



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, January 13, 2021

12:00 Noon

Regional Fire Operations and Training Center

Board Room

1 Fire Authority Road
Irvine, California 92602

Gene Hernandez, Chair

Elizabeth Swift, Vice Chair

Ed Sachs • Shelley Hasselbrink • Joe Muller
Sergio Farias • Don Sedgwick • Tri Ta • Vince Rossini
Jennifer Cervantez, Ex Officio

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



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 Committee. Comments related to a particular agenda item will only be considered prior to the close of public comments on that item.

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Swift

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.

1. PRESENTATIONS

No items.

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 for the November 4, 2020, Special Budget and Finance Committee Meeting

Submitted by: Maria Huizar, Clerk of the Authority

Recommended Action:

Approve as submitted.

B. Monthly Investment Reports

Submitted by: Tricia Jakubiak, Treasurer

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of January 28, 2021, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

3. DISCUSSION CALENDAR

A. Annual Grant Priorities for 2021

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

Recommended Actions:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of January 28, 2021, with the Budget and Finance Committee's recommendation that the Board of Directors approve OCFA's Annual Grant Priorities for 2021.

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

Recommended Actions:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of January 28, 2021, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to return to the Board of Directors on March 25, 2021, for approval of the budget adjustments discussed herein for the FY 2020/21 budget.

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

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

Recommended Actions:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of January 28, 2021, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Direct staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to 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.

D. Military Service Buy-Back

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

Recommended Actions:

Review the proposed agenda item and provide direction to staff regarding proposed actions relative to implementation of the military service buy-back option with OCERS, subject to further discussion with the Board of Directors.

REPORTS

No Items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, February 10, 2021, at 12:00 noon.

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:

Executive Committee Meeting

Board of Directors Meeting

Human Resources Committee Meeting

Thursday, January 28, 2021, 5:30 p.m.

Thursday, January 28, 2021, 6:00 p.m.

Tuesday, February 2, 2021, 12 noon

MINUTES ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Special Meeting
Wednesday, November 4, 2020
12:00 Noon

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

CALL TO ORDER

A special meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on November 4, 2020, at 12:00 p.m. by Chair Hernandez.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present: Gene Hernandez, Yorba Linda, Chair*
Elizabeth Swift, Buena Park, Vice Chair*
Shelley Hasselbrink, Los Alamitos*
Joseph Muller, Dana Point*
Tri Ta, Westminster*
Don Sedgwick, Laguna Hills*
Ed Sachs, Mission Viejo*

Absent: Vince Rossini, Villa Park
Sergio Farias, San Juan Capistrano

Also present were:

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

1. PRESENTATIONS

No Items.

PUBLIC COMMENTS

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

2. CONSENT CALENDAR

On motion of Director Sachs and second by Director Ta, and following a roll call vote, declared passed 7-0 (Directors Farias and Rossini were absent).

A. Minutes for the October 14, 2020, Budget and Finance Committee Meeting (FILE 12.02B2)

Action: Approve as submitted.

B. Monthly Investment Reports (FILE 11.10D2)

Action: Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of November 19, 2020, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

C. First Quarter Financial Newsletter (FILE 15.07)

Action: Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of November 19, 2020, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

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

Action: Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 19, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Approve and authorize the Fire Chief to execute any necessary agreement(s) to accept and administer the FY 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.

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

Action: Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting on November 19, 2020, with the Budget and Finance Committee's recommendations that the Board of Directors:

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 CALENDAR

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

Assistant Chief Cortez presented the Audited Financial Reports for the Fiscal Year Ended June 30, 2020.

On motion of Director Hasselbrink and second by Director Sedgwick, and following a roll call vote, declared passed 7-0 (Director Farias and Rossini were absent) to review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 19, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors:

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

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

Assistant Chief Cortez presented the Fiscal Update and Snowball Pension Paydown Payment.

On motion of Director Sachs and second by Vice Chair Swift, and following a roll call vote, declared passed 7-0 (Director Farias and Rossini were absent) to review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of November 19, 2020, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

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.

REPORTS

No Items.

COMMITTEE MEMBER COMMENTS (FILE 12.02B4)

Director Sachs complemented Fire Chief Fennessy and all the firefighters who fought the Silverado and Blue Ridge fires. He commented having toured the fire area, the new homes had applied brush mitigation allowing the firefighters to keep the fires at bay. He offered prayers for the two injured firefighters.

Chair Hernandez offered praise for the firefighters and Sheriff's department for their work on the two Orange County fires and everyone involved including the residents keeping the brush mitigated to protect their homes.

ADJOURNMENT – Chair Hernandez adjourned the meeting at 12:36 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, January 13, 2021, at 12:00 noon.

Maria D. Huizar, CMC
Clerk of the Authority



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
January 13, 2021

Agenda Item No. 2B
Consent Calendar

Monthly Investment Reports

Contact(s) for Further Information

Robert Cortez, Assistant Chief
Business Services Department

robertcortez@ocfa.org

714.573.6012

Tricia Jakubiak, Treasurer
Treasury & Financial Planning

triciajakubiak@ocfa.org

714.573.6301

Summary

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

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of January 28, 2021, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Since the Committee did not meet in December, attached are the final monthly investment reports for the months ending October 31 and November 30, 2020. A preliminary investment report as of December 11, 2020, is also provided as the most complete report that was available at the time this agenda item was prepared.

Attachment(s)

1. Final Investment Report – October 2020 and Preliminary Report – November 2020
2. Final Investment Report – November 2020 and Preliminary Report – December 2020

Orange County Fire Authority Monthly Investment Report



Final Report – October 2020

Preliminary Report – November 2020



Monthly Investment Report Table of Contents

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Orange County Fire Authority

Final Investment Report

October 31, 2020



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of October 2020, the size of the portfolio decreased by \$30.2 million to \$109.7 million. Significant receipts for the month included monthly cash contract payments, an apportionment of property taxes, intergovernmental agency and grant payments and other charges for current services totaling \$12.5 million. Significant disbursements for the month included primarily three biweekly payrolls (instead of the typical two per month) which were approximately \$13.2 million each with related benefits. Total October cash outflows amounted to approximately \$43.5 million. The portfolio's balance is expected to increase in November.

In October, the portfolio's yield to maturity (365-day equivalent) increased by 3 basis points to 0.48%. The effective rate of return decreased by 1 basis point to 0.41% for the month, and the average maturity of the portfolio shortened by 7 days to 7 days to maturity.

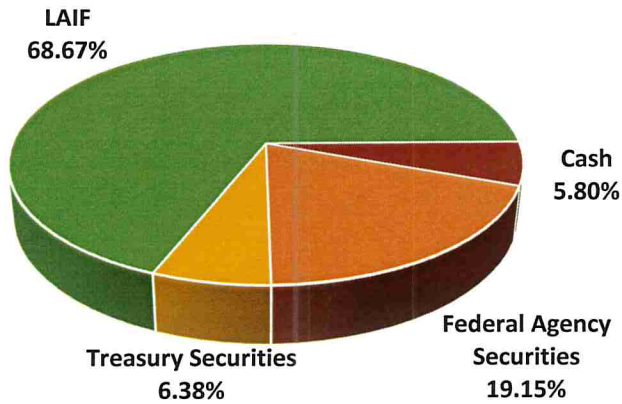
Economic News

In October 2020, the U.S. economic recovery showed signs of slowing down as coronavirus cases surged. The labor market added 638,000 jobs which was less than expected. The unemployment rate fell for the sixth straight month from 7.9% to 6.9%. Retail sales were softer than expected up only 0.3% from last month suggesting consumers are becoming more hesitant amid a surging pandemic and a lack of additional federal stimulus money. Consumer confidence declined slightly as well after a sharp increase in September as coronavirus cases increased and unemployment remained high. Economic activity in both the manufacturing and non-manufacturing/service sector grew in October. Industrial production - the combined output of factories, utilities, and mines - rose 1.1% from last month but is still below pre-pandemic levels. There was no inflation in October as the Consumer Price Index was unchanged from last month. Existing home sales unexpectedly rose 4.3% in October which was the highest level since 2005. Year-to-year existing homes sales are up 26.6% with prices up 15.5%.

