



ORANGE COUNTY FIRE AUTHORITY

BUDGET AND FINANCE COMMITTEE

Regular Meeting Agenda

Wednesday, April 10, 2024
12:00 p.m.

Orange County Fire Authority
Regional Fire Operations and Training Center
Classroom 1
1 Fire Authority Road
Irvine, California 92602

Committee Members

Troy Bourne, Chair • Austin Lombard, Vice Chair
Ross Chun • Shelley Hasselbrink • Chi Charlie Nguyen • John O'Neill
Nitesh Patel • Vince Rossini • Joshua Sweeney
Jennifer Cervantez, Ex Officio

NOTICE REGARDING PUBLIC ACCESS AND PARTICIPATION

This meeting is open to the public. Committee members will participate in person. There are several alternative ways to make comments including:

In Person Comments at Meeting: Resolution No. 97-024 established rules of decorum for public meetings held by the Orange County Fire Authority. Resolution No. 97-024 is available from the Clerk of the Authority.

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

If you wish to speak, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority prior to the item being considered. Speaker Forms are available at the entryway of the meeting location.

E-Comments: Alternatively, you may email your written comments to coa@ocfa.org. E-comments will be provided to the Committee members upon receipt and will be part of the meeting record as long as they are received during or before the Committee takes action on an item. Emails related to an item that are received after the item has been acted upon by the Committee will not be considered.

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 Committee members 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> under Board & Committee Agendas/Minutes.



In compliance with the Americans with Disabilities Act and [Board of Directors policy](#), if you need reasonable accommodations to participate in this meeting, please complete the [ADA Reasonable Accommodation Form](#) available on the Agency's website and email to COA@ocfa.org, or you may contact the Clerk of the Authority at (714) 573-6040 during regular business hours to submit your request orally. Please notify us at least 48 hours prior to the meeting to enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

CALL TO ORDER - Chair Bourne

PLEDGE OF ALLEGIANCE - Director Chun

ROLL CALL - Clerk of the Authority

PUBLIC COMMENTS

Please refer to instructions on how to submit a public comment on Page 1 of this Agenda.

1. PRESENTATION

None

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 Budget and Finance Committee Meeting

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

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

Recommended Action:

Approve the Minutes for the March 13, 2024, Regular Meeting as submitted.

B. Monthly Investment Reports

Submitted by: Robert C. Cortez, Assistant Chief/Business Services Department and James Slobojan, Assistant Treasurer/Treasury & Financial Planning

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of April 25, 2024, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

3. DISCUSSION CALENDAR

A. Selection of Public Accounting Firm for Financial Audit and Other Audit/Attest Services

Submitted by: Robert C. Cortez, Assistant Chief/Business Services Department and Alicea Caccavo, Finance Division Manager/Business Services Department

Recommended Actions:

1. *Financial Statement Audit and Single Audit Services* – Based on the results of the Request for Proposals, approve the selection of CliftonLarsonAllen LLP to provide annual financial statement audit and single audit services for the fiscal year ending June

30, 2024, for a total price of \$56,963, with an option to extend the contract in one-year periods, not to exceed a total of four additional fiscal years.

2. *Other Audit/Attest Services* – Based on the results of the Request for Proposals, approve the selection of CliftonLarsonAllen LLP to provide other audit/attest services as needed, including Agreed-Upon Procedures on compliance with the Health Plan Agreement between the OCFA and the Orange County Professional Firefighters Association, Local 3631. Additional audit/attest services will be provided at hourly rates ranging from \$100 to \$365, with an estimated total of \$7,550 for the 2023 Health Plan Agreement Agreed-Upon Procedures.

B. Communication with Auditors for Fiscal Year 2023/24 Financial Audit

Submitted by: Robert C. Cortez, Assistant Chief/Business Services Department, Alicea Caccavo, Finance Division Manager/Business Services Department, Bob Callanan, Principal/CliftonLarsonAllen, LLP, and Rob Perl, Manager/CliftonLarsonAllen, LLP

Recommended Action:

Receive and file the report.

C. 2023 Long Term Liability Study & Accelerated Pension Payment Plan

Submitted by: Robert C. Cortez, Assistant Chief/Business Services Department and James Slobojan, Assistant Treasurer/Treasury & Financial Planning

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of April 25, 2024, with the Budget and Finance Committee's recommendation that the Board of Directors receive and file the report.

D. Fiscal Year 2022/23 Backfill/Overtime and Calendar Year 2023 Total Earnings/Compensation Analysis

Submitted by: Robert C. Cortez, Assistant Chief/Business Services Department and Alicea Caccavo, Finance Division Manager/Business Services Department

Recommended Action

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of April 25, 2024, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to continue pursuing reductions in overtime by filling vacant positions as quickly as possible after the positions become vacant.
2. Direct staff to continue using overtime to fill shifts which are temporarily vacant, recognizing this as a cost-effective practice for temporary needs.

REPORTS

None.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next meeting of the Budget and Finance Committee is scheduled for Wednesday, May 8, 2024, 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 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

FUTURE B&FC AGENDA ITEMS – THREE-MONTH OUTLOOK:

- Monthly Investment Report
- Quarterly Purchasing Report
- Quarterly Financial Newsletter
- Review of Proposed FY 2024/25 Budget
- ABH Reimbursement Rates
- Year-End Budget Adjustments

UPCOMING MEETINGS:

Executive Committee

Thursday, April 25, 2024, 5:30 p.m.

Board of Directors

Thursday, April 25, 2024, 6:00 p.m.

Human Resources Committee

Tuesday, May 7, 2024, 12 noon

Budget and Finance Committee

Wednesday, May 8, 2024, 12 noon

Operations Committee

Tuesday, May 14, 2024, 12 noon

MINUTES ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Regular Meeting
Wednesday, March 13, 2024
12 noon

Regional Fire Operations and Training Center
Classroom One
1 Fire Authority Road
Irvine, CA 92602

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on March 13, 2024, at 12:00 p.m. by Chair Bourne.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present: Troy Bourne, San Juan Capistrano, Chair
Austin Lombard, Tustin, Vice Chair
John O'Neill, Garden Grove
Chi Charlie Nguyen, Westminster
Nitesh Patel, La Palma
Vince Rossini, Villa Park
Joshua Sweeney, Buena Park

Absent: Ross Chun, Aliso Viejo
Shelley Hasselbrink, Los Alamitos

Staff present:

Fire Chief Brian Fennessy
Assistant Chief Robert Cortez
Assistant Chief Shane Sherwood
Assistant Chief Michael Daudt
Clerk of the Authority Maria D. Huizar

Deputy Chief Lori Zeller
Assistant Chief Jim Ruane
Director of Communications Matt Olson
Assistant Chief Stephanie Holloman
Assistant Chief Rob Capobianco

PUBLIC COMMENTS

None.

1. PRESENTATION

None

2. CONSENT CALENDAR

On motion of Director O'Neill and second by Director Rossini, approved 7-0 Agenda Item Nos. 2A and 2B (Directors Hasselbrink and Chun absent).

A. Minutes for the Budget and Finance Committee Meeting (FILE 12.02B2)

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

Action: Approve the Minute for the February 14, 2024, Regular Meeting 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 March 28, 2024, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

3. DISCUSSION CALENDAR

A. Designation and Appointment of Interim Treasurer for the Orange County Fire Authority (FILE 11.17)

Assistant Chief Cortez introduced the Designation and Appointment of Interim Treasurer for the Orange County Fire Authority.

On motion of Director Nguyen and second by Director Sweeney, approved 7-0 (Directors Chun and Hasselbrink absent) to review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 28, 2024, with the Budget and Finance Committee's recommendation that the Board adopt the submitted resolution appointing OCFA's Assistant Chief of Business Services, Robert C. Cortez, as Interim Treasurer for the Orange County Fire Authority, effective immediately until the Treasurer position is filled and the new incumbent is formally appointed by the Board.

B. FY 2023/24 Mid-Year Budget Adjustment (FILE 15.4)

Assistant Chief Cortez presented the FY 2023-24 Mid-Year Adjustment.

On motion of Director O'Neill and second by Director Patel, approved 7-0 (Directors Chun and Hasselbrink absent) to review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 28, 2024, with the Budget

and Finance Committee's recommendation that the Board of Directors authorize the proposed mid-year budget adjustments and transfers as detailed in this report and attachments.

REPORTS

None.

COMMITTEE MEMBER COMMENTS

None.

ADJOURNMENT – Chair Bourne adjourned the meeting at 12:10 p.m. The next meeting of the Budget and Finance Committee is scheduled for Wednesday, April 10, 2024, at 12:00 noon.

Maria D. Huizar, CMC
Clerk of the Authority



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
April 10, 2024

Agenda Item No. 2B
Consent Calendar

Monthly Investment Reports

Contact(s) for Further Information

Robert C. Cortez, Assistant Chief
Business Services Department

robertcortez@ocfa.org

714.573.6012

James Slobojan, Assistant Treasurer
Treasury & Financial Planning

james@slobojan@ocfa.org

714.573.6305

Summary

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

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of April 25, 2024, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Attached is the final monthly investment report for the month ended February 29, 2024. A preliminary investment report as of March 22, 2024 is also provided as the most complete report that was available at the time this agenda item was prepared.

Attachment(s)

Final Investment Report – February 2024/Preliminary Report – March 2024

Orange County Fire Authority Monthly Investment Report



Final Report – February 2024

Preliminary Report – March 2024



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Orange County Fire Authority

Final Investment Report

February 29, 2024



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of February 2024, the size of the portfolio decreased by \$20.3 million to approximately \$257.8 million. Receipts for the month totaled approximately \$17 million, including property tax apportionment payments of \$1.7 million, receipts from cash contract payments of approximately \$8 million, and various grant reimbursement payments and charges for current services of approximately \$7.3 million. Total February cash outflows amounted to nearly \$34.9 million. Significant disbursements for the month included two biweekly payrolls and related benefits totaling approximately \$29.3 million. The portfolio's balance is expected to increase in March as revenues are projected to exceed expenses. In February, the portfolio's yield to maturity (365-day equivalent) decreased by twelve basis points to 3.87%. The effective rate of return decreased by fourteen basis points to 3.83% for the month, while the average maturity of the portfolio increased by 2 days to 53 days to maturity.

