



ORANGE COUNTY FIRE AUTHORITY

AGENDA

EXECUTIVE COMMITTEE REGULAR MEETING

Thursday, February 25, 2021

5:30 P.M.

**Regional Fire Operations and Training Center
Board Room**

1 Fire Authority Road
Irvine, CA 92602

Dave Shawver, Chair

Michele Steggell, Vice Chair

Shelley Hasselbrink • Joe Muller • Donald P. Wagner
Ed Sachs • Gene Hernandez • Noel Hatch • Vince Rossini

Ex Officio Member - Dennis Wilberg, Mission Viejo

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 Executive 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

INVOCATION by OCFA Chaplain Robert Benoun

PLEDGE OF ALLEGIANCE by Director Hernandez

ROLL CALL

REPORTS

A. Report from the Budget and Finance Committee Chair

B. Report from the Human Resources Committee Chair

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 Committee Member or a member of the public requests separate action on a specific item.

A. Minutes from the January 28, 2020, Regular Executive Committee Meeting

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

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

Recommended Action:

Approve as submitted.

B. Second Quarter Financial Newsletter

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

Budget and Finance Committee reviewed the proposed agenda item and directed staff to place on the Executive Committee agenda for approval by 4-0 vote (Sachs and Rossini absent).

Recommended Action:

Receive and file the report.

C. Monthly Investment Reports

Submitted by: Tricia Jakubiak, Treasurer

Budget and Finance Committee reviewed the proposed agenda item and directed staff to place on the Executive Committee agenda for approval by 4-0 vote (Sachs and Rossini absent).

Recommended Action:

Receive and file the reports.

3. DISCUSSION CALENDAR

No items.

CLOSED SESSION

No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT –The next regular meeting of the Orange County Fire Authority Executive Committee is scheduled for Thursday, March 25, 2021, at 5:30 p.m.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury and as required by the State of California, Government Code § 54954.2(a), that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Fire Operations and Training 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:

Budget and Finance Committee
Executive Committee
Board of Directors

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

MINUTES ORANGE COUNTY FIRE AUTHORITY

**Executive Committee Regular Meeting
Thursday, January 28, 2021
5:30 P.M.**

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

CALL TO ORDER

Chair Hasselbrink called the regular meeting of the Orange County Fire Authority Executive Committee to order at 5:30 p.m. on January 28, 2021.

INVOCATION

The invocation was presented by Chaplain Brett Peterson.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present: Shelley Hasselbrink, Los Alamitos (Chair)
Noel Hatch, Laguna Woods*
Gene Hernandez, Yorba Linda*
Joe Muller, Dana Point*
Ed Sachs, Mission Viejo*
Dave Shawver, Stanton
Donald P. Wagner, County of Orange

Absent: Vince Rossini, Villa Park (Vice Chair)

Also present were:

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

1. PRESENTATIONS

No items.

REPORTS

A. Report from the Budget and Finance Committee Chair (FILE 12.02A6)

Budget and Finance Committee Chair Gene Hernandez reported at the January 13, 2021, regular meeting, the Committee voted unanimously to approve and forward the Monthly Investment Reports to the Executive Committee to receive and file the reports. The Committee also voted unanimously to approve and forward the Annual Grant Priorities for 2021, the FY 2020/2021 Mid-Year Financial Report, and the 2020 Long Term Liability Study and Accelerated Pension Payment Plan, to the Board of Directors for approval of the recommended actions. After an extensive discussion, the Committee voted to forward to the Board the Military Service Buy-Back proposal, recommending to defer consideration of the item until the next time in which the OCFA and OCPFA are engaged in labor negotiations for a successor MOU (current MOU expires August 31, 2022).

Director Wagner arrived at this point (5:34 p.m.).

B. Report from the Human Resources Committee Chair (FILE 12.02A6)

Board Chair Hasselbrink on behalf of the Chair of the Human Resources Committee reported at the January 5, 2021, special meeting, the Committee directed staff to place the Amendments to the Board Rules of Procedure and Human Resources Committee Protocol on the Board of Directors agenda for the meeting of January 28, 2021.

C. Report from Fire Chief (FILE 12.02A7)

Chair Hasselbrink introduced Assistant Chief of Logistics Jim Ruane who provided the Quarterly Capital Improvement Program (CIP) Update.

PUBLIC COMMENTS (FILE 12.02A3)

Todd Baldrige, newly elected President of Local 3631, introduced himself to the Executive Committee.

2. CONSENT CALENDAR

On motion of Director Hernandez and second by Director Wagner, and following a roll call vote, declared passed 7-0 (Director Rossini was absent) to approve the Items 2A-2E as submitted.

A. Minutes from the November 19, 2020, Regular Executive Committee Meeting
(FILE 12.02A2)

Action: Approve as submitted.

B. Monthly Investment Reports (FILE 11.10D2)

Action: Receive and file the reports.

C. Blanket Order Extension for ESRI GIS Software Licensing, Maintenance, and Support
(FILE 19.08A6)

Action: Approve and authorize the Purchasing Manager to extend the blanket order with ESRI, Inc. for an additional five years with a new aggregate total of \$425,000 (\$100,000 annually for years one and two, and \$75,000 annually for years three through five).

D. Reallocation of Fire Integrated Real-Time Intelligence System (FIRIS) 2.0 Program Related Agreements (FILE 18.09D1)

Actions:

1. Approve and authorize the Purchasing Manager to execute Amendment One to increase the Professional Services Agreement with Anthony Escobar for Program Manager Services by \$25,000 for a new total not to exceed \$225,000.
2. Approve and authorize the Purchasing Manager to execute Amendment One to increase the Professional Services Agreement with Rocky Opliger for Program Manager Services by \$100,000 for a new total not to exceed \$150,000.
3. Approve and authorize the Purchasing Manager to execute Amendment One to increase the Memorandum of Agreement with Los Angeles Fire Department by \$130,000 for a new total not to exceed \$250,000.
4. Approve and authorize the Purchasing Manager to execute Amendment One to increase the Memorandum of Agreement with North County Fire Protection District by \$15,000 for a new total not to exceed \$65,000.
5. Approve and authorize an increase to the aggregate total for the Professional Services Agreements for Air Tactical Group Supervisors by \$270,000 for a new aggregate total not to exceed \$1,350,000. The not to exceed amount for each individual agreement will remain unchanged.