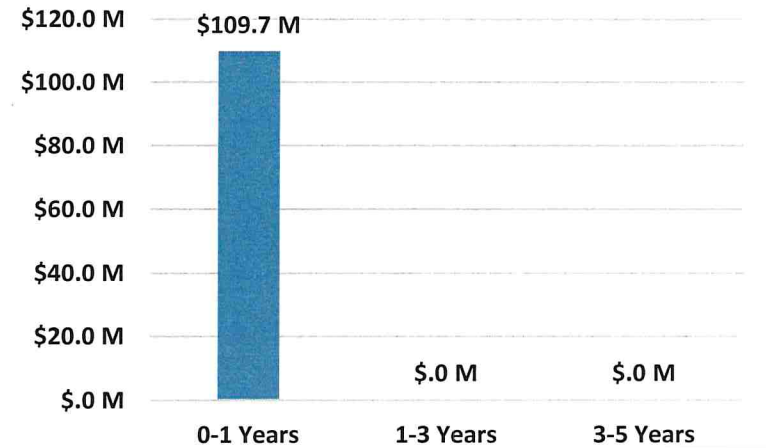


PORTFOLIO HAS AMPLE LIQUIDITY AND IS EXCEEDING TREASURY BENCHMARKS AS OF OCTOBER 31, 2020

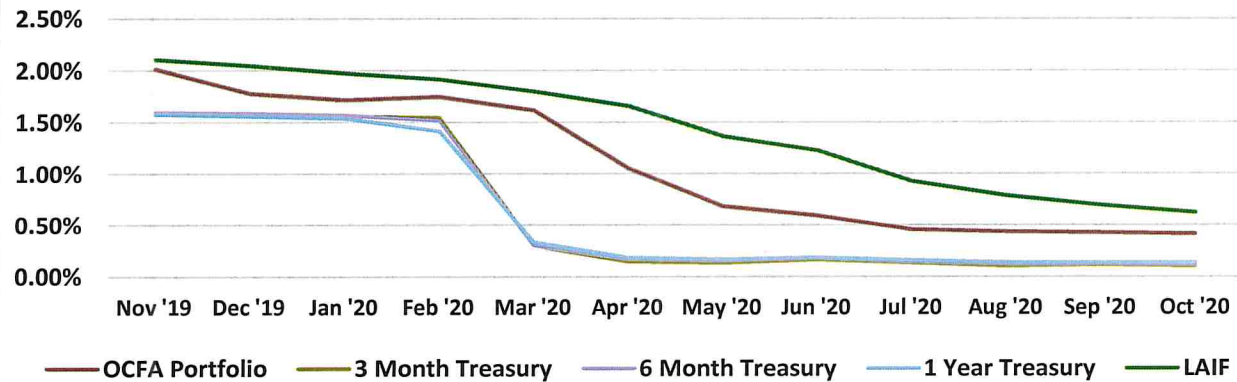
Market Value \$109,666,427



Aging Summary



12 Month Benchmarks





BENCHMARK COMPARISON AS OF OCTOBER 31, 2020

3 Month T-Bill: 0.10%

1 Year T-Bill: 0.13%

6 Month T-Bill: 0.11%

LAIF: 0.62%

OCFA Portfolio: 0.41%

PORTFOLIO SIZE, YIELD, & DURATION

	<u><i>Current Month</i></u>	<u><i>Prior Month</i></u>	<u><i>Prior Year</i></u>
<i>Book Value-</i>	\$109,720,511	\$139,994,417	\$123,446,525
<i>Yield to Maturity (365 day)</i>	0.48%	0.45%	2.05%
<i>Effective Rate of Return</i>	0.41%	0.42%	2.08%
<i>Days to Maturity</i>	7	14	18



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

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

(See Note 1 on page 10)

(See Note 2 on page 10)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Call / Maturity	YTM / Call 360 Equiv.	YTM / Call 365 Equiv.
Federal Agency Disc. -Amortizing	21,000,000.00	20,998,860.00	20,998,730.00	20.39	109	24	0.108	0.109
Treasury Discounts -Amortizing	7,000,000.00	6,999,580.00	6,999,580.39	6.80	78	26	0.084	0.085
Local Agency Investment Funds	75,000,000.00	75,308,590.05	75,000,000.00	72.82	1	1	0.612	0.620
Investments	103,000,000.00	103,307,030.05	102,998,310.39	100.00%	28	7	0.473	0.480
Cash								
Passbook/Checking (not included in yield calculations)	6,359,397.03	6,359,397.03	6,359,397.03		1	1	0.000	0.000
Total Cash and Investments	109,359,397.03	109,666,427.08	109,357,707.42		28	7	0.473	0.480

Total Earnings	October 31 Month Ending	Fiscal Year To Date
Current Year	43,431.21	227,811.93
Average Daily Balance	123,925,510.08	150,251,901.71
Effective Rate of Return	0.41%	0.45%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2020. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."


 Patricia Jakubiak, Treasurer

11/6/20

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 109,357,707.42
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ 362,803.09
Total	\$ 109,720,510.51

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

(See Note 1 on page 10)

(See Note 2 on page 10)

					(See Note 1 on page 10)	(See Note 2 on page 10)	Days				
CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	to Call / Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations		07/01/2020	0.00	0.00	0.00	0.010	0.010	1	
Subtotal and Average			12,665,087.24		0.00	0.00	0.00		0.000	0	
Federal Agency Coupon Securities											
Subtotal and Average			2,451,820.83								
Federal Agency Disc. -Amortizing											
313384P45	1008	Fed Home Loan Bank		06/30/2020	12,000,000.00	11,999,760.00	11,999,480.00	0.130	0.134	12	11/13/2020
313384S83	1011	Fed Home Loan Bank		09/30/2020	9,000,000.00	8,999,100.00	8,999,250.00	0.075	0.077	40	12/11/2020
Subtotal and Average			21,384,895.52		21,000,000.00	20,998,860.00	20,998,730.00		0.109	24	
Treasury Discounts -Amortizing											
9127963B3	1010	US Treasury Bill		09/10/2020	7,000,000.00	6,999,580.00	6,999,580.39	0.083	0.085	26	11/27/2020
Subtotal and Average			12,418,565.94		7,000,000.00	6,999,580.00	6,999,580.39		0.085	26	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			75,000,000.00	75,308,590.05	75,000,000.00	0.620	0.620	1	
Subtotal and Average			75,005,140.54		75,000,000.00	75,308,590.05	75,000,000.00		0.620	1	
Total and Average			123,925,510.08		103,000,000.00	103,307,030.05	102,998,310.39		0.480	7	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
October 31, 2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2020	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2020	6,339,397.03	6,339,397.03	6,339,397.03		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			123,925,510.08		109,359,397.03	109,666,427.08	109,357,707.42		0.480	7

Orange County Fire Authority

In service of others!



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

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

					Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(11/01/2020 - 11/01/2020)	4 Maturities	0 Payments	81,359,397.03	74.40%	81,359,397.03	81,667,987.08
Aging Interval:	1 - 30 days	(11/02/2020 - 12/01/2020)	2 Maturities	0 Payments	19,000,000.00	17.37%	18,999,060.39	18,999,340.00
Aging Interval:	31 - 60 days	(12/02/2020 - 12/31/2020)	1 Maturities	0 Payments	9,000,000.00	8.23%	8,999,250.00	8,999,100.00
Aging Interval:	61 days and after	(01/01/2021 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			7 Investments	0 Payments		100.00	109,357,707.42	109,666,427.08



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank (formerly Union Bank) Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2020 includes an increase of \$368,460 to the LAIF investment and a decrease of (\$5,657) to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Local Agency Investment Fund (LAIF)

As of October 31, 2020, OCFA has \$75,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of September 30, 2020 is 1.004114534. When applied to OCFA's LAIF investment, the fair value is \$75,308,590 or \$308,590 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at October 31, 2020 is included on the following page.



