911 dispatch centers, and establishing back-up systems and locations for continuity of operations

Homeless and Behavioral Health

- Support legislation that provides resources and alternative avenues of health care to adequately address behavioral health issues

Administrative

Revenues, Fees, & Taxes

- Support the use of state and federal funds for wildfire mitigation, defensible space, and suppression efforts (i.e. California State Greenhouse Gas Reduction Funds, Federal Forestry and other land management agencies)
- Oppose the diversion of local revenues, fees, and taxes by the state (i.e. State takeaways, property tax and sales tax “borrowing, etc.)

Employee Benefits/ Risk Management

- Support measures that limit OCFA's legal or insurance liabilities (i.e. improving efficiency of workers compensation review or settlement of claims)
- Monitor expansion or addition of new presumptive injuries or illnesses that force local agencies to provide benefits without considering if the injury or illness is related to employment
- Support measures that enhance or promote fire service employee safety

JPA Agreement

- Oppose efforts to restrict local control of JPA governance and any restriction on local design of JPA authority

Pensions

- Support measures that reduce liability and increase rate stability for local agencies

Logistics

- Monitor legislation that impacts design/construction of emergency buildings, fire vehicles, or 911 technology systems

COVID-19 Recovery and Relief

- Support legislation and funding to reimburse first responder agencies for response and recovery costs associated with COVID-19
- Support efforts to prioritize vaccinations for first responders, health care workers, or other frontline personnel
- Monitor legislation impacting telecommuting and COVID-19 revisions to employee benefits, time-off, or other provisions of labor law.

2021-2022 Federal Priorities

I. National Urban Search and Rescue Team (US&R)

OCFA is a sponsoring agency of California Task Force 5, one of 28 Task Forces across the country. These are FEMA supported Task Forces that provide a federal response capability to nationally declared disasters. The system provides FEMA with a first responder capability using local agencies and personnel to administer and oversee the program. OCFA is responsible for administering federal funds to train and maintain local personnel and equipment that is deployed to national incidents.

In 2016, authorizing legislation was passed to address Task Force concerns with worker compensation, licensing of civilian members, and employment issues. The Task Forces have since then focused on increasing federal appropriations. Congress has for the last couple of years provided \$38 million annually.

OCFA will work with our national task force partners to advocate for funding the US&R program at \$50 million annually. This is the full cost to replace critical equipment, enhance training, and fund capital replacement/improvement (vehicles, US&R warehouse).

II. DHS & FEMA Grant Programs

OCFA will work with other national groups to support increased federal funding of Fire Act grants from FEMA (SAFER, AFG), Urban Area Security Initiative (UASI) funding from Department of Homeland Security, and the U.S. Fire Administration. Santa Ana and Anaheim receive UASI funds and work with OCFA and other fire/law enforcement agencies to address regional equipment and training needs.

III. COVID-19 Relief & Recovery

With the pandemic continuing to impact all levels of government and the economy, OCFA will support and advocate for direct federal support to fire districts, authorities, and other first responder agencies. This includes seeking grant funding for personnel and equipment involved with the response and delivery of vaccinations. The OCFA is already working with our local agencies, including the County, to implement the vaccination effort. These costs are reimbursable currently and we will advocate for additional funding and flexibility in the use of those funds.

2021-2022 State Priorities

I. COVID-19 Relief & Recovery

The response to COVID-19 was the dominant focus of the Governor and Legislators in 2020. Early plans to invest increased State revenues in various efforts, including wildfire response and prevention, were set aside during the May Budget Revise. While this was partly due to time constraints with the legislative session shifting to a remote process a significant issue was the unknown impact of the crisis on State revenues. Based on end of year revenues it now appears the State is in a better than expected position financially.

The focus in 2021 will continue to be on delivering relief, including vaccinations and financial assistance, to Californians and local agencies responding to the pandemic. The OCFA and our partners in the public safety community are working to ensure we are protected and backfilled for losses in local revenues. If State revenues do show improvement, we will also advocate that they be invested to increase wildfire response capacity that has been strained by the need for personnel to respond to the pandemic.

II. Wildfire Mutual Aid Resources (Utilities)

In 2019, Assemblywoman Petrie-Norris (D- Laguna Beach) secured \$4.5 million for OCFA in state budget funding to implement the First Responder Intelligence, Survey, and Reconnaissance System (FIRIS) Pilot Program using fix wing aircraft to provide enhanced situational awareness. Additional funding was secured in 2020 from California Office of Emergency Services to continue this program led by OCFA.

In collaboration with Southern California Edison (SCE), OCFA secured additional resources to enhance aerial wildland fire suppression in Orange County and the Southern California region. During 2019 and 2020, OCFA implemented the NextGen Pilot Program and the VLHT Program (respectively) in which Type 1 heavy lift helicopter(s) provided 24-hour coverage during peak high fire risk months to aid ground support wildland fire suppression. Both programs proved to be successful and significantly increased OCFA's ability to drop water and retardant.

The 2021-22 proposed Governor's budget includes \$1.9 billion for the California Office of Emergency Services and \$2.9 billion for the California Department of Forestry and Fire Protection. Key areas highlighted in the Governor's announcement include funding for additional fire crews, Black Hawk helicopters, Large Air tankers, and new technologies. Staff is reviewing these areas in detail and will support those items that align with our platform.

III. Fire Based Ambulance/Paramedic EMS Local Control

Over recent years there have been various efforts to supersede local municipal control of fire-based EMS/ambulance/paramedic service delivery. The California Emergency Medical Services Authority (EMSA) is the state authority responsible for establishing standards for the training and scope of practice for EMS personnel. However, over the last several years the State EMSA has begun considering the establishment of new regulations that will intrude into local control in the design and level of service provided by fire-based municipal EMS agencies.

This effort was opposed by city and fire service leaders across the state, and the EMSA has now paused to allow for a workgroup to meet and discuss with fire service representatives. The OCFA will work

with our local member agencies and statewide partners like the League of Cities and California Fire Chiefs Association, and labor representatives to oppose any underground regulations imposed by EMSA on local agencies. Decisions on the design and level of service must continue to be made by local municipal fire based EMS agencies that have been providing and funding those services.



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
January 28, 2021

Agenda Item No. 3B
Discussion Calendar

**2020 Long Term Liability Study
& Accelerated Pension Payment Plan**

Contact(s) for Further Information

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Summary

This annual agenda item is submitted to provide information on the Orange County Fire Authority's (OCFA) total long term liabilities and strategies for mitigating and/or funding the liabilities.

Prior Board/Committee Action

As this is an annual report, the last presentation to the Board of Directors was at its November 21, 2019 meeting. Budget and Finance Committee reviewed and approved recommendation at their January 13, 2021, Regular meeting by a 7-0 vote (Rossini absent).

RECOMMENDED ACTION(S)

1. Direct staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to adjust the FY 2020/21 General Fund budget to increase expenditures and operating transfers out by a combined value of \$13,534,587 the amount identified as the unencumbered fund balance identified in the FY 2019/20 financial audit, and to allocate the funding among three of OCFA's high-priority funding areas including \$3,000,000 to the Accelerated Pension Payment Plan, \$3,949,257 to the Workers' Compensation Program, and \$6,585,330 to the General Fund to replenish the required 10% contingency reserve. The specific technical budget adjustment to carry-out this action will be included in the March mid-year budget adjustment agenda item for final approval by the Board.

Impact to Cities/County

Strategic planning to reduce liabilities where possible, and provide early funding for those liabilities which cannot be reduced, will assist OCFA in sustaining frontline emergency services for our member agencies and the citizens we serve.

Fiscal Impact

During the past seven years, the OCFA Board of Directors' support of the Accelerated Pension Payment Plan has enabled OCFA to make accelerated payments totaling \$108.5 million, resulting in interest savings of \$34.4 million on behalf of the Orange County citizens and taxpayers whom fund our services.

Background

In order to determine an agency's financial stability, one must look at all of its long-term obligations or liabilities, not just pensions. The Liability Study (Attachment 1) examines all of OCFA's long-term liabilities, with primary focus on the pension liability.

Accelerated Pension Payment Plan

During FY 2019/20, OCFA made additional payments towards its Unfunded Actuarially Accrued Liability (UAAL) totaling \$13.6 million to the Orange County Employees' Retirement System (OCERS). To evaluate progress associated with the accelerated funding of OCFA's pension liability, OCFA requested OCERS' actuary, Segal Consulting, to update the following:

- How much OCFA saved in interest annually since 2013 by making additional payments towards its UAAL?
- When would OCFA achieve 85% funding and 100% funding if it continued to make additional UAAL payments under its Snowball Plan?

The actuary reported back that OCFA has saved \$34.4 million in interest by making additional payments towards its UAAL and will achieve 85% funding by December 31, 2021, and 100% funding by December 31, 2026, assuming all other actuarial inputs are held constant as identified in Attachment 2.

Irvine Settlement Agreement

As part of the Irvine Settlement Agreement, OCFA agreed to establish a 115 Trust and to make annual deposits of \$2 million, dedicated solely for future application to OCFA's pension liability. On May 23, 2019, the OCFA Board approved establishing the 115 Trust with the Public Agency Retirement Services (PARS), and the initial deposit of \$2 million was made on July 1, 2019. OCFA is to continue to make annual deposits of \$2 million in July of each year. However, if OCFA has not funded 85% of its pension liability as determined by OCERS by June 30, 2020, then the required 115 Trust payment will be reduced to \$1,500,000 per fiscal year until OCFA achieves the targeted 85% funding level and the \$500,000 reduction will instead be contributed to OCERS as an additional employer pension contribution. Since OCFA's pension plan is currently 80% funded, this year the \$500,000 will be sent to OCERS as an additional source of funds to reduce the pension liability.

A hypothetical allocation of OCFA's pension liability by member city can be found in Attachment 3, and the allocation of the PARS 115 trust assets by member city can be found in Attachment 4.

The OCFA has already taken many steps to reduce some of its long-term liabilities and accelerate funding of other liabilities. Staff is committed to continue seeking additional ways to mitigate liability impacts, fund the accrued liabilities, and ensure the long-term viability of the organization.

Attachment(s)

1. 2020 Long Term Liability Study
2. Updated Snowball Strategy
3. Hypothetical Allocation of Pension Liability Per City
4. Allocation of PARS 115 Trust Assets by City

Exhibit(s)

Presentation on the 2020 Long Term Liability Study

ORANGE COUNTY FIRE AUTHORITY



2020 LIABILITY STUDY

OCFA'S LONG TERM LIABILITIES

JANUARY 2021

OCFA'S LONG TERM LIABILITY STUDY

I. OBJECTIVE

One of the key components of fiscal responsibility is prudent management of long-term liabilities. The objective of this annual study is to provide an accurate assessment of the OCFA's *total* long-term obligations and to continuously identify strategies to reduce and/or fund the liabilities.

II. BACKGROUND

OCFA's long term liabilities include:

1. Defined Benefit Pension Plan
2. Defined Benefit Retiree Medical Plan
3. Workers Compensation Claims
4. Accrued Compensated Absences (accumulated sick and vacation payouts)

OCFA's biggest long-term challenges are pensions, retiree medical for retired employees, and workers' compensation claims. Both the Defined Benefit Pension Plan and the Defined Benefit Retiree Medical Plan currently have unfunded liability balances, as further described below.

DEFINED BENEFIT PENSION PLAN

In a *defined benefit plan*, employees receive *specific benefits* upon retirement, based on a pre-established formula. For example, a pension plan may provide retirees an annual retirement income which is determined in accordance with an agreed-upon formula, such as a predetermined percentage of annual earnings multiplied by the number of years of service.

The OCFA participates in the Orange County Employees' Retirement System (OCERS), a cost sharing multiple-employer, defined benefit pension plan. All OCFA regular, full-time and part-time employees become members of OCERS upon employment, and the OCFA makes periodic contributions to OCERS as part of the funding process. The contributions submitted to OCERS are divided into employer and employee contributions. The combination of these contributions and investment income from OCERS' investments are structured to fund the employees' retirement benefits by the time the employees retire.

The OCFA's employees are distributed into two employee categories for purposes of retirement benefits, identified as Safety members and General members. Both the Safety and General categories include three tiers of retirement benefit formulas each, depending on date of hire:

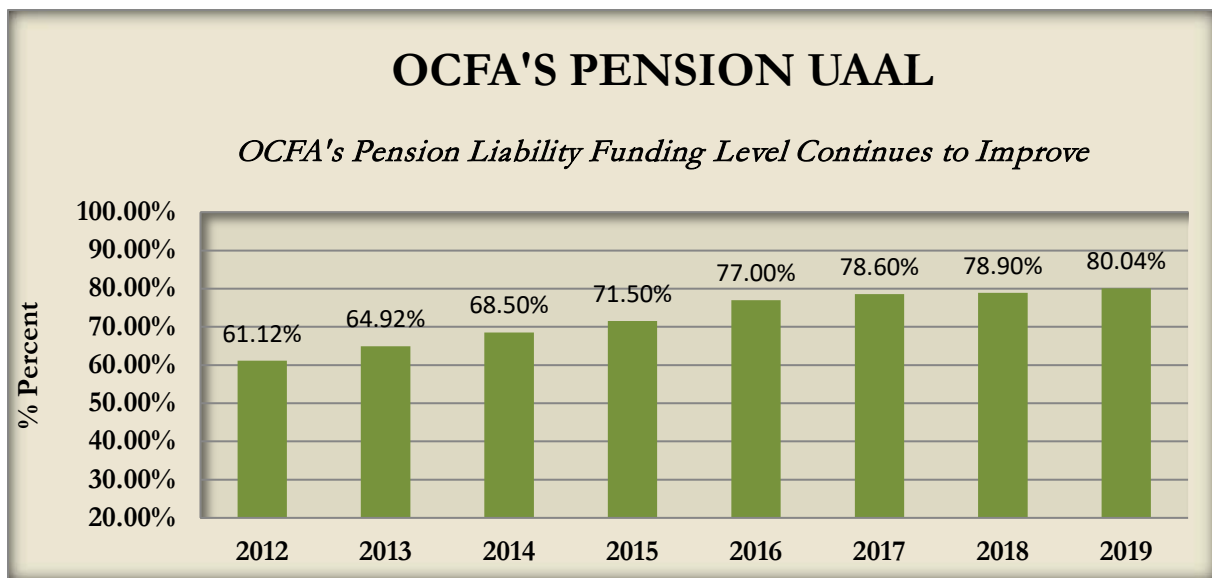
	Hired Prior to July 1, 2012	Hired Between July 1, 2012 – Dec. 31, 2012	Hired on or after Jan. 1, 2013 (w/out reciprocity)
Safety	3% @ 50	3% @ 55	2.7% @ 57

	Hired Prior to July 1, 2011	Hired Between July 1, 2011 – Dec. 31, 2012	Hired on or after Jan. 1, 2013 (w/out reciprocity)
General	2.7% @ 55	2% @ 55	2.5% @ 67

OCFA Retirement Costs, Liabilities and Funding

OCFA's annual retirement costs (mandatory costs plus voluntary accelerated payments) represent approximately \$93 million or 22% of the Authority's FY 2020/21 General Fund budget. Each year, the Authority receives its retirement rates from OCERS. The total retirement rate has two components: the Normal Cost Component plus the current year's cost for the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost Component is the cost to pay for the current year's value of retirement benefits as earned. The UAAL Component is the accrued liability for past services which were not funded by prior contributions and investments.

The UAAL is determined by the actuary and is the difference between the present value of accrued liabilities and the value of assets as of a specific date. This amount changes over time as a result of changes in accrued benefits, pay levels, rates of return on investments, changes in actuarial assumptions, and changes in the demographics of the employee base.



Based on the December 31, 2019, valuation by OCERS, the Authority's total UAAL was \$434.7 million with \$388.6 million or 89% attributed to Safety members and \$46.1 million or 11% attributed to General members. OCFA's plan is 80.04% funded. The OCFA reduces its UAAL over time as part of the annual required pension contribution to OCERS as shown below:

General Members (2.7% @ 55, 2.0% @ 55, and 2.5% @ 67 combined)

<u>Employer Rate</u> *	<u>2019 Valuation</u> (FY 21/22 rates)	<u>2018 Valuation</u> (FY 20/21 rates)
Normal Cost	12.64%	12.64%
<u>UAAL</u>	<u>14.06%</u>	<u>14.96%</u>
Total	26.70%	27.60%

Safety Members (3.0% at 50, 3% @ 55 and 2.7% @ 57 combined)

<u>Employer Rate</u> *	<u>2019 Valuation</u> (FY 21/22 rates)	<u>2018 Valuation</u> (FY 20/21 rates)
Normal Cost	24.92%	24.00%
<u>UAAL</u>	<u>23.79%</u>	<u>23.84%</u>
Total	48.71%	47.84%

* Totals do not include *Employee Rates*, which vary based on age of entry and retirement formula. *Employee Rates* range from 5.42% - 11.86% for General and 9.10% - 14.47% for Safety. Rates are also after adjustment for additional UAAL contributions made from 2014 to 2019.

Two events have the greatest impact on plan funding: (1) plan changes, namely benefit formula changes and (2) differing actual experience requiring a modification in assumptions to reflect reality such as life expectancy. Other assumptions that impact the funding and UAAL include:

1. The assumed rate of return
2. The rate of increase in salaries
3. Member mortality
4. The age at which members choose to retire
5. How many members become disabled
6. How many members terminate their service earlier than anticipated

The assumed rate of return, also known as the discount rate, is a critical issue impacting OCFA's UAAL. The higher the discount rate, the lower the present value of pension assets needed to meet future pension obligations. A lower discount rate increases the current unfunded pension liabilities.

In 2013, the OCERS Board voted to lower the interest rate assumption from 7.75% to 7.25% which increased OCFA's annual retirement costs by \$7.5 million. This increase was phased in over a two-year period starting in FY 2014/15.

In October 2017, the OCERS Board voted to lower the interest rate assumption again from 7.25% to 7.0%. It also voted to update the mortality tables based on generational mortality. The updated mortality tables indicate that people are living longer which means they will collect a pension longer resulting in an increase in retirement costs. These new assumption changes increased OCFA's retirement contribution rates by 3.73% of pay or approximately \$5 million per year beginning in July 2019.