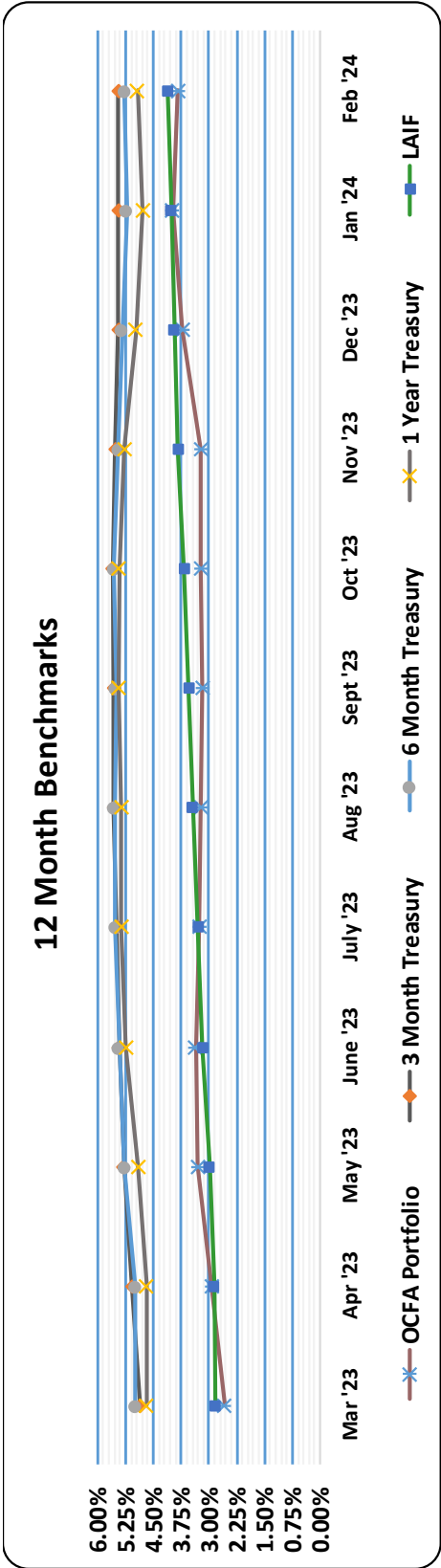
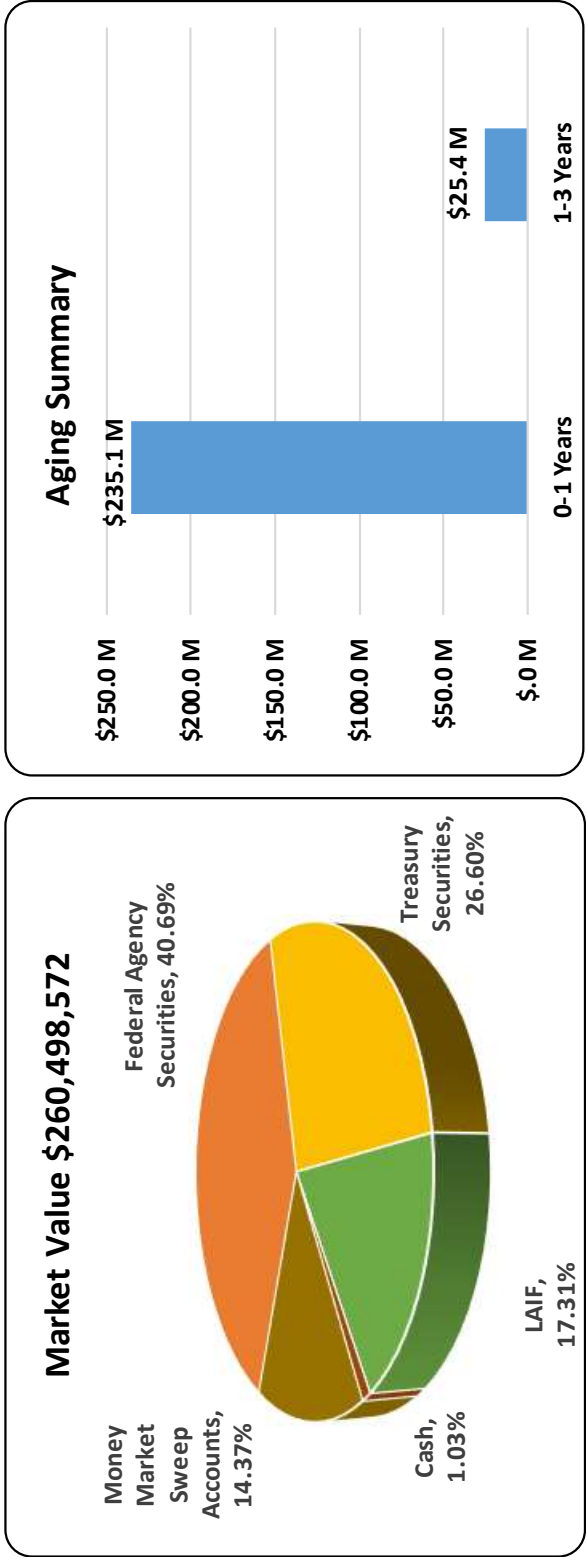
Economic News

Nonfarm payroll employment increased 275,000 in February 2024, and the unemployment rate moved higher to 3.9%. Job gains occurred in health care, government, and restaurants with bars. Average hourly earnings rose 4.3% over a year ago. Homebuilder sentiment improved in February, the third consecutive month of rising confidence.

Retail sales rebounded from the prior month and increased 0.6% in February. Consumer spending in February was led by building materials and garden equipment. The Consumer Price Index (CPI) increased 0.4% in February and 3.2% from a year ago. Much of the increase came from the costs for shelter and gasoline. The Producer Price Index (PPI), which measures the prices paid by wholesalers, increased 0.6% in February, and up 1.6% for the year, an indication that inflation remains an issue for the economy. PPI is considered a forward-looking inflation measure as it tracks prices in the pipeline for goods and services that eventually reach consumers. The Federal Reserve met on March 20, 2024 and held rates steady at the target range of 5.25%-5.50%. Rates have held at this range since July 2023. Federal Reserve officials suggested they may cut interest rates multiple times in 2024. The Fed will next meet on May 1, 2024.



OCFA'S PORTFOLIO HAS AMPLE LIQUIDITY AND IS TRACKING ITS LAIF BENCHMARK AS OF FEBRUARY 29, 2024





BENCHMARK COMPARISON AS OF FEBRUARY 29, 2024

3 Month T-Bill:	5.44%	1 Year T-Bill:	4.92%
6 Month T-Bill:	5.28%	LAIF:	4.12%
OCFA Portfolio:		3.83%	

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value	\$257,852,178	\$278,181,670	\$204,250,187
Yield to Maturity (365 day)	3.87%	3.99%	2.43%
Effective Rate of Return	3.83%	3.97%	2.42%
Days to Maturity	53	51	29



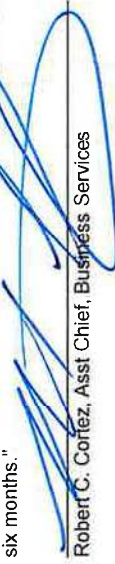
ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
February 29, 2024

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

Investments	Par Value	See Note 1 on page 10		See Note 2 on page 10		Term	Days to Mat./Call	YTM/Call 360 Equiv.	YTM/Call 365 Equiv.
		Market Value	Book Value	% of Portfolio					
Money Mkt Mutual Funds/Cash	37,424,318.90	37,424,318.90	37,424,318.90	14.36	1	1	5.032	5.102	
Federal Agency Coupon Securities	67,450,000.00	64,911,562.15	67,450,801.34	25.87	1,384	41	0.628	0.637	
Federal Agency Disc. -Amortizing	42,000,000.00	41,089,580.00	41,101,557.79	15.77	253	153	5.245	5.318	
Treasury Discounts -Amortizing	70,000,000.00	69,306,400.00	69,328,376.70	26.60	140	68	5.271	5.344	
Local Agency Investment Funds	45,377,205.84	45,084,211.17	45,377,205.84	17.41	1	1	4.066	4.122	
Investments	262,251,524.74	257,816,072.22	260,682,260.57	100.00%	436	53	3.821	3.874	
Cash									
Passbook/Checking (not included in yield calculations)	2,682,499.77	2,682,499.77	2,682,499.77		1	1	0.000	0.000	
Total Cash and Investments	264,934,024.51	260,498,571.99	263,364,760.34		436	53	3.821	3.874	

Total Earnings	February 29	Month Ending	Fiscal Year To Date
Current Year	804,308.00		5,395,955.10
Average Daily Balance	264,012,194.44		228,838,699.05
Effective Rate of Return	3.83%		3.53%

"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, 2024. 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."


Robert C. Cortez, Asst Chief, Business Services

Cash and Investments with GASB 31 Adjustment:	
Book Value of Cash & Investments before GASB 31 (Above)	\$ 263,364,760.34
GASB 31 Adjustment to Books (See Note 3 on page 10)	\$ (5,512,582.65)
Total	\$ 257,852,177.69

ORANGE COUNTY FIRE AUTHORITY

Portfolio Management

Portfolio Details - Investments

February 29, 2024

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/Call	Days to Mat./Call	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS1042	1042	US Bank - Treasury Obligations			25,078,396.03	25,078,396.03	25,078,396.03	5.191		1	
SYS528	528	MUFG Treasury Obligations		07/01/2023	0.00	0.00	0.00	4.620		1	
SYS530	530	US Bancorp Sweep Account			12,345,922.87	12,345,922.87	12,345,922.87	4.920		1	
	Subtotal and Average		33,765,901.65		37,424,318.90	37,424,318.90	37,424,318.90		5.102	1	
Federal Agency Coupon Securities											
3133EMWH1	1030	Federal Farm Credit Bank (Callable 4/21/2024)		04/22/2021	3,000,000.00	2,866,560.00	3,000,801.34	0.710		20	04/21/2025
3133EMXS6	1032	Federal Farm Credit Bank (Continuous Call)		04/28/2021	12,000,000.00	11,434,800.00	12,000,000.00	0.720		0	04/28/2025
3130ALNY6	1025	Fed Home Loan Bank (Callable 03/30/2024)		03/30/2021	8,000,000.00	7,786,560.00	8,000,000.00	0.550		29	09/30/2024
3130ALTJ3	1029	Fed Home Loan Bank		04/22/2021	9,435,000.00	9,383,767.95	9,435,000.00	0.375		38	04/08/2024
3130ALVR2	1031	Fed Home Loan Bank (Callable 4/23/2024)		04/23/2021	11,015,000.00	10,687,634.20	11,015,000.00	0.520		53	10/23/2024
3130AM6P2	1034	Fed Home Loan Bank (Callable 4/29/2024)		04/29/2021	12,000,000.00	11,088,840.00	12,000,000.00	1.000		59	04/29/2026
3130AM6H0	1035	Fed Home Loan Bank (Callable 5/11/2024)		05/11/2021	12,000,000.00	11,663,400.00	12,000,000.00	0.550		71	10/11/2024
	Subtotal and Average		67,450,830.59		67,450,000.00	64,911,562.15	67,450,801.34		0.637	41	
Federal Agency Disc. -Amortizing											
313384XV6	1095	Fed Home Loan Bank		07/20/2023	14,000,000.00	13,800,780.00	13,805,061.67	5.115		98	06/07/2024
313384YS2	1109	Fed Home Loan Bank		12/21/2023	14,000,000.00	13,758,500.00	13,769,073.90	4.990		119	06/28/2024
313384M89	1113	Fed Home Loan Bank		02/29/2024	14,000,000.00	13,530,300.00	13,527,422.22	4.960		245	11/01/2024
	Subtotal and Average		27,985,582.29		42,000,000.00	41,089,580.00	41,101,557.79		5.318	153	
Treasury Discounts -Amortizing											
912797HH3	1100	US Treasury Bill		11/30/2023	10,000,000.00	9,909,200.00	9,911,650.00	5.130		62	05/02/2024
912797FH5	1101	US Treasury Bill		11/30/2023	14,000,000.00	13,845,160.00	13,848,380.00	5.130		76	05/16/2024
912797JL2	1107	US Treasury Bill		12/21/2023	14,000,000.00	13,934,060.00	13,936,160.00	5.130		32	04/02/2024
912797HS9	1108	US Treasury Bill		12/21/2023	14,000,000.00	13,816,880.00	13,824,650.03	5.010		90	05/30/2024
912796CX5	1110	US Treasury Bill		01/11/2024	6,000,000.00	5,957,820.00	5,958,880.00	5.140		48	04/18/2024
912797HH3	1111	US Treasury Bill		01/11/2024	6,000,000.00	5,945,520.00	5,946,990.00	5.130		62	05/02/2024
912796Y45	1112	US Treasury Bill		01/17/2024	6,000,000.00	5,897,760.00	5,901,666.67	5.000		118	06/27/2024
	Subtotal and Average		89,432,674.08		70,000,000.00	69,306,400.00	69,328,376.70		5.344	68	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			45,377,205.84	45,084,211.17	45,377,205.84	4.122		1	
	Subtotal and Average		45,377,205.84		45,377,205.84	45,084,211.17	45,377,205.84		4.122	1	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
February 29, 2024

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C	Days to 365 Mat./Call
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2023	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2023	0.00	0.00	0.00		0.000	1
SYS5	5	US Bancorp		07/01/2023	2,662,499.77	2,662,499.77	2,662,499.77		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			264,012,194.44		264,934,024.51	260,498,571.99	263,364,760.34		3.874	53

Orange County Fire Authority
In Service of Others!