E. Contract Increase for Probationary Testing Validation Services (FILE 17.14)

Action: Approve and authorize the Purchasing Manager to execute Amendment No. 3 to increase the Professional Services Agreement with Fire & Police Selection, Inc., by \$7,500, utilizing the special procurement provision in the Purchasing Ordinance to complete a supplemental study of the probationary testing validation services.

3. DISCUSSION CALENDAR

No items.

CLOSED SESSION

No items.

COMMITTEE MEMBER COMMENTS

The Committee Members offered no comments.

ADJOURNMENT – Chair Hasselbrink adjourned the meeting at 5:46 p.m. The next regular meeting of the Orange County Fire Authority Executive Committee is scheduled for Thursday, February 25, 2021, at 5:30 p.m.

Maria D. Huizar, CMC
Clerk of the Authority



Orange County Fire Authority
AGENDA STAFF REPORT

Executive Committee Meeting
February 25, 2021

Agenda Item No. 2B
Consent Calendar

Second Quarter Financial Newsletter

Contact(s) for Further Information

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

Summary

This routine agenda item is submitted to provide information regarding revenues and expenditures in the General Fund and the Capital Improvement Program Funds through the second quarter of FY 2020/21.

Prior Board/Committee Action

Budget and Finance Committee reviewed and approved recommendation at their February 10, 2021, Regular meeting by a 4-0 vote (Sachs and Rossini absent).

RECOMMENDED ACTION(S)

Receive and file the report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

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

Attachment(s)

Second Quarter Financial Newsletter – July 2020 to December 2020

2nd Quarter July 2020 to December 2020

Financial Newsletter

Summary

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

With the 2nd Quarter (i.e. 50%) of the fiscal year completed, General Fund actual revenues are in line with budget estimates and expenditures are trending higher than anticipated due to OCFA's response to significant fire incidents. Thus far, OCFA received 51.4% of budgeted revenues and expended 51.4% of appropriations.

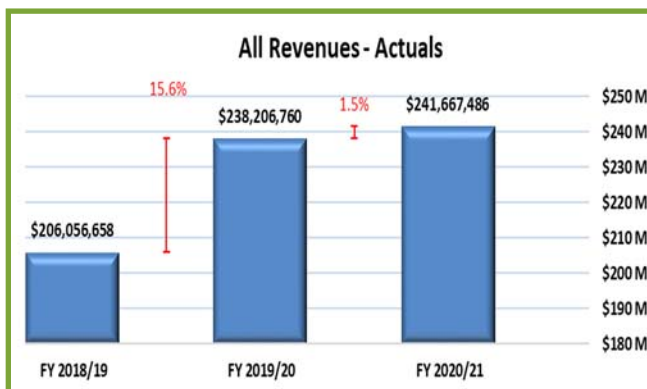
The OCFA expended 27.8% of the GF CIP, 2.4% of Fire Stations & Facilities, 11.5% of Comm. & Info. Systems, and 16.9% of the Fire Apparatus budgets. CIP expenditures are anticipated to be higher in the second half of the fiscal year as projects move beyond the planning stages.

For additional info, see attached newsletter.



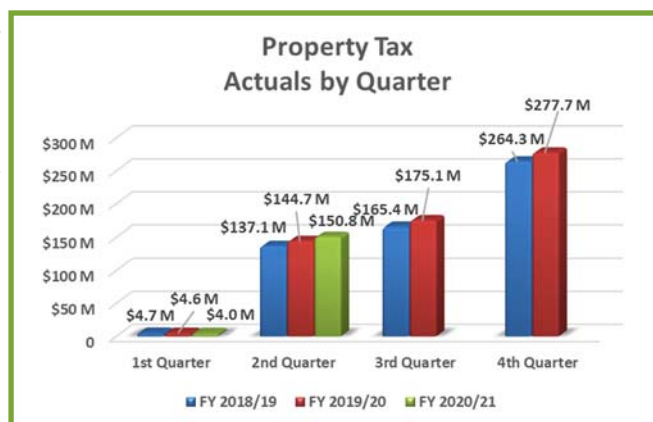
General Fund

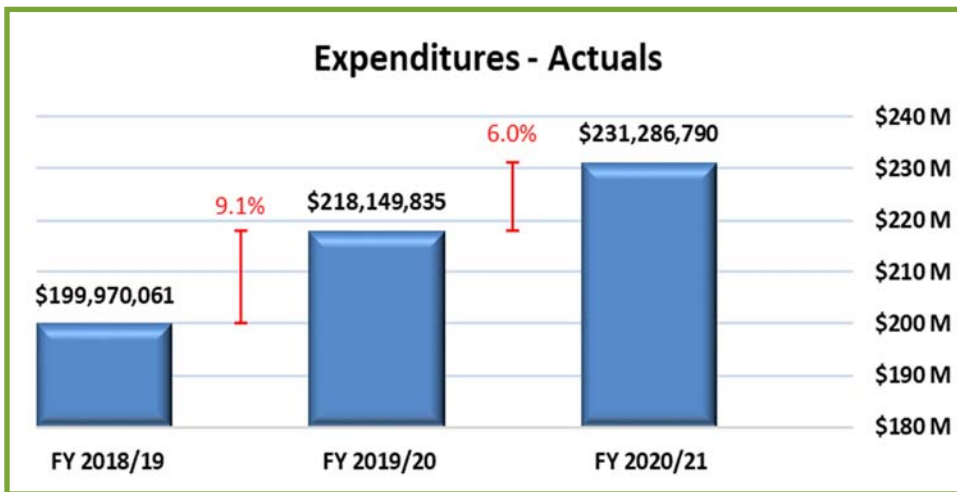
REVENUES - General Fund revenues received as of the 2nd quarter amounted to \$241.7 million, approximately 1.5% higher than the prior year. The increase is primarily due to higher secured property tax revenue. The top five revenues are trending as expected with the exception of CRA pass-through revenue and Community Risk Reduction (CRR) fees which are trending lower than budgetary estimates. CRA Pass-Through revenue is lower than anticipated and