In 2018, OCERS investment return was negative 1.67% and less than its assumed rate of return of 7.0%. This resulted in an increase to OCFA's UAAL from \$400.6 million in 2017 to \$426.7 million in 2018.

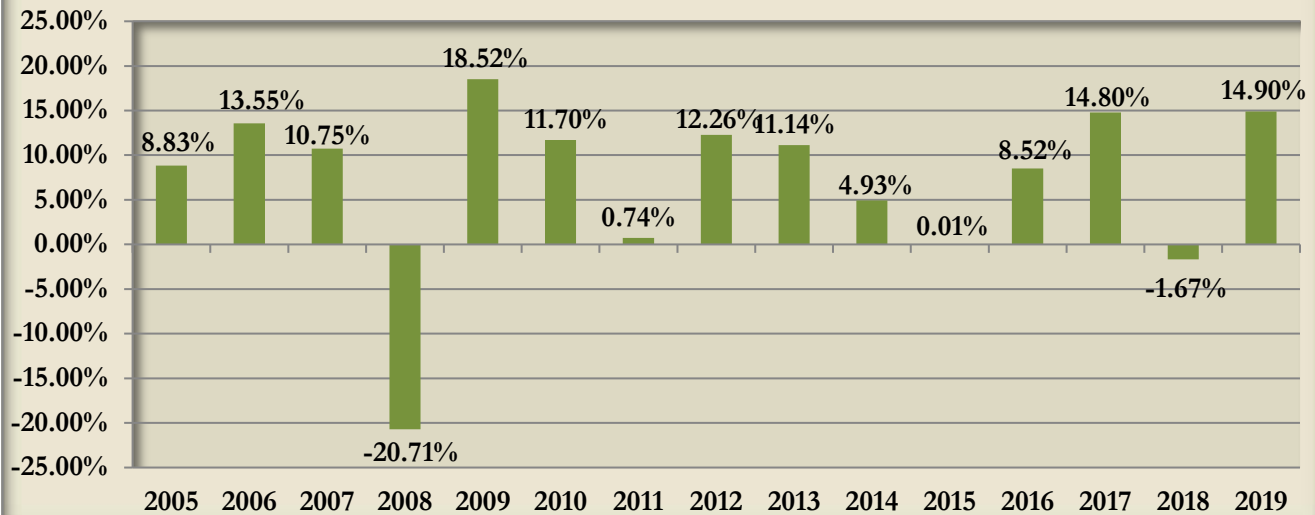
In 2019, OCERS earned 14.4%. However, despite exceeding its 7.0% assumed rate of return and additional payments made by OCFA towards its UAAL, OCFA's UAAL did increase by \$8.0 million from \$426.7 million to \$434.7 million. Most of the UAAL increase was attributed to prior years' investment losses and higher actual versus expected retiree cost of living adjustment (COLA). In addition, actual experience for mortality, rate of retirement, turnover, and disability came in higher than the actuary projected resulting in an actuarial loss.

The following chart shows a history of OCERS' investment performance over the past fifteen years. Although there have been years in which OCERS exceeded its assumed rate of return, the years in which OCERS incurred significant losses, such as the 21% loss in 2008, have a dramatic negative impact. OCERS' average return for the 15 years reflected below is 7.2%, which is slightly above its assumed rate of return of 7.0%.

OCERS' History of Performance

(Based on Fair Value)

The average rate of return over the last 15 years is 7.2%



OCERS' investment return also impacts the funding level of the entire system, as demonstrated in the following chart. After the 21% loss in 2008, OCERS UAAL increased and its funding level began to drop. The funding level started to improve in 2013 when OCERS rate of return exceeded the assumed rate of return. The funding level continued to improve in 2019.

OCERS' Schedule of Funding Progress

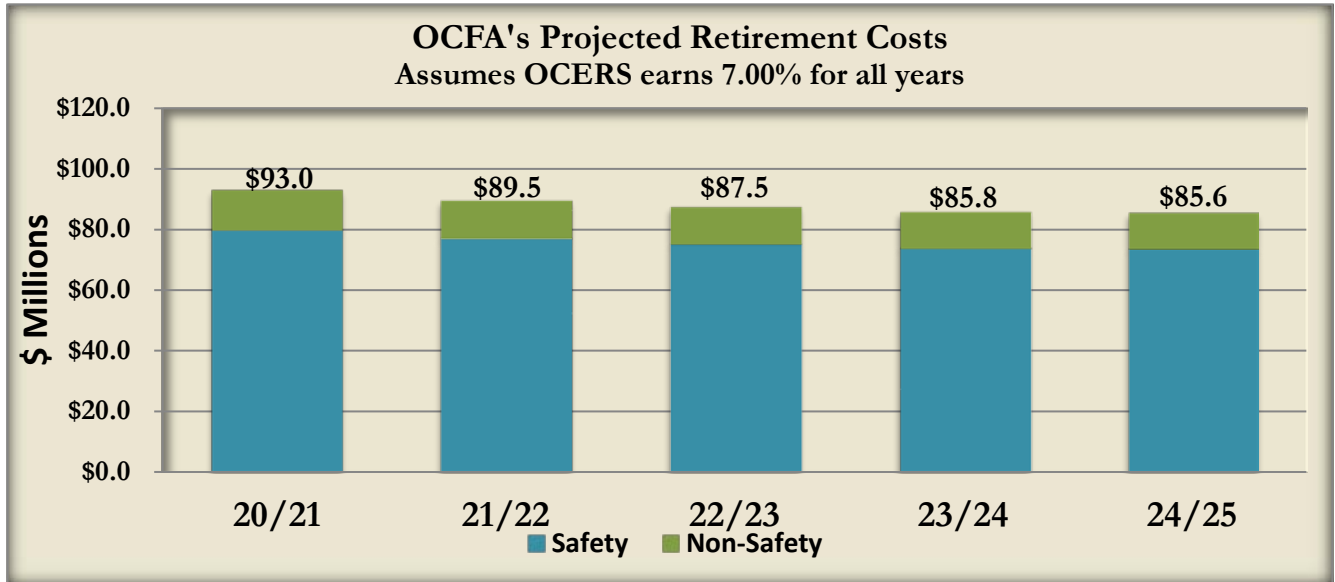
(Dollars in Thousands)

OCERS' funding level continues to improve

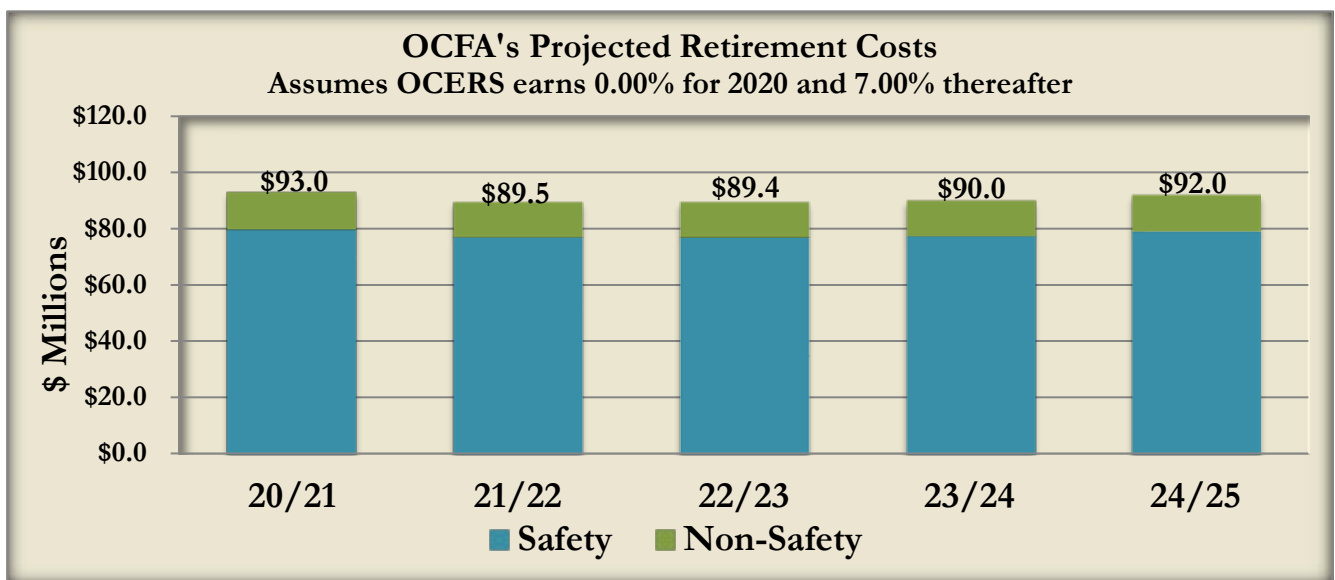
Actuarial Valuation Date December 31	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total UAAL (b-a=c)	Funded Ratio (a/b)
2001	\$4,586,844	\$4,843,899	\$257,055	94.69%
2002	4,695,675	5,673,754	978,079	82.76%
2003	4,790,099	6,099,433	1,309,334	78.53%
2004	5,245,821	7,403,972	2,158,151	70.85%
2005	5,786,617	8,089,627	2,303,010	71.53%
2006	6,466,085	8,765,045	2,298,960	73.77%
2007	7,288,900	9,838,686	2,549,786	74.08%
2008	7,748,380	10,860,715	3,112,335	71.34%
2009	8,154,687	11,858,578	3,703,891	68.77%
2010	8,672,592	12,425,873	3,753,281	69.79%
2011	9,064,355	13,522,978	4,458,623	67.03%
2012	9,469,208	15,144,888	5,675,680	62.52%
2013	10,417,125	15,785,042	5,367,917	65.99%
2014	11,449,911	16,413,124	4,963,213	69.76%
2015	12,228,009	17,050,357	4,822,348	71.72%

2016	13,102,978	17,933,461	4,830,483	73.06%
2017	14,197,125	19,635,427	5,438,302	72.30%
2018	14,994,420	20,703,349	5,708,929	72.43%
2019	16,036,869	21,916,730	5,879,861	73.17%

The chart below assumes OCERS will earn its assumed rate of return of 7.0% in 2020 and future years. This chart should be contrasted with the second chart below to demonstrate the significant impact on retirement contribution rates, when OCERS does not earn its assumed rate of return.



The chart below assumes OCERS will not earn its assumed rate of return, and instead will earn 0.0% in 2020 and 7.0% in future years. Note the increased retirement contributions that would result starting in FY 2022/23 in the event OCERS has a 0.00% return in that one year. This data is presented to demonstrate the potential negative impacts that can (and do) occur from time to time when the system earns less than assumed. OCERS' year-to-date 2020 preliminary return as of November is 7.2%. It has an assumed rate of 7.0% and is on a calendar year basis.



OCFA has taken steps to increase employee contributions, reduce benefits by establishing new tiers, and accelerate the paydown of the UAAL with the long-term goal to ensure adequate pension funding. However, other factors (such as OCERS' investment performance) are beyond the OCFA's control, yet these factors have a significant impact on determining retirement rates and ensuring adequate funding.

Accelerated Pension UAAL Payment Plan

In September 2013, the OCFA Board of Directors approved an Accelerated Pension UAAL Payment Plan. The accelerated plan has the following benefits:

- Results in OCFA's pension liability being paid off sooner
- Earlier and larger contributions into the pension system result in greater investment income earned
- Greater investment income earned results in less money paid by the employer over the long term

OCFA's accelerated payment plan originally involved three components including (1) use of year-end fund balance available, (2) contributing additional funds each year using savings achieved under PEPRA or other annual actuarial gains, and (3) contributing an additional \$1 million per year in budgeted funds, with the annual budget allocation building to \$5 million per year by year five.

In FY15/16, the plan was modified to include the following:

- Contributing an additional \$1 million each year starting in 2016/17 and increasing by \$2 million each year until it reaches \$15 million and continuing at \$15 million thereafter
- Contributing \$1 million per year from surplus fund balance available in the Workers' Compensation Self Insurance Fund starting in 2016/17 for five years

In FY16/17, the plan was modified again to include the following:

- Contributing \$7,633,021 in FY 2017/18 from General Fund surplus and continuing in different amounts until OCFA's funding goal is achieved
- Reduced the accelerated funding goal from 100% to 85% for OCFA's pension liability with the added policy to redirect expedited payment dollars to OCFA's retiree medical liability after achieving the 85% target for the pension liability.

To date, OCFA has made the following additional payments towards its UAAL:

FY 13/14	\$ 5.5 million
FY 14/15	21.3 million
FY 15/16	15.4 million
FY 16/17	13.5 million
FY 17/18	19.9 million
FY 18/19	19.2 million
<u>FY 19/20</u>	<u>13.7million</u>
Total	\$108.5 million

The outcomes from the accelerated payment plan implementation in FY 2013/14 through FY 2019/20 along with OCFA's anticipated future year accelerated payments were submitted to OCERS' actuary to determine:

1. How much OCFA saved in interest annually since 2013 by making additional payments towards its UAAL?
2. When would OCFA achieve 85% funding and 100% funding if it continued to make additional UAAL payments under its Snowball Plan?

The actuary reported back that OCFA has saved \$34.4 million in interest by making additional payments towards its UAAL. The noted \$34.4 million in interest savings has accumulated, as shown below, in correlation with our accelerated payments:

CY 2014	\$ 1,012,937
CY 2015	2,084,402
CY 2016	3,295,068
CY 2017	4,322,897
CY 2018	6,059,497
CY 2019	7,839,455
CY 2020	9,838,621
Total	\$34,452,877

The actuary projects OCFA will achieve 85% funding by December 31, 2021 and 100% funding by December 31, 2026, assuming all other actuarial inputs are held constant.

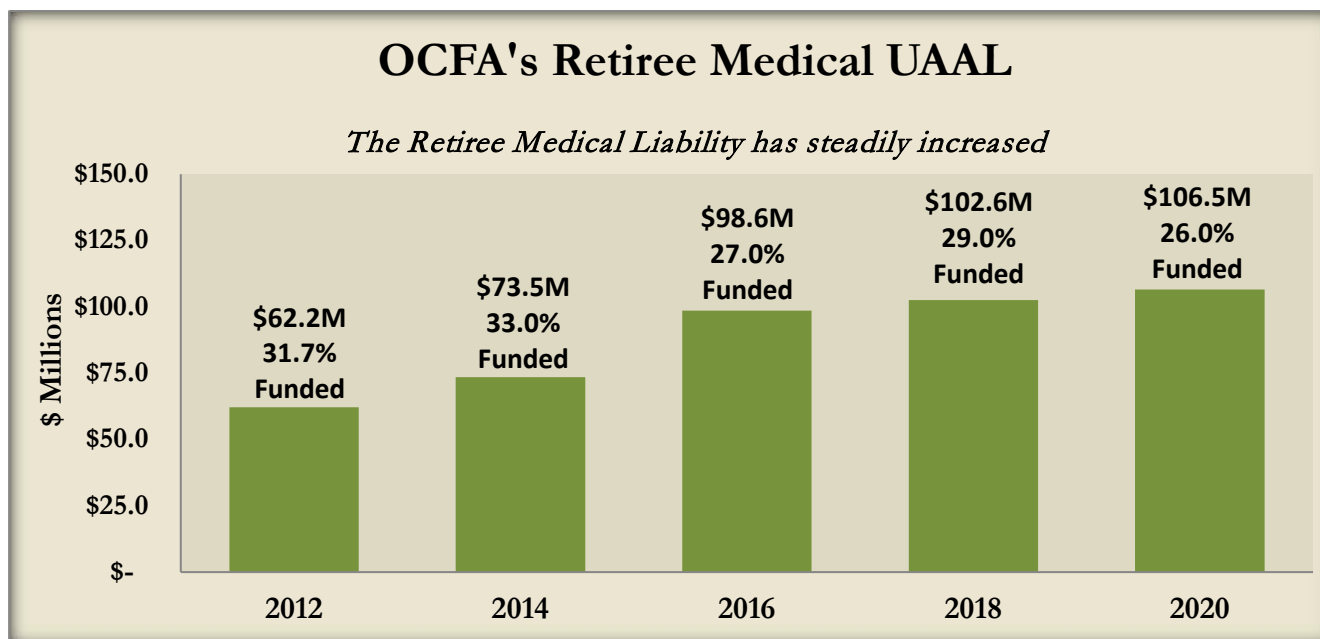
All of the above strategies will reduce the OCFA's existing UAAL more rapidly, and effectively shorten the weighted-average amortization period. Shortening the amortization period will have many benefits to OCFA. Although it causes our employer contributions to rise during the expedited payment period, it results in our liability being paid off sooner. Earlier payments of contributions will result in greater investment income earned and less money paid from the employer over the long-term.

DEFINED *BENEFIT* RETIREE MEDICAL PLAN

In addition to the OCFA's retirement plan administered by OCERS, the OCFA provides a post-employment medical retirement plan (Retiree Medical Plan) for certain employees. Employees hired prior to January 1, 2007, are in a *defined benefit plan* that provides a monthly grant toward the cost of retirees' health insurance coverage based on years of service. The Plan's assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are invested by OCERS. As such, if OCERS does not earn its assumed rate of return of 7.0%, the UAAL increases. Current active employees hired prior to January 1, 2007, are required to contribute 4% of their gross pay toward the Retiree Medical Plan.

Based on a Funding Adequacy Analysis prepared by Nyhart, a third-party actuary, as of June 30, 2020, the OCFA's Unfunded Actuarial Accrued Liability (UAAL) for the Retiree Medical defined benefit plan is \$106.5 million. The UAAL continues to increase because there are no new entrants into the Plan to contribute to the funding, each year additional employees retire and begin collecting the grant, the medical grant increases each year based on the 5% maximum, and occasionally changes are made to the underlying assumptions such as the investment return and mortality tables.

Under the Government Accounting Standards Board (GASB) Statement No. 45, OCFA was required to have an actuarial valuation performed on its Retiree Medical Plan every two years. Even though GASB 45 has now been replaced by GASB 74 and 75, OCFA will continue its practice of updating the funding analysis every two years.