Fair Value Including Accrued Interest	\$	101,363,768,633.08
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Orange County Fire Authority

Preliminary Investment Report

November 20, 2020



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

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

(See Note 1 on page 19)

(See Note 2 on page 19)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Call / Maturity	YTM / Call 360 Equiv.	YTM / Call 365 Equiv.
Federal Agency Disc. -Amortizing	21,000,000.00	20,999,100.00	20,998,321.67	18.58	62	35	0.082	0.083
Treasury Discounts -Amortizing	17,000,000.00	16,998,900.00	16,998,819.84	15.04	64	33	0.079	0.080
Local Agency Investment Funds	75,000,000.00	75,308,590.05	75,000,000.00	66.37	1	1	0.612	0.620
Investments	113,000,000.00	113,306,590.05	112,997,141.51	100.00%	22	12	0.433	0.439
<hr/>								
Cash								
Passbook/Checking (not included in yield calculations)	6,724,458.15	6,724,458.15	6,724,458.15		1	1	0.000	0.000
Total Cash and Investments	119,724,458.15	120,031,048.20	119,721,599.66		22	12	0.433	0.439

Total Earnings	November 20 Month Ending	Fiscal Year To Date
Current Year	26,986.40	254,798.33
Average Daily Balance	113,817,586.92	145,156,193.35
Effective Rate of Return	0.43%	0.45%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2020. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubiak, Treasurer

11/27/20

Cash and Investments with GASB 31 Adjustment:

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

\$ 119,721,599.66

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

\$ 362,803.09

Total

\$ 120,084,402.75

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

(See Note 1 on page 19)

(See Note 2 on page 19)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Call / Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations		07/01/2020	0.00	0.00	0.00	0.010	0.010	1	
Subtotal and Average			9,319,259.82		0.00	0.00	0.00		0.000	0	
Federal Agency Disc. -Amortizing											
313384S83	1011	Fed Home Loan Bank		09/30/2020	9,000,000.00	8,999,820.00	8,999,625.00	0.075	0.077	20	12/11/2020
313385AF3	1012	Fed Home Loan Bank		11/13/2020	12,000,000.00	11,999,280.00	11,998,696.67	0.085	0.087	46	01/06/2021
Subtotal and Average			20,998,742.88		21,000,000.00	20,999,100.00	20,998,321.67		0.083	35	
Treasury Discounts -Amortizing											
9127963B3	1010	US Treasury Bill		09/10/2020	7,000,000.00	7,000,000.00	6,999,903.17	0.083	0.085	6	11/27/2020
912796A66	1013	US Treasury Bill		11/18/2020	10,000,000.00	9,998,900.00	9,998,916.67	0.075	0.077	52	01/12/2021
Subtotal and Average			8,499,584.22		17,000,000.00	16,998,900.00	16,998,819.84		0.080	33	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			75,000,000.00	75,308,590.05	75,000,000.00	0.620	0.620	1	
Subtotal and Average			75,000,000.00		75,000,000.00	75,308,590.05	75,000,000.00		0.620	1	
Total and Average			113,817,586.92		113,000,000.00	113,306,590.05	112,997,141.51		0.439	12	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
November 20, 2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2020	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2020	6,704,458.15	6,704,458.15	6,704,458.15		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			113,817,586.92		119,724,458.15	120,031,048.20	119,721,599.66		0.439	12

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

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(11/21/2020 - 11/21/2020)	4 Maturities 0 Payments	81,724,458.15	68.26%	81,724,458.15	82,033,048.20
Aging Interval:	1 - 30 days	(11/22/2020 - 12/21/2020)	2 Maturities 0 Payments	16,000,000.00	13.36%	15,999,528.17	15,999,820.00
Aging Interval:	31 - 60 days	(12/22/2020 - 01/20/2021)	2 Maturities 0 Payments	22,000,000.00	18.38%	21,997,613.34	21,998,180.00
Aging Interval:	61 days and after	(01/21/2021 -)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Total for			8 Investments 0 Payments		100.00	119,721,599.66	120,031,048.20



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2020 includes an increase of \$368,460 to the LAIF investment and a decrease of (\$5,657) to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

GLOSSARY

INVESTMENT TERMS

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

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

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

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

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

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

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

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

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

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

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

Local Agency Investment Fund (LAIF). A California State Treasury fund which local agencies may use to deposit funds for investment and for reinvestment with a maximum of \$75 million for any agency (*excluding bond funds, which have no maximum*). It offers high liquidity because

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

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

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

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

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

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

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

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

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

Yield. Rate of return on a bond.

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

ECONOMIC TERMS

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

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

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

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

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

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

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

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

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

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

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

Orange County Fire Authority Monthly Investment Report



Final Report – November 2020

Preliminary Report – December 2020



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Orange County Fire Authority

Final Investment Report

November 30, 2020



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of November 2020, the size of the portfolio reversed and increased by \$19.1 million to \$128.8 million. Significant receipts for the month included monthly cash contract payments, secured and supplemental apportionments of property taxes, intergovernmental agency and grant payments and other charges for current services totaling \$56.5 million. Significant disbursements for the month included primarily two biweekly payrolls which were approximately \$15.2 million each with related benefits. Total November cash outflows amounted to approximately \$38.0 million. The portfolio's balance is expected to increase significantly in December as the next major property tax receipt is expected for the month.

In November, the portfolio's yield to maturity (365-day equivalent) decreased by 10 basis points to 0.38%. The effective rate of return decreased by 2 basis points to 0.39% for the month, and the average maturity of the portfolio lengthened by 7 days to 14 days to maturity.

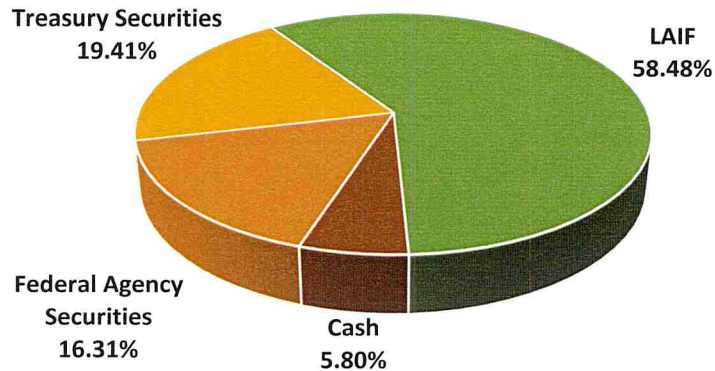
Economic News

In November 2020, the U.S. economy continued to struggle under the weight of the pandemic. U.S. job growth slowed sharply suggesting the labor market recovery is losing steam amid a surge in coronavirus cases and new restrictions on businesses. Employers added 245,000 jobs in November down from 610,000 in October. The unemployment rate edged down slightly to 6.7% from 6.9% but was partly because fewer Americans were seeking work. Retail sales were disappointing and dropped 1.1% in November. The October number was also revised to a 0.3% decline instead of an increase. Consumer confidence deflated in November as consumers became less optimistic about the short term outlook. Manufacturing activity fell in November. The non-manufacturing/service sector grew but experienced a slight pullback in the rate of growth. Industrial production - the combined output of factories, utilities, and mines - advanced 0.4%. Consumer prices climbed slightly by 0.2% in November and 1.6% over last year. On December 16, the Federal Open Market Committee met and voted to keep the federal funds rate unchanged at the target range of 0.00%-0.25%. They indicated rates will remain near zero until 2023.