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of March 1, 2024

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

		Maturity		Percent		Current		Current	
		Par Value		of Portfolio		Book Value		Market Value	
Aging Interval:	0 days	(03/01/2024 - 03/01/2024)	7 Maturities	0 Payments	85,484,024.51	32.70%	85,484,024.51	85,191,029.84	
Aging Interval:	1 - 30 days	(03/02/2024 - 03/31/2024)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	
Aging Interval:	31 - 60 days	(04/01/2024 - 04/30/2024)	3 Maturities	0 Payments	29,435,000.00	11.24%	29,330,040.00	29,275,647.95	
Aging Interval:	61 - 90 days	(05/01/2024 - 05/30/2024)	4 Maturities	0 Payments	44,000,000.00	16.71%	43,531,670.03	43,516,760.00	
Aging Interval:	91 - 120 days	(05/31/2024 - 06/29/2024)	3 Maturities	0 Payments	34,000,000.00	12.84%	33,475,802.24	33,457,040.00	
Aging Interval:	121 - 365 days	(06/30/2024 - 03/01/2025)	4 Maturities	0 Payments	45,015,000.00	16.76%	44,542,422.22	43,667,894.20	
Aging Interval:	366 - 1095 days	(03/02/2025 - 03/01/2027)	3 Maturities	0 Payments	27,000,000.00	9.75%	27,000,801.34	25,390,200.00	
Aging Interval:	1096 days and after	(03/02/2027 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	
Total for			24 Investments	0 Payments		100.00	263,364,760.34	260,498,571.99	



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The U.S. Bank Corporate Trust and Custody 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. Fluctuations in the marketplace have little effect on our long-term investment yield because it is our policy to hold investments to maturity. However, adjusting to market values as required by GAAP resulted in a decrease in recorded interest earnings of \$5,512,582.65. The adjustment for June 30, 2023, includes a decrease of \$612,970.63 to the LAIF investment and a decrease of \$4,899,612.02 to the remaining investments.
- Note 4: The Federated Treasury Obligations money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Local Agency Investment Fund (LAIF)

As of February 29, 2024, OCFA has \$45,377,205.84 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 February 29, 2024 is .993543131. When applied to OCFA's LAIF investment, the fair value is \$45,084,211.17 or \$292,994.67 below cost. Although the fair value of the LAIF investment is lower 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 on February 29, 2024 is included on the following page.



State of California

Pooled Money Investment Account

Market Valuation

2/29/2024

Carrying Cost Plus			
Description	Accrued Interest	Purch.	Fair Value
United States Treasury:			
Bills	\$ 26,924,803,816.81	\$ 27,291,651,500.00	NA
Notes	\$ 63,298,748,638.50	\$ 62,447,680,500.00	\$ 388,251,924.50
Federal Agency:			
SBA	\$ 267,820,971.68	\$ 267,426,730.80	\$ 1,297,607.73
MBS-REMICs	\$ 2,059,624.46	\$ 2,013,463.24	\$ 9,008.19
Debentures	\$ 8,383,258,772.30	\$ 8,289,911,050.00	\$ 72,399,903.20
Debentures FR	\$ -	\$ -	\$ -
Debentures CL	\$ 800,000,000.00	\$ 787,913,500.00	\$ 5,686,111.50
Discount Notes	\$ 28,871,448,333.25	\$ 29,262,665,000.00	NA
Supranational Debentures	\$ 2,819,489,700.14	\$ 2,780,695,500.00	\$ 22,733,834.60
Supranational Debentures FR	\$ -	\$ -	\$ -
CDs and YCDs FR	\$ -	\$ -	\$ -
Bank Notes			
CDs and YCDs	\$ 16,500,000,000.00	\$ 16,500,095,058.09	\$ 239,387,680.55
Commercial Paper	\$ 10,484,704,916.64	\$ 10,621,501,579.94	NA
Corporate:			
Bonds FR	\$ -	\$ -	\$ -
Bonds	\$ 645,582,722.40	\$ 628,469,070.00	\$ 4,714,625.21
Repurchase Agreements	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -
Time Deposits	\$ 4,959,000,000.00	\$ 4,959,000,000.00	NA
PMIA & GF Loans	\$ 325,717,000.00	\$ 325,717,000.00	NA
TOTAL	\$ 164,282,634,496.18	\$ 164,164,739,952.07	\$ 734,480,695.48

Fair Value Including Accrued Interest \$ 164,899,220,647.55

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



Orange County Fire Authority

Preliminary Investment Report

March 22, 2024



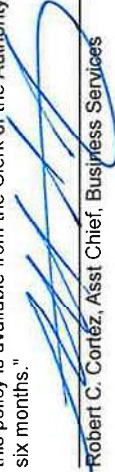
ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
March 22, 2024

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			
		Market	Value	Book	Value	% of Portfolio	Term
Investments							
Money Mkt Mutual Funds/Cash	Par Value	37,615,340.02	37,615,340.02		37,615,340.02	14.40	1
Federal Agency Coupon Securities		67,450,000.00	67,450,000.00		67,450,000.00	25.82	1,384
Federal Agency Disc. -Amortizing		42,000,000.00	41,220,340.00		41,230,447.22	15.78	253
Treasury Discounts -Amortizing		70,000,000.00	69,552,420.00		69,546,360.02	26.62	140
Local Agency Investment Funds		45,377,205.84	45,084,211.17		45,377,205.84	17.37	1
Investments			258,563,314.39		261,220,111.44	100.00%	435
							40
							3.871
Cash							
Passbook/Checking		1,939,029.10	1,939,029.10		1,939,029.10		1
Total Cash and Investments			260,502,343.49		263,159,140.54		40
							3.871

		Fiscal Year To Date	
Total Earnings	March 22 Month Ending		
Current Year	606,754.55		6,002,709.65
Average Daily Balance	264,570,400.03		231,793,952.52
Effective Rate of Return	3.80%		3.55%

"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, 2024. 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."


Robert C. Cortez, Asst Chief, Business Services

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 263,159,140.54
GASB 31 Adjustment to Books (See Note 3 on page 19)	\$ (5,512,582.65)
Total	\$ 257,646,557.89

ORANGE COUNTY FIRE AUTHORITY

Portfolio Management

Portfolio Details - Investments

March 22, 2024

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/Call 365 Mat./Call	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS1042	1042	US Bank - Treasury Obligations			19,174,785.84	19,174,785.84		5.191	5.191	1
SYS528	528	MUFG Treasury Obligations		07/01/2023	0.00	0.00		4.620	4.620	1
SYS530	530	US Bancorp Sweep Account			18,440,554.18	18,440,554.18		4.920	4.920	1
		Subtotal and Average	41,131,160.99		37,615,340.02	37,615,340.02		5.058		1
Federal Agency Coupon Securities										
3133EMWH1	1030	Federal Farm Credit Bank (Callable 4/21/2024)		04/22/2021	3,000,000.00	2,862,990.00	3,000,758.34	0.710	0.678	29 04/21/2025
3133EMXS6	1032	Federal Farm Credit Bank (Continuous Call)		04/28/2021	12,000,000.00	11,465,040.00	12,000,000.00	0.720	0.720	9 04/28/2025
3130ALNV6	1025	Fed Home Loan Bank (Callable 03/30/2024)		03/30/2021	8,000,000.00	7,812,640.00	8,000,000.00	0.550	0.550	7 09/30/2024
3130ALTJ3	1029	Fed Home Loan Bank		04/22/2021	9,435,000.00	9,416,601.75	9,435,000.00	0.375	0.375	16 04/08/2024
3130ALVR2	1031	Fed Home Loan Bank (Callable 4/23/2024)		04/23/2021	11,015,000.00	10,722,331.45	11,015,000.00	0.520	0.520	31 10/23/2024
3130AM6P2	1034	Fed Home Loan Bank (Callable 4/29/2024)		04/29/2021	12,000,000.00	11,112,480.00	12,000,000.00	1.000	1.000	37 04/29/2026
3130AM6H0	1035	Fed Home Loan Bank (Callable 5/11/2024)		05/11/2021	12,000,000.00	11,698,920.00	12,000,000.00	0.550	0.550	49 10/11/2024
		Subtotal and Average	67,450,778.86		65,091,003.20	67,450,758.34		0.637		26
Federal Agency Disc. -Amortizing										
313384XV6	1095	Fed Home Loan Bank		07/20/2023	14,000,000.00	13,845,300.00	13,848,823.33	5.115	5.447	76 06/07/2024
313384YS2	1109	Fed Home Loan Bank		12/21/2023	14,000,000.00	13,803,160.00	13,811,766.12	4.990	5.263	97 06/28/2024
313384M89	1113	Fed Home Loan Bank		02/29/2024	14,000,000.00	13,571,880.00	13,569,857.77	4.960	5.243	223 11/01/2024
		Subtotal and Average	41,168,931.81		41,220,340.00	41,230,447.22		5.318		131
Treasury Discounts -Amortizing										
912797HH3	1100	US Treasury Bill		11/30/2023	10,000,000.00	9,944,400.00	9,943,000.00	5.130	5.392	40 05/02/2024
912797FH5	1101	US Treasury Bill		11/30/2023	14,000,000.00	13,894,020.00	13,892,270.00	5.130	5.403	54 05/16/2024
912797JL2	1107	US Treasury Bill		12/21/2023	14,000,000.00	13,983,760.00	13,980,050.00	5.130	5.352	10 04/02/2024
912797HS9	1108	US Treasury Bill		12/21/2023	14,000,000.00	13,866,020.00	13,867,513.35	5.010	5.268	68 05/30/2024
912796CX5	1110	US Treasury Bill		01/11/2024	6,000,000.00	5,978,940.00	5,977,726.67	5.140	5.359	26 04/18/2024
912797HH3	1111	US Treasury Bill		01/11/2024	6,000,000.00	5,966,640.00	5,965,800.00	5.130	5.359	40 05/02/2024
912796Y45	1112	US Treasury Bill		01/17/2024	6,000,000.00	5,918,640.00	5,920,000.00	5.000	5.258	96 06/27/2024
		Subtotal and Average	69,442,322.52		70,000,000.00	69,552,420.00		5.344		46
Local Agency Investment Funds										
SYS336	336	Local Agency Investmt Fund			45,377,205.84	45,084,211.17	45,377,205.84	4.122	4.122	1
		Subtotal and Average	45,377,205.84		45,084,211.17	45,377,205.84		4.122		1

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
March 22, 2024

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Mat./Call
Money Mkt Mutual Funds/Cash										
SYS10033	10033	Revolving Fund		07/01/2023	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2023	0.00	0.00	0.00		0.000	1
SYS5	5	US Bancorp		07/01/2023	1,919,029.10	1,919,029.10	1,919,029.10		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			264,570,400.03		264,381,574.96	260,502,343.49	263,159,140.54		3.871	40

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of March 23, 2024

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

							Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	(03/23/2024 - 03/23/2024)	7 Maturities	0 Payments	84,931,574.96	32.49%		84,931,574.96		84,931,574.96	84,638,580.29
Aging Interval: 1 - 30 days	(03/24/2024 - 04/22/2024)	3 Maturities	0 Payments	29,435,000.00	11.28%		29,392,776.67		29,392,776.67	29,379,301.75
Aging Interval: 31 - 60 days	(04/23/2024 - 05/22/2024)	3 Maturities	0 Payments	30,000,000.00	11.44%		29,801,070.00		29,801,070.00	29,805,060.00
Aging Interval: 61 - 90 days	(05/23/2024 - 06/21/2024)	2 Maturities	0 Payments	28,000,000.00	10.64%		27,716,336.68		27,711,320.00	
Aging Interval: 91 - 120 days	(06/22/2024 - 07/21/2024)	2 Maturities	0 Payments	20,000,000.00	7.57%		19,731,766.12		19,721,800.00	
Aging Interval: 121 - 365 days	(07/22/2024 - 03/23/2025)	4 Maturities	0 Payments	45,015,000.00	16.82%		44,584,857.77		43,805,771.45	
Aging Interval: 366 - 1095 days	(03/24/2025 - 03/23/2027)	3 Maturities	0 Payments	27,000,000.00	9.77%		27,000,758.34		25,440,510.00	
Aging Interval: 1096 days and after	(03/24/2027 -)	0 Maturities	0 Payments	0.00	0.00%		0.00		0.00	
Total for		24 Investments	0 Payments		100.00		263,159,140.54		260,502,343.49	



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The U.S. Bank Corporate Trust and Custody 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, 2023 includes a decrease of \$612,970.63 to the LAIF investment and a decrease of \$4,899,612.02 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
April 10, 2024

Agenda Item No. 3A
Discussion Calendar

**Selection of Public Accounting Firm for Financial Audit and
Other Audit/Attest Services**

Contact(s) for Further Information

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Business Services Department

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Summary

This agenda item is submitted for approval to select CliftonLarsonAllen LLP (CLA) for financial audit and other audit/attest services based on the results of the competitive Request for Proposals (RFP) process.