Note: Does not include implicit subsidy and uses OCERS assumed rate of return of 7.75% in 2012, 7.25% up to 2016, and 7.00% thereafter.

The benefit provided under the OCFA's Retiree Medical Plan is a negotiated benefit included in the various Memorandums of Understanding and the Personnel & Salary Resolution for employees hired prior to January 1, 2007.

The OCFA has previously approached funding issues and plan sustainability issues relating to this Plan collaboratively with its labor groups in order to identify options for improving the funding status. Similar to previous approaches, following receipt of the 2012 Actuarial Study for this Plan, management met with representatives of all three labor groups to review the findings. In 2013, we gathered ideas from labor for options that may be considered in the future to improve the funding status of the Plan and had the actuary perform a special actuarial study to evaluate the various options and associated impacts on plan funding. The results of the special study were shared with each of the labor groups.

On November 17, 2016, the OCFA Board directed staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy, with a modification to alter the funding target from 100% to 85%, and redirect expedited payment dollars to Retiree Medical after achieving the 85% target.

In April 2017, the OCFA Board approved the renewed Health Plan Agreement with the Orange County Professional Firefighters Association. The 5 year term of the Agreement is from January 1, 2017 to December 31, 2021. One of the related provisions is as follows:

... to continue return of "excess fund balance" to OCFA with returned funds to be allocated to OCFA's Retiree Medical Trust Fund.

2016 Firefighter Medical Trust Review: An excess fund balance in the amount of \$2,275,829 was credited to OCFA and used as a payment to the Retiree Medical Trust per the Firefighter Medical Agreement. The payment was approved by the Board as part of the FY 2017/18 Mid-Year Budget Adjustments.

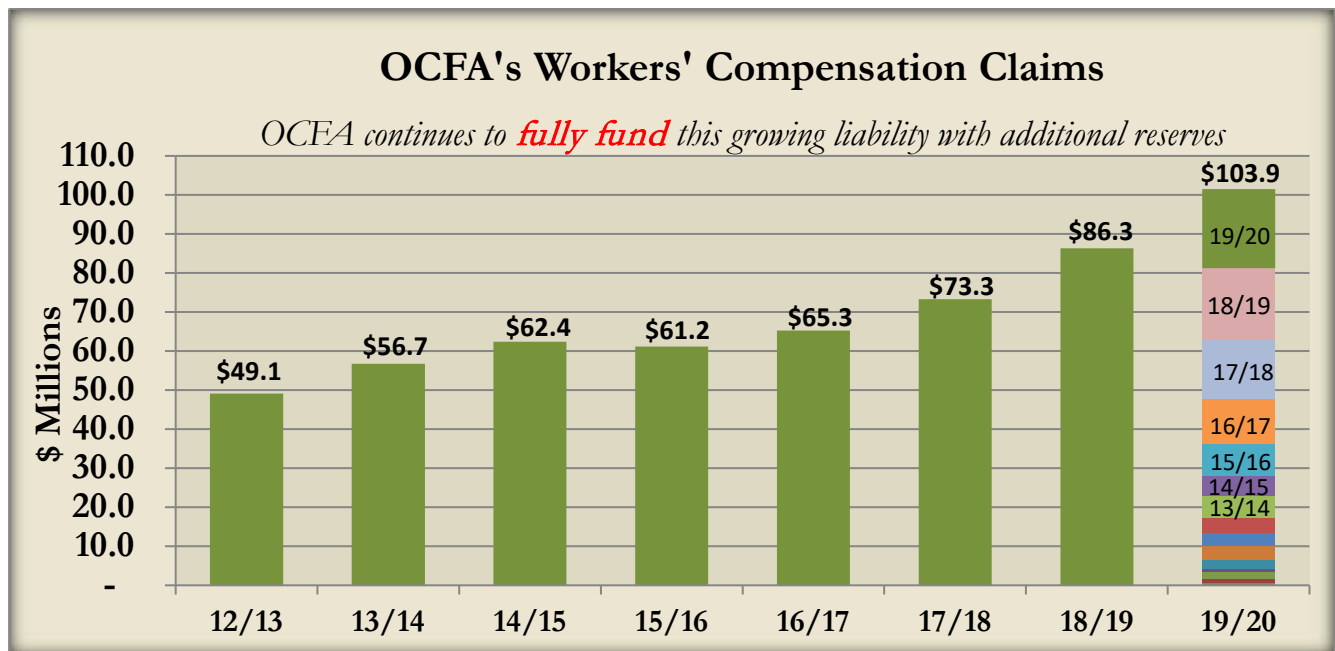
Management and labor will continue to meet on this topic as needed.

DEFINED *CONTRIBUTION* RETIREE MEDICAL PLAN

For employees hired on or after January 1, 2007, the OCFA created a *defined contribution plan* that is administered by Further. The Plan provides for the reimbursement of medical, dental, and other healthcare expenses of retirees. Employees are required to contribute 4% of their gross pay. Account assets are invested as directed by the participant and all contributions, investment income, realized gains and losses are credited to the individual's account. Under this plan structure, there is no UAAL.

WORKERS' COMPENSATION CLAIMS

In March 2002, OCFA implemented a workers' compensation self-insurance program. A separate fund called Fund 190: Self Insurance was established in May 2003 to track funding and expenditures for workers' compensation claims liability. The funding sources include revenue from the General Fund and interest earnings. The Fiscal Year 2020-21 Budget includes \$100.4 million set-aside in reserves to pay this liability as the various medical claims and bills become due. However, based on the 2020 Actuarial Study, OCFA's total workers' compensation liability is \$103.9 million as of June 30, 2020. Therefore, staff will be recommending for Board approval a \$3.9 million mid-year budget adjustment to fully fund the Workers Compensation Fund.



The outstanding liability reflected in the above chart reflects the fact that although the entire future cost of claims is recorded in the year of injury, the actual payment of that claim does not occur immediately. The cash flow payments for many workers' compensation cases occur slowly over time; therefore, it is a natural occurrence that the unpaid liability for a self-insured system will grow as the unpaid liabilities stack on top of each other over the years (as demonstrated by the color-coding of the FY 19/20 bar in the above chart). Upon maturity of a self-insured system, the amount of unpaid liability should level out (as demonstrated in the above chart in the most recent years), and continued increases at that point in time are more likely driven by other forces, such as increased medical costs, increased claim activity, legislative changes and case law.

The workers' compensation liability reflects the present value of estimated outstanding losses at the 50% confidence level. A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, a 50% confidence level means that the actuary believes funding will be sufficient in five out of ten years. OCFA's Board-adopted Workers' Compensation Funding Policy sets the funding at the 50% confidence level

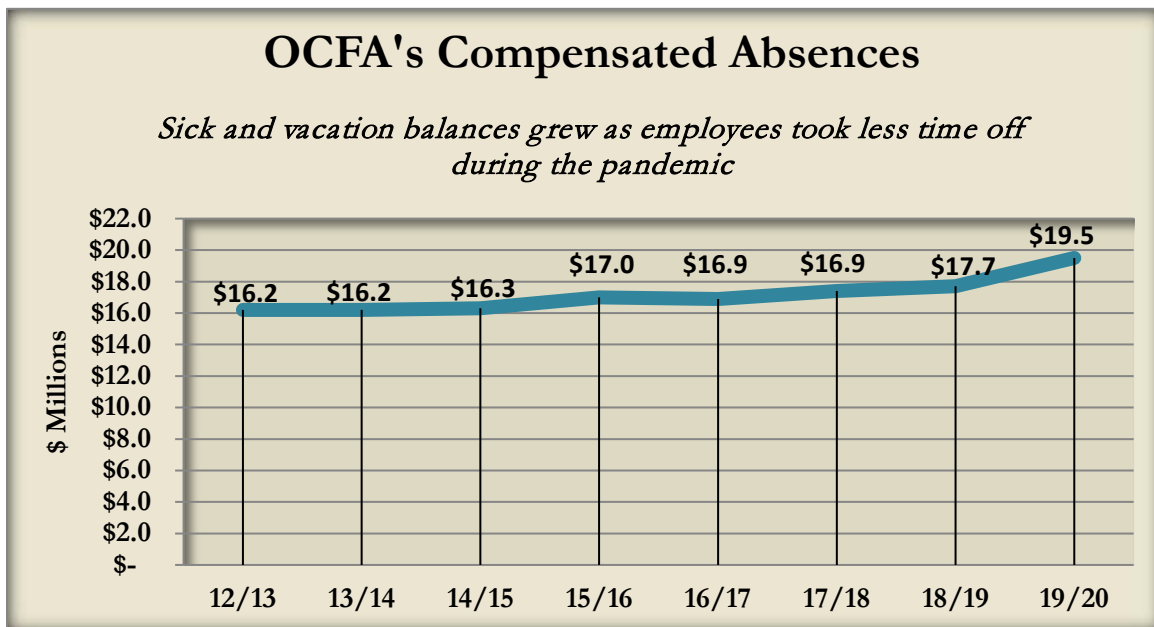
There are several factors that contribute to the liability including workers' compensation reform that increased the statute of limitation for cancer from five to ten years; injury presumption for safety personnel; an aging workforce which contributes to a longer recovery time and higher permanent disability benefits; increased medical costs; and an increase to the workforce in April 2012 with the addition of the City of Santa Ana and in August 2019 with the addition of the City of Garden Grove. Both cities reimburse OCFA for injuries that initially occurred on or before they joined OCFA.

ACCRUED COMPENSATED ABSENCES

Compensated absences are commonly described as paid time off made available to employees in connection with sick and vacation time. If employees do not use all of such compensated absences, a liability is accrued for the unused portion. The OCFA's policy allows employees to accumulate earned but unused sick and vacation pay benefits.

OCFA's labor agreements allow employees to cash out sick and vacation time throughout their career with the exception of Local 3631 Firefighter unit which can only cash out vacation time. However, the majority of sick and vacation payouts occur at the time an employee retires.

The OCFA has budgeted \$4.3 million for sick and vacation payouts in FY 2020/21 based on historical trends and expected retirements. OCFA's total liability for compensated absences as of June 30, 2020, is \$19.5 million.



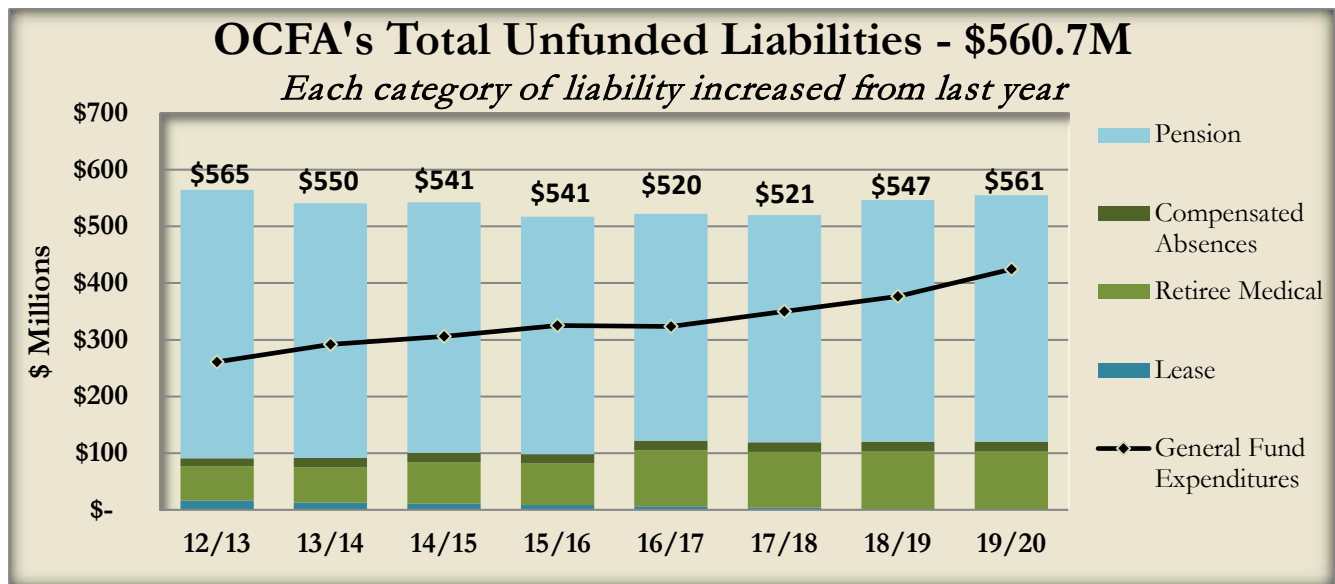
III. SUMMARY

OCFA's total long term, unfunded liabilities as of June 30, 2020,* are as follows:

	<i>\$ Amount in Millions</i>	<i>% of Total</i>
Defined Benefit Pension Plan *	\$ 434.7	77.5%
Defined Benefit Retiree Medical Plan	106.5	19.0
Accrued Compensated Absences	19.5	3.5
Total	\$560.7	100.0%

*Note: the valuation date for the pension plan is December 31, 2019, instead of June 30, 2020, consistent with OCERS' calendar year basis for financial reporting.

When OCFA presented its first Study to the Board in September 2012, the Board directed staff to identify strategies to lower and/or mitigate OCFA's long term liabilities. As shown in the chart below, as some of these strategies were implemented, OCFA was able to reduce its total long term, unfunded obligations.



Note: Workers' Compensation is not included since a \$3.9 million mid-year budget adjustment is pending Board approval to fully fund the reserve.

ACTIONS TAKEN

OCFA has taken several additional steps to manage its long-term obligations:

1. As part of the 2019 Irvine Settlement Agreement, OCFA agreed to establish a 115 Trust and to make annual deposits of \$2 million, dedicated solely for future application to OCFA's pension liability. After the initial \$2 million payment in July 2019, if OCFA's pension is less than 85% funded, the annual deposit is reduced to \$1.5 million and \$500,000 is directed towards the UAAL paydown.
2. In 2017, OCFA negotiated a five year Health Plan Agreement with the firefighter labor group which contained a provision to return excess fund balance and allocate those funds to the Retiree Medical Trust Fund.
3. In FY 2015/16 and again in FY 2016/17, OCFA modified its Accelerated Pension Paydown Plan to include additional sources of funding.
4. During 2015 and 2016, OCFA completed negotiations with all four labor groups resulting in increased employee contributions towards retirement.
5. On June 26, 2014, the Board approved an Alternative Dispute Resolution process for disputed workers' compensation cases, also known as a Carve-Out program. The State has approved the program and it was implemented on October 1, 2014.
6. On September 26, 2013, the Board approved a strategy to accelerate the pay down of OCFA's pension liability. Under this Plan, the actuary, the Segal Company, estimates this liability will be paid by 2026/27. To date, OCFA has made an additional \$108.5 million in payments to OCERS to lower its UAAL.
7. Completed a special actuarial study relating to the OCFA's Retiree Medical Defined Benefit Plan to evaluate options for potential plan amendments which could improve plan funding, subject to future negotiation with OCFA's labor groups. The results of the study were shared with the labor groups.
8. Evaluated the financial feasibility of paying off the outstanding lease financing obligations associated with the OCFA's helicopters, as part of the 2014/15 budget development process.
9. Directed staff to evaluate options for mitigating the budget and liability impacts of payouts for accumulated sick and vacation balances, subject to future negotiation with OCFA's labor groups.
10. Used a trigger formula during down economic cycles to connect pay raises for all OCFA employees to OCFA's financial health.
11. Implemented lower retirement formulas for all labor groups.
12. Refinanced the helicopter lease to lower the interest rate. Last payment made in December 2018.
13. Implemented annual prepayment of retirement contributions to achieve a discount.
14. Provided a study to the Board of Directors regarding the feasibility of Pension Obligation Bonds.
15. Provided a study to the Board of Directors regarding the feasibility of changing automatic Cost of Living Allowance (COLA) increases for pensions; transmitted a copy of the report to the County Board of Supervisors and OCERS Board of Retirement, for their consideration of potential cost-containment actions relating to Pension COLAs under the authority granted by the '37 Act.

RECOMMENDATIONS

Recommended actions pending approval of this staff report include:

1. Direct staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to adjust the FY 2020/21 General Fund budget to increase expenditures and operating transfers out by a combined value of \$13,534,587, the amount identified as the unencumbered fund balance identified in the FY 2019/20 financial audit, and to allocate the funding among three of OCFA's high-priority funding areas including \$3,000,000 to the Accelerated Pension Payment Plan, \$3,949,257 to the Workers' Compensation Program, and \$6,585,330 to the General Fund to replenish the required 10% contingency reserve. The specific technical budget adjustment to

carry-out this action will be included in the March mid-year budget adjustment agenda item for final approval by the Board.

CONCLUSION

In order to strategically fund long-term liabilities, OCFA must continue to strategically balance present-day needs with future commitments. The goal is for OCFA's budget over the long-term to fund all of its long-term liabilities

Exhibit A

OCFA Member Retirement Contributions

Safety Members' Retirement

Firefighter Safety members:

Effective September 2016, 2017, 2018, and 2019, employees paid an additional 3.50%, 3.49%, 2.00%, and 0.54% in employee retirement contributions, respectively, increasing their employee contributions depending on age of entry. Thereafter, these employees will pay any subsequent increases in the employee retirement contributions. Employee rates from the most recent actuarial valuation are footnoted on Page 3. Employees hired on or after January 1, 2013, when PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

Chief Officer Safety members:

Effective July 2016, 2017, 2018, and 2019, employees paid an additional 3.50%, 3.49%, 3.30%, and 0.93% in employee retirement contributions, respectively, increasing the employee contributions depending upon their age of entry. Thereafter, these employees will pay any subsequent increases in the employee retirement contributions. Employee rates from the most recent actuarial valuation are footnoted on Page 3. Employees hired on or after January 1, 2013, when PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

General Members' Retirement

OCEA members:

Effective March 2015, 2016 and 2017, employees hired prior to January 1, 2013, paid an additional 2%, 2.5% and 3% in employee retirement contributions, respectively, increasing the employee contributions depending upon their age of entry. Thereafter, these employees will pay any subsequent increases in the cost for employee retirement contributions. Employee rates from the most recent actuarial valuation are footnoted on Page 3. Employees hired after PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

Administrative Management members:

Effective July 2015, January 2016, and January 2017, employees hired prior to January 1, 2013, paid an additional 4%, 2%, and 2.25% in employee retirement contributions, respectively, increasing the employee retirement contributions depending upon their age of entry. Thereafter, these employees will pay any subsequent increases in the cost for employee retirement contributions. Employee rates from the most recent actuarial valuation are footnoted on Page 3. Employees hired after PEPRA was enacted will continue to be subject to PEPRA requirements of 50% of normal cost for employee retirement contributions, which vary based on age of entry.