will be monitored for a potential mid-year adjustment. CRR fees have been impacted by a decrease in development activity related to restaurants and entertainment venues and CRR department focus on mandatory inspections as a result of the pandemic.

For the 2nd quarter of fiscal year 2020/21, property taxes are \$6.2 million higher when compared to the prior year. Secured property tax represents over 95% of overall property tax revenue and based on data from the Auditor-Controller, OCFA projects secured property taxes will be \$2.4 million higher than originally budgeted.

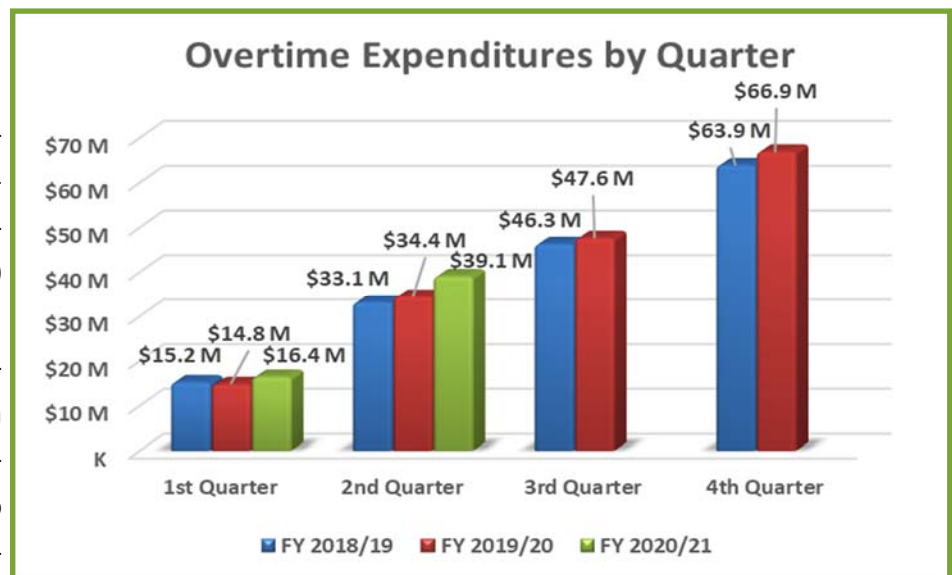




EXPENDITURES — General Fund expenditures through the 2nd quarter amounted to \$231.3 million and reflect an increase of 6.0% when compared to the prior fiscal year. Initial budget estimates projected 2nd quarter expenditures ending at \$214.5 million. Higher than anticipated backfill/overtime expenditures were the main driver due to

OCFA's response to significant Fire incidents. Services, supplies, and equipment expenditures were in line with budgetary estimates.

The following Overtime Expenditures by Quarter chart captures historical cumulative overtime expenditures from fiscal year 2018/19 through the 2nd quarter of fiscal year 2020/21. Actual overtime expenditures are trending higher than last year. Overtime expenses increased this year over last due to emergency incidents. Major incidents include the Apple, August Complex, Blue Ridge, Bond, Castle, Deer, Lake, LNU Lightning Complex, SCU Lightning Complex, and Silverado Canyon fires. These emergency incident overtime expenditures are reimbursable. Open Position overtime, used to fill vacancies in the firefighter ranks, is also contributing to the high backfill/overtime expenditures. This category of overtime which is typically offset by vacancy savings will continue to be monitored.



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



Orange County Fire Authority

Second Quarter Financial Newsletter – July 2020 to December 2020

OVERVIEW

This report covers fiscal activities in the General Fund and CIP Funds through the second quarter of Fiscal Year 2020/21. Budget figures include all budget adjustments authorized by the Board through the second quarter.

GENERAL FUND

With 50% of the year completed, General Fund revenues are 51.4% of budget and expenditures are 51.4% as shown below:

General Fund (excludes 12110)	YTD Actual	Budget	Variance in Dollars	% Variance
Revenues	241,667,486	469,717,809	228,050,323	51.4%
Expenditures	231,286,790	450,226,216	218,939,426	51.4%

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

Top Five Revenues	YTD Actual Receipts	Trended YTD Budget Estimate	Variance: Actual to Budget Est.	% Variance
Property Taxes	150,843,496	148,858,057	1,985,439	1%
Cash Contracts	73,970,916	74,198,896	(227,980)	0%
State Reimbursements	7,292,457	7,000,000	292,457	4%
CRA Pass-through	7,738,602	8,813,866	(1,075,264)	-12%
Community Risk Reduction Fees	1,883,213	2,589,087	(705,874)	-27%
Total	241,728,684	241,459,906	268,778	0%

- **Property Taxes** – The variance in property taxes of approximately \$2.0 million, or 1%, is a result of higher than anticipated secured property tax revenue. Based on data from the Auditor-Controller, OCFA projects secured property taxes will be \$2.4 million higher than originally anticipated. As such, Staff has recommended a Mid-Year Budget Adjustment to Property Tax.
- **CRA Pass-through** – The first installment of CRA pass-through revenue received in December was approximately \$1.1 million lower than anticipated due to decreased pass-through revenue received from the County of Orange Successor Agency. A one-time spike in revenue in FY 2018/19 distorted the projections. Staff is working with OCFA's property tax consultant to better understand the cause of the decrease and may recommend a Mid-Year Budget Adjustment.
- **Community Risk Reduction Fees** – Community Risk Reduction (CRR) Fees are \$706K or 27% lower than budgetary estimates for the second quarter due to decreased inspection and

planning & development fee revenue. CRR will continue to focus on State mandated inspections during COVID-19 and will re-evaluate this temporary measure in 2021. Staff is recommending a Mid-Year Budget Adjustment to capture lower revenue tied to non-mandatory inspections and decreased development activity related to restaurants and entertainment venues.