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

1. *Financial Statement Audit and Single Audit Services* – Based on the results of the Request for Proposals, approve the selection of CliftonLarsonAllen LLP to provide annual financial statement audit and single audit services for the fiscal year ending June 30, 2024, for a total price of \$56,963, with an option to extend the contract in one-year periods, not to exceed a total of four additional fiscal years.
2. *Other Audit/Attest Services* – Based on the results of the Request for Proposals, approve the selection of CliftonLarsonAllen LLP to provide other audit/attest services as needed, including Agreed-Upon Procedures on compliance with the Health Plan Agreement between the OCFA and the Orange County Professional Firefighters Association, Local 3631. Additional audit/attest services will be provided at hourly rates ranging from \$100 to \$365, with an estimated total of \$7,550 for the 2023 Health Plan Agreement Agreed-Upon Procedures.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

See attached expanded background.

Attachment(s)

None.

Background

OCFA's Budget and Finance Committee also serves as its Audit Committee, with responsibility for overseeing the annual financial audit. OCFA's current contract for financial and single audit services and other audit/attest services concluded in 2023.

On January 30, 2024, staff issued a Request for Proposals (RFP) for financial audit and other audit/attest services via OCFA's e-procurement system Planetbids. OCFA does not have a mandatory auditor rotation policy, so the incumbent firm Lance, Soll & Lunghard, LLP, was not precluded from participating in the RFP process. At a minimum, California Government Code Section 12410.6(b) requires lead audit partner rotation after six consecutive fiscal years. Written proposals were received by the February 15, 2024, deadline from the following six firms:

Firms Responding to RFP	Proposal #1 Financial Statement and Single Audit Services	Proposal #2 Other Audit/Attest Services
Badawi & Associates	✓	✓
CliftonLarsonAllen LLP	✓	✓
Eadie and Payne, LLP	✓	✓
Lance, Soll & Lunghard, LLP	✓	✓
Nigro & Nigro, PC	✓	✓
The Pun Group LLP	✓	✓
Total responsive firms	6	6

Review Process and Scoring Criteria

A three-member evaluation committee reviewed and scored the written proposals based on criteria identified in the RFP for qualifications, experience, project approach/scope of work, and proposed costs. All six firms were invited to participate in oral interviews held March 4 – 5, 2024, where the same three-member committee evaluated the firms based on their responses to interview questions and overall presentation. The table below summarizes the RFP scoring criteria.

Criteria	Description	Maximum Points
Statement of Qualifications and Experience	This criterion assesses the firm's history of performance and demonstrated ability and expertise in providing the services, including the qualifications and experience of key personnel assigned to the project team and relevant experience of the firm.	35
Project Approach/ Scope of Work	This criterion assesses how well the firm responds to and demonstrates an understanding of the required specifications and objectives in the solicitation, including the quality and completeness of the proposal. Considerations include: <ul style="list-style-type: none">• Proposed segmentation of the engagement• Level of staff and number of hours assigned• Sample size and extent of statistical sampling• Type and extent of analytical procedures	40

Criteria	Description	Maximum Points
	<ul style="list-style-type: none"> • Approach to understanding and documenting internal controls • Approach to determining applicable laws and regulations • Approach to drawing samples for compliance testing • Approach to implementing new accounting standards 	
Proposed Costs	This score is based on the firm's estimated annual contract cost, with OCFA seeking the best value versus the lowest price. Pricing scores are calculated in relation to the total cost of the lowest responsive offer.	25
	Subtotal – written proposal	100
Oral Interview/ Presentation	Discussion of the firm's specific experience providing services similar to those described in the RFP, project approach, estimated work effort, available resources, and other pertinent factors that distinguish the firm from others.	50
	Total	150

Results of the Request for Proposals

Based on the evaluation process described above, the three top-ranked firms were (1) CliftonLarsonAllen LLP (CLA); (2) Lance, Soll & Lunghard, LLP (LSL); and (2) The Pun Group LLP (Pun). The table below summarizes the estimated proposed cost for these three firms. While cost is important, OCFA's objective is to choose the proposal that offers the highest quality services and will achieve the project's goals and objectives within a reasonable budget.

		Proposal #1 Financial Statement and Single Audit Services			Proposal #2 Other Audit/Attest Services			Combined		
Rank	Firm	Est. Price	Est. Hours	Est. Cost per Hour	Est. Price	Est. Hours	Est. Cost per Hour	Est. Price	Est. Hours	Est. Price per Hour
Contract Year 1 Only										
1	CLA	\$59,970	338	\$177	\$7,435	47	\$158	\$67,405	385	\$175
2	LSL	\$58,850	320	\$184	\$7,050	40	\$176	\$65,900	360	\$183
2	Pun	\$67,370	538	\$125	\$7,500	70	\$107	\$74,870	608	\$123

As a basis for comparison, OCFA's annual fees for these services have averaged \$62,385 for the last five years, as summarized in the table below by applicable proposal.

	Proposal #1 Financial Statement and Single Audit Services (Fiscal Year)	Proposal #2 Firefighter Medical Trust AUP (Calendar Year)	Combined
Total fees paid	\$278,175	\$33,750	\$311,925
Average per year	\$55,635	\$6,750	\$62,385

Recommended Firm Selection

The evaluation committee unanimously agreed to recommend the selection of CLA for both proposals. The recommendation is based on the following:

- CLA is a national public accounting firm that serves more than 4,200 governmental engagements nationwide. More than 550 professionals are dedicated to CLA's state and local government practice. The firm has eight office locations in California. OCFA will be served by an engagement team located in the Irvine, California office, which has 15 professionals solely focused on providing state and local government services. CLA has sufficient experience and resources dedicated to its governmental practice to meet the audit and other attest services needs of OCFA.
- CLA has experience providing financial audit and single audit services to a variety of governmental entities, including cities, counties, municipalities, state and state agencies, and school boards. National fire protection district clients include the Eureka Fire Protection District, Matlacha/Pine Island Fire Control District, and South Carolina State Firefighters' Association Trust. Recent or current Orange County clients served by CLA's Irvine office include the cities of Irvine, Lake Forest, Santa Ana, and Westminster; El Toro Water District; Midway City Sanitary District; Moulton Niguel Water District; and Orange County Mosquito and Vector Control District.
- The proposed CLA engagement team includes the following:

Position	Role	Engagement Team Member	Years of Experience	Licensed CPA in California
Principal (Partner)	Overall engagement responsibility, including planning, developing the audit approach, supervising staff, and maintaining client contact throughout the year	Mr. Bob Callanan, CPA	30+	Yes
Manager	Assist with planning the engagement and performing complex audit areas; perform a technical review of all work; responsible for the review of the Annual Comprehensive Financial Report and all related reports	Mr. Rob Perl, CPA	16+	Yes
Senior	Responsible for the day-to-day activities for the engagement, including the supervision of all assigned staff	Mr. Stephen Coverstone, CPA	5+	Yes

The proposed engagement team members have relevant experience ranging from five to thirty years. All three are licensed Certified Public Accountants in California, including the Senior who is responsible for the day-to-day activities of the engagement and supervision of

all assigned staff. The evaluation committee values having an experienced and licensed Senior assigned to the engagement, as this will be the team member that most OCFA personnel interact with throughout audit fieldwork. In addition, all three members of the engagement team participated in the oral interview portion of the selection process, demonstrating their technical knowledge, communication skills, and ability to work together as a cohesive team.

- CLA received high scores from the evaluation committee for both their technical and cost proposals. Based on the Government Finance Officers Association’s recommended practice of finding an audit firm with the appropriate audit approach and ability to provide high quality service, the evaluation committee recommends CLA as the top choice for providing audit and other attest services to the OCFA.

Upon receiving the evaluation committee’s recommendation, OCFA’s Purchasing Division requested a “Best and Final Offer” (BAFO) from CLA. The BAFO response included a reduction in CLA’s hourly rates and a minor mathematical correction, resulting in a lower total cost as follows:

	Proposal #1	Proposal #2	
	Financial Statement and Single Audit Services (Fiscal Year)	Firefighter Medical Trust AUP (Calendar Year)	Combined
Original proposed price	\$59,970	\$7,435	\$67,405
BAFO price	\$56,963	\$7,550	\$64,513

The proposed dollar amounts of the professional service contract awards are within the amounts delegated to OCFA management per the Roles/Responsibilities/Authorities matrix. Upon the Budget and Finance Committee’s approval of the selection of CliftonLarsonAllen LLP, staff will work with legal counsel to finalize issuance of Professional Services Agreements.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
April 10, 2024

Agenda Item No. 3B
Discussion Calendar

Communication with Auditors for
Fiscal Year 2023/24 Financial Audit

Contact(s) for Further Information

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Bob Callanan, Principal CliftonLarsonAllen, LLP	bob.callanan@CLAconnect.com	714.795.5354
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Rob Perl, Manager CliftonLarsonAllen, LLP	rob.perl@CLAconnect.com	714.795.5458
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Prior Board/Committee Action

Not Applicable.

Summary

This agenda item is submitted to provide an update to the Budget and Finance / Audit Committee on the Fiscal Year 2023/24 financial audit, including two-way communication between the Committee and the independent financial auditors in accordance with Statements on Auditing Standards (SAS) No. 114.

RECOMMENDED ACTION(S)

Receive and file the report.

Impact to Cities/County

Not Applicable

Fiscal Impact

Not Applicable

Background

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

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

The required two-way communication regarding audit matters is presented to this Committee via a written SAS No. 114 Auditor Communication Letter (Attachment 1) from OCFA's independent financial auditors CliftonLarsonAllen, LLP (CLA). In addition, a representative from the audit engagement team provides a verbal report to the Committee at the beginning of the audit process. CLA is working with OCFA's Finance staff to schedule the Fiscal Year 2023/24 interim audit fieldwork in May 2024. The auditors will also present the financial statements to the Committee and Board of Directors at the completion of the audit later this year.

Attachment(s)

1. SAS No. 114 Auditor Communication Letter from CLA



April 10, 2024

Budget and Finance Committee
Orange County Fire Authority
Irvine, California

We are engaged to audit the financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Orange County Fire Authority as of and for the year ended June 30, 2024. Professional standards require that we communicate to you the following information related to our audit. We will contact you to schedule a meeting to discuss this information since a two-way dialogue can provide valuable information for the audit process.