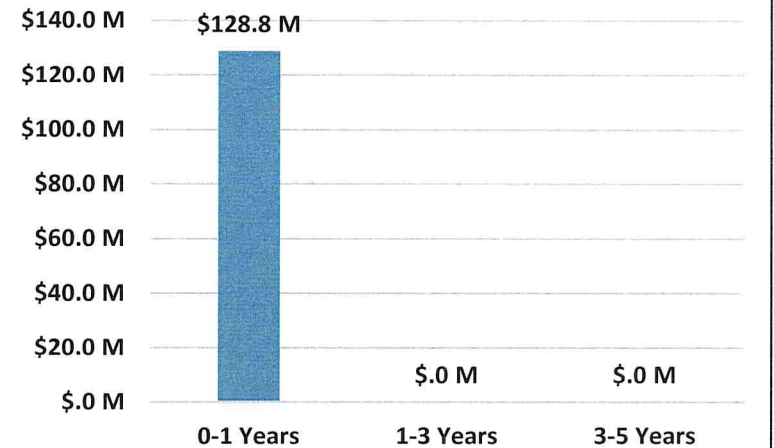


PORTFOLIO HAS AMPLE LIQUIDITY AND IS EXCEEDING TREASURY BENCHMARKS AS OF NOVEMBER 30, 2020

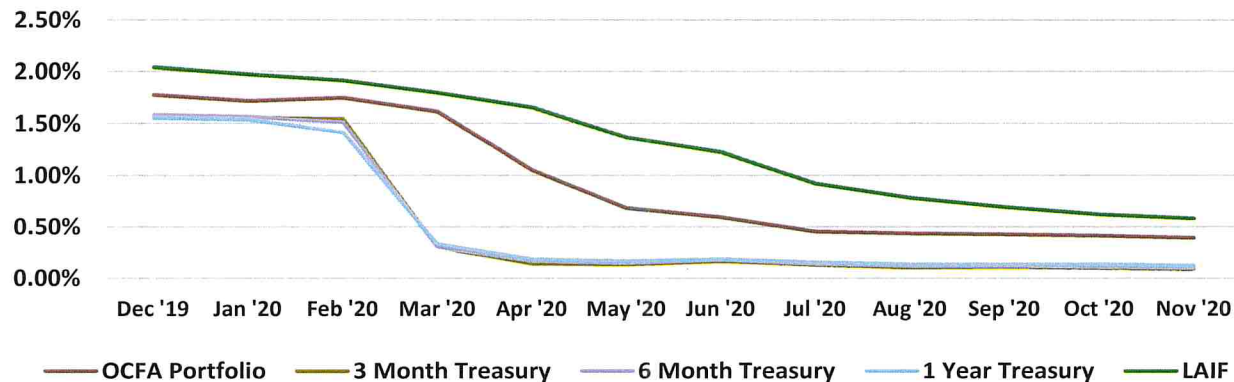
Market Value \$128,774,459



Aging Summary



12 Month Benchmarks





BENCHMARK COMPARISON AS OF NOVEMBER 30, 2020

3 Month T-Bill: 0.09%

1 Year T-Bill: 0.12%

6 Month T-Bill: 0.10%

LAIF: 0.58%

OCFA Portfolio: 0.39%

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value-	\$128,829,246	\$109,720,511	\$133,967,360
Yield to Maturity (365 day)	0.38%	0.48%	1.91%
Effective Rate of Return	0.39%	0.41%	2.01%
Days to Maturity	14	7	20



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
November 30, 2020

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

(See Note 1 on page 10)

(See Note 2 on page 10)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Call / Maturity	YTM / Call 360 Equiv.	YTM / Call 365 Equiv.
Federal Agency Disc. -Amortizing	21,000,000.00	20,998,860.00	20,998,792.50	17.35	62	25	0.082	0.083
Treasury Discounts -Amortizing	25,000,000.00	24,997,750.00	24,998,391.67	20.66	52	43	0.055	0.056
Local Agency Investment Funds	75,000,000.00	75,308,590.05	75,000,000.00	61.98	1	1	0.568	0.576
	121,000,000.00	121,305,200.05	120,997,184.17	100.00%	22	14	0.378	0.383
Investments								
Cash								
Passbook/Checking (not included in yield calculations)	7,469,258.98	7,469,258.98	7,469,258.98		1	1	0.000	0.000
Total Cash and Investments	128,469,258.98	128,774,459.03	128,466,443.15		22	14	0.378	0.383

Total Earnings	November 30 Month Ending	Fiscal Year To Date
Current Year	37,889.79	265,701.72
Average Daily Balance	118,733,680.98	144,071,858.43
Effective Rate of Return	0.39%	0.44%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2020. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."


 Patricia Jakubiak, Treasurer

12/4/20

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 128,466,443.15
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ 362,803.09
Total	\$ 128,829,246.24

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
November 30, 2020

(See Note 1 on page 10)

(See Note 2 on page 10)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Call / Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations		07/01/2020	0.00	0.00	0.00	0.010	0.010	1	
Subtotal and Average			9,335,755.35		0.00	0.00	0.00		0.000	0	
Federal Agency Disc. -Amortizing											
313384S83	1011	Fed Home Loan Bank		09/30/2020	9,000,000.00	8,999,820.00	8,999,812.50	0.075	0.077	10	12/11/2020
313385AF3	1012	Fed Home Loan Bank		11/13/2020	12,000,000.00	11,999,040.00	11,998,980.00	0.085	0.087	36	01/06/2021
Subtotal and Average			20,998,688.79		21,000,000.00	20,998,860.00	20,998,792.50		0.083	25	
Treasury Discounts -Amortizing											
912796A66	1013	US Treasury Bill		11/18/2020	10,000,000.00	9,999,100.00	9,999,125.00	0.075	0.077	42	01/12/2021
9127963U1	1014	US Treasury Bill		11/25/2020	15,000,000.00	14,998,650.00	14,999,266.67	0.040	0.041	44	01/14/2021
Subtotal and Average			13,399,236.83		25,000,000.00	24,997,750.00	24,998,391.67		0.056	43	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			75,000,000.00	75,308,590.05	75,000,000.00	0.576	0.576	1	
Subtotal and Average			75,000,000.00		75,000,000.00	75,308,590.05	75,000,000.00		0.576	1	
Total and Average			118,733,680.98		121,000,000.00	121,305,200.05	120,997,184.17		0.383	14	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
November 30, 2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2020	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2020	7,449,258.98	7,449,258.98	7,449,258.98		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			118,733,680.98		128,469,258.98	128,774,459.03	128,466,443.15		0.383	14

Orange County Fire Authority

In service of others!



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

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(12/01/2020 - 12/01/2020)	4 Maturities 0 Payments	82,469,258.98	64.19%	82,469,258.98	82,777,849.03
Aging Interval:	1 - 30 days	(12/02/2020 - 12/31/2020)	1 Maturities 0 Payments	9,000,000.00	7.01%	8,999,812.50	8,999,820.00
Aging Interval:	31 - 60 days	(01/01/2021 - 01/30/2021)	3 Maturities 0 Payments	37,000,000.00	28.80%	36,997,371.67	36,996,790.00
Aging Interval:	61 days and after	(01/31/2021 -)	0 Maturities 0 Payments	0.00	0.00%	0.00	0.00
Total for			8 Investments 0 Payments		100.00	128,466,443.15	128,774,459.03



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank (formerly Union Bank) Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2020 includes an increase of \$368,460 to the LAIF investment and a decrease of (\$5,657) to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Local Agency Investment Fund (LAIF)

As of November 30, 2020, OCFA has \$75,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of September 30, 2020 is 1.004114534. When applied to OCFA's LAIF investment, the fair value is \$75,308,590 or \$308,590 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at November 30, 2020 is included on the following page.

Page 12



Orange County Fire Authority

Preliminary Investment Report

December 11, 2020



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
December 11, 2020

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

(See Note 1 on page 19)

(See Note 2 on page 19)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Call / Maturity	YTM / Call 360 Equiv.	YTM / Call 365 Equiv.
Federal Agency Disc. -Amortizing	12,000,000.00	11,999,400.00	11,999,291.67	10.71	54	25	0.086	0.087
Treasury Discounts -Amortizing	25,000,000.00	24,998,500.00	24,998,804.17	22.32	52	32	0.055	0.056
Local Agency Investment Funds	75,000,000.00	75,308,590.05	75,000,000.00	66.97	1	1	0.568	0.576
	112,000,000.00	112,306,490.05	111,998,095.84	100.00%	18	11	0.402	0.407
Investments								
Cash								
Passbook/Checking (not included in yield calculations)	3,580,946.68	3,580,946.68	3,580,946.68		1	1	0.000	0.000
Total Cash and Investments	115,580,946.68	115,887,436.73	115,579,042.52		18	11	0.402	0.407

Total Earnings	December 11 Month Ending	Fiscal Year To Date
Current Year	13,930.84	279,632.56
Average Daily Balance	125,653,759.59	142,836,498.14
Effective Rate of Return	0.37%	0.44%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2020. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubiak, Treasurer

12/18/20

Cash and Investments with GASB 31 Adjustment:

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

\$ 115,579,042.52

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

\$ 362,803.09

Total

\$ 115,941,845.61

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
December 11, 2020

(See Note 1 on page 19)