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

Expenditures by Department	YTD Actual Expenditures	Trended YTD Budget Estimate	Variance: Actual to Budget in Dollars	% Variance
Business Services	16,704,008	16,525,601	178,407	1%
Command & Emergency Planning	4,596,925	3,992,122	604,803	15%
Community Risk Reduction	7,668,317	7,912,556	(244,239)	-3%
EMS	2,840,555	2,700,036	140,519	5%
Executive Management	6,717,670	7,299,972	(582,302)	-8%
Human Resources	5,586,006	6,152,043	(566,037)	-9%
Logistics	17,470,746	16,667,143	803,603	5%
Operations	158,687,786	144,266,382	14,421,404	10%
Special Operations	11,014,778	8,942,087	2,072,691	23%
Total	231,286,790	214,457,942	16,828,848	7%

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

- **Command & Emergency Planning** – The variance of \$605K or 15% in this department is primarily due to increased overtime expenditures. Higher overtime expenditures in the first and second quarters were driven by reimbursable emergency incidents including the Apple, August Complex, Blue Ridge, Bond, Castle, Deer, Lake, LNU Lightning Complex, SCU Lightning Complex, and Silverado Canyon fires. Staff has recommended a Mid-Year Budget Adjustment to cover these expenditures.
- **Operations** – This department is exceeding budget estimates for the second quarter primarily due to a higher volume of backfill/overtime expenditures. Most of the budgetary variance is due to overtime costs incurred for reimbursable emergency incidents including the Apple, August Complex, Blue Ridge, Bond, Castle, Deer, Lake, LNU Lightning Complex, SCU Lightning Complex, and Silverado Canyon fires. Open Position overtime, used to fill vacancies in the firefighter ranks, is also contributing to the variance. This category of overtime which is typically offset by vacancy savings will continue to be monitored.
- **Special Operations** – This division ended the second quarter \$2.1 million or 23% above the budgetary estimate, primarily due to overtime for emergency incidents, including the Apple, August Complex, Blue Ridge, Bond, Castle, Deer, Lake, LNU Lightning Complex, SCU Lightning Complex, and Silverado Canyon fires. These expenditures are reimbursable and are anticipated to be covered by a Mid-Year Budget Adjustment.

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

Expenditures by Type	YTD Actual Expenditures	Trended YTD Budget Estimate	Variance: Actual to Budget in Dollars	% Variance
Salary and Employee Benefits	208,588,720	191,185,267	17,403,453	9%
Services and Supplies	22,208,702	22,816,669	(607,968)	-3%
Equipment	489,368	456,005	33,363	7%
Total	231,286,790	214,457,942	16,828,848	7%

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

- **Salary & Employee Benefits** – This category is trending over budget estimates for the second quarter by approximately \$17.4 million or 9%. This is primarily due to a high volume of backfill/overtime expenditures. Most of the budgetary variance is due to overtime costs incurred for reimbursable emergency incidents including the Apple, August Complex, Blue Ridge, Bond, Castle, Deer, Lake, LNU Lightning Complex, SCU Lightning Complex, and Silverado Canyon fires. Open Position overtime, used to fill vacancies in the firefighter ranks, is also contributing to the variance. This category of overtime which is typically offset by vacancy savings will continue to be monitored.

CIP FUNDS

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

General Fund CIP

Fund 12110	YTD Actual	Budget	Percent
Expenditures	3,428,426	12,314,343	27.8%

- This Fund receives transfers from the General Fund as its revenue source.
- Appropriations of \$12.3 million include funding for upgrades, routine maintenance and replacement of equipment such as: enterprise phone/public address system upgrade, fire station bathroom gender accommodation projects, dormitory privacy (FS 41 and FS 53), kitchen, flooring and/or bathroom remodels (FS 41, FS 26 and FS 6), thermal imaging cameras, telephone/alarm system upgrade, data network upgrades, replacement of PCs, laptops, tablets, printers, 800 MHz radios, VHF radios, WMD protective suits/respirator canisters, RFOTC uninterruptible power system, MDC system, high pressure airbags, body armor, duo-dote auto-injectors, fire shelters, and installation of SCBA bottle filling stations.
- Expenditures of approximately \$3.4 million are attributable to the thermal imaging cameras, fire station telephone/alarm/sound system upgrade, network upgrades, replacement PCs, tablets and printers, 800 MHz radios, MDC system, station bathroom gender accommodations, and various IT and Property Management projects described above.

Fire Stations and Facilities

Fund 123	YTD Actual	Budget	Percent
Revenue	113,343	600,212	18.9%
Expenditures	324,431	13,621,771	2.4%

- Revenues in this fund are attributable to interest earned through the second quarter and developer contributions of \$83K.
- Appropriations of \$13.6 million include funding for RFOTC training grounds expansion and upgrade, replacement of FS 10 and FS 24, FS 49 apparatus bay floor reconstruction, infrastructure security enhancements, retrofit of existing fire station life and safety systems, fire station bathroom improvements, US&R warehouse training center improvements, and construction of FS 12.
- Expenditures of approximately \$324K are primarily attributable to RFOTC training ground expansion and upgrade, infrastructure security enhancements, replacement of FS 10.