Our responsibility under Auditing Standards Generally Accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

Financial statements, internal control, and compliance

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require us to be independent of the entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. Those standards also require that we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. As part of our audit, we will:

- Identify and assess the risks of material misstatement of the financial statements and material noncompliance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement or a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit that are required to be communicated under U.S. GAAS and *Government Auditing Standards*.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the amounts and disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.
- Form and express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.
- Plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and the standards for financial audits contained in *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
- Perform, as part of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, tests of the entity's compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements. However, the objective of our tests is not to provide an opinion on compliance with such provisions and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.
- Provide a report (which does not include an opinion) on internal control over financial reporting and on compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over compliance. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control over compliance that we identify during the audit that are required to be communicated.
- Plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the applicable compliance requirements occurred. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. Material noncompliance can arise from fraud or error and is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report.

- Perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with the direct and material compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.
- Consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.
- Perform tests of transactions and other applicable procedures described in the “OMB Compliance Supplement” for the types of compliance requirements that could have a direct and material effect on each of the entity’s major programs. The purpose of these procedures will be to express an opinion on the entity’s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the entity’s compliance with those requirements.
- Provide a report on internal control over compliance related to major programs and express an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Uniform Guidance.
- Communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.
- Communicate circumstances that affect the form and content of the auditors’ report.

Our audit of the financial statements does not relieve you or management of your responsibilities.

Supplementary information in relation to the financial statements as a whole

Our responsibility for the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the SEFA in relation to the financial statements as a whole and to report on whether the SEFA is fairly stated, in all material respects, in relation to the financial statements as a whole. We will make certain inquiries of management and evaluate the form, content, and methods of preparing the SEFA to determine whether the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We will compare and reconcile the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Because we were engaged to report on the supplementary information accompanying the financial statements, our responsibility for other supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We will make certain inquiries of management and evaluate the form, content, and methods of preparing the information to determine whether the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We will compare and reconcile the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we will make certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We will compare the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we will not express an opinion or provide any assurance on the RSI.

Other information included in annual reports

It is our understanding that our auditors' report will be included in your annual report which is comprised of an introductory section, financial section, and statistical section. Management is responsible for the preparation of other information included in the introductory and statistical sections of your annual report and for providing such information to us in a timely manner, and if possible, prior to the date of our auditors' report. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinions on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If management refuses to correct a material misstatement of the other information, professional standards require us to communicate the matter to you. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Planned scope and timing of the audit

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

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

Although our audit planning has not been concluded and modifications may be made, we have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Management override of controls
- Revenue recognition

As a result of unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures performed, we may need to modify the overall audit strategy and audit plan and, thereby, the resulting planned nature, timing, and extent of further audit procedures, based on the revised consideration of assessed risks.

Other planning matters

Recognizing the importance of two-way communication, we encourage you to provide us with information you consider relevant to the audit. This may include, but is not limited to, the following items:

- Your views about the following matters:
 - The appropriate person(s) in the entity's governance structure with whom we should communicate.
 - The allocation of responsibilities between those charged with governance and management.
 - The entity's objectives and strategies and the related business risks that may result in material misstatements.
 - Matters you believe warrant particular attention during the audit and any areas for which you request additional procedures to be undertaken.
 - Significant communications between the entity and regulators.
 - Other matters you believe are relevant to the audit of the financial statements.

- The attitudes, awareness, and actions of those charged with governance concerning (a) the entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control, and (b) the detection or the possibility of fraud.
- The actions of those charged with governance in response to developments in law, accounting standards, corporate governance practices, and other related matters, and the effects of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements.
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented.
- The actions of those charged with governance in response to previous communications with the auditor.
- Your understanding of the risks of fraud and the controls in place to prevent and detect fraud, including your views on the following matters:
 - The “tone at the top” conveyed by management.
 - The risk that the entity’s financial statements or schedule of expenditures of federal awards might be materially misstated due to fraud.
 - Programs and controls that the entity has established to mitigate identified fraud risks or that otherwise help to prevent, deter, and detect fraud.
 - How and how often you review the entity’s policies on fraud prevention and detection.
 - If a fraud hotline is in place, how it is monitored and how you are notified of allegations or concerns.
 - How you exercise oversight of management’s processes for identifying and responding to the risks of fraud and the programs and controls management has established to mitigate those risks.
 - The risks of fraud at the entity, including any specific fraud risks the entity has identified or account balances, classes of transactions, or disclosures for which a risk of fraud may be likely to exist.
 - Examples of fraud-related discussions management has had with you.
 - Any actual or suspected fraud affecting the entity or its federal award programs that you are aware of, including measures taken to address the fraud.

- Any allegations of fraud or suspected fraud (e.g., received in communications from employees, former employees, grantors, regulators, or others) that you are aware of.
- Any knowledge of possible or actual policy violations or abuses of broad programs and controls occurring during the period being audited or the subsequent period.
- Any accounting policies or procedures applied to smooth earnings, meet debt covenants, minimize taxes, or achieve budget, bonus, or other financial targets that you are aware of; and whether you are aware of any accounting policies that you consider aggressive.
- How you oversee the entity's (1) compliance with laws, regulations, and provisions of contracts and grant agreements, (2) policies relative to the prevention of noncompliance and illegal acts, and (3) use of directives (for example, a code of ethics) and periodic representations obtained from management-level employees about compliance with laws, regulations, and provisions of contracts and grant agreements.
- Whether you are aware of any noncompliance with laws, regulations, contracts, and grant agreements, including measures taken to address the noncompliance.
- If the entity uses a service organization, your knowledge of any fraud, noncompliance, or uncorrected misstatements affecting the entity's financial statements or federal award programs reported by the service organization or otherwise known to you.

* * *

Sincerely,

CliftonLarsonAllen LLP



Robert J. Callanan, CPA
Principal
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Orange County Fire Authority **AGENDA STAFF REPORT**

Budget and Finance Committee Meeting
April 10, 2024

Agenda Item No. 3C
Discussion Calendar

2023 Long Term Liability Study & Accelerated Pension Payment Plan

Contact(s) for Further Information

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Treasury & Financial Planning

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 February 23, 2023, 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 April 25, 2024, with the Budget and Finance Committee's recommendation that the Board of Directors receive and file the report.

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 ten years, the OCFA Board of Directors' support of the Accelerated Pension Payment Plan has enabled OCFA to make accelerated payments totaling \$124.3 million, resulting in interest savings of \$76.7 million on behalf of the Orange County citizens and taxpayers who 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 and retiree medical liability.

Accelerated Pension Payment Plan

Currently, OCFA's pension liability funding level is 93.7%, which exceeds the Board's target of 85%. Therefore, in FY 2022/23, OCFA directed \$17.7 million of additional payments towards its Retiree Medical Unfunded Actuarial Accrued Liability (UAAL) to the Orange County Employees' Retirement System (OCERS).

To continue 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 100% funding?

The actuary reported back that OCFA has saved \$76.7 million in interest by making additional payments towards its UAAL and has achieved 93.7% funding as of December 31, 2022, and will achieve 100% funding by December 31, 2031, assuming all other actuarial inputs are held constant.

Last year's forecast indicated that OCFA would attain a 100% funded status by December 31, 2023. However, due to OCERS experiencing a loss of 14.84% (-7.84% actual rate of return compared to the assumed rate of return of 7%) in 2022, the timeline for achieving 100% funded status has been updated.

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 each year. However, if OCFA has not funded 85% of its pension liability as determined by OCERS, 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 93.7% funded, for FY 2023/24 the full \$2 million was deposited into the PARS 115 Trust 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. 2023 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



2023 LIABILITY STUDY

OCFA'S LONG TERM LIABILITES

APRIL 2024

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:

- A. Defined Benefit Pension Plan
- B. Defined Benefit and Defined Contribution Retiree Medical Plans
- C. Workers Compensation Claims
- D. Accrued Compensated Absences (accumulated sick and vacation payouts)
- E. Leases

The liabilities above, and strategic funding for each, remain a focus for OCFA as discussed below.

A. 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.

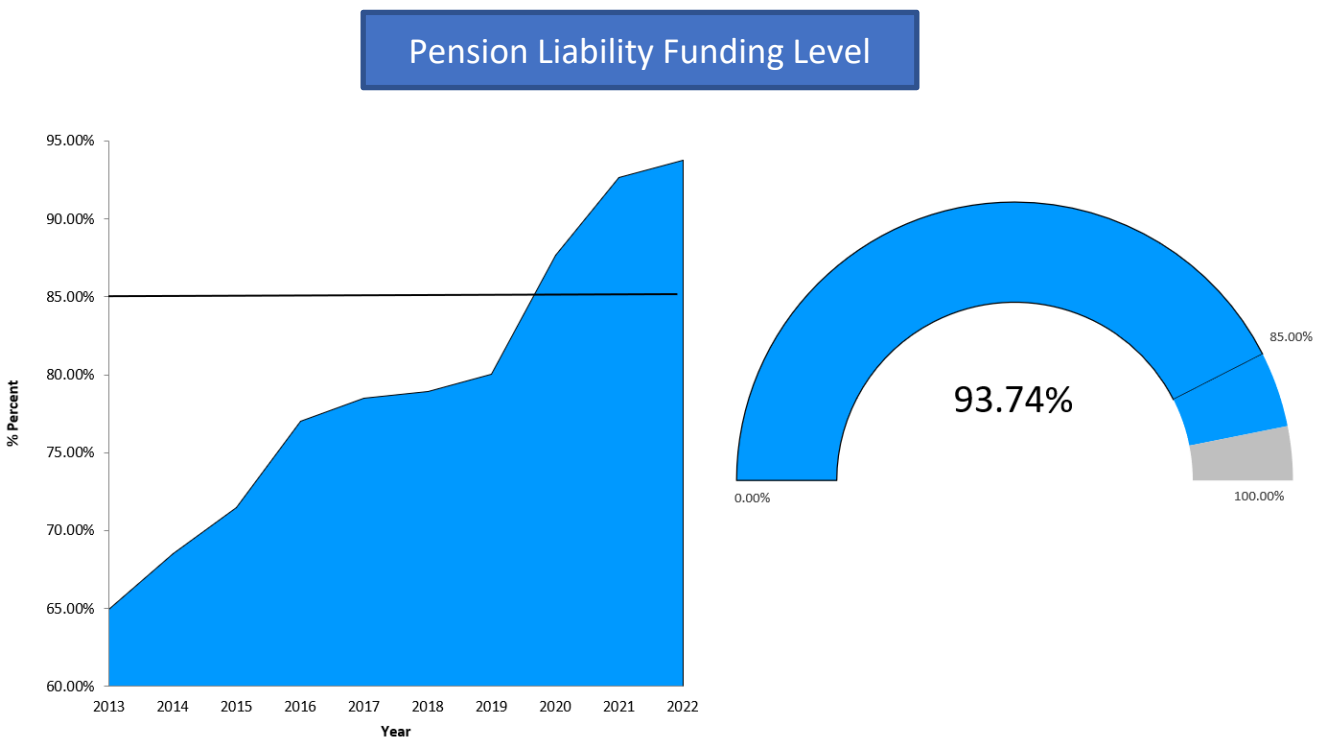
The OCFA's employees are distributed into two employee categories for purposes of retirement benefits, identified as Safety members and General members. Both the Safety and General categories include three tiers of retirement benefit formulas each, depending on date of hire:

	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 represent approximately \$82 million or 16.5% of the Authority’s FY 2023/24 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 because 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, 2022, valuation by OCERS, the Authority’s total UAAL was \$158.4 million with \$135.9 million or 86% attributed to Safety members and \$22.5 million or 14% attributed to General members. As shown above, OCFA’s pension plan is 93.74% 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>2022 Valuation</u> (FY 24/25 rates)	<u>2021 Valuation</u> (FY 23/24 rates)
Normal Cost	12.63%	12.60%
<u>UAAL</u>	<u>10.50%</u>	<u>9.37%</u>
Total	23.13%	21.97%

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

<u>Employer Rate *</u>	<u>2022 Valuation</u> (FY 24/25 rates)	<u>2021 Valuation</u> (FY 23/24 rates)
Normal Cost	22.45%	22.85%
<u>UAAL</u>	<u>12.96%</u>	<u>12.35%</u>
Total	35.41%	35.20%

* Totals do not include *Employee Rates*, which vary based on age of entry and retirement formula. *Employee Normal Costs (excluding UAAL costs)* range from 7.18% - 17.19% for General and 12.74% - 21.73% for Safety. Rates are also after adjustment for additional Employer UAAL contributions made from 2014 to 2022.