(See Note 2 on page 19)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Call / Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	Federated Treasury Obligations		07/01/2020	0.00	0.00	0.00	0.010	0.010	1	
Subtotal and Average			5,474,251.44		0.00	0.00	0.00		0.000	0	
Federal Agency Disc. -Amortizing											
313385AF3	1012	Fed Home Loan Bank		11/13/2020	12,000,000.00	11,999,400.00	11,999,291.67	0.085	0.087	25	01/06/2021
Subtotal and Average			20,180,891.48		12,000,000.00	11,999,400.00	11,999,291.67		0.087	25	
Treasury Discounts -Amortizing											
912796A66	1013	US Treasury Bill		11/18/2020	10,000,000.00	9,999,400.00	9,999,354.17	0.075	0.077	31	01/12/2021
9127963U1	1014	US Treasury Bill		11/25/2020	15,000,000.00	14,999,100.00	14,999,450.00	0.040	0.041	33	01/14/2021
Subtotal and Average			24,998,616.67		25,000,000.00	24,998,500.00	24,998,804.17		0.056	32	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			75,000,000.00	75,308,590.05	75,000,000.00	0.576	0.576	1	
Subtotal and Average			75,000,000.00		75,000,000.00	75,308,590.05	75,000,000.00		0.576	1	
Total and Average			125,653,759.59		112,000,000.00	112,306,490.05	111,998,095.84		0.407	11	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
December 11, 2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2020	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2020	3,560,946.68	3,560,946.68	3,560,946.68		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			125,653,759.59		115,580,946.68	115,887,436.73	115,579,042.52		0.407	11

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of December 12, 2020

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

					Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(12/12/2020 - 12/12/2020)	4 Maturities	0 Payments	78,580,946.68	67.99%	78,580,946.68	78,889,536.73
Aging Interval:	1 - 30 days	(12/13/2020 - 01/11/2021)	1 Maturities	0 Payments	12,000,000.00	10.38%	11,999,291.67	11,999,400.00
Aging Interval:	31 - 60 days	(01/12/2021 - 02/10/2021)	2 Maturities	0 Payments	25,000,000.00	21.63%	24,998,804.17	24,998,500.00
Aging Interval:	61 days and after	(02/11/2021 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			7 Investments	0 Payments		100.00	115,579,042.52	115,887,436.73



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2020 includes an increase of \$368,460 to the LAIF investment and a decrease of (\$5,657) to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

GLOSSARY

INVESTMENT TERMS

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

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

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

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

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

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

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

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

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

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

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

Local Agency Investment Fund (LAIF). A California State Treasury fund which local agencies may use to deposit funds for investment and for reinvestment with a maximum of \$75 million for any agency (*excluding bond funds, which have no maximum*). It offers high liquidity because

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

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

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

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

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

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

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

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

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

Yield. Rate of return on a bond.

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

ECONOMIC TERMS

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

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

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

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

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

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

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

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

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

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

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



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
January 13, 2021

Agenda Item No. 3A
Discussion Calendar

Annual Grant Priorities for 2021

Contact(s) for Further Information

Robert Cortez, Assistant Chief Business Services Department	robertcortez@ocfa.org	714.573.6012
Jay Barkman, Legislative Analyst	jaybarkman@ocfa.org	714.573.6048

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.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of January 28, 2021, with the Budget and Finance Committee's recommendation that the Board of Directors 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

Budget and Finance Committee Meeting
January 13, 2021

Agenda Item No. 3B
Discussion Calendar

FY 2020/2021 Mid-Year Financial Report

Contact(s) for Further Information

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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

Not applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of January 28, 2021, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to return to the Board of Directors on March 25, 2021, for approval of the budget adjustments discussed herein for the FY 2020/21 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).

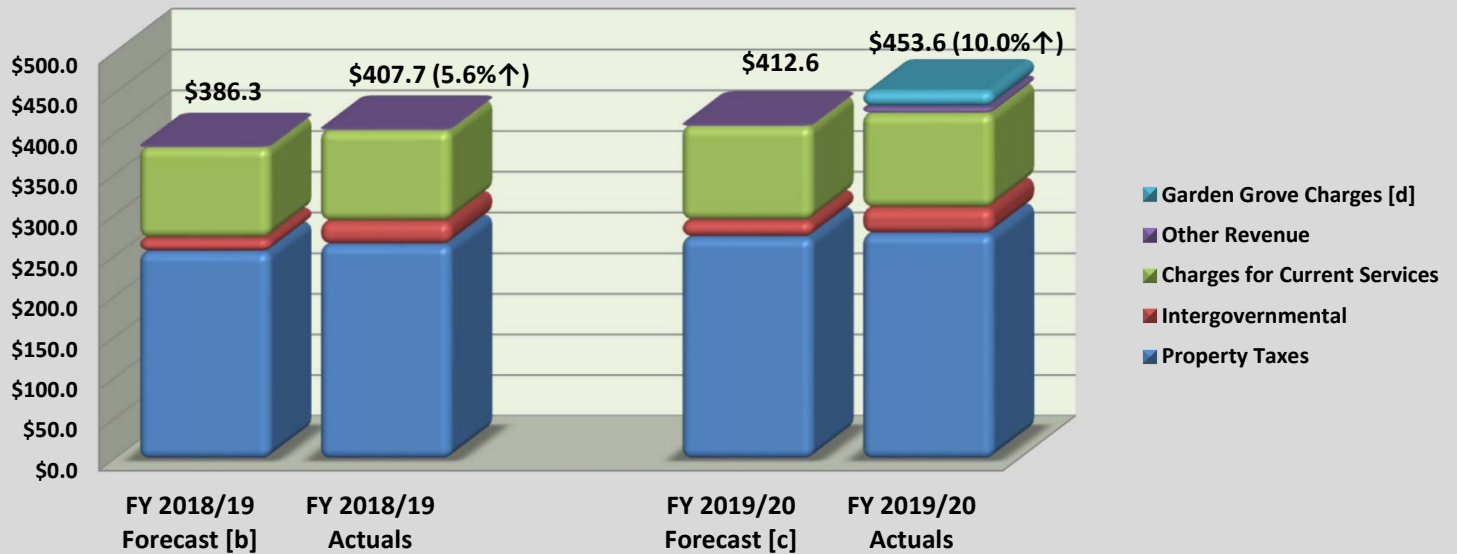
A trend report has been developed comparing the differences between the forecasted data and actual financial results and is attached to this Review as Exhibit 1.

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

Comparison of 2018/19 Forecast to 2018/19 Actuals
and

Comparison of 2019/20 Forecast to 2019/20 Actuals

Revenue Comparison [a] (\$ in Millions)



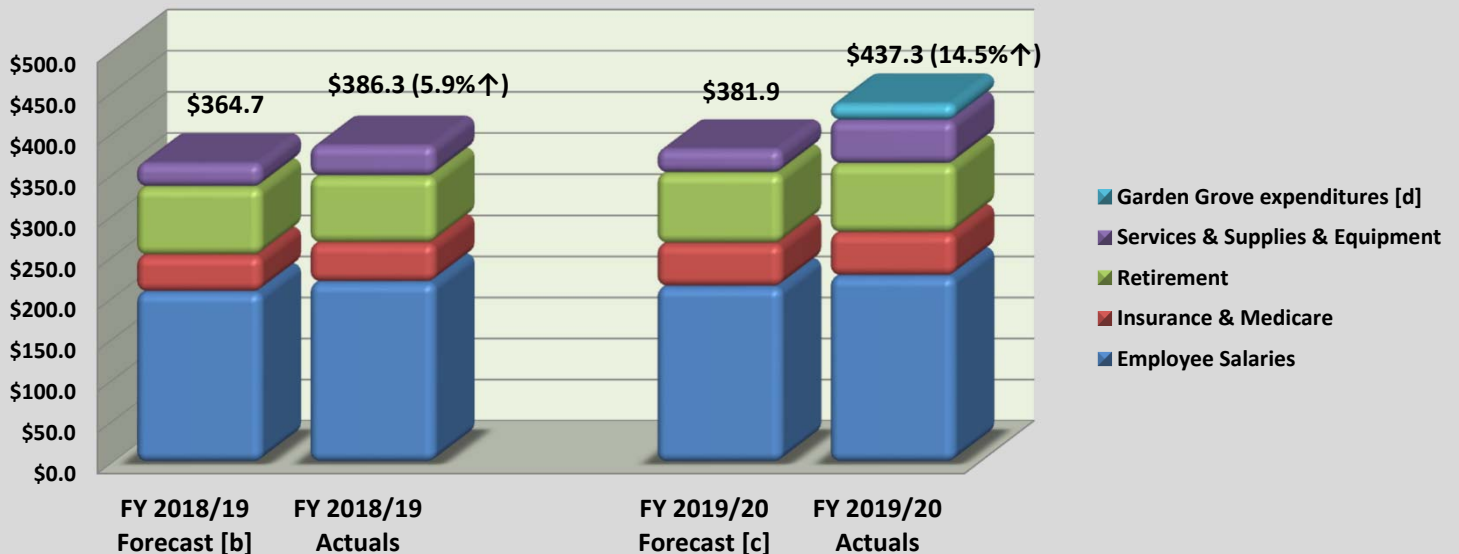
[a] Actual revenue adjusted for one-time sources not forecasted such as assistance by hire revenue, grant revenue, and one-time revenue associated with RDA dissolutions.