Communications & Information Systems

Fund 124	YTD Actual	Budget	Percent
Revenue	12,703	17,104	74.3%
Expenditures	564,556	4,922,093	11.5%

- Revenues in this fund are attributable to interest earned through the second quarter.
- Appropriations of \$4.9 million include funding for: enterprise audio video equipment upgrades, RFOTC data center fire suppression system, disaster recovery co-location facility, incident reporting application replacement, integrated fire prevention system replacement, EMS enterprise system development, EMS immunization tracking, and theHIVE cloud upgrade.
- Year to date expenditures of \$565K are primarily attributable to the progress on the disaster recovery co-location facility, integrated fire prevention system replacement projects, and EMS immunization tracking.

Fire Apparatus

Fund 133	YTD Actual	Budget	Percent
Revenue	1,016,527	1,710,978	59.4%
Expenditures	2,641,608	15,596,698	16.9%

- Revenues in this fund are attributable to vehicle replacement program payments from cash contract cities and interest earned through the second quarter.
- Appropriations of \$15.6 million include vehicle outfitting, 2 HazMat vehicles, a US&R support vehicle, a heavy rescue vehicle, an air utility vehicle, 2 squad vehicles, 5 100' quint trucks, 7 utility pickups, a superintendent vehicle, 9 mid-size pickups, 10 vans, 3 crew cab

pickups, 2 light service trucks, 3 full-size SUVs, and other miscellaneous emergency and support vehicles.

- Expenditures through the second quarter include a heavy rescue vehicle, light service trucks, mid-size pickups, utility pickups, full and mid-size SUVs, step and cargo vans and outfitting costs.

SUMMARY

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



Orange County Fire Authority
AGENDA STAFF REPORT

Executive Committee Meeting
February 25, 2021

Agenda Item No. 2C
Consent Calendar

Monthly Investment Reports

Contact(s) for Further Information

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James Slobojan, Assistant Treasurer
Treasury & Financial Planning

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714.573.6305

Summary

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

Prior Board/Committee Action

Budget and Finance Committee reviewed and approved recommendation at their February 10, 2021, Regular meeting by a 4-0 vote (Sachs and Rossini absent).

RECOMMENDED ACTION(S)

Receive and file the reports.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Attached is the final monthly investment report for the month ended December 31, 2020. A preliminary investment report as of January 22, 2021, is also provided as the most complete report that was available at the time this agenda item was prepared.

Attachment(s)

Final Investment Report – December 2020/Preliminary Report – January 2021

Orange County Fire Authority Monthly Investment Report



Final Report – December 2020

Preliminary Report – January 2021



Monthly Investment Report Table of Contents

<i>Final Investment Report – December 31, 2020.....</i>	<i>1</i>
<i>Executive Summary</i>	<i>2</i>
<i>Portfolio Statistics</i>	<i>3</i>
<i>Benchmark Comparison</i>	<i>4</i>
<i>Portfolio Size, Yield, & Duration</i>	<i>4</i>
<i>Portfolio Summary.....</i>	<i>5</i>
<i>Portfolio Details</i>	<i>6</i>
<i>Aging Report</i>	<i>9</i>
<i>Notes to Portfolio Management Report.....</i>	<i>10</i>
<i>Local Agency Investment Fund</i>	<i>11</i>
 <i>Preliminary Investment Report – January 22, 2021</i>	 <i>13</i>
<i>Portfolio Summary.....</i>	<i>14</i>
<i>Portfolio Details</i>	<i>15</i>
<i>Aging Report</i>	<i>18</i>
<i>Notes to Portfolio Management Report.....</i>	<i>19</i>
 <i>Glossary.....</i>	 <i>20</i>



Orange County Fire Authority

Final Investment Report

December 31, 2020



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of December 2020, the size of the portfolio increased by \$78.6 million to \$207.3 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 \$127.8 million. Significant disbursements for the month included primarily two biweekly payrolls which totaled approximately \$37.8 million with related benefits. Total December cash outflows amounted to approximately \$50.4 million. The portfolio's balance is expected to decrease significantly in January with the annual payment to OCERS for the prepayment of retirement costs and a lack of significant receipts expected for the month.