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 investment return was 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.

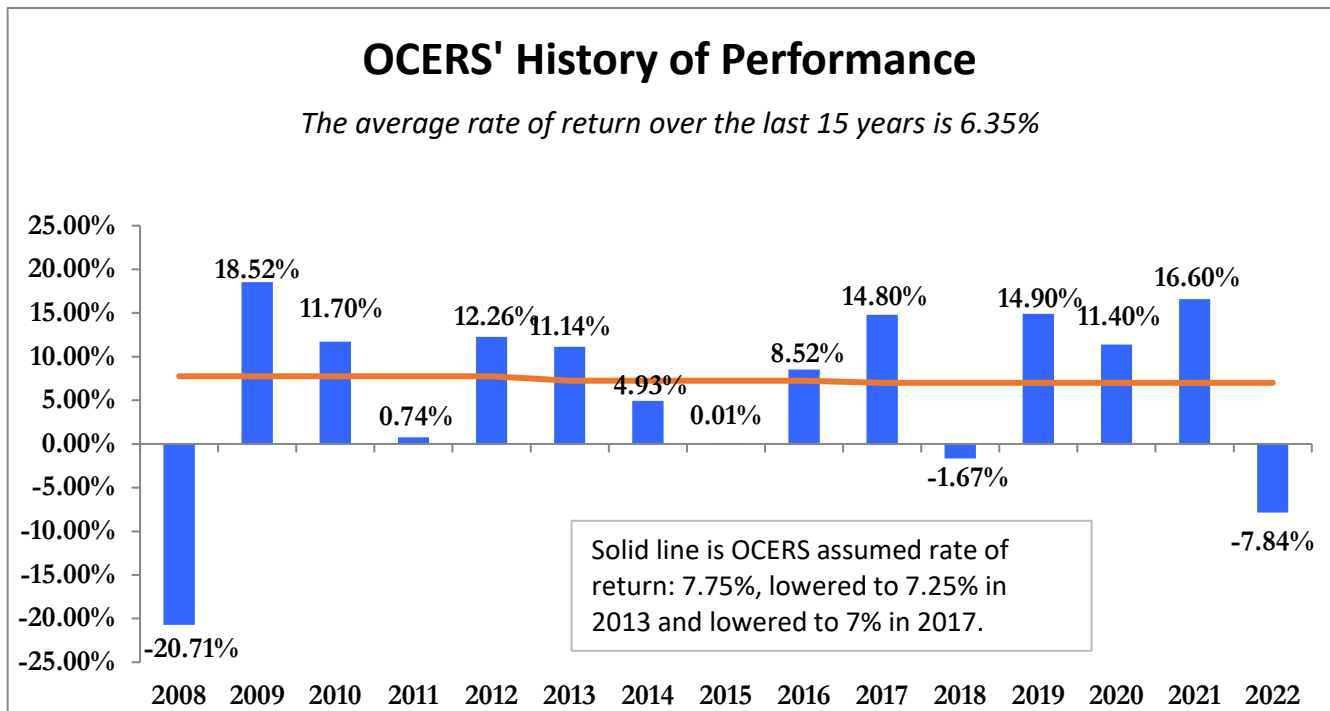
In 2020, OCERS exceeded its 7% assumed rate of return and earned 11.4%. OCERS' strong market performance, along with changes to its long-term actuarial assumptions and additional payments OCFA

has made towards its unfunded pension liability, significantly decreased OCFA's UAAL. The UAAL decreased by \$159.1 million from \$434.7 million in 2019 to \$275.6 million in 2020.

In 2021, OCERS exceeded its 7% assumed rate of return and earned 16.6%. OCERS' strong market performance along with additional payments OCFA has made towards its unfunded pension liability, significantly decreased OCFA's UAAL. The UAAL decreased by \$101.2 million from \$275.6 million in 2020 to \$174.4 million in 2021.

In 2022, OCERS investment return was negative 7.84% which is below its assumed rate of return of 7.0%. However, because of strong investment performance in prior years along with additional payments OCFA has made towards its unfunded pension liability, there was actually a decrease in OCFA's UAAL. The UAAL decreased by \$16 million from \$174.4 million in 2021 to \$158.4 million in 2022.

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 6.35%, which is below its assumed rate of return of 7.0%.



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 2022 and is now at 81.50%.

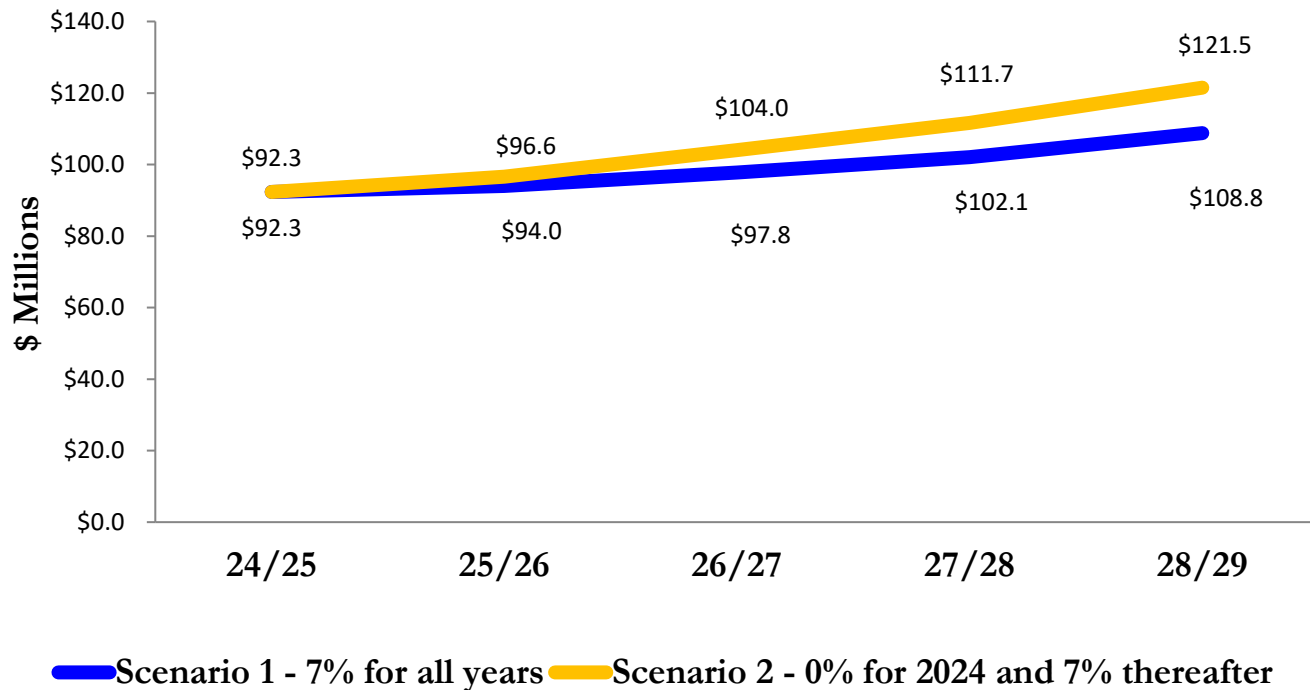
OCERS' Schedule of Funding Progress

(Dollars in Thousands)

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%
2020	17,525,117	22,904,975	5,379,858	76.51%
2021	19,488,761	24,016,073	4,527,312	81.15%
2022	20,691,659	25,386,669	4,695,010	81.50%

The chart below provides two OCERS rate of return scenarios. Scenario 1 assumes OCERS will earn its assumed rate of return of 7.0% in 2024 and future years. Scenario 2 assumes that OCERS will not earn its assumed rate of return, and instead will earn 0.0% in 2024 and 7.0% in future years. Scenario 1 contrasts with Scenario 2 and demonstrates the significant increase to retirement contribution rates when OCERS does not earn its assumed rate of return. This data is presented to demonstrate the potential impacts that can (and do) occur from time to time when the system earns less (or more) than assumed. OCERS' preliminary return as of December 31, 2023, is 11.44%. It has an assumed rate of 7.0% and is on a calendar year basis.

OCFA's Projected Retirement Costs



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.

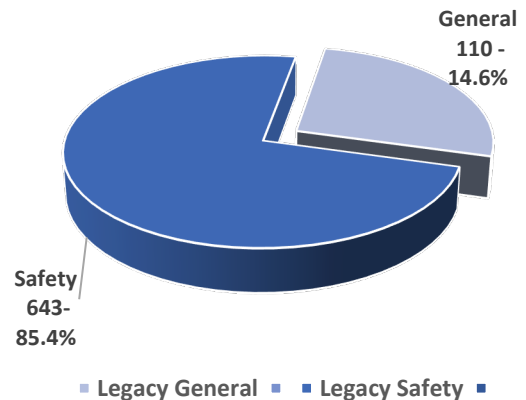
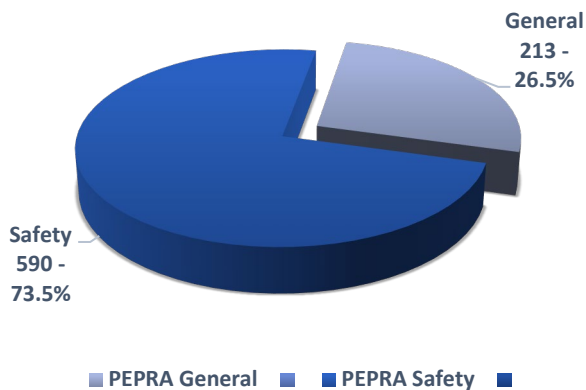
In FY15/16, the plan was modified to include the following:

- 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.

The number of employees who fall under PEPRA continues to increase as shown in the charts below. Over time, this will lower OCFA's retirement costs since PEPRA employees receive a less costly benefit.



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
FY 19/20	13.7 million
FY 20/21	15.8 million
FY 21/22	**
FY 22/23	**
Total	\$124.3 million

**In FY 21/22 the accelerated pension payment plan achieved its 85% funding target and redirected expedited payment dollars to the retiree medical liability.

The outcomes from the accelerated payment plan implementation in FY 2013/14 through FY 2020/21 along with OCFA's anticipated future year additional 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 100% funding if it continued to make additional UAAL payments under its Snowball Plan?

The actuary reported back that OCFA has saved \$76.7 million in interest by making additional payments towards its UAAL. The noted \$76.7 million in interest savings has accumulated, as shown below, in correlation with our additional 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	9,855,226
CY 2021	12,358,795
CY 2022	14,046,761
CY 2023	<u>15,908,889</u>
Total	\$76,746,494

OCFA is 93.74% funded as of December 31, 2022, and is expected to achieve 100% funding by December 31, 2031, assuming all other actuarial inputs are held constant. Last year's forecast indicated that OCFA would attain a 100% funded status by December 31, 2023. However, due to OCERS experiencing a loss of 14.84% (-7.84% actual rate of return compared to the assumed rate of return of 7%) in 2022, the timeline for achieving 100% funded status has been updated.