Executive Management:

Some members of Executive Management fall under Safety and others fall under General member categories. Regardless, all Executive Management employees who are not subject to the provisions of PEPRA were paying 9% in employee retirement contributions prior to March 2015. Effective March 2015, they began phased-in increases to their contribution rate with a 2% increase in employee contributions in

year one, a 2.5% increase in year two and payment of full member contributions in year three, which vary based on age of entry.

Orange County Fire Authority
Expedited Payment of UAAL
Snowball Effect of Multiple Strategies
Updated August 2020

Attachment 2

			Estimated Annual UAAL Payments from Various Strategies / Sources							
Years From Start of Plan	Remaining Years to Completion	Fiscal Year	Unencumbered Fund Balance Available	Annual Savings from PEPRA Reductions to Retirement Contribution Rates	Budget Increase of \$1M, grows by \$2M/year to \$15M	Budget Increase of \$1M/year Funded by Excess W/C Reserves	50% of General Fund Surplus	Irvine Settlement Agreement	Annual Snowball Amount	Cumulative Expedited UAAL Payment
			Part A	Part B	Part C	Part D	Part E	Part F		
1		13/14	3,000,000	2,500,000	-	-			5,500,000	5,500,000
2		14/15	21,290,238	-	-	-			21,290,238	26,790,238
3		15/16	12,609,380	2,802,122	-	-			15,411,502	42,201,740
4		16/17	9,814,477	1,653,114	1,000,000	1,000,000			13,467,591	55,669,331
5		17/18	13,174,516	1,886,420	3,000,000	1,000,000	870,041		19,930,977	75,600,308
6		18/19	10,000,000	3,167,397	5,000,000	1,000,000			19,167,397	94,767,705
7		19/20	4,030,172	1,648,658	7,000,000	1,000,000			13,678,830	108,446,535
8	1	20/21	3,000,000	2,368,859	9,000,000	1,000,000		500,000	15,868,859	124,315,394
9	2	21/22	3,000,000	3,279,280	11,000,000				17,279,280	141,594,674
10	3	22/23	3,000,000	4,787,217	13,000,000				20,787,217	162,381,891
11	4	23/24	3,000,000	5,772,547	15,000,000				23,772,547	186,154,438
12	5	24/25	3,000,000	6,814,115	15,000,000				24,814,115	210,968,553
13	6	25/26	3,000,000	14,242,631	15,000,000				32,242,631	243,211,184
14	7	26/27	3,000,000	19,647,456	15,000,000				37,647,456	280,858,640
15	8	27/28	3,000,000	20,807,106	15,000,000				38,807,106	319,665,746
16	9	28/29	3,000,000	26,075,871	15,000,000				44,075,871	363,741,617
17	10	29/30	3,000,000	26,858,147	15,000,000				44,858,147	408,599,764
			103,918,783	144,310,940	154,000,000	5,000,000	870,041	500,000	408,599,764	

Orange County Fire Authority
Distribution of Liabilities by Member Agency
As of June 30, 2020

Attachment 3

Member Agency	# of EEs	2019 Incidents	% of Total EEs	Proportional Share		Total
				Pension UAAL	Retiree Medical	
County Unincorporated (SFF) Station 8, 15, 18, 21, 25, 33, 40, 58, 56	101		12.48%	54,268,087	13,297,581	67,565,667
Aliso Viejo (SFF) Station 57	16		1.98%	8,596,925	2,106,547	10,703,472
Buena Park (CCC) Stations 61, 62, 63	52		6.43%	27,940,005	6,846,279	34,786,284
Cypress (SFF) Station 17	23		2.84%	12,358,079	3,028,162	15,386,241
Dana Point (SFF) Stations 29, 30	25		3.09%	13,432,695	3,291,480	16,724,175
Placentia (CCC) Stations 34, 35	36		4.45%	19,343,080	4,739,732	24,082,812
Irvine (SFF) Stations 4, 6, 20, 26, 27, 28, 36, 38, 47, 51, 55	163		20.15%	87,581,169	21,460,452	109,041,621
Laguna Hills (SFF) Station 22 (serving both LGH & LGW)	39	3,303	1.84%	8,006,290	1,961,821	9,968,111
Laguna Woods (SFF) Station 22 (serving both LGH & LGW)		5,342	2.98%	12,948,714	3,172,888	16,121,602
Laguna Niguel (SFF) Stations 5, 39, 49	32		3.96%	17,193,849	4,213,095	21,406,944
Lake Forest (SFF) Stations 19, 42, 54	26		3.21%	13,970,002	3,423,140	17,393,142
La Palma (SFF) Station 13	10		1.24%	5,373,078	1,316,592	6,689,670
Los Alamitos (SFF) Station 2	11		1.36%	5,910,386	1,448,251	7,358,637
Mission Viejo (SFF) Stations 9, 24, 31	46		5.69%	24,716,158	6,056,324	30,772,482
Rancho Santa Margarita (SFF) Station 45	27		3.34%	14,507,310	3,554,799	18,062,109
San Clemente (CCC)	37		4.57%	19,880,388	4,871,391	24,751,779

Orange County Fire Authority
Distribution of Liabilities by Member Agency
As of June 30, 2020

Member Agency	# of EEs	2019 Incidents	% of Total EEs	Proportional Share		Total
				Pension UAAL	Retiree Medical	
Stations 50, 59, 60					-	
San Juan Capistrano (SFF)	15		1.85%	8,059,617	1,974,888	10,034,505
Station 7					-	
Seal Beach (CCC)	20		2.47%	10,746,156	2,633,184	13,379,340
Stations 44, 48					-	
Stanton (CCC)	14		1.73%	7,522,309	1,843,229	9,365,538
Station 46					-	
Tustin (CCC)	23		2.84%	12,358,079	3,028,162	15,386,241
Stations 37, 43					-	
Villa Park (SFF)	13		1.61%	6,985,001	1,711,570	8,696,571
Station 23					-	
Westminster (CCC)	35		4.33%	18,805,773	4,608,073	23,413,845
Stations 64, 65, 66					-	
Yorba Linda (SFF)	45		5.56%	24,178,850	5,924,665	30,103,515
Stations 10, 32, 53					-	
Totals	809		100.00%	434,682,000	106,512,305	541,194,305

Allocation of 115 Trust - Fund 139

Attachment 4

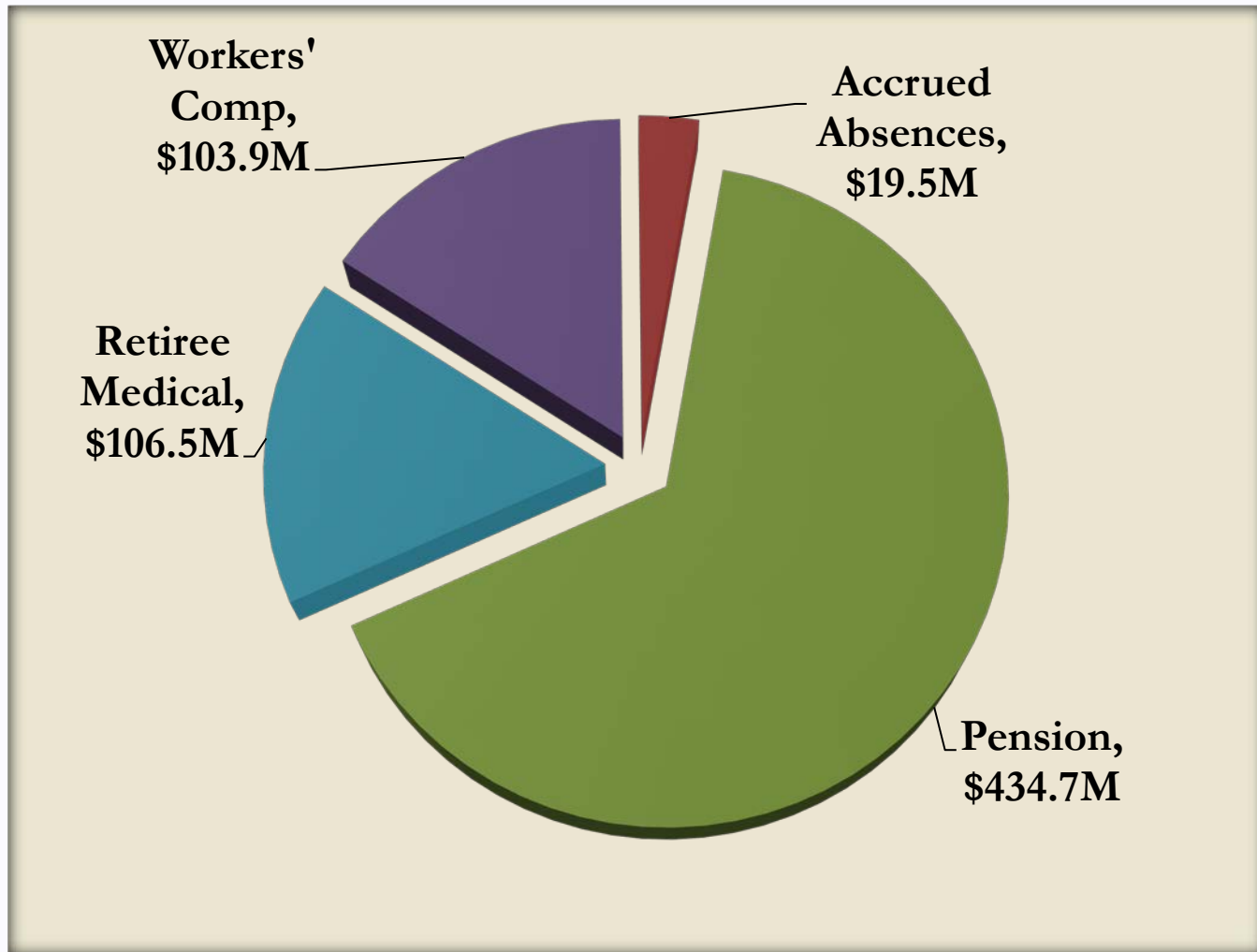
Agency	FY 2019/20	FY 2020/21	Total
Aliso Viejo	\$ 33,313	\$ 25,075	\$ 58,388
Cypress	-	-	-
Dana Point	222,223	183,564	405,787
Irvine	1,143,817	938,075	2,081,892
La Palma	-	-	-
Laguna Hills	-	-	-
Laguna Niguel	93,236	81,334	174,570
Laguna Woods	-	-	-
Lake Forest	62,767	54,812	117,579
Los Alamitos	-	-	-
Mission Viejo	-	-	-
Rancho Santa Margarita	27,625	22,504	50,129
San Juan Capistrano	-	-	-
Villa Park	13,406	9,805	23,211
Yorba Linda	-	-	-
Unincorporated	434,898	292,224	727,122
Total	\$ 2,031,285	\$ 1,607,393	\$ 3,638,678