[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

Budget and Finance Committee Meeting
January 13, 2021

Agenda Item No. 3C
Discussion Calendar

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

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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.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of January 28, 2021, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Direct staff to continue the Accelerated Pension Payment Plan as indicated in the Updated Snowball Strategy.
2. Direct staff to 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

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:

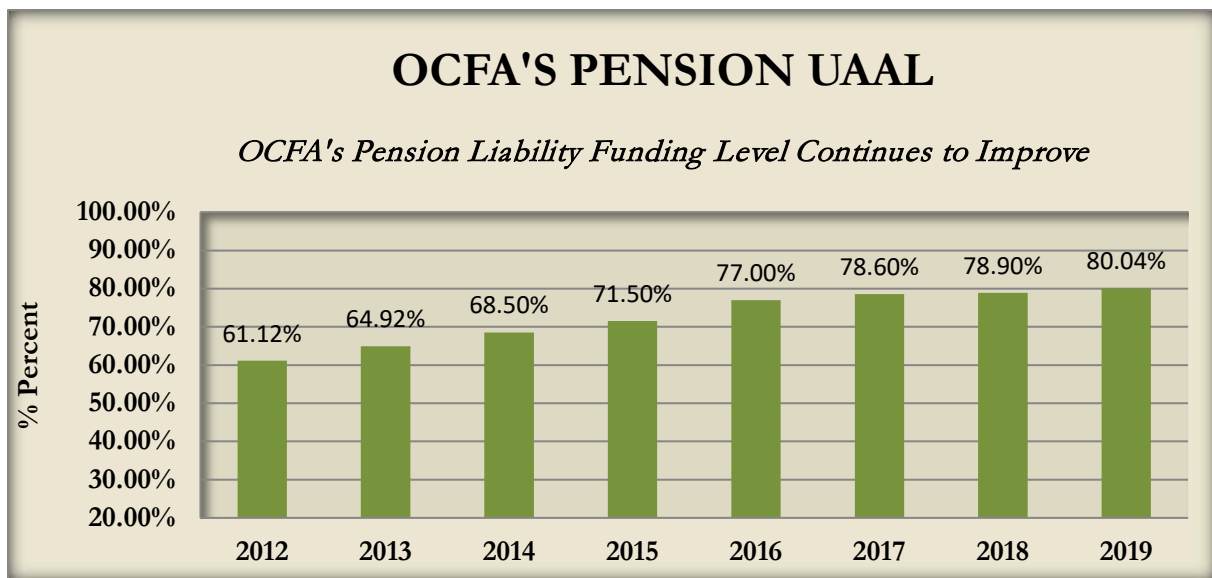
	Hired Prior to July 1, 2012	Hired Between July 1, 2012 – Dec. 31, 2012	Hired on or after Jan. 1, 2013 (w/out reciprocity)
Safety	3% @ 50	3% @ 55	2.7% @ 57

	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.

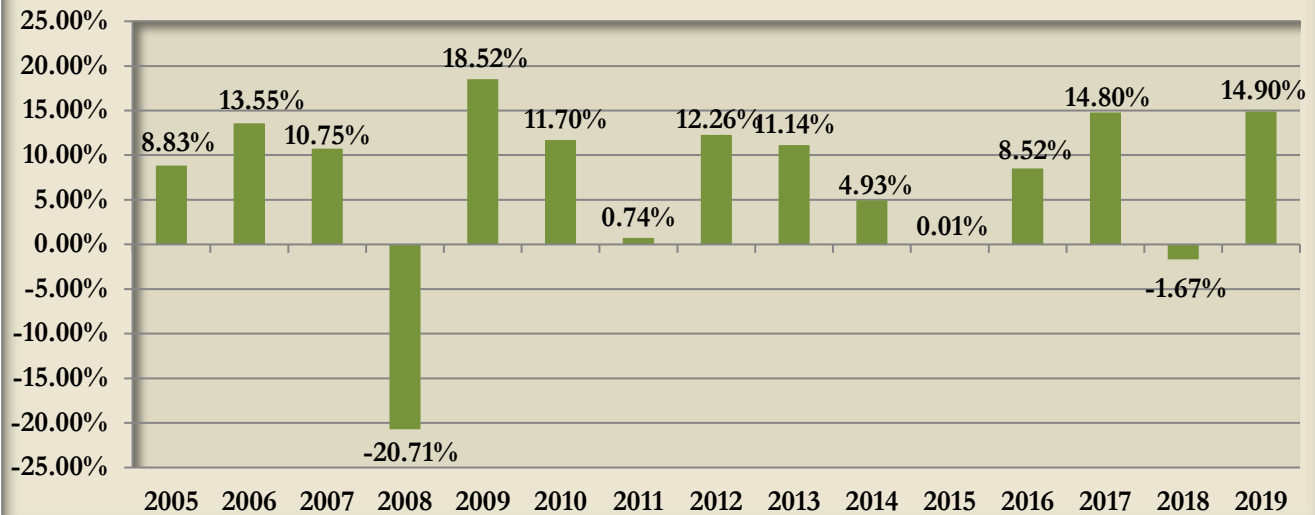
In 2019, OCERS earned 14.4%. However, despite exceeding its 7.0% assumed rate of return and additional payments made by OCFA towards its UAAL, OCFA's UAAL did increase by \$8.0 million from \$426.7 million to \$434.7 million. Most of the UAAL increase was attributed to prior years' investment losses 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

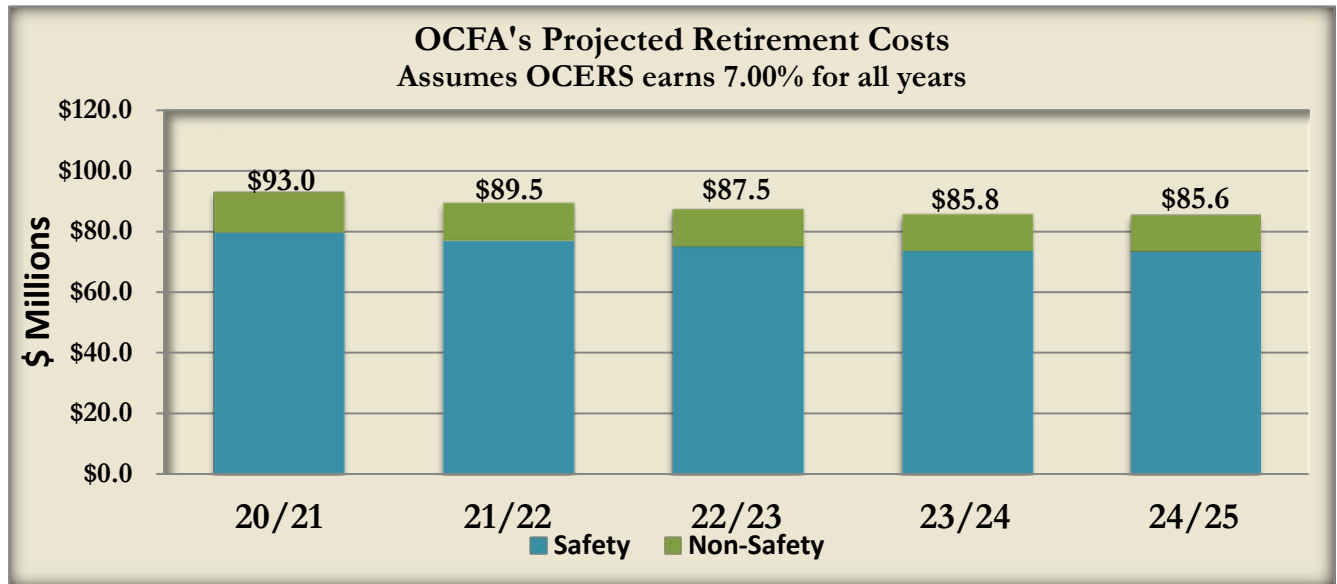
(Dollars in Thousands)