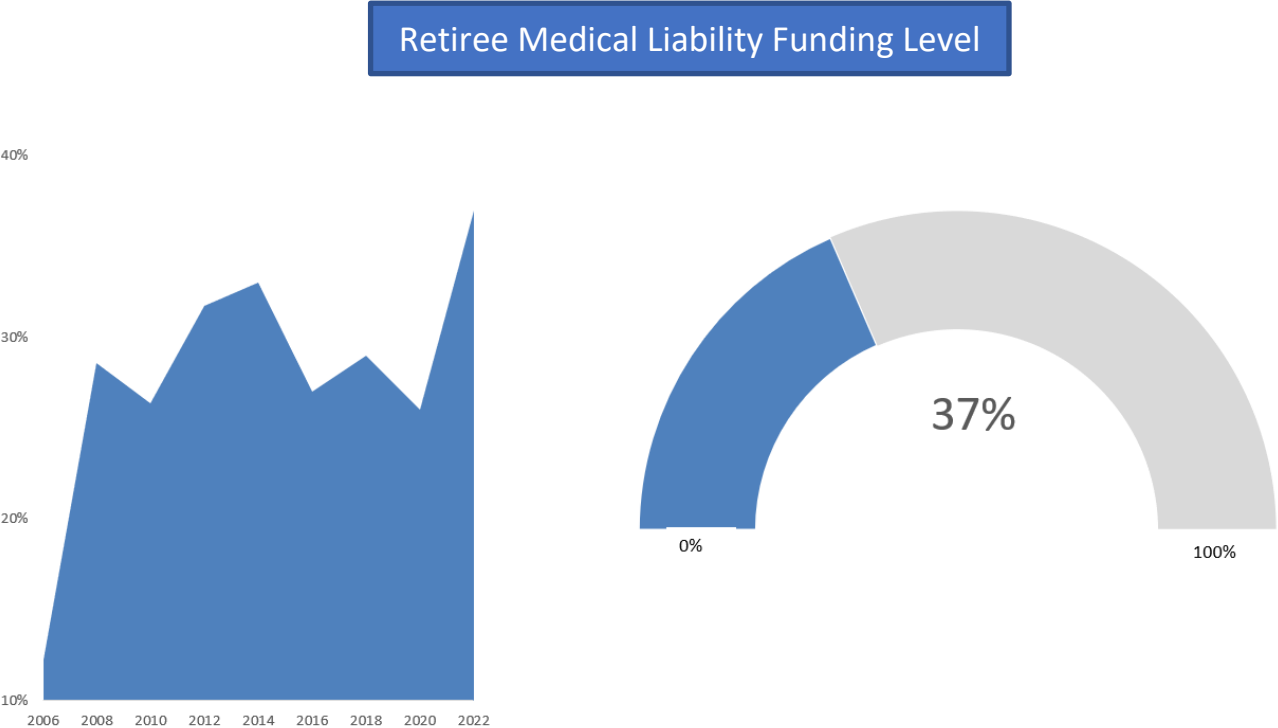
All of the above strategies will reduce the OCFA's existing UAAL more rapidly, and effectively shorten the weighted-average amortization period. Shortening the amortization period will have many benefits to OCFA. Although it causes our employer contributions to rise during the expedited payment period, 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.

B. 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, 2022, the OCFA’s Unfunded Actuarial Accrued Liability (UAAL) for the Retiree Medical defined benefit plan is \$90.8 million and it is 37% funded. This is a significant improvement since the 2020 Funding Analysis where the UAAL was \$106 million and 26% funded.

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 with the next update taking place in 2024.



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.

- As of December 31, 2020, OCFA’s pension liability became 87.7% funded; therefore, snowball payments effective in the FY 2021/22 Adopted Budget (and in years moving forward) are now being directed to the Retiree Medical Liability.
- Projected snowball payments for FY 2024/25 and moving forward (see Attachment 2), when applied to the current \$90.8 million UAAL for Retiree Medical, demonstrate that this liability may achieve 100% funding by approximately 2025 or 2026.

To date, OCFA has made the following “Snowball Plan” payments towards its Retiree Medical Plan:

FY 21/22	\$14.2 million
FY 22/23	17.8 million
Total	\$32.0 million

In addition to the snowball strategy funding for Retiree Medical, in April 2017, the OCFA’s Health Plan Agreement with the Orange County Professional Firefighters Association includes a related provision 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.

2020 Firefighter Medical Trust Review: An excess fund balance in the amount of \$1,954,775 was credited to OCFA and used as a payment to the Retiree Medical Trust per the Firefighter Medical Agreement.

2022 Firefighter Medical Trust Review: An excess fund balance in the amount of \$6,999,438 was credited to OCFA and used as a payment to the Retiree Medical Trust per the Firefighter Medical Agreement.

2023 Firefighter Medical Trust Review: An excess fund balance in the amount of \$7,836,090 was credited to OCFA and used as a payment to the Retiree Medical Trust per the Firefighter Medical Agreement.

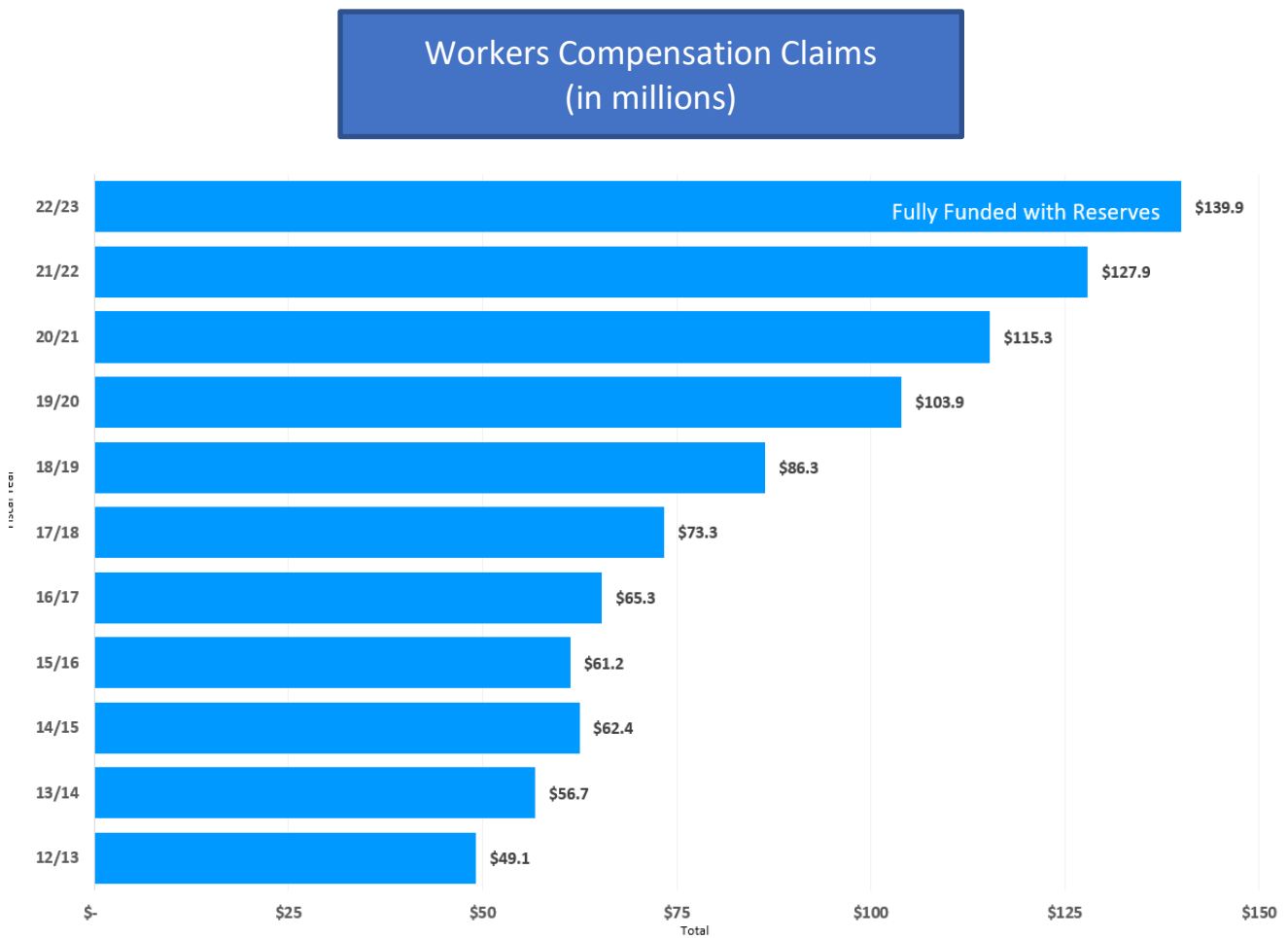
Management and labor will continue to meet on this topic as needed.

B. DEFINED CONTRIBUTION RETIREE MEDICAL PLAN

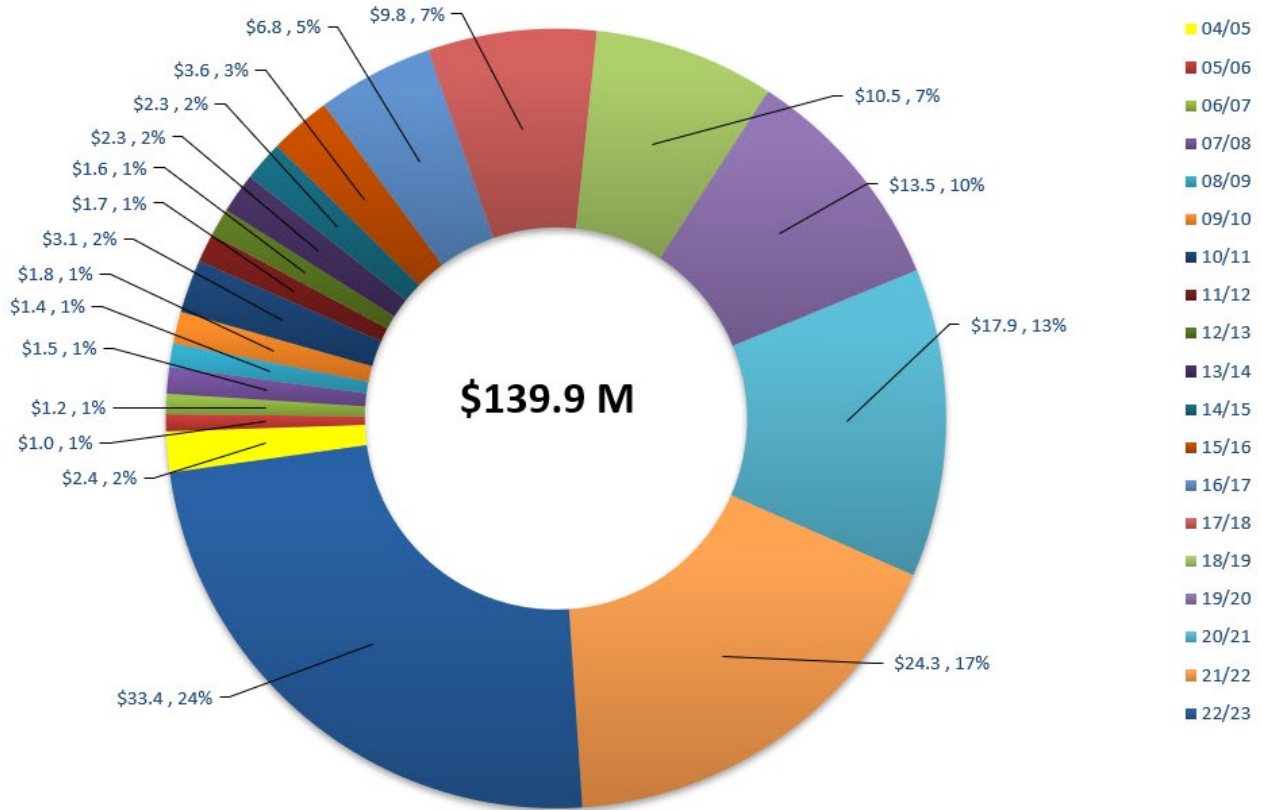
For employees hired on or after January 1, 2007, the OCFA created a *defined contribution plan* that is administered by Keenan & Associates. The Plan provides for the reimbursement of medical, dental, and other healthcare expenses of retirees. Employees are required to contribute 4% of their gross pay. 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.