Orange County Fire Authority

Long Term **Liability Study – 2020**

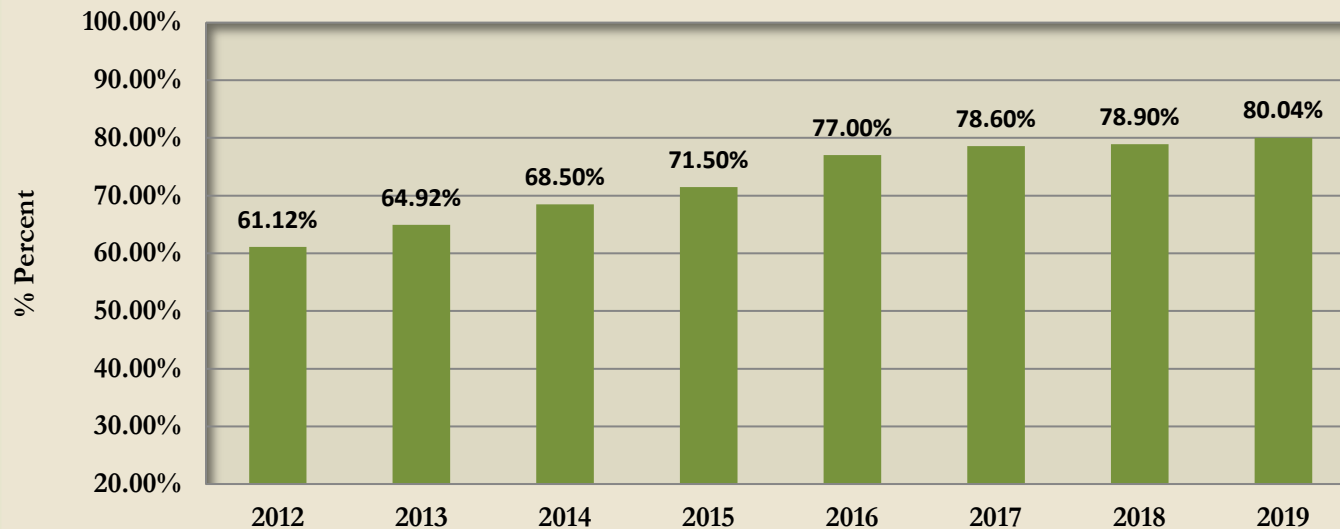


OCFA's Long Term Liabilities



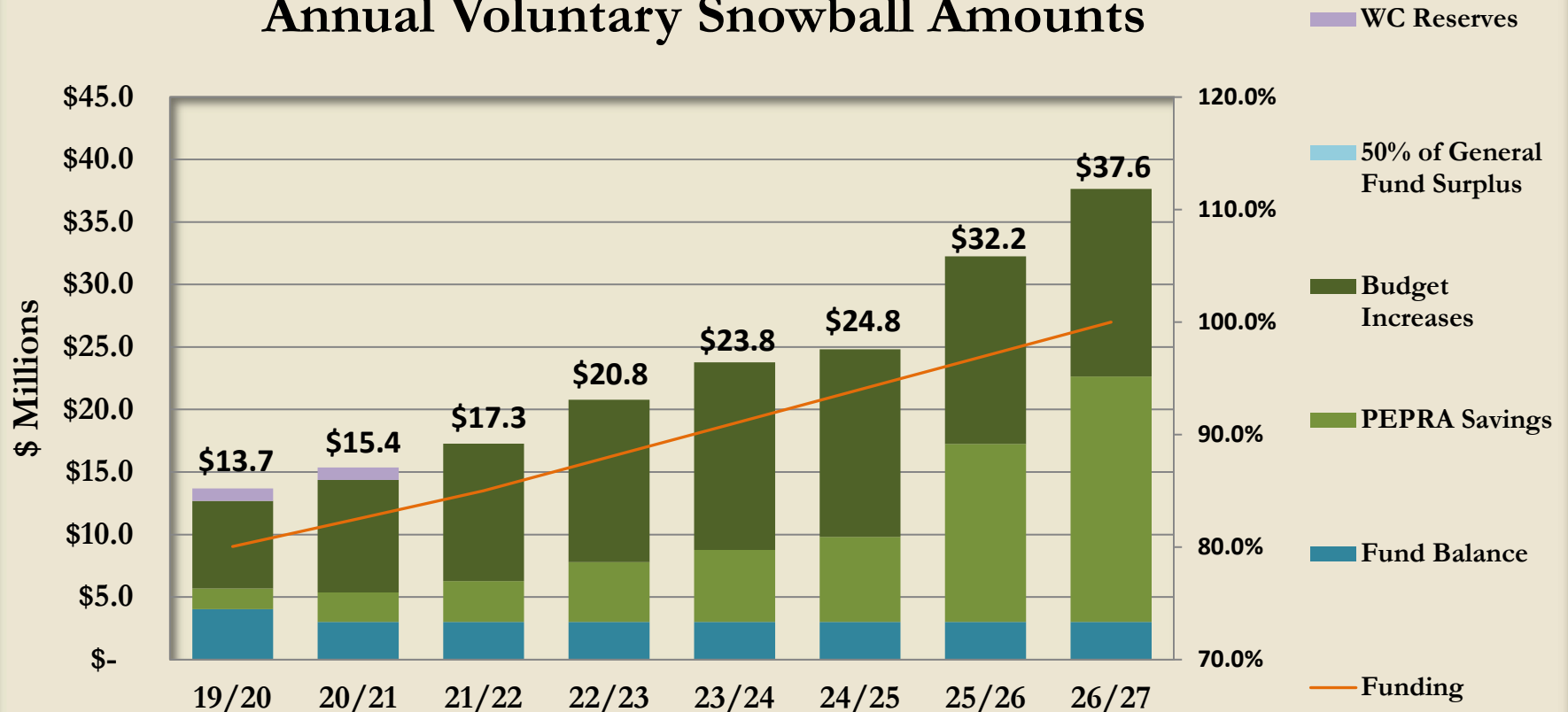
OCFA's Pension Liability

*OCFA's Pension Liability Funding Level
Continues to Improve*



Accelerated Pension Paydown Plan

Annual Voluntary Snowball Amounts

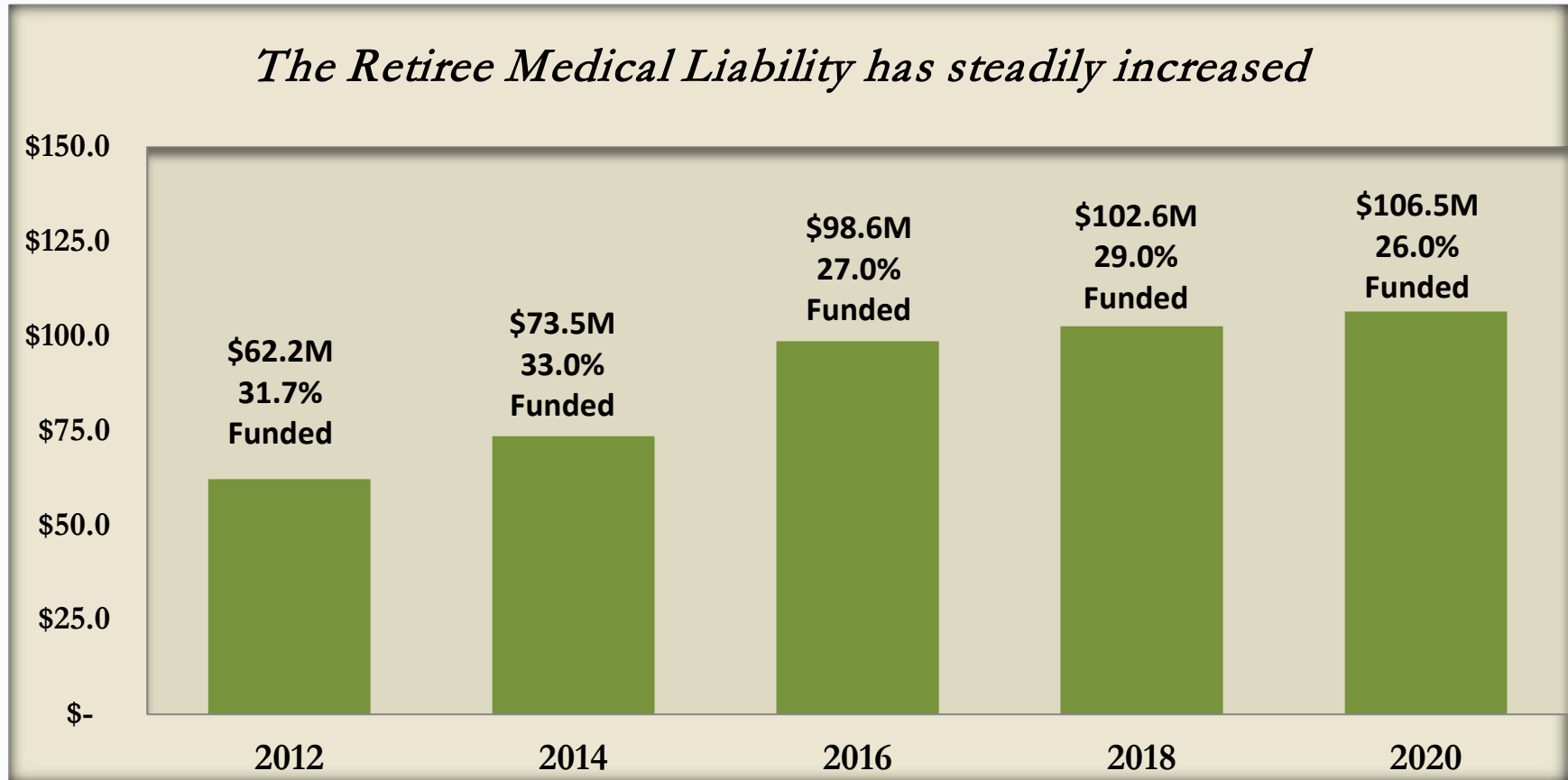


\$108.5M in additional payments saved \$34.4M in interest

OCFA's Pension is currently 80.04% funded

85% funding projected by 12/31/2021

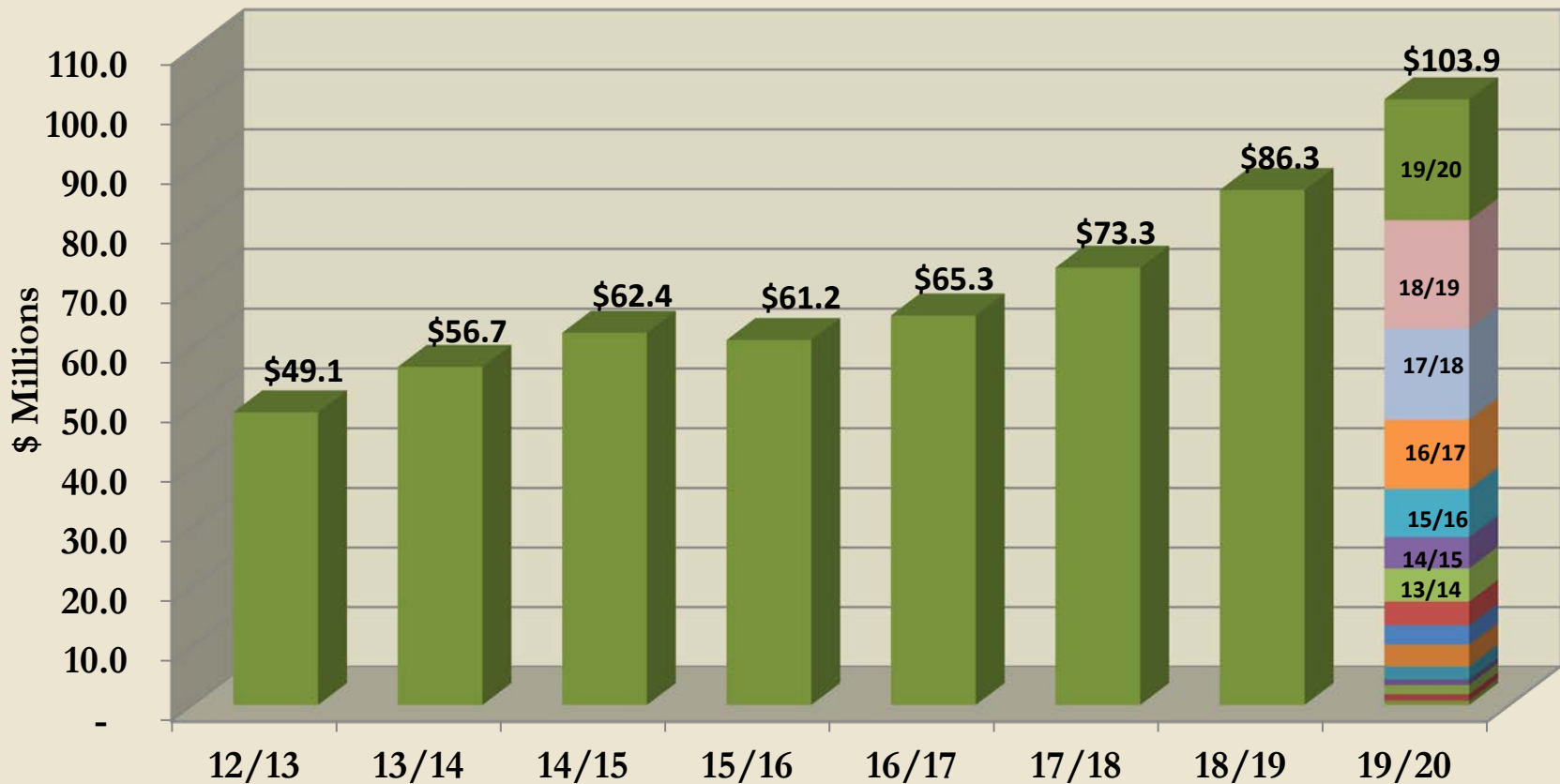
OCFA's Retiree Medical Liability



Note: Does not include implicit subsidy and uses OCERS assumed rate of return of 7.75% in 2012, 7.25% up to 2016 and 7.0% thereafter.

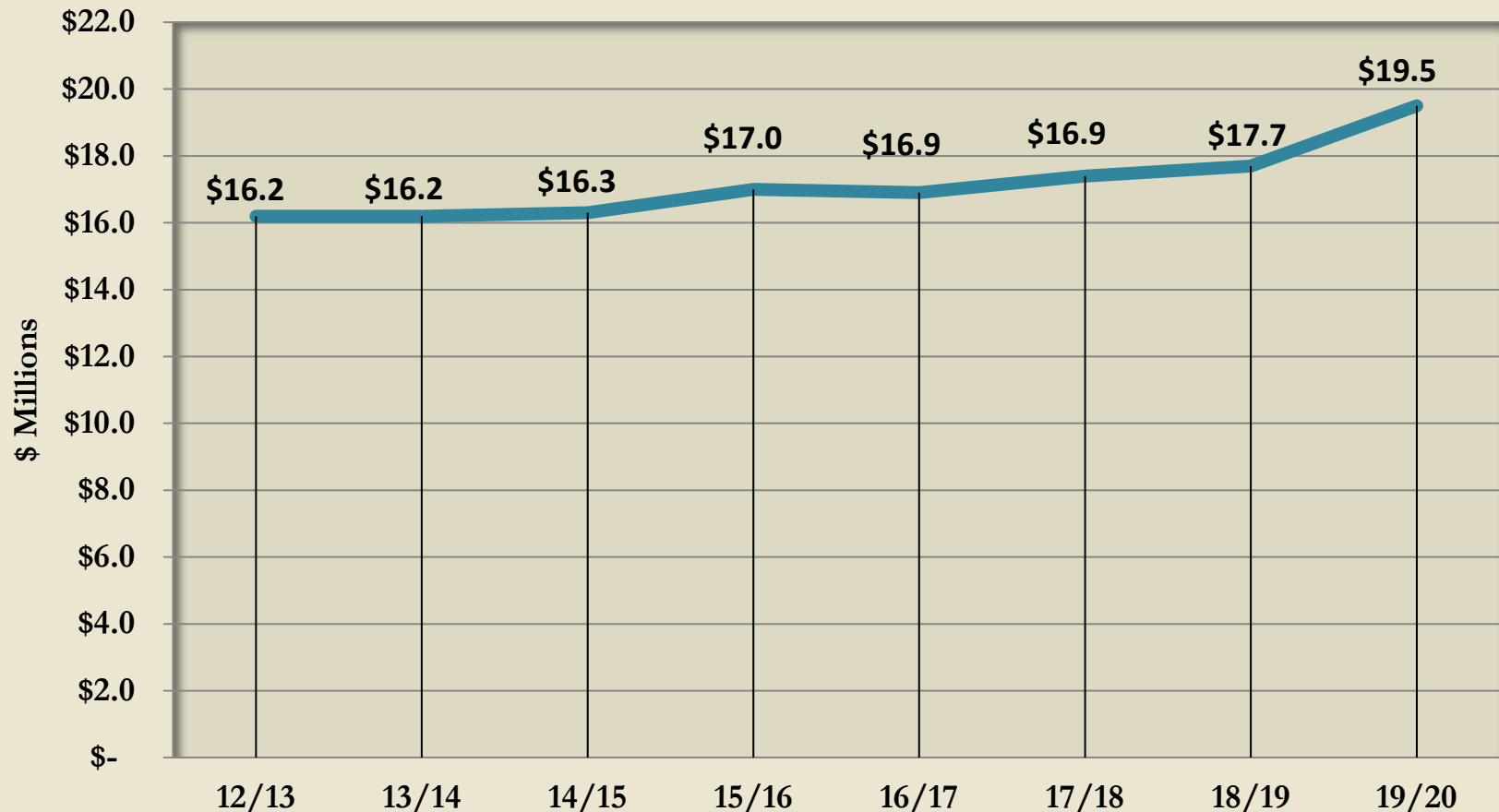
OCFA's Workers' Compensation Claims

*OCFA continues to **fully fund** this growing liability with additional reserves*



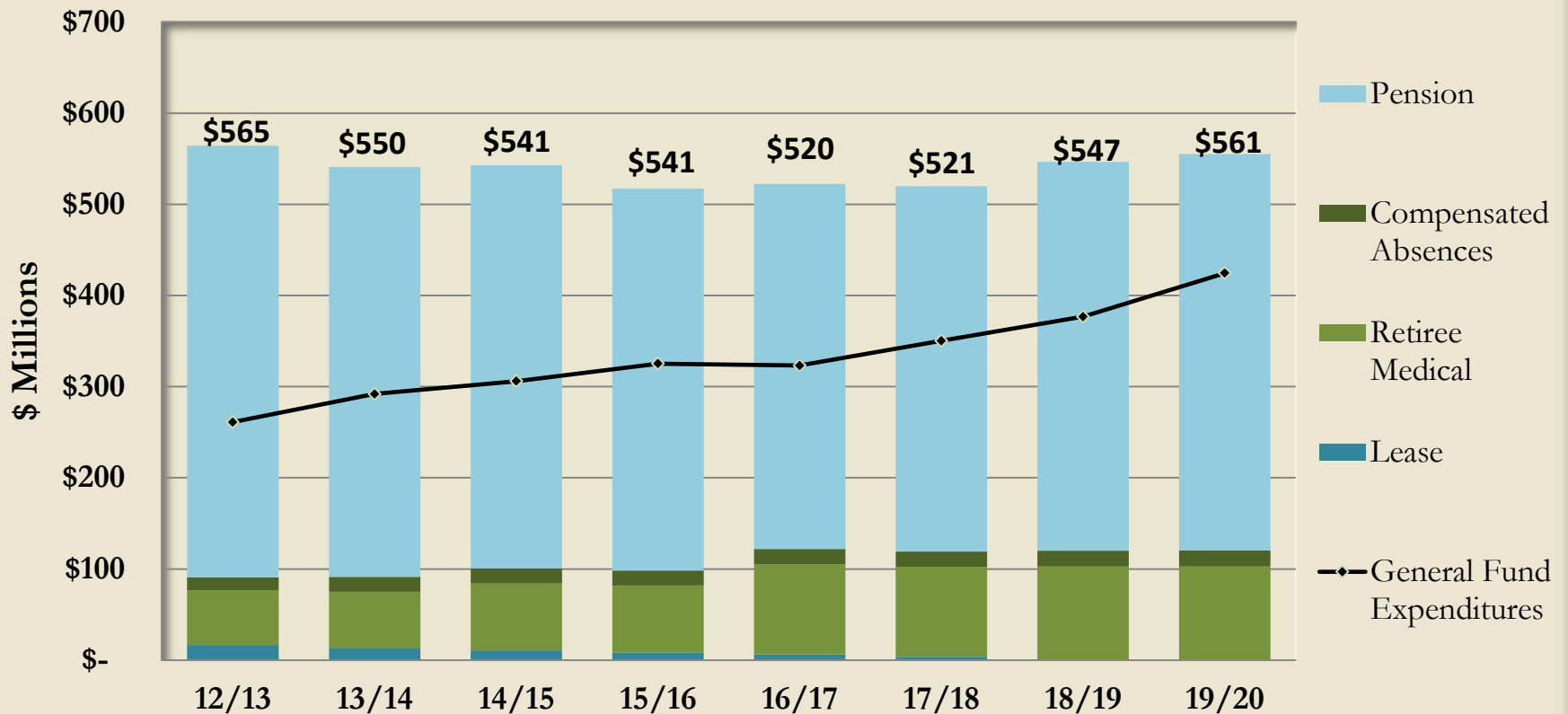
OCFA's Compensated Absences

Sick and vacation balances grew as employees took less time off during the pandemic



OCFA's Total Unfunded Liabilities

Each category of liability increased from last year



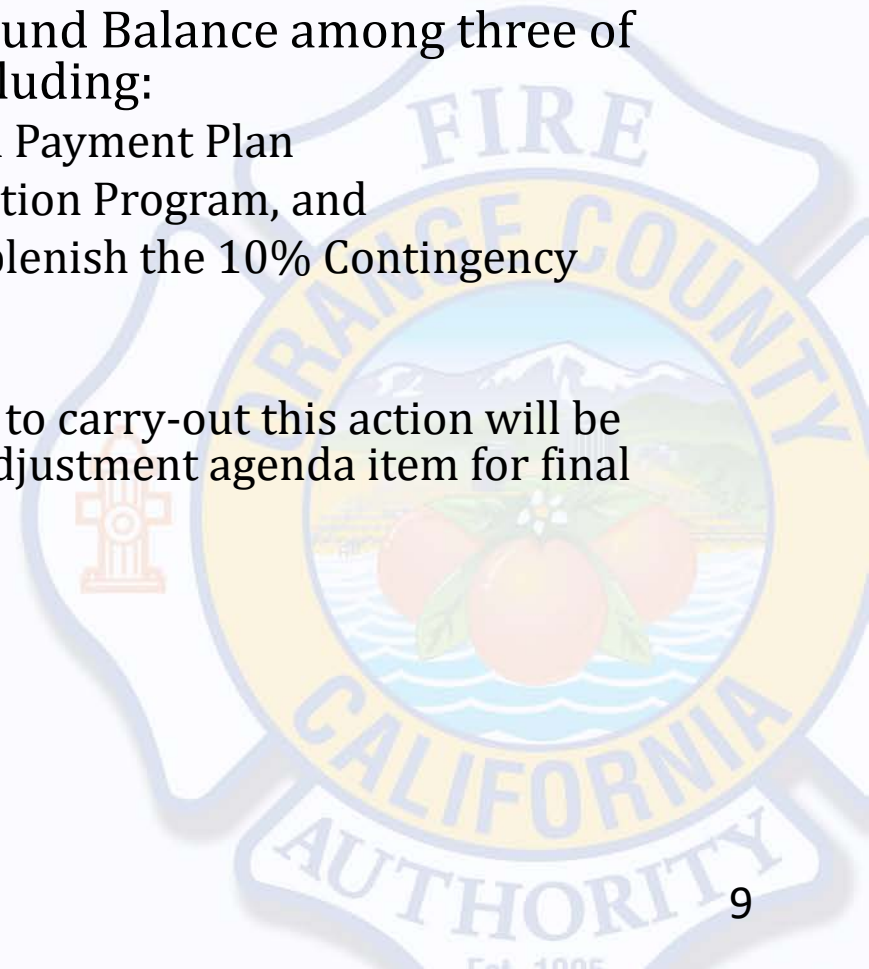
Note: Workers Compensation is not included since a \$3.9M mid-year budget adjustment is pending to fully fund the reserve.