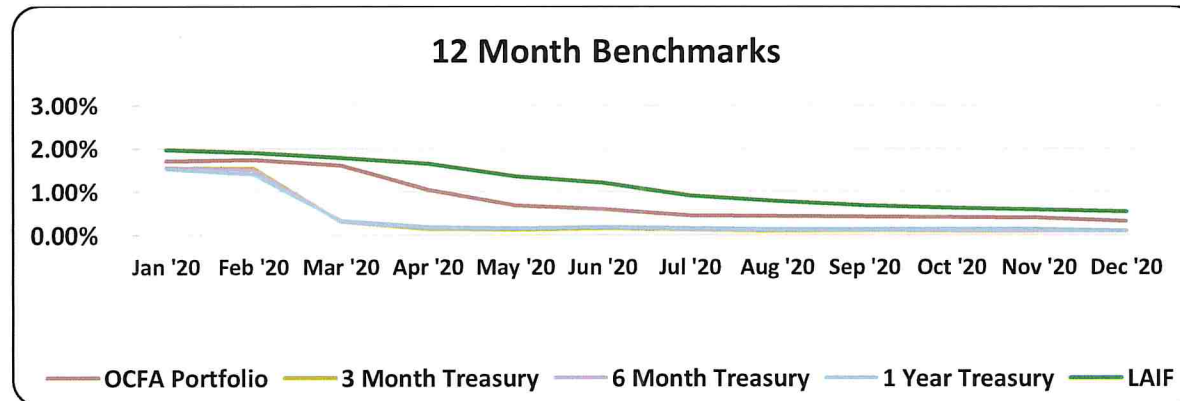
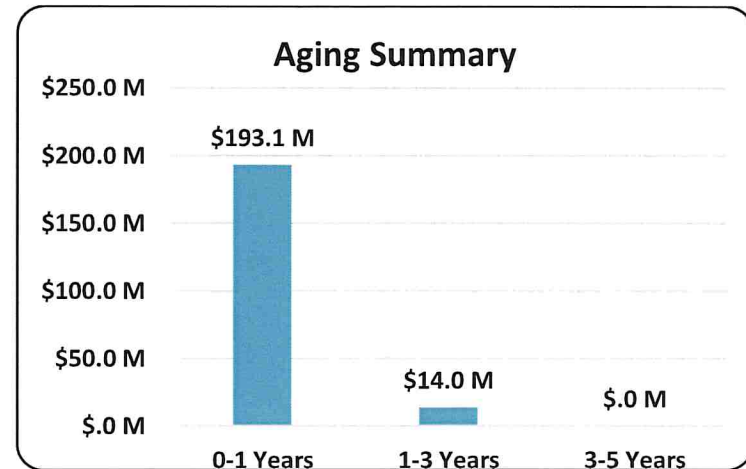
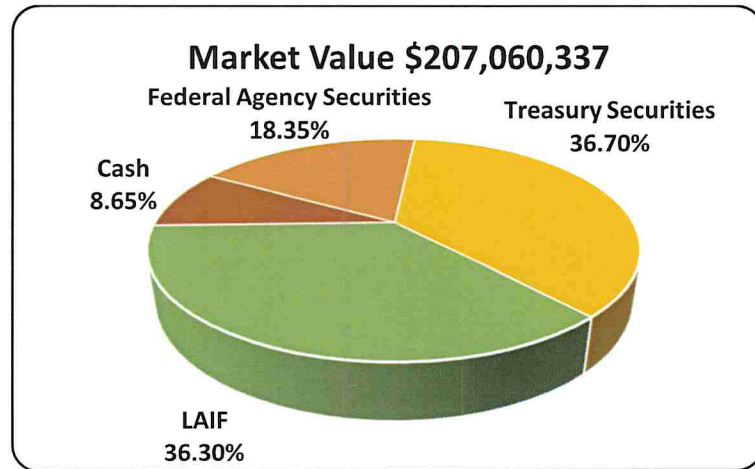
In December, the portfolio's yield to maturity (365-day equivalent) decreased by 12 basis points to 0.26%. The effective rate of return decreased by 4 basis points to 0.35% for the month, and the average maturity of the portfolio lengthened by 13 days to 27 days to maturity.

Economic News

In December 2020, the U.S. economy continued to struggle, as it did in November, with the unemployment rate remaining unchanged at 6.7%. Job growth reversed as the labor market lost 140,000 jobs in the first decline in payrolls in 8 months. The leisure and hospitality sector felt the biggest impact while other sectors made small gains. One encouraging sign is that permanent job losses declined this month with many of the job losses attributed to temporary furloughs which could be added back when the pandemic eases. Retail sales decreased 0.7%, falling for the third consecutive month. December marks the second month where the retail sales number dropped more than what was predicted by economists. The November number was also revised to a 1.4% decline instead of a 1.1% decline. Consumer confidence dropped for a second straight month in December and became another indicator, along with the disappointing holiday retail performance, that the economic recovery was losing steam amid a virus surge and renewed restrictions on business operations. Manufacturing activity rose and continued its recovery in December. The non-manufacturing/service sector grew in December, beating forecasts and continuing expansion of the non-manufacturing sector. Industrial production - the combined output of factories, utilities, and mines - advanced 1.6%. Consumer prices climbed slightly by 0.4% in December and 1.4% 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 DECEMBER 31, 2020





BENCHMARK COMPARISON AS OF DECEMBER 31, 2020

3 Month T-Bill: 0.09%

1 Year T-Bill: 0.10%

6 Month T-Bill: 0.09%

LAIF: 0.54%

OCFA Portfolio: 0.35%

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
<i>Book Value</i>	\$207,265,868	\$128,829,246	\$206,205,550
<i>Yield to Maturity (365 day)</i>	0.26%	0.38%	1.73%
<i>Effective Rate of Return</i>	0.35%	0.39%	1.77%
<i>Days to Maturity</i>	27	14	30



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
December 31, 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 Coupon Securities	14,000,000.00	13,986,420.00	14,000,000.00	7.41	1,003	172	0.187	0.190
Federal Agency Disc. -Amortizing	24,000,000.00	23,999,640.00	23,999,403.33	12.70	42	13	0.076	0.077
Treasury Discounts -Amortizing	76,000,000.00	75,996,720.00	75,996,453.74	40.21	48	29	0.056	0.057
Local Agency Investment Funds	75,000,000.00	75,170,348.85	75,000,000.00	39.68	1	1	0.533	0.540
Investments	189,000,000.00	189,153,128.85	188,995,857.07	100.00%	99	27	0.257	0.261
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	17,907,134.11	17,907,134.11	17,907,134.11		1	1	0.000	0.000
Accrued Interest at Purchase		73.89	73.89					
Subtotal		17,907,208.00	17,907,208.00					
Total Cash and Investments	206,907,134.11	207,060,336.85	206,903,065.07		99	27	0.257	0.261

Total Earnings	December 31 Month Ending	Fiscal Year To Date
Current Year	43,672.24	313,026.04
Average Daily Balance	145,142,172.67	144,252,183.11
Effective Rate of Return	0.35%	0.43%

"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

1/1/21

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 206,903,065.07
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ 362,803.09
Total	\$ 207,265,868.16