OCERS' funding level continues to improve

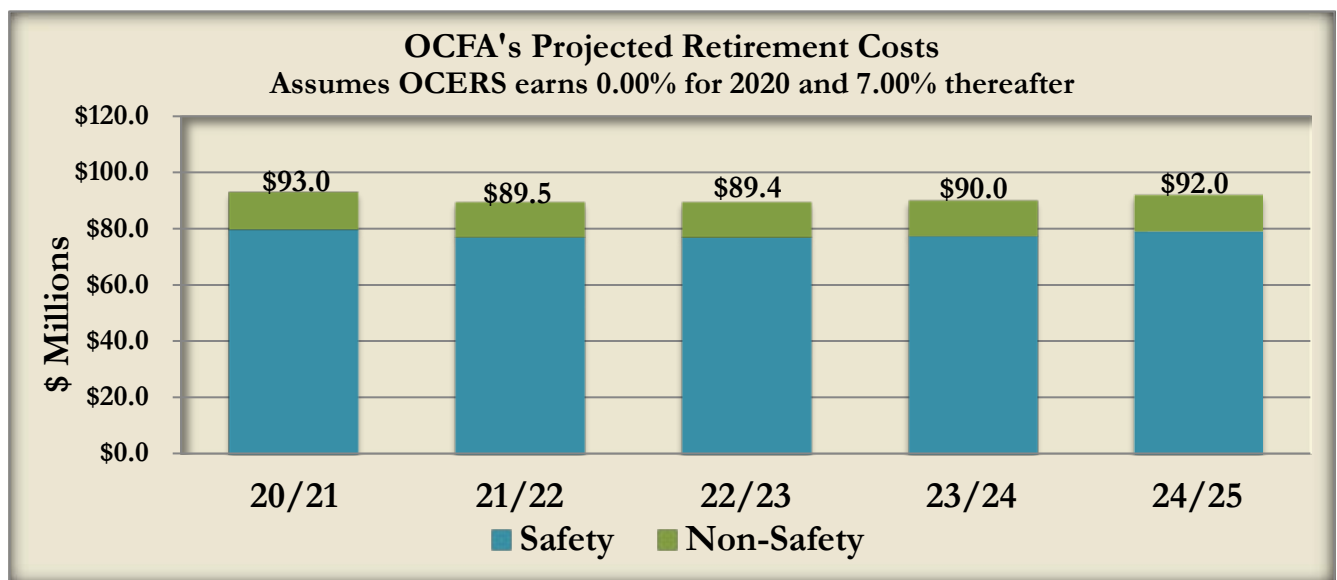
Actuarial Valuation Date December 31	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total UAAL (b-a=c)	Funded Ratio (a/b)
2001	\$4,586,844	\$4,843,899	\$257,055	94.69%
2002	4,695,675	5,673,754	978,079	82.76%
2003	4,790,099	6,099,433	1,309,334	78.53%
2004	5,245,821	7,403,972	2,158,151	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

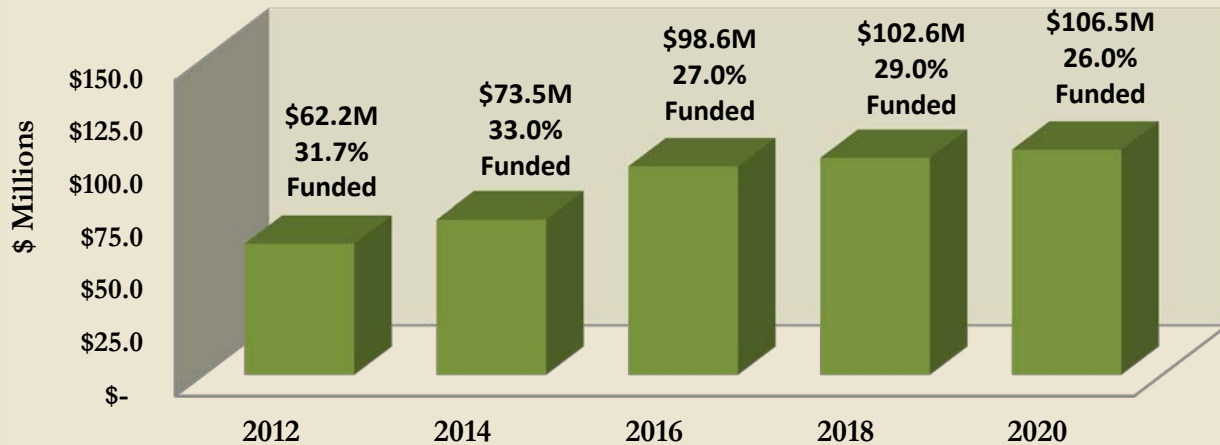
In addition to the OCFA's retirement plan administered by OCERS, the OCFA provides a post-employment medical retirement plan (Retiree Medical Plan) for certain employees. Employees hired prior to January 1, 2007, are in a *defined benefit plan* that provides a monthly grant toward the cost of retirees' 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.

OCFA's Retiree Medical UAAL

The Retiree Medical Liability has steadily increased



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.

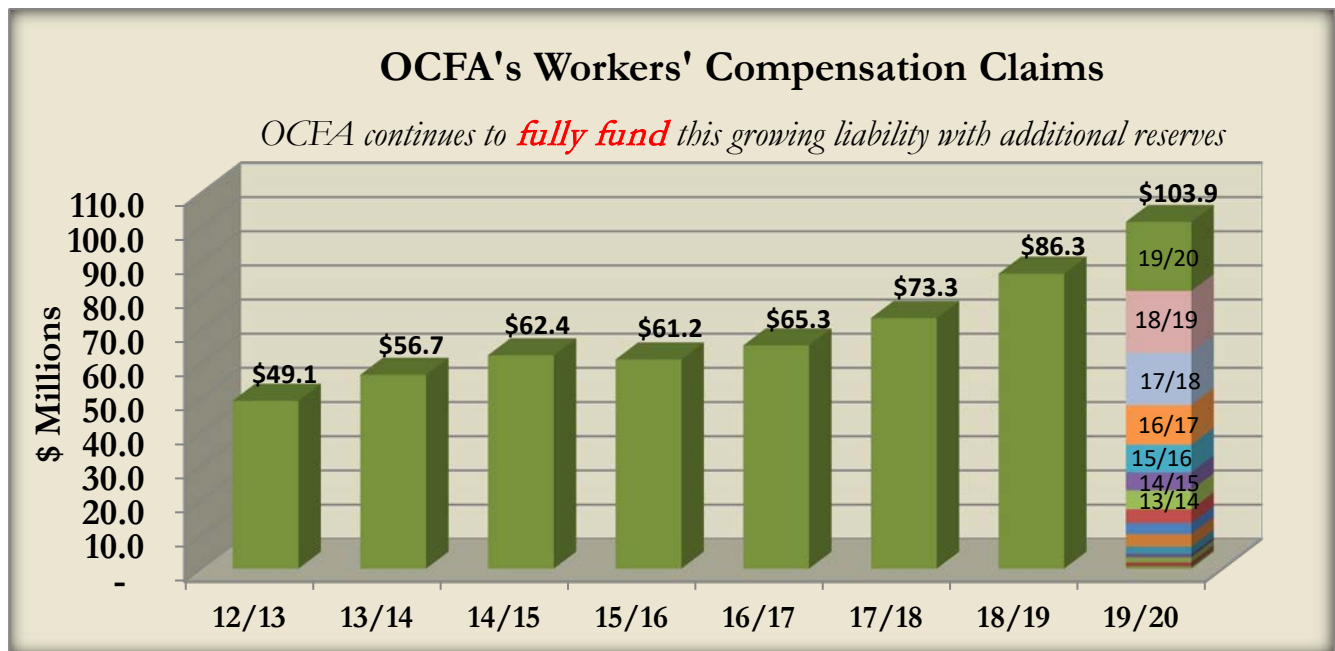
Management and labor will continue to meet on this topic as needed.