Recommended Actions

Direct Staff to:

- Continue the Accelerated Pension Liability Paydown Plan.
- Allocate \$13,534,587 of FY 2019/20 Fund Balance among three of OCFA's high-priority funding areas including:
 - \$3,000,000 to the Accelerated Pension Payment Plan
 - \$3,949,257 to the Workers' Compensation Program, and
 - \$6,585,330 to the General Fund to Replenish the 10% Contingency Reserve.

The specific technical budget adjustment to carry-out this action will be included in the March mid-year budget adjustment agenda item for final approval by the Board.





Orange County Fire Authority **AGENDA STAFF REPORT**

**Board of Directors Meeting
January 28, 2021**

**Agenda Item No. 3C
Discussion Calendar**

Military Service Buy-Back

Contact(s) for Further Information

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Summary

This agenda item is submitted for review of the military service buy-back option that can be made available through OCERS for employees who had military service prior to employment with OCFA.

Prior Board/Committee Action

At the November 19, 2020 Board of Directors meeting, members of the Orange County Professional Firefighters Association (OCPFA), Local 3631, provided public comment seeking Board support to form a committee to study and consider the option for OCPFA members to purchase service credit with OCERS for time served in the military prior to employment with OCFA. In response to the public comments, the Board directed staff to prepare an agenda item for review of this request with the Budget and Finance Committee (B&FC) and the Board of Directors in January 2021.

Budget and Finance Committee reviewed and approved recommendation at their January 13, 2021, Regular meeting by a 4-3 vote (Farias, Ta, and Sachs dissented and Rossini absent).

RECOMMENDED ACTION(S)

Defer consideration of the Military Service Buy-Back proposal until the next time in which the OCFA and OCPFA are engaged in labor negotiations for a successor MOU (current MOU expires August 31, 2022).

Impact to Cities/County

The option for employees to purchase service credit for prior military service could potentially serve as incentive for former military personnel to pursue a career with OCFA, which would be beneficial to the services provided to our member agencies, while also demonstrating appreciation to these employees for their service to our country and recognizing the value that their prior military service adds to the organization.

Fiscal Impact

The employees/veterans who wish to take advantage of the military buy-back option would be responsible for payment of *employee* retirement contribution costs to OCERS, plus interest, for the period of service credit being purchased. The corresponding *employer* retirement contribution

costs, plus interest, would be added to the OCFA's unfunded pension liability; however, no immediate payment from OCFA would be required (See Attachment 1).

Background

The OCPFA, Local 3631, has requested that OCFA consider allowing eligible employees to purchase service credit with OCERS for time served in the military prior to OCFA employment. During the public comments that they provided, they referenced several other retirement systems and fire departments outside of Orange County which are already allowing this benefit, including CalFIRE/CalPERS, Los Angeles, San Bernardino, Kern, Sacramento, Stanislaus, Ventura, Merced, Alameda, Contra Costa, San Joaquin, San Mateo, Sonoma, Oakland, San Jose, and San Francisco. Although this request was raised by the Local 3631, if enacted, the benefit would become available to all OCFA employee groups. It is unknown how many OCFA employees have prior military service, and it is unknown how many would choose to use this option, if enacted.

OCERS has advised that pursuant to the County Employees Retirement Law (CERL), the governing body for any employer participating in OCERS can adopt a resolution permitting the purchase of prior military service. We have provided a Circular Letter prepared by OCERS that contains information for employers regarding this option (Attachment 2). To date, no other employers in OCERS have adopted such a resolution; therefore, a current sample template does not exist. OCFA staff and General Counsel remain ready to work with OCERS to prepare a resolution if the Board provides direction to staff to proceed with steps for implementation.

Also pursuant to CERL, if the military service buy-back option is enabled by OCFA, employees wishing to purchase prior service credit must pay *two times* the *employee* retirement contributions for the prior period, plus interest at the rate of 2.5% compounded every six months. This amount would be calculated by OCERS, and a payment agreement would be implemented between OCERS and the individual employee, with OCERS requiring full payment within a period no greater than five years and completion of the purchase prior to the members' retirement date.

Collection of the corresponding employer retirement contributions for the prior period is not required to be paid by the employer at the time the employee/veteran elects to purchase the prior service credit. Instead, the added employer cost of the service credit purchase gets added to OCFA's unfunded pension liability and is paid by OCFA with the regular amortized annual payments that OCFA must make to OCERS for its pension liability.

Joint-Labor-Management (JLM) Meeting with OCPFA, Local 3631

On December 30, 2020, management met with representatives of OCPFA to review the potential process for purchasing military service credits, and to discuss the cost estimates. Representatives from OCERS joined our meeting to answer questions about the requirements under CERL, and to discuss how the actuary quantified the employer costs associated with military buy-back. Following are outcomes as a result of the JLM discussion:

- **Human Resources:** HR conducted a survey of all OCFA personnel to estimate how many have prior military service and how many are potentially interested in pursuing a buy-back option. As a result of the survey, we received 375 responses:
 - 91 have prior military service
 - 75 – Orange County Professional Firefighters Association (OCPFA)
 - 12 – Orange County Employees Association (OCEA)
 - 3 – OCFA Managers Association (OCFAMA)
 - 1 – OOCFA Chief Officers Association (OCFACOA)

- 86 indicated “yes” for interest in buy-back
- 5 indicated “maybe” for interest in buy-back
- OCERS: OCERS contacted the Oregon State retirement system, which has allowed military buy-back for many years, and requested data for how many employees request their buy-back costing terms in an average year, and of those, how many execute a purchase agreement. The Oregon State system provided the following:
 - 2019 – 101 requests were processed; 6 purchase agreements completed
 - 2020 – 104 requests were processed; 2 purchase agreements completed
- OCPFA, Local 3631: OCPFA offered to propose a 4-year cap on the maximum years of prior service credit that a veteran could purchase, in their effort to reduce the cost exposure for OCFA’s unfunded pension liability.

Following our JLM discussion, we reviewed the potential for a 4-year cap with OCERS’ and OCFA’s General Counsel. We recommend that OCFA obtain Side Letter Agreements with each of its labor associations memorializing agreement to the 4-year cap, prior to adoption of an enacting Resolution (in the event that the Board chooses to pursue the military buy-back option).

Cost Estimates

In order to estimate the employee and employer costs for the military buy-back option, we provided OCERS with nine OCFA employees known to have prior military service. The estimates provided in Attachment 1 assume the proposed 4-year cap. The values vary based on years of prior military service, date and age of hire into OCFA, and applicable retirement benefit formula.

Request for Board Direction

Staff is seeking direction from the Board of Directors. The B&FC has recommended that the Board defer consideration of the military service buy-back proposal until the next time in which the OCFA and OCPFA are engaged in labor negotiations for a successor MOU (current MOU expires August 31, 2022). Whether action is taken at this time, or deferred to a future date, the next steps that will be required for implementing the military buy back option include:

- Seek assistance from OCFA General Counsel and OCERS to draft a resolution permitting the purchase of prior military service.
- Develop proposed Side Letter Agreements with each of OCFA’s four labor associations memorializing agreement to the 4-year cap.
- Coordinate the details and timing with OCERS for future implementation.
- Return to the Board of Directors for approval of the military service buy-back option including adoption of the resolution and the proposed timing for implementation.

Attachment(s)

1. Estimated/Potential Employee and Employer Costs for Military Buy-Back
2. OCERS Circular Letter – Military Service Credit Purchase

Orange County Fire Authority
Estimated/Potential Employee and Employer Costs for Military Buy-Back

Employee/Veteran	PEPRA 2.7% @ 57 Plan		Legacy 3% @ 50 Plan						
	#1	#2	#3	#4	#5	#6	#7	#8	#9
<u>Employee/Veteran Input Data</u>									
Hire Date	11/17/14	01/22/16	05/28/04	08/23/05	09/01/06	03/14/08	08/29/08	07/15/11	12/28/11
Employee's Pensionable Compensation (1st year @ hire)	70,884	78,903	55,510	57,342	58,852	63,039	63,426	62,806	69,628
OCERS Required Employee Contribution (1st year @ hire)	9.11%	9.11%	7.91%	8.83%	10.75%	9.79%	10.99%	11.52%	7.32%
Employee's Age of Entry	37	37	39	26	36	28	38	37	29
Employee's Years of Military Service	4	6	10	4	6	5	6	8	4
Applicable Retirement Plan / Benefit Formula	2.7%@57	2.7%@57	3%@50	3%@50	3%@50	3%@50	3%@50	3%@50	3%@50
<u>Cost Calculation (4-Year Cap on Years of Prior Service Credit)</u>									
Employee Cost to Purchase Military Credit (Note 1)	\$51,660	\$57,505	\$35,127	\$40,506	\$50,613	\$49,372	\$55,764	\$57,882	\$40,774
Employer Cost/Unfunded Pension Liability (Note 2)	\$78,178	\$68,688	\$288,703	\$144,633	\$220,784	\$148,705	\$168,249	\$149,120	\$130,396
Increase in Present Value of Benefit from Military Service	\$129,838	\$126,193	\$323,829	\$185,139	\$271,397	\$198,078	\$224,013	\$207,003	\$171,170
Hypothetical Estimate - Total Employer Cost (if all of these employees use the option to purchase prior military service credit)									\$1,397,455

Note 1:

The employee contribution is subject to interest at the rate of 2.5% compounded every six months. Interest charges start accruing at the member's entry date. OCERS utilized assistance from The Segal Company (Actuary) to quantify these cost estimates; however, OCERS has not audited these figures. They are provided

Note 2:

The employer cost was calculated by first quantifying the increase in the Present Value of Benefit (PVB) for each employee, and then subtracting the costs to be paid by the employee.



Circular Letter
Military Service Credit Purchase

To: All OCERS Employers

Subject: Military Service Credit Purchase resolutions

The purpose of this Circular Letter is to provide information to OCERS employers regarding your ability to adopt a resolution offering your employees an opportunity to purchase prior military service with OCERS.

Background: In 1963 the Board of Supervisors of the County of Orange adopted a resolution under section 31641.95 providing that the CERL sections respecting purchase of public service credit would apply in the County, but expressly excluding the United States and any department or agency of the United States from the public agencies for which prior public service credit could be purchased (the 1963 Resolution).

Based on our reading of the relevant statutes and the 1963 Resolution, we set forth the information below:

1. Can a district permit the purchase of prior military service if the County of Orange has excluded it?

Yes, if the governing board of the district adopts by majority vote a resolution permitting the purchase. Under our reading of section 31641.95 of the CERL, a district has separate authority from the county to permit the purchase of prior military service. Section 31641.95 provides that the governing board of "any county or district" may adopt, by majority vote, a resolution providing that sections 31470.7 (status as "member" during public or county service), 31478 (definition of "public agency"), 31479 (definition of "public service"), 31480 (service requirements), 31641.1 (contributions and credit for prior public service), 31641.2 (amount of contributions by member previously in public service), 31641.3 (compensation first earnable), 31641.4 (public service credits), 31641.8 (member installment and lump sum payments) and 31641.9 (treatment of contributions/no matching by county) shall apply in the district.

2. Can the County of Orange permit the purchase of prior military service?

Yes, if the County adopts a new resolution amending the 1963 Resolution.

Section 31641.1 provides that "a member who was in public service before becoming a member may elect by written notice filed with the board to make contributions pursuant to Section 31641.2 and to receive credit in the retirement system for all allowed public service time...." "Public service" is defined by section 31479 of the CERL to mean "service rendered as an officer or employee of a public agency for which service the officer or employee received compensation from the public agency and with respect to which he is not entitled to receive credit in any retirement system supported wholly or in part by public funds after he becomes a

member of this system.” “Public agency” is defined by section 31478 to include the United States and any department or agency of the United States.

Under section 31641.95 of the CERL, the governing board of “any county or district” may adopt, by majority vote, a resolution providing that sections 31470.7 (status as “member” during public or county service), 31478 (definition of “public agency”), 31479 (definition of “public service”), 31480 (service requirements), 31641.1 (contributions and credit for prior public service), 31641.2 (amount of contributions by member previously in public service), 31641.3 (compensation first earnable), 31641.4 (public service credits), 31641.8 (member installment and lump sum payments) and 31641.9 (treatment of contributions/no matching by county) shall apply in the county.

3. Can the County of Orange permit the purchase of some types of prior service but exclude prior military service?

Yes. Under section 31641.95 of the CERL, a county is authorized to adopt a resolution providing that the CERL sections respecting purchase of public service credit shall apply in the county (see answer to #2 above), and is also permitted by such resolution to limit the applicability of such sections to any one or more of the public agencies as defined by Section 31478. Accordingly, the County can exclude the United States and its departments (e.g., Department of Defense) from the public agencies for which prior public service can be purchased. This is what the County did under the 1963 Resolution.

4. Can a district exclude prior military service from the types of prior service that can be purchased if the County of Orange has permitted it?

Yes. Under section 31641.95, a district is authorized to adopt a resolution providing that the CERL sections respecting purchase of public service credit shall apply in the district (see answer to #1 above), and is also permitted by such resolution to limit the applicability of such sections to any one or more of the public agencies as defined by Section 31478. Accordingly, a district can exclude the United States and its departments (e.g., Department of Defense) from the public agencies for which prior public service can be purchased.

5. Is the purchase of prior military service prohibited under PEPRA?

No. Under our reading, PEPRA (Gov.Code sec. 7522.46) eliminated purchases of “nonqualified service credit, as defined by Section 415(n)(3)(C) of the Internal Revenue Code,” commonly referred to as “air time,” after January 1, 2013, but did not eliminate or affect the purchase of “public service.” In addition, military service credit that is recognized by a government plan is expressly excluded from “nonqualified service credit” under Section 415(n)(3)(C) subject to narrow exceptions.

6. When would a 4/5ths vote of a county or district be required for the purchase of prior military service?

Subdivisions (a) and (b) of section 31641.2 expressly set forth the amount of the contribution a member is required to pay, by lump sum or by installment payments over a period not to exceed five years, in order to receive credit for prior public service. Subdivision (c) of section 31641.2 provides the governing board of the county or district may, by 4/5ths vote, provide that it shall make on behalf of the employee eligible to receive credit for prior service, and who so elects prior to filing an application for retirement, part of the contributions specified by subdivisions (a) and (b) of section 31641.2. Accordingly, a 4/5th vote of the county or district is required only if the county or district wants to pay any portion of the member's cost as calculated by section 31641.2.

If you have any questions or need additional information please contact me at (714) 558-6215 or via email at sjenike@ocers.org.

Suzanne Jenike
Assistant CEO, External Operations



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
January 28, 2021

Agenda Item No. 3D
Discussion Calendar

**Amendments to the Board Rules of Procedure and
Human Resources Committee Protocol**

Contact(s) for Further Information

David Kendig, General Counsel	dkendig@wss-law.com	714.415.1083
Keith Dobyns, Deputy General Counsel	kdobyns@wss-law.com	714.415.1156
Stephanie Holloman, Assistant Chief Human Resources Director	stephanieholloman@ocfa.org	714.573.6353

Summary

This agenda item is submitted to amend the Board Rules of Procedure and the Human Resources Committee Protocol to define personnel matters that are within the purview of the Human Resources Committee's review; and to establish procedures and criteria for the mandatory reporting of such matters to the Human Resources Committee and the Board of Directors.

Prior Board/Committee Action

Human Resources Committee reviewed and approved recommendation at their January 5, 2021, Special Meeting by a 4-0 vote (Rossini and Sachs were absent).

RECOMMENDED ACTION(S)

Approve amendments to the Board Rules of Procedure and Human Resources Committee Protocols in the form of Attachments 1 and 2 hereto.

Impact to Cities/County

The proposed changes can facilitate improved communications relating to Human Resources matters on behalf of our member agencies and the Board of Directors.

Fiscal Impact

Not applicable.

Background

The OCFA employs thousands of individuals and operates facilities and equipment under urgent and emergency conditions 24 hours a day, 365 days a year throughout the OCFA's operational territory. As a result, a broad range of incidents occur that may or may not expose the Authority to potential litigation, and a subcategory of the incidents also involve personnel matters that are ordinarily handled by the OCFA's professional Human Resources Department. Staff and General Counsel seek direction from the HR Committee and ultimately the Board of Directors about which personnel-related incidents and claims rise to the level that HR Committee or Board notifications should occur.

Staff is recommending to amend the Mission and Purpose section of the Human Resources Committee Protocol's to include the review of employment-related matters that present a significant risk of exposure to litigation to the Authority. The Board of Director's Rules of Procedure are recommended to be amended to reflect these changes as well.

It is also proposed to direct the Fire Chief or General Counsel to report to the HR Committee all employment-related matters that present a significant risk of exposure to litigation to the Authority. Such reports could occur in closed session at a regular or special meeting of the HR Committee, or if no such meeting is scheduled to occur soon, then via confidential memo to the Committee from General Counsel.

The HR committee would then at its next regular or special meeting, determine whether to alert the Executive Committee or the Board of Directors about such personnel-related issues according to the following recommended guidelines.

Incidents that fall within the following categories would ordinarily be reported to the full Board (or Executive Committee):

- Incidents of significant exposure to litigation that also involve a high likelihood that an actual lawsuit will be initiated, based on the information then available; or
- Incidents that are "public knowledge" (e.g., have been or soon will be reported in the press, or that are widely known among the Authority staff); or
- Information regarding which the HR Committee concludes the full Board should be made aware because the information may reflect favorably or unfavorably upon the Board's evaluation of the Fire Chief's performance at the Chief's next performance review

Applying those guidelines, the Human Resources Committee, may within its discretion, then direct staff or General Counsel to notify the Executive Committee or Board of Directors about specific matters.

The recommended amendments will keep the Human Resources Committee and Board of Directors advised, via the Committee, of personnel matters that appear to involve a significant exposure to litigation.

DETERMINING "SIGNIFICANT" EXPOSURE TO LITIGATION:

The proposed protocol would incorporate the threshold established by the Brown Act (California Government Code section 54950 et seq) that allows for closed session discussion of matters by the HR Committee or the Board of Directors. Government Code section 54956.9 authorizes legislative bodies to meet in closed session with legal counsel when a "point has been reached where, in the opinion of the legislative body of the local agency on the advice of its legal counsel, based on existing facts and circumstances, there is a significant exposure to litigation against the local agency." (Cal. Gov't Code sec. 54956.9(d)(2).)