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
December 31, 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 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			8,273,935.71		0.00	0.00	0.00		0.000	0	
Federal Agency Coupon Securities											
3133EMLE0	1020	Federal Farm Credit Bank (Callable 6-22-21)		12/23/2020	14,000,000.00	13,986,420.00	14,000,000.00	0.190	0.190	172	09/22/2023
Subtotal and Average			4,064,516.13		14,000,000.00	13,986,420.00	14,000,000.00		0.190	172	
Federal Agency Disc. -Amortizing											
313385AF3	1012	Fed Home Loan Bank		11/13/2020	12,000,000.00	12,000,000.00	11,999,858.33	0.085	0.087	5	01/06/2021
313385AX4	1015	Fed Home Loan Bank		12/24/2020	12,000,000.00	11,999,640.00	11,999,545.00		0.067	21	01/22/2021
Subtotal and Average			17,999,269.13		24,000,000.00	23,999,640.00	23,999,403.33		0.077	13	
Treasury Discounts -Amortizing											
912796A66	1013	US Treasury Bill		11/18/2020	10,000,000.00	9,999,900.00	9,999,770.83	0.075	0.077	11	01/12/2021
9127963U1	1014	US Treasury Bill		11/25/2020	15,000,000.00	14,999,850.00	14,999,783.33	0.040	0.041	13	01/14/2021
9127963U1	1016	US Treasury Bill		12/23/2020	15,000,000.00	14,999,850.00	14,999,756.25	0.045	0.046	13	01/14/2021
9127963W7	1017	US Treasury Bill		12/23/2020	12,000,000.00	11,999,400.00	11,999,263.33	0.065	0.067	34	02/04/2021
9127964D8	1018	US Treasury Bill		12/23/2020	12,000,000.00	11,999,040.00	11,999,120.00	0.055	0.057	48	02/18/2021
9127964F3	1019	US Treasury Bill		12/23/2020	12,000,000.00	11,998,680.00	11,998,760.00	0.060	0.062	62	03/04/2021
Subtotal and Average			39,804,451.71		76,000,000.00	75,996,720.00	75,996,453.74		0.057	29	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			75,000,000.00	75,170,348.85	75,000,000.00	0.540	0.540	1	
Subtotal and Average			75,000,000.00		75,000,000.00	75,170,348.85	75,000,000.00		0.540	1	
Total and Average			145,142,172.67		189,000,000.00	189,153,128.85	188,995,857.07		0.261	27	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
December 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	17,887,134.11	17,887,134.11	17,887,134.11		0.000	1
Average Balance			0.00	Accrued Interest at Purchase		73.89	73.89			1
				Subtotal		17,907,208.00	17,907,208.00			
Total Cash and Investments			145,142,172.67		206,907,134.11	207,060,336.85	206,903,065.07		0.261	27

Orange County Fire Authority

In Service of Others!



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of January 1, 2021

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	(01/01/2021 - 01/01/2021)	4 Maturities	0 Payments	92,907,134.11	44.90%	92,907,134.11	93,077,482.96
Aging Interval: 1 - 30 days	(01/02/2021 - 01/31/2021)	5 Maturities	0 Payments	64,000,000.00	30.93%	63,998,713.74	63,999,240.00
Aging Interval: 31 - 60 days	(02/01/2021 - 03/02/2021)	2 Maturities	0 Payments	24,000,000.00	11.60%	23,998,383.33	23,998,440.00
Aging Interval: 61 - 90 days	(03/03/2021 - 04/01/2021)	1 Maturities	0 Payments	12,000,000.00	5.80%	11,998,760.00	11,998,680.00
Aging Interval: 91 - 120 days	(04/02/2021 - 05/01/2021)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 121 - 365 days	(05/02/2021 - 01/01/2022)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(01/02/2022 - 01/01/2024)	1 Maturities	0 Payments	14,000,000.00	6.77%	14,000,000.00	13,986,420.00
Aging Interval: 1096 days and after	(01/02/2024 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		13 Investments	0 Payments		100.00	206,902,991.18	207,060,262.96



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 December 31, 2020, OCFA has \$75,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of December 31, 2020 is 1.002271318. When applied to OCFA's LAIF investment, the fair value is \$75,170,349 or \$170,349 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

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



State of California

Pooled Money Investment Account

Market Valuation

12/31/2020

Carrying Cost Plus				
Description	Accrued Interest Purch.	Amortized Cost	Fair Value	Accrued Interest
United States Treasury:				
Bills	\$ 35,405,712,930.37	\$ 35,432,444,038.95	\$ 35,437,534,000.00	NA
Notes	\$ 22,978,289,919.79	\$ 22,975,600,175.26	\$ 23,203,472,000.00	\$ 87,687,683.50
Federal Agency:				
SBA	\$ 457,313,707.11	\$ 457,313,707.11	\$ 453,196,763.66	\$ 194,387.40
MBS-REMICs	\$ 13,009,086.19	\$ 13,009,086.19	\$ 13,667,627.97	\$ 60,269.69
Debentures	\$ 2,847,411,888.51	\$ 2,847,280,694.06	\$ 2,860,796,440.00	\$ 5,309,372.25
Debentures FR	\$ 50,004,819.33	\$ 49,999,902.66	\$ 49,999,902.66	\$ 7,000.00
Debentures CL	\$ 500,000,000.00	\$ 500,000,000.00	\$ 499,778,000.00	\$ 675,389.00
Discount Notes	\$ 15,173,292,694.21	\$ 15,178,921,383.10	\$ 15,179,217,080.00	NA
Supranational Debentures	\$ 418,341,915.19	\$ 417,532,042.97	\$ 418,199,950.00	\$ 2,285,076.75
Supranational Debentures FR	\$ 150,065,910.68	\$ 150,065,910.68	\$ 150,116,479.89	\$ 71,271.38
CDs and YCDs FR	\$ 300,000,000.00	\$ 300,000,000.00	\$ 300,031,000.00	\$ 55,330.75
Bank Notes	\$ -	\$ -	\$ -	\$ -
CDs and YCDs	\$ 15,150,000,000.00	\$ 15,150,000,000.00	\$ 15,149,513,647.63	\$ 14,168,375.02
Commercial Paper	\$ 8,843,502,722.19	\$ 8,847,289,347.29	\$ 8,847,888,754.14	NA
Corporate:				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 4,396,500,000.00	\$ 4,396,500,000.00	\$ 4,396,500,000.00	NA
PMIA & GF Loans	\$ 691,023,000.00	\$ 691,023,000.00	\$ 691,023,000.00	NA
TOTAL	\$ 107,374,468,593.57	\$ 107,406,979,288.27	\$ 107,650,934,645.95	\$ 110,514,155.74