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

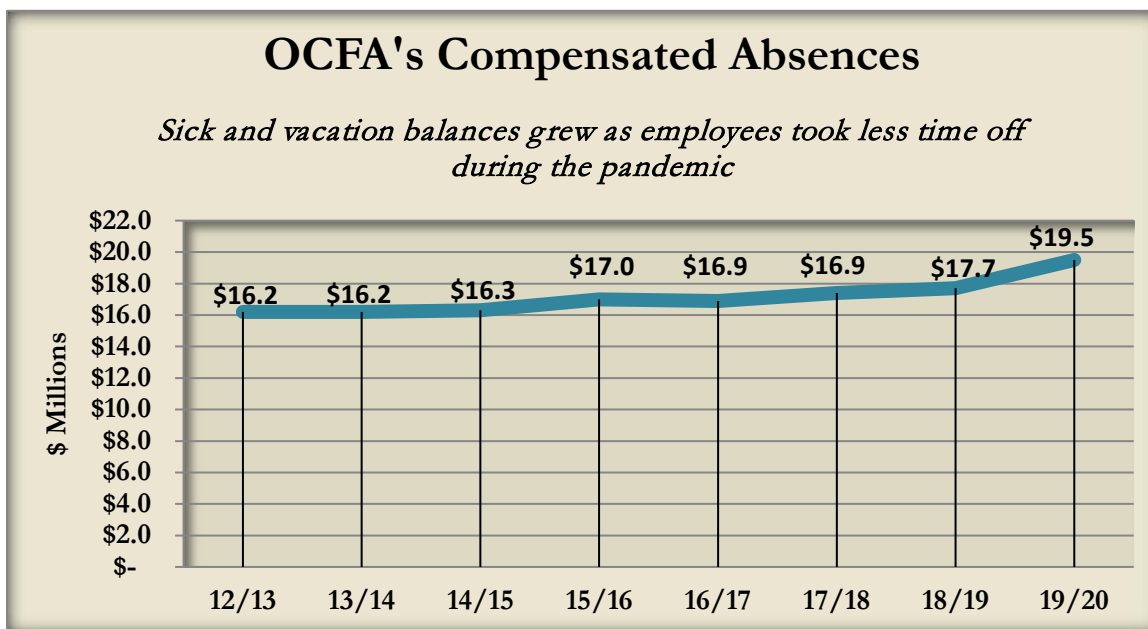
There are several factors that contribute to the liability including workers' compensation reform that increased the statute of limitation for cancer from five to ten years; injury presumption for safety personnel; an aging workforce which contributes to a longer recovery time and higher permanent disability 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.



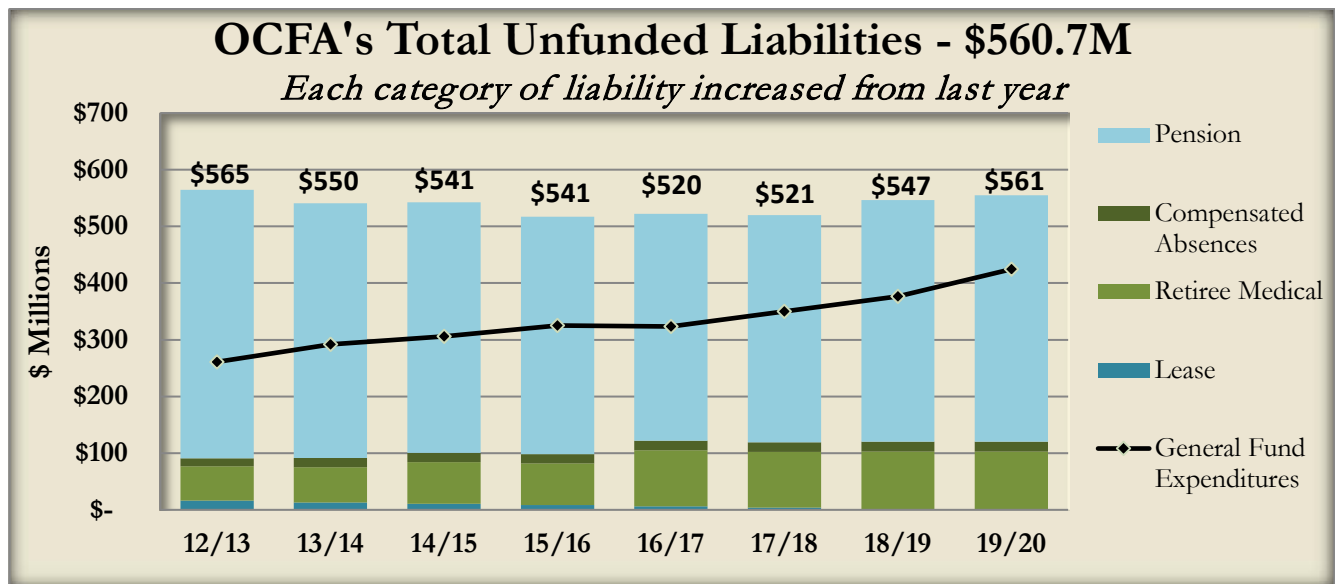
III. SUMMARY

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	-	-	870,041		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			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

Attachment 3

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
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
January 13, 2021

Agenda Item No. 3D
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.

RECOMMENDED ACTION(S)

Review the proposed agenda item and provide direction to staff regarding proposed actions relative to implementation of the military service buy-back option with OCERS, subject to further discussion with the Board of Directors.

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 participating in OCERS have adopted such a resolution; therefore, a current sample template does not exist. However, 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.

In order to estimate the employee and employer costs if an employee/veteran exercises the military buy-back option, we provided OCERS with a list of nine OCFA employees that are known to have prior military service. OCERS estimated costs for each of the nine employees (though interest is not yet included in the estimate). The estimates per employee vary widely based on years of prior military service, date and age of hire into OCFA, and applicable retirement benefit formula as shown below and in Attachment 1.

- **Low end cost:** An employee/veteran (employee #2 on the Attachment) with 4 years of prior military service, who joined OCFA at age 37 in FY 2015/16 under the PEPRA 2.7% @57 retirement formula.
 - Employee cost = \$51,660
 - Employer cost = \$78,178
- **High end cost:** An employee/veteran (employee #8 on the Attachment) with 10 years of prior military service, who joined OCFA at age 39 in FY 2003/04 under the legacy 3% @50 retirement formula.
 - Employee cost = \$87,817
 - Employer cost = \$721,756

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: A survey will be conducted by Human Resources of all OCFA personnel to estimate how many employees have prior military service, and of those with prior military service, how many are likely to pursue purchase of the prior service credit, if military buy-back is enabled by the Board of Directors.
- OCERS: Outreach will be conducted by OCERS to a large retirement system that has allowed military buy-back for many years to determine how many employees (in an average year) typically request the costing terms for their individual military purchase credit, and of those who obtain the cost terms, how many execute a purchase agreement.
- 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. As a result of the modified OCPFA proposal, we added the additional costing data to Attachment 1 to reflect the 4-year cap.

Following our JLM discussion, OCERS reviewed the potential for a 4-year cap with its counsel and reported that CERL does not provide the employer with "express authority" to limit the total number of years that might be purchased under the voluntary military service credit option; however, in consultation with their legal team, they are comfortable taking the following position:

"As the District is not required to permit any service credit to be purchased, the District can decide to permit some, but not all, of the service credit to be purchased."

We discussed this matter further with OCFA General Counsel and recommend that, if the Board chooses to enact the military buy-back option, OCFA should first pursue Side Letter Agreements with each of the OCFA's four labor associations memorializing agreement to the 4-year cap.

Request for Board Direction

Staff is seeking direction from the Board of Directors regarding the option to enable employees to purchase service credit with OCERS for prior military service. If the Board would like to pursue this option, the next steps towards implementation would 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	11/17/2014	1/22/2016	5/28/2004	8/23/2005	9/1/2006	3/14/2008	8/29/2008	7/15/2011	12/28/2011
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
<i>Original Calculation (No Cap on Years of Prior Service Credit)</i>									
Employee Cost to Purchase Military Credit (Note 1)	\$51,660	\$86,257	\$87,817	\$40,506	\$75,920	\$61,715	\$83,646	\$115,764	\$40,774
Employer Cost/Increase to Unfunded Pension Liability (Note 2)	\$78,178	\$103,032	\$721,756	\$144,633	\$331,175	\$185,882	\$252,374	\$298,241	\$130,396
Increase in Present Value of Benefit from Military Service	\$129,838	\$189,289	\$809,573	\$185,139	\$407,095	\$247,597	\$336,020	\$414,005	\$171,170
Hypothetical Estimate - Total Employer Cost (only if all of these employees/veterans use the option to purchase prior military service credit)									\$2,245,666
<i>Modified Calculation (4-Year Cap on Years of Prior Service Credit)</i>									
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/Increase to 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 (only if all of these employees/veterans 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 charged 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 as estimates only.

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.

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