There is no definition of "significant" in the Brown Act, so judgment calls will need to be made to determine which matters do or do not involve a "significant" exposure to litigation so as to be reported to the HR Committee and then to the full Board. Consideration was given to deleting the vague term "significant", but General Counsel recommends retaining it since closed session discussions for matters of exposure to litigation are only allowed for those matters where the exposure qualifies as "significant".

When there is a close call whether a matter does or does not involve a “significant exposure to litigation”, a closed session of the HR Committee can be convened so the HR Committee can determine whether the matter does or does not qualify for discussion in closed session. (This procedure is authorized by Brown Act section 54956.9(d)(3), which permits closed session discussions with legal counsel solely for the purpose of determining whether a closed session is authorized to discuss the matter.) If the Committee determines that the Brown Act authorizes discussion of the matter in closed session, then the discussion of the matter itself will proceed.

Attachment(s)

1. Human Resources Committee Protocols
2. Board of Directors Rules of Procedure

Human Resources Committee

Background Information

- The Human Resources (HR) Committee shall be considered a Standing Committee, as defined by Rule 10 (a) of the Board of Directors Rules of Procedure.
- The HR Committee reports directly to the Board of Directors.
- The Human Resources Committee shall consist of seven members of the Board of Directors. The Chair shall make all appointments to the Human Resources Committee. Appointments to the Human Resources Committee shall be made in such a manner as to achieve, as close as reasonably possible, a balance between the number of members representing Structural Fire Fund and Cash Contract cities.
- At the first meeting of the Human Resources Committee following the annual election of the Chair and Vice Chair of the Board of Directors, the Directors assigned to the Human Resources Committee shall elect from its members a Chair and Vice Chair of the Committee.
- The Committee shall meet at the Regional Fire Operations & Training Center, with the designated-recurring meeting dates and times to be established by the Committee.

Committee Mission/Purpose

The Human Resources Committee advises the staff and makes recommendations to the Board of Directors on matters regarding human resources policies; job class specifications; compensation programs; benefit changes and renewals; employment-related matters that present a significant exposure to litigation to the Authority; labor negotiations; staff training, development and recognition programs; succession planning; risk management and workers' compensation policies; and development of management/performance evaluation and information systems.

Committee Guidelines

This section contains the operating philosophy of the Committee, its policy and decision-making responsibilities, staff involvement, the Committee's relationship to other committees and the Board of Directors, and other details about Committee activities.

Operating Philosophy, Policy-Making and Oversight Responsibilities

- A broad regional perspective will be applied to issues coming before the Committee to achieve the mission of the Committee as well as the Authority.
- The Authority's mission and goals relevant to human resources issues will be periodically revisited by the Committee.
- The Committee will convey proposed revisions for its structure or oversight responsibilities for consideration by the Board of Directors.
- The Committee will consider whether issues should:
 - remain with the review jurisdiction of the Committee as an advisory item only
 - be referred to the Executive Committee
 - be referred to the Board of Directors
- *All policy matters or matters requiring budget adjustments shall be referred to the Board of Directors.*

Human Resources Committee

Reporting To Committee and/or Board of Directors

- Should the Fire Chief or General Counsel become apprised of employment-related matters that present a significant risk of exposure to litigation to the Authority, the Committee shall forthwith be informed of such matters at a regular or special meeting of this Committee, or via confidential memorandum from General Counsel.
- The Committee will determine during its meeting, in closed session when permitted by the Brown Act, (or in the event of a confidential memorandum, at the next regular or special meeting of the Committee) whether such issues shall be referred to the Board of Directors according to the following guidelines:
 - Matters that the HR Committee will ordinarily direct be reported to the full Board include:
 - ♣ Incidents of significant exposure to litigation that also involve a high likelihood that an actual lawsuit will be initiated, based on the information then available; or
 - ♣ Incidents that are “public knowledge” (e.g., have been or soon will be reported in the press, or that are widely known among the Authority staff); or
 - ♣ Information regarding which the HR Committee concludes the full Board should be made aware because the information may reflect favorably or unfavorably upon the Board’s evaluation of the Fire Chief’s performance at the Chief’s next performance review.
 - The HR Committee ordinarily will not report to the full Board regarding matters and incidents that do not fall within the categories listed above.
- In the event actual litigation, arbitration, or equivalent proceeding is actually initiated against the OCFA, background information will be reported to the Board of Directors via confidential memorandum from General Counsel. Such matters may also be discussed in one or more closed session meetings of the Board at the request of the Fire Chief, General Counsel or the Board Chair.

Staff Liaison, Agenda Materials & Staff Presentations

- The Human Resources Director will serve as the primary Staff Liaison to the Committee.
- Items shall be included on the Committee’s agenda only with the approval of the Committee Chair or Staff Liaison.
- Written and oral reports by staff will be used in presenting issues to the Committee.
- An executive summary followed by sufficient backup material will be used to describe the major issues of the item and form the basic model of agenda material coming before the Committee.

OCFA BOARD OF DIRECTORS



ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS RULES OF PROCEDURE

(Last Revision: 11/21/19; **Proposed Revision to Rule 10 - 1/5/2021**)

- Rule 1 Time and Place of Meetings of the Board of Directors and the Executive Committee
- Rule 2 Agendas/Minutes for Meetings of the Board of Directors
- Rule 3 Order of Business for Meetings of the Board of Directors
- Rule 4 Motions During Meetings of the Board of Directors
- Rule 5 Decorum for Public Meetings
- Rule 6 Election of Chair and Vice Chair of the Board of Directors/
Absence of Presiding Officer
- Rule 7 Retention of Exhibits and Documentary Material received in
Hearings Before the Board of Directors
- Rule 8 Ceremonial Functions and Proclamations
- Rule 9 The Executive Committee
- Rule 10 The Standing Committees (**revised**)
- Rule 11 Designated Labor Negotiators
- Rule 12 Provision of Requested Materials by Board Members
- Rule 13 Compensation/Reimbursement for Expenses
- Rule 14 Disclosure of Closed Session Information
- Rule 15 Amendment of Rules of Procedure

RULE 1. TIME AND PLACE OF MEETINGS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

- (a) Except as otherwise provided in this Rule or by Resolution of the Board, a regular meeting of the Board of Directors shall be held on the fourth Thursday of each odd-numbered month, commencing at the hour of 6:00 p.m. in the Board Meeting Room, Regional Fire Operation and Training Center (RFOTC), One Fire Authority Road, Irvine. The meeting for the month of November shall be scheduled for the third Thursday, commencing at the hour of 5:30 p.m. in the Board Meeting Room, RFOTC, One Fire Authority Road, Irvine. Special meetings may occur on other dates, times, and/or locations as noticed.

- (b) Except as otherwise provided in this Rule, a regular meeting of the Executive Committee shall be held on the fourth Thursday of each month, with the exception of August and December, commencing at the hour of 5:30 p.m. in the Board Meeting Room, RFOTC, One Fire Authority Road, Irvine. Due to the Thanksgiving holiday, the regular November Executive Committee meeting business will be combined with the Board of Director's meeting. Special meetings may occur on other dates, times, and/or locations as noticed.
- (c) The Clerk of the Authority shall maintain the official meeting calendar, and shall post same in the display case located in the lobby of the Board Meeting Room and posting case outside main entry gate, RFOTC, One Fire Authority Road, Irvine.
- (d) Any meeting of the Board may be adjourned to any other date and time when necessary for the transaction of business. Any adjourned meeting of the Board is part of a regular meeting.
- (e) Special meetings of the Board may be called pursuant to and in accordance with Section 54956 of the Government Code. The Clerk shall prepare the notice and call of any special meeting. The notice shall specify the time and place of the special meeting and the business to be transacted. No other business shall be considered at such special meeting. A copy of the notice of the special meeting shall also be posted at the places designated in subsection (c) of Rule 1.
- (f) In the event the Board or Executive Committee, or their respective Chairs, determine it advisable to hold a regular meeting at a location other than the Board Meeting Room, RFOTC, One Fire Authority Road, Irvine, a notice specifying the location of such meeting shall be posted in the display case in the lobby of the Board Meeting Room and posting case outside main entry gate, RFOTC, One Fire Authority Road, Irvine. Additional notices shall be posted and maintained as set forth in (c) above.

RULE 2. AGENDAS/MINUTES FOR MEETINGS OF THE BOARD OF DIRECTORS

- (a) Items for the agenda for any regular meeting of the Board may be included on the agenda only with the approval of the Fire Chief or the Chair of the Board.
- (b) During the Board Member Comments portion of a Board meeting, any member may request that an item be placed on a future agenda of the Board of Directors. Staff will prepare reports as appropriate and place the item on the agenda for the next meeting of the Board of Directors. At any other time, any Board Member may contact the Chair to request that an item be placed on the agenda of the next meeting of the Board of Directors. This item will be placed on the Board Discussion Calendar portion of the agenda for concurrence by the Board. No staff reports or materials will be prepared until the full Board directs that the item be placed on an agenda.
- (c) As required by the Ralph M. Brown Act, items not on the posted agenda for a meeting shall not be considered by the Board except as follows:

- (1) Upon determination by a majority vote of the Board that an emergency situation exists. The determination shall be made prior to Board consideration of the emergency item. An emergency situation is limited to:
 - (a) Work stoppage or other activity which severely impairs public health, safety or both.
 - (b) Crippling disaster which severely impairs public health, safety or both.
- (2) Upon determination by a two-thirds vote of the Board Members present, or a unanimous vote if less than two-thirds of the Members are present, that there is a need to take immediate action and that the need came to the attention of the Authority subsequent to the agenda being posted. The determination shall be made prior to Board consideration of the item.
- (3) The item was posted for a prior meeting occurring not more than five calendar days prior to the date action is taken on the item and at which prior meeting, the item was continued to the meeting at which action is being taken.
- (d) The OCFA Board has adopted the use of Robert's Rules of Order as its official guideline in the creation of minutes. All Board/Committee meeting will be documented using action-type minutes. Minutes will document the record of what actions were taken by the governing body, not what was said. The minutes will not contain personal comments or someone's opinion about what happened.
 - (1) The minutes shall document the items identified in Rule 3 in the Board's Order of Business.
 - (2) Public comments will identify the name of the speaker, their city of residences/or organization they represent (if provided by the speaker), and identify the subject to which their comments are being submitted. If commenting on a specific agenda item, the minutes will record the speaker's name, their city of residences/or organization they represent (if provided), and identify if they are speaking in support or opposition of that item.
- (e) "Notwithstanding any provision in these Rules to the contrary, no Memorandum of Understanding, or amendment, codicil, side letter, or any other modification to a Memorandum of Understanding, including any such documents negotiated pursuant to a reopener clause, between the Orange County Fire Authority and any employee bargaining unit ("proposed labor agreement"), shall be heard as an item on a Board agenda until and unless, at the time of the meeting during which the matter is heard by the Board, seven days has passed since the later of the following to occur: (1) the Clerk of the Authority has published a copy of the proposed document on the OCFA public website; and (2) the members of the employee bargaining unit have ratified the proposed labor agreement."

RULE 3. ORDER OF BUSINESS FOR MEETINGS OF THE BOARD OF DIRECTORS

(a) The business for regular meetings of the Board shall include:

Invocation
Pledge of Allegiance
Roll Call
Presentations
Committee Reports
Fire Chief's Report
Public Comments
Minutes
Consent Calendar

(1) Agenda review at call of the Chair to identify those items on the Consent Calendar which a member of the Board or public requests the opportunity to discuss.

(2) Approval at the call of the Chair of those items for which there is no request for discussion.

(3) Discussion of items that the public has requested an opportunity to discuss shall be taken in sequential order.

Public Hearing(s)
Discussion Calendar
Closed Session
Closed Session Report
Adjournment

The Chair may alter or deviate the order of business.

(b) 9:30 p.m. Rule: At the hour of 9:30 p.m. the meeting will take a brief moment from the agenda at hand and make a determination as to which items will be considered and those that may be continued to the next regular meeting.

(c) 10:30 p.m. Curfew: All meetings will end business at 10:30 p.m. unless the hearing body elects to extend the curfew by a three-fifths vote of all members present.

RULE 4. MOTIONS DURING MEETINGS OF THE BOARD OF DIRECTORS

(a) Action of the Board shall be taken by motion. Any action of the Board may be proposed by the motion of any Member. Such a motion, if seconded by any member, shall be on the floor and must be considered, unless a substitute motion has been made, seconded, and adopted. If a motion is not seconded, the motion fails for lack of a second, and shall be so declared by the Chair.

(b) A motion may be withdrawn or amended by its maker at any time before adoption or rejection, with the consent of the second. Absent the consent of the second, the original motion shall remain on the floor. The second to a motion may be withdrawn by the seconder at any time before adoption or rejection of the motion. Upon withdrawal of the second, the motion will be lost for lack of a second and so declared by the Chair unless seconded by another Member.

- (c) After a motion has been seconded, any Member may discuss the subject of the motion. The Chair may, on any motion, call for the vote if it appears that further discussion will be repetitious or that a majority of the Members present concur in the call.
- (d) A motion to reconsider the vote on an agenda item may be made at the meeting at which the item was acted upon, or any adjourned session of the same meeting.

RULE 5. DECORUM FOR PUBLIC MEETINGS

- (a) Members of the Board shall conduct themselves in an orderly and business-like manner to ensure that the business of the Authority shall be attended to efficiently and thoroughly and to ensure that the integrity of the deliberative process of the Board is maintained at all times. Members of the Board shall maintain a polite, respectful, and courteous manner when addressing one another, Authority staff, and members of the public during the meetings.
- (b) Subject to direction by a majority of the Board, the Chair, or in the Chair's absence the Vice Chair, or in their absence any other member designated by the Board, shall be responsible for resolving all procedural issues and for maintaining the orderly conduct and decorum of meetings. It shall be the duty of the Chair to ensure that the rules of decorum contained herein are observed. The Chair shall maintain control of communication among Board Members, and between Board Members and the public.
- (c) Communication by Board Members
 1. Board Members should be recognized by the Chair before speaking.
 2. A Board Member who is speaking shall remember that the purpose of the meeting is to attend to and resolve Authority business. Board Members shall avoid repetition and shall endeavor to limit their comments to the subject matter at hand. Board Members shall endeavor to express their views without engaging in lengthy debates.
 3. When one Board Member is speaking, other Board Members shall not interrupt or otherwise disturb the speaker.
- (d) Communication with members of the public addressing the Board.
 1. Board Members may question the person addressing the Board at the conclusion of the person's comments. A Board Member wishing to ask questions of a member of the public should first be recognized by the Chair.
 2. Board Members shall not engage the person addressing the Board in a dialogue, but shall confine communication to a question and answer format.
 3. If a member of the audience has addressed the Board on matters which are not on the agenda, Board Members shall refrain from extended discussions of the matter. If a Board Member so wishes, he/she may, during the Board Member Comments portion of the meeting, request that the matter be placed on a future agenda.

- (e) Authority Staff shall not engage in a dialogue with members of the public during Board meetings. When addressed by the Board, staff shall respond in a polite and respectful manner.
- (f) Members of the Audience shall not engage in disorderly or boisterous conduct, including the utterance of loud, threatening or abusive language, clapping, whistling, and stamping of feet or other acts which disturb, disrupt, impede or otherwise render the orderly conduct of the Board meeting unfeasible. A member of the audience engaging in any such conduct shall, at the discretion of the Chair or a majority of the Board Members, be subject to removal from that meeting.
- (g) Members of the public may address the Board of Directors during the Public Comment Period and prior to the consideration of any agenda item. Any person wishing to speak, whether during the Public Comment Period or on an agenda item, shall first complete a request to speak form slip and submit the form to the Authority Clerk prior to the calling to order of the meeting or as soon as possible thereafter.
- (h) No person shall address the Board of Directors without first being recognized by the Chair.
- (i) The purpose of addressing the Board of Directors is to formally communicate to the Board on matters relating to Authority business or citizen concerns within the subject matter jurisdiction of the Board. Persons addressing the Board on an agenda item shall confine the subject matter of their remarks to the particular matter before the Board.
- (j) Each person addressing the Board of Directors shall do so in an orderly manner and shall not engage in any conduct, which disrupts, disturbs, or otherwise impedes the orderly conduct of the Board meeting. Any person, who so disrupts the meeting shall, at the discretion of the Chair or a majority of the Board Members, be subject to removal from that meeting.
- (k) Persons addressing the Board of Directors shall address the Board as a whole and shall not engage in a dialogue with individual Board Members, Authority staff, or members of the audience.
- (l) A time limit of approximately three minutes per person shall be allocated to all persons addressing the Board of Directors, however, at the discretion of the Chair, an individual speaking on behalf of a group sharing common concerns or opinions may be allocated additional time to speak for the group. A total of approximately thirty minutes will be allocated at the beginning of the meeting for Public Comments, with additional time granted at the discretion of the Chair. If needed, additional time for Public Comments will be provided at the conclusion of the normal business of the Board.
- (m) Upon a violation of the rules of decorum established herein, the procedure to enforce the rules is as follows:
 - 1. Warning The Chair shall first request that a person who is violating the rules cease such conduct. If, after receiving a request from the Chair, the person persists in violating these rules, the Chair shall order a recess. Any representative of the local assigned law enforcement personnel who is present

at the meeting when the violation occurred shall be authorized to warn the person that his/her conduct is violating the rules and that he/she is requested to cease such conduct. If upon resumption of the meeting the violation persists, the Chair shall order another recess, whereupon the local assigned law enforcement personnel shall have the authority to order the person removed from the meeting and/or cited in violation of Penal Code Section 403.