Fair Value Including Accrued Interest

\$ 107,761,448,801.69

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

The value of each participating dollar equals the fair value divided by the amortized cost (1.002271318). As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$20,045,426.35 or \$20,000,000.00 x 1.002271318.



Orange County Fire Authority

Preliminary Investment Report

January 22, 2021



ORANGE COUNTY FIRE AUTHORITY **Portfolio Management** **Portfolio Summary** **January 22, 2021**

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 Coupon Securities	14,000,000.00	14,000,420.00	14,000,000.00	9.59	1,003	150	0.187	0.190
Treasury Discounts -Amortizing	57,000,000.00	56,995,560.00	56,996,293.35	39.04	63	39	0.061	0.062
Local Agency Investment Funds	75,000,000.00	75,170,348.85	75,000,000.00	51.37	1	1	0.533	0.540
Investments	146,000,000.00	146,166,328.85	145,996,293.35	100.00%	121	30	0.315	0.320
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	8,095,040.76	8,095,040.76	8,095,040.76		1	1	0.000	0.000
Accrued Interest at Purchase		73.89	73.89					
Subtotal		8,095,114.65	8,095,114.65					
Total Cash and Investments	154,095,040.76	154,261,443.50	154,091,408.00		121	30	0.315	0.320

Total Earnings	January 22 Month Ending	Fiscal Year To Date
Current Year	29,084.82	342,110.86
Average Daily Balance	185,174,153.96	148,622,490.68
Effective Rate of Return	0.26%	0.41%

"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, 2021. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubiak
 Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 154,091,408.00
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ 362,803.09
Total	\$ 154,454,211.09

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
January 22, 2021

(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			11,383,730.14		0.00	0.00	0.00		0.000	0	
Federal Agency Coupon Securities											
3133EMLE0	1020	Federal Farm Credit Bank		12/23/2020	14,000,000.00	14,000,420.00	14,000,000.00	0.190	0.190	150	09/22/2023
Subtotal and Average			14,000,000.00		14,000,000.00	14,000,420.00	14,000,000.00		0.190	150	
Federal Agency Disc. -Amortizing											
Subtotal and Average			14,181,598.49								
Treasury Discounts -Amortizing											
9127963W7	1017	US Treasury Bill		12/23/2020	12,000,000.00	11,999,760.00	11,999,740.00	0.065	0.067	12	02/04/2021
9127964D8	1018	US Treasury Bill		12/23/2020	12,000,000.00	11,999,520.00	11,999,523.33	0.055	0.057	26	02/18/2021
9127964F3	1019	US Treasury Bill		12/23/2020	12,000,000.00	11,999,160.00	11,999,200.00	0.060	0.062	40	03/04/2021
9127964N6	1021	US Treasury Bill		01/06/2021	9,000,000.00	8,998,920.00	8,999,190.02	0.060	0.062	54	03/18/2021
9127964P1	1022	US Treasury Bill		01/14/2021	12,000,000.00	11,998,200.00	11,998,640.00	0.060	0.062	68	04/01/2021
Subtotal and Average			70,587,257.06		57,000,000.00	56,995,560.00	56,996,293.35		0.062	39	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			75,000,000.00	75,170,348.85	75,000,000.00	0.540	0.540	1	
Subtotal and Average			75,021,568.27		75,000,000.00	75,170,348.85	75,000,000.00		0.540	1	
Total and Average			185,174,153.96		146,000,000.00	146,166,328.85	145,996,293.35		0.320	30	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
January 22, 2021

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Call 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	8,075,040.76	8,075,040.76	8,075,040.76		0.000	1
Average Balance			0.00	Accrued Interest at Purchase		73.89	73.89			1
				Subtotal		8,095,114.65	8,095,114.65			
Total Cash and Investments			185,174,153.96		154,095,040.76	154,261,443.50	154,091,408.00		0.320	30

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of January 23, 2021

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	(01/23/2021 - 01/23/2021)	4 Maturities	0 Payments	83,095,040.76	53.92%	83,095,040.76	83,265,389.61
Aging Interval: 1 - 30 days	(01/24/2021 - 02/22/2021)	2 Maturities	0 Payments	24,000,000.00	15.57%	23,999,263.33	23,999,280.00
Aging Interval: 31 - 60 days	(02/23/2021 - 03/24/2021)	2 Maturities	0 Payments	21,000,000.00	13.63%	20,998,390.02	20,998,080.00
Aging Interval: 61 - 90 days	(03/25/2021 - 04/23/2021)	1 Maturities	0 Payments	12,000,000.00	7.79%	11,998,640.00	11,998,200.00
Aging Interval: 91 - 120 days	(04/24/2021 - 05/23/2021)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 121 - 365 days	(05/24/2021 - 01/23/2022)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(01/24/2022 - 01/23/2024)	1 Maturities	0 Payments	14,000,000.00	9.09%	14,000,000.00	14,000,420.00
Aging Interval: 1096 days and after	(01/24/2024 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		10 Investments	0 Payments		100.00	154,091,334.11	154,261,369.61



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.