2. Motion to Enforce If the Chair of the Board fails to enforce the rules of decorum set forth herein, any Board Member may move to require the Chair to do so, and an affirmative vote of a majority of the Board shall require the Chair to do so. If the Chair fails to carry out the will of the majority of the Board, the majority may designate another Board Member to act as Chair for the limited purpose of enforcing the rules of decorum established herein.
3. Clearing the Room Pursuant to Government Code Section 54957.9, in the event that any meeting is willfully interrupted by a person or groups of persons so as to render the orderly conduct of such meeting unfeasible and order cannot be restored by the removal of the individuals who are willfully interrupting the meeting, by a majority vote of the Board Members the meeting room may be ordered cleared and the meeting shall continue in session. Only matters appearing on the agenda may be considered in such a session. Representatives of the press or other news media, except those participating in the disturbance, shall be allowed to attend any session held pursuant to this Section 54957.9.
4. Violation of the California Penal Code A person or persons who substantially impair(s) the conduct of a Board meeting by knowingly and intentionally violating these rules of decorum may be prosecuted under Penal Code Section 403 for disturbing a public meeting. Every person who violates Penal Code Section 403 is guilty of a misdemeanor.

RULE 6. ELECTION OF CHAIR AND VICE CHAIR OF THE BOARD OF DIRECTORS/ABSENCE OF PRESIDING OFFICER

- (a) The officers of the Board are the Chair and Vice Chair.
- (b) Elections for Chair and Vice Chair shall be held at the first meeting of each calendar year.

The method of nomination and election of the Chair and Vice Chair will be at the discretion of the Board.

- (c) The Presiding Officer of the Board shall be the Chair, or in the Chair's absence the Vice Chair, followed by the Immediate Past Chair, then the Budget and Finance Committee Chair.

RULE 7. RETENTION OF EXHIBITS AND DOCUMENTARY MATERIAL RECEIVED IN HEARINGS BEFORE THE BOARD OF DIRECTORS

All exhibits, including documentary materials such as photographs, drawings, maps, letters, petitions, and other physical evidence received by the Board at hearings shall be retained by the Clerk as part of the record of the hearings. To the extent possible, the

Clerk may furnish copies of such materials to persons requesting them upon payment of the fee prescribed for copies of public records.

RULE 8. CEREMONIAL FUNCTIONS AND PROCLAMATIONS

The Chair is authorized to represent the Authority at ceremonial functions, proclamation ceremonies, and other similar events when the Board has not otherwise designated one of its Members to represent the Authority.

RULE 9. THE EXECUTIVE COMMITTEE

- (a) The Executive Committee shall conduct all business of the Authority, with the exception of policy issues, including labor relations, budget issues, and other matters specifically retained by the Board of Directors.
- (b) The Executive Committee shall consist of no more than nine members of the Board of Directors. Members of the Executive Committee shall serve until a new member is seated in their stead by virtue of appointment or assumption of one of the designated positions. The Executive Committee membership is comprised of the following designated positions: the Chair and Vice Chair of the Board of Directors, the immediate past Chair of the Board, and the Chair of the Budget and Finance Committee. In addition, membership as constituted, shall include at least one member of the County Board of Supervisors. The Chair shall appoint the remaining at-large members, who shall serve subject to approval by majority vote of the Directors present at a subsequent meeting. Said members are authorized to serve pending such vote of the Board. In the selection of at-large members, appointments shall be made in such a manner as to achieve approximately the ratio of cash contract cities to total member agencies of the Authority. The Chair of the City Managers Technical Advisory Committee shall serve as the ex officio non-voting member of the Executive Committee and shall not be included in the determination of a quorum for any meeting.
- (c) The Chair shall appoint a three-member panel of structural fire fund Alternate Directors and a three-member panel of cash contract city Alternate Directors. If an at-large member of the Executive Committee notifies the Clerk of the Authority that he or she cannot attend an Executive Committee meeting, the Clerk shall call, on a rotating basis, Alternate Directors from the respective panels in an attempt to replace a structural fire fund Director with a structural fire fund Alternate and/or a cash contract city Director with a cash contract city Alternate, as the case may be.

In the absence of the member of the Executive Committee representing the County Board of Supervisors, the Alternate voting member shall be the second regular member of the Board of Directors representing the County Board of Supervisors.

In the absence of the Budget and Finance Chair, the Alternate voting member shall be the Vice Chair of the Budget and Finance Committee.

Should the position of Immediate Past Chair on the Executive Committee become vacant, the most recent past Chair, who is a Director and who is not currently seated on the Executive Committee, shall serve in that capacity. Should there be no prior Board Chair on the Board of Directors, the current Director with the most tenure

and not currently seated as a member of the Executive Committee will be seated on the Executive Committee and shall serve in the interim until there is an Immediate Past Chair.

There shall be no Alternate Directors appointed in the absence of the Chair, Vice Chair, or immediate past Chair.

Should the Board Chair or Vice Chair be unable to officiate over a Board and/or Executive Committee meeting that the Immediate Past Chair followed by the Budget and Finance Committee Chair assume the duty of presiding over the meeting.

RULE 10. THE STANDING COMMITTEES

- (a) Standing Committees may be established by the Board of Directors for the purpose of facilitating a thorough review of various issues before presentation to and action by the full Board. Alternate Directors shall not act as alternates for Directors on standing committees.
- (b) The Budget and Finance Committee shall be established as a standing committee. The regular meetings of the Budget and Finance Committee will be on the second Wednesday of each month, with the exception of August and December, at 12 noon located in Classroom 1 (Board Breakout Room) at the RFOTC. Special meetings may occur on other dates, times, and/or locations as noticed.
 - (1) The Chair shall make all appointments to the Budget and Finance Committee. Appointments to the Budget and Finance Committee shall be made in such a manner as to achieve, as close as reasonably possible, a balance between the number of members representing Structural Fire Fund and Cash Contract cities.
 - (2) At the first meeting of the Budget and Finance Committee following the annual election of the Chair and Vice Chair of the Board of Directors, the Directors assigned to the Budget and Finance Committee shall elect from their members a Chair and Vice Chair of the Committee.
 - (3) The Chair, or in his/her absence, the Vice Chair, of the Budget and Finance Committee shall serve as a member of the Executive Committee.
 - (4) Items for the agenda for any regular meeting of the Budget and Finance Committee shall be included on the agenda only with the approval of the Committee Chair or the Staff Liaison.
 - (5) The Board of Directors, through the Chair, shall appoint one City Manager to the Budget and Finance Committee. The City Manager shall serve as an ex officio non-voting member of the Budget and Finance Committee. As an ex officio member, the City Manager shall not be included in the determination of a quorum for any meeting.
- (c) The Human Resources Committee shall be established as a standing committee. The regular meetings of the Human Resources Committee will be established by the Committee. The date and time selected by the Human Resources Committee is to meet on a quarterly basis on the first Tuesday during the months of February, May, August, and November at 12 noon. The Human Resources Committee will

meet in Classroom 1 (Board Breakout Room) at the RFOTC. Special meetings may occur on other dates, times, and/or locations as noticed.

- (1) The Human Resources Committee shall not exceed seven members of the Board of Directors. The Chair shall make all appointments to the Human Resources Committee. Appointments to the Human Resources Committee shall be made in such a manner as to achieve, as close as reasonably possible, a balance between the number of members representing Structural Fire Fund and Cash Contract cities.
- (2) At the first meeting of the Human Resources Committee following the annual election of the Chair and Vice Chair of the Board of Directors, the Directors assigned to the Human Resources Committee shall elect from its members a Chair and Vice Chair of the Committee.
- (3) Staff to the Committee will be the Human Resources Director or his or her designee. Additional subject matter experts may attend Committees as necessary.
- (4) The Human Resources Committee shall advise OCFA staff and make recommendations to the Board of Directors on matters regarding human resources policies; job class specifications, compensation programs; benefit changes and renewals; employment-related matters that present a significant exposure to litigation to the Authority; labor negotiations; staff training, development and recognition programs; succession planning; risk management and workers' compensation policies; and development of management/performance evaluation and information systems.

RULE 11. DESIGNATED LABOR NEGOTIATORS

- (a) For purposes of holding a closed session concerning compensation and benefits for the Fire Chief, the Board of Directors' designated representatives shall be the Chair, the Vice Chair, the Immediate Past Chair, and the Budget and Finance Committee Chair. Should the Board and/or Budget and Finance Committee reorganize prior to the completion of the Fire Chief's evaluation process the negotiators that began the process will complete the evaluation.
- (b) For purposes of holding a closed session concerning compensation and benefits for all other represented and unrepresented employees, the Board of Directors' designated representatives shall be the Fire Chief's designee, the Human Resources Director and any other representative so designated at a meeting of the Board of Directors.

RULE 12. PROVISION OF REQUESTED MATERIALS BY BOARD MEMBERS

- (a) Should an individual Board Member request information or materials that: (i) are not currently maintained by the OCFA in its normal course of business, and (ii) would require significant staff resources for research or analysis to create a document or to prepare or compile the information, then the requesting Board Member shall seek approval from the Board Chair who shall either approve the request or agendaize the consideration to authorize the request at the next Board meeting.

(b) Should a Board Member or a member agency make a Public Records Act request for official business purposes, in keeping with the current fee schedule, the Board Member or its member agency will not be charged a fee for this service. This privilege is not to be used as a means for members of the public to circumvent the fees approved by the Board of Directors associated with records requests. Any records produced in response to a Board Member or member agency official business requests shall be made available to all Board Members along with a summary of the hard and soft costs involved in the provision of the requested records.

(c) Any Board Member requesting records for purposes other than official use will be charged any applicable fees approved by the Board of Directors that are associated with the request.

RULE 13. COMPENSATION/REIMBURSEMENT FOR EXPENSES

(a) Compensation: Members of the Board of Directors are entitled to receive \$100 per meeting per day, with a maximum of \$300 per month, for voting member attendance at OCFA publicly noticed (Brown Act compliant) meetings and the monthly Chair/Chief meeting.

(b) Authorized Expenses: OCFA funds, equipment, supplies (including letterhead), titles, and staff time must only be used for authorized OCFA business. The following types of occurrences qualify a Board Member to receive payment and/or reimbursement of expenses relating to travel, meals, lodging, and other actual and necessary expenses, and generally constitute authorized expenses, as long as the other requirements of this policy are met:

- 1) Communicating with representatives of regional, state and national government on OCFA adopted policy positions;
- 2) Attending conferences designed to improve Board Member's expertise and information levels, including, but not limited to, ethics training required pursuant to California Government Code Section 53234;
- 3) Participating in regional, state and national organizations whose activities affect OCFA's interests;
- 4) Recognizing service to OCFA (for example, acknowledging a longtime employee with a retirement gift or celebration of nominal value and cost);
- 5) Attending OCFA events.

All other expenditures require prior approval by the OCFA Board of Directors at a public meeting. The following expenses also require prior Board of Directors' approval:

- 1) International travel;
- 2) Expenses exceeding \$2,500 per person, per trip.

Examples of personal expenses that OCFA will not reimburse include, but are not limited to:

- 1) The personal portion of any trip;
- 2) Political contributions or events;

- 3) Family expenses, including partner's expenses when accompanying a Board Member on OCFA-related business, as well as children or pet-related expenses;
- 4) Charitable contributions or events, unless the event has a direct relationship to OCFA business, (for example, acknowledging extraordinary deeds by OCFA personnel) is approved by the Fire Chief and does not exceed \$250;
- 5) Entertainment expenses, including theater, movies (either in-room or at the theater), sporting events (including gym, massage and/or golf related expenses), or other cultural events;
- 6) Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline;
- 7) Personal losses incurred while on OCFA business.

Any questions regarding the propriety of a particular type of expense should be resolved before the expense is incurred.

- (c) Expense and Reimbursement Guidelines: To conserve OCFA resources and keep expenses within appropriate standards for public officials, expenditures, whether paid directly by OCFA or reimbursed to a Board Member, Members should adhere to the following guidelines. Unless otherwise specifically provided, reimbursement for travel, meals, lodging, and other actual and necessary expenses shall be at the Internal Revenue Service rates presently in effect as established in Publication 463 or any successor publication.

Transportation: The most economical mode and class of transportation reasonably consistent with scheduling needs and space requirements must be used, using the most direct and time-efficient route. In the event that a more expensive transportation form or route is used, the cost borne by OCFA will be limited to the cost of the most economical, direct, efficient and reasonable transportation form. Government and group rates offered by a provider of transportation services shall be used when available.

Automobile mileage is reimbursable at Internal Revenue Service rates in effect at the time of travel (see [***.irs.gov](http://www.irs.gov)). These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are also reimbursable.

Reasonable and necessary charges for public transportation, taxi, or shuttle service are reimbursable at actual cost with receipts.

Rental vehicles may be used during out-of-county travel and will be reimbursed at actual cost. Rental vehicles may be used when the efficient conduct of OCFA business precludes the use of other means of transportation or when car rental is the most economical mode available. Itemized original receipts must be submitted with vehicle rental claims.

Lodging: Actual lodging costs will be reimbursed or paid for when travel on official OCFA business reasonably requires an overnight stay. If such lodging is in connection with a conference or organized educational activity, lodging costs shall not exceed the group rate published by the conference or activity sponsor for

the meeting in question, provided that the group rate is available at the time of booking. Government and group rates offered by a provider of lodging services shall be used when available.

Non-reimbursable lodging-related expenses include, but are not limited to, costs for an extra person staying in the room, costs related to late checkout or uncanceled reservations, in-room pay-per-view movie rentals, and non-OCFA business related phone calls. Itemized receipts must accompany claims for lodging reimbursements.

Meals: Meal expenses and associated gratuities should be moderate, taking into account community standards and the prevailing restaurant costs of the area. OCFA will pay the actual cost of the meals, but will not pay for alcohol/personal bar expenses.

Telephone/Fax/ Cellular: Board Members will be reimbursed for actual telephone and fax expenses incurred on OCFA business. Telephone bills should identify which calls were made on OCFA business. For cellular calls when the Board Member has a particular number of minutes included in the Board Member's plan, the Board Member can identify the percentage of calls made on OCFA business.

Airport Parking: Long-term parking should be used for travel exceeding 24-hours. OCFA will pay the actual cost of long-term parking.

Other: Baggage handling at then current airport baggage rates per bag and gratuities of up to 15 percent will be reimbursed.

Miscellaneous: Actual expenses for registration, tuition, and parking are reimbursable for OCFA authorized business. Miscellaneous expenses must be supported with itemized receipts.

Expenses for which Board Members receive reimbursement from another agency are not reimbursable.

- (d) Expense Report Content and Submission Deadline: Expense reports must document that the expense in question meet the requirements of the policy. For example, if the meeting is with a legislator, the Board Member should explain whose meals were purchased, what issues were discussed and how those relate to the Authority's adopted legislative positions and priorities.

Board Members must submit their expense reports within 30 days of an expense being incurred, accompanied by receipts documenting each expense. Restaurant receipts, in addition to any credit card receipts, are also part of the necessary documentation. Receipts for gratuities and tolls under \$5 are not required.

- (e) Audits of Expense Reports: All expenses are subject to verification of compliance with this policy.
- (f) Reports to Governing Board: At the following Board of Directors' meeting, each Board Member shall briefly report on meetings attended at OCFA expense. If multiple Board Members attended, a joint report may be made.
- (g) Compliance with Laws: Board Members should keep in mind that some expenditures may be subject to reporting under the Political Reform Act and other

laws. All documents related to reimbursable agency expenditures are public records subject to disclosure under the California Public Records Act.

- (h) Violation of this Policy: Misuse of public resources or falsifying expense reports in violation of this policy may result in any or all of the following: 1) loss of reimbursement privileges, 2) a demand for restitution to OCFA, 3) OCFA's reporting the expenses as income to the elected official to state and federal tax authorities, and 4) prosecution for misuse of public resources.

RULE 14. DISCLOSURE OF CLOSED SESSION INFORMATION

All information presented to the Board in closed session shall be confidential. However, a Board Member may disclose information obtained in a closed session that has direct financial or liability implications for the Board Member's local agency to the following individuals:

- (a) Legal counsel of the Board Member's local agency for purposes of obtaining advice on whether the matter has direct financial or liability implications for that local agency; and/or
- (b) Other members of the legislative body of the Board Member's local agency present in a closed session of that local agency.

Prior to disclosing any information obtained in a closed session to legal counsel of the Board Member's local agency or other members of the legislative body of the Board Member's local agency, the Board Member shall notify OCFA General Counsel of the intention to discuss the matter with their local agency's legal counsel or other members of the legislative body in order to afford General Counsel the opportunity to discuss with their local agency's legal counsel whether the matter has direct financial or liability implications for the Board Member's local agency.

RULE 15. AMENDMENT OF RULES OF PROCEDURE

No rule of the Board shall be adopted or amended except by resolution adopted by the Board.



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
January 28, 2021

Agenda Item No. 3E
Discussion Calendar

Election of Board Chair and Vice Chair

Contact(s) for Further Information

Robert Cortez, Assistant Chief Business Services Department	robertcortez@ocfa.org	714.573.6012
Maria D. Huizar, Clerk of the Authority	mariahuizar@ocfa.org	714.573.6041

Summary

The Rules of Procedure includes provisions for the election of the Board Chair and Vice Chair.

Prior Board/Committee Action

This is an annual and routine item for Board Member consideration.

RECOMMENDED ACTION(S)

Take action as necessary.

Impact to Cities/County

None.

Fiscal Impact

None.

Background

The Rules of Procedure adopted by the Board of Directors includes a provision for election of the Chair and Vice Chair, as follow:

“RULE 6. ELECTION OF CHAIR AND VICE CHAIR OF THE BOARD OF DIRECTORS/ABSENCE OF PRESIDING OFFICER

- (a) The officers of the Board are the Chair and Vice Chair.
- (b) Elections for Chair and Vice Chair shall be held at the first meeting of each calendar year. The method of nomination and election of the Chair and Vice Chair will be at the discretion of the Board.
- (c) The Presiding Officer of the Board shall be the Chair, or in the Chair’s absence the Vice Chair, followed by the Immediate Past Chair, then the Budget and Finance Committee Chair.”

The Chair may call for nominations for the 2021-2022 Board Chair and/or Vice Chair positions, close the nominations, vote on the matter and declare the results.

Attachment(s)

None.