C. 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. Based on the Annual Comprehensive Financial Report, as of June 30, 2023, the Workers' Compensation liability is \$139.9 million. The Fiscal Year 2023-24 Budget includes reserves to pay this liability as the various medical claims and bills become due.



Workers Compensation Claims By Year (in millions)



The outstanding liability reflected in the above charts reflect 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 build upon each other over the years. Continued increases can also be 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 (i.e., greater-than or equal to actual costs incurred) in five out of ten years. OCFA's Board-adopted workers' compensation funding policy sets the funding at the 50% confidence level.

The main factors which are increasing the workers' compensation liability include increased medical costs, an increase in the frequency and severity of claims, COVID-19 cases, a growing number of mental health cases, and an aging workforce which contributes to a longer recovery time and higher permanent disability benefits. Additional factors include workers' compensation reform that increased the statute of limitation for cancer from five to ten years, injury presumption for safety personnel, and increases to the workforce including April 2012 with the addition of the City of Santa Ana and August

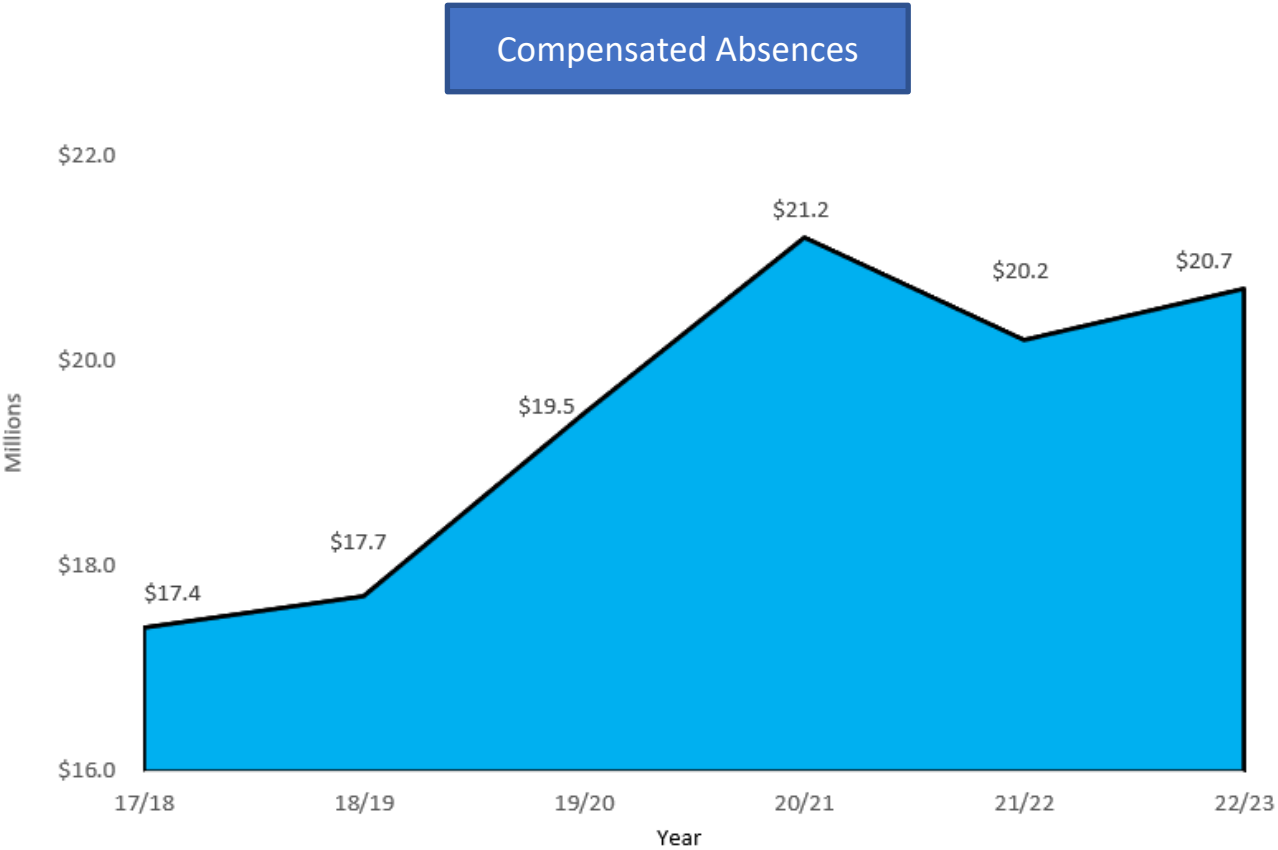
2019 with the addition of the City of Garden Grove. Both cities reimburse OCFA for injuries that initially occurred on or before they joined OCFA.

D. 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 the 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 \$4.1 million for sick and vacation payouts in FY 2023/24 based on historical trends and expected retirements. OCFA’s total liability for compensated absences as of June 30, 2023, is \$20.7 million. MOU salary increases cause the value of accrued leave to increase. This liability is up 2.5% when compared to last year’s \$20.2 million, as employees resume using sick and vacation time now that the pandemic has subsided.



E. CAPITAL LEASES

During FY 2020/21, OCFA implemented Government Accounting Standards Board (GASB) Statement No. 87 which requires all leases to be reported as capital leases and eliminates the classification of an operating lease unless the lease is a short-term lease, defined as 12 months or less. Contracts for these leases must appear on the balance sheet as a liability.

In November 2022 OCFA executed a Lease Purchase Agreement to finance the purchase of two Firehawk helicopters. The term of the lease financing is 15 years with an interest rate of 3.13%. OCFA's long-term lease liabilities total \$62.7 million and are listed in the table below.

	<i>\$ Amount</i>
2 Firehawk Helicopters	\$57,882,120
Fullerton Airport Land Lease (Stn. 41)	4,674,459
Helicopter Training Tower	173,259
Total	\$62,729,838

Prior to the capital leases listed above, in December 2008, the OCFA entered into a ten-year Lease Purchase Agreement to purchase two helicopters and related equipment for a purchase price of \$21.5 million. The final payment was made in December 2018.

III. SUMMARY

OCFA's total long term, unfunded liabilities as of June 30, 2023,* are as follows:

	<i>\$ Amount in Millions</i>	<i>% of Total</i>
Defined Benefit Pension Plan *	\$158.4	47.6%
Defined Benefit Retiree Medical Plan	90.8	27.3
Accrued Compensated Absences	20.7	6.2
Capital Leases**	62.7	18.9
Total***	\$332.6	100.0%

* The valuation date for the pension plan is December 31, 2022, instead of June 30, 2023, consistent with OCERS' calendar year basis for financial reporting.

** Capital Leases reflect the November 2022 purchase of two helicopters.

*** Workers' Compensation is fully funded with reserves and therefore not reflected as an unfunded liability.

IV. ACTIONS TAKEN

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

1. As of December 31, 2022, OCFA's pension liability is 93.7% funded, therefore, snowball payments continue to be directed to the Retiree Medical Liability.
2. As of December 31, 2021, OCFA's pension liability is 92.68% funded. Based on Board policy to achieve 85% funding, future snowball payments are now being directed to the Retiree Medical Liability
3. 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.
4. 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. These provisions have been sustained in subsequent renewals of the Agreement and continue to be effective today.
5. In FY 2015/16 and again in FY 2016/17, OCFA modified its Accelerated Pension Paydown Plan to include additional sources of funding.
6. During 2015 and 2016, OCFA completed negotiations with all four labor groups resulting in increased employee contributions towards retirement.
7. 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.
8. 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 December 2025. To date, OCFA has made an additional \$124.3 million in payments to OCERS to lower its UAAL.
9. 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.
10. 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.
11. 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.
12. Used a trigger formula during down economic cycles to connect pay raises for all OCFA employees to OCFA's financial health.
13. Implemented lower retirement formulas for all labor groups.
14. Refinanced the helicopter lease to lower the interest rate. Last payment made in December 2018.
15. Implemented annual prepayment of retirement contributions to achieve a discount.

16. Provided a study to the Board of Directors regarding the feasibility of Pension Obligation Bonds.
17. 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.

V. RECOMMENDATIONS

Recommended action pending approval of this staff report is to receive and file the report.

VI. 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 PEPR was enacted will continue to be subject to PEPR 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 PEPR was enacted will continue to be subject to PEPR 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 PEPR was enacted will continue to be subject to PEPR 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 PEPR was enacted will continue to be subject to PEPR 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 PEPR 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

Attachment 2

			Estimated Annual UAAL Payments from Various Strategies / Sources							
Years From Start of Plan	Remaining Years to Completion	Fiscal Year	Unencumbered Fund Balance Available	Annual Savings from PEPRA Reductions to Retirement Contribution Rates	Budget Increase of \$1M, grows by \$2M/year to \$15M	Budget Increase of \$1M/year Funded by Excess W/C Reserves	50% of General Fund Surplus	Irvine Settlement Agreement	Annual Snowball Amount	Cumulative Expedited UAAL Payment
			Part A	Part B	Part C	Part D	Part E	Part F		
1		13/14	3,000,000	2,500,000	-	-			5,500,000	5,500,000
2		14/15	21,290,238	-	-	-			21,290,238	26,790,238
3		15/16	12,609,380	2,802,122	-	-			15,411,502	42,201,740
4		16/17	9,814,477	1,653,114	1,000,000	1,000,000			13,467,591	55,669,331
5		17/18	13,174,516	1,886,420	3,000,000	1,000,000	870,041		19,930,977	75,600,308
6		18/19	10,000,000	3,167,397	5,000,000	1,000,000			19,167,397	94,767,705
7		19/20	4,030,172	1,648,658	7,000,000	1,000,000			13,678,830	108,446,535
8		20/21	3,000,000	2,368,859	9,000,000	1,000,000		500,000	15,868,859	124,315,394
Pension Plan Contributions			76,918,783	16,026,570	25,000,000	5,000,000	870,041	500,000		
Retiree Medical Plan Contributions										
1		21/22		3,279,280	11,000,000	-			14,279,280	14,279,280
2		22/23		4,787,217	13,000,000	-			17,787,217	32,066,497
3		23/24	3,000,000	5,772,547	15,000,000	-			20,772,547	52,839,044
4		24/25	3,000,000	6,814,115	15,000,000	-			21,814,115	74,653,159
5		25/26	3,000,000	14,242,631	15,000,000	-			29,242,631	103,895,790
6		26/27	3,000,000	19,647,456	15,000,000	-			34,647,456	138,543,246
7		27/28	3,000,000	20,807,106	15,000,000				35,807,106	174,350,352
Total Snowball Plan Contributions			91,918,783	91,376,922	124,000,000	5,000,000	870,041	500,000		

Orange County Fire Authority
Distribution of Liabilities by Member Agency
As of June 30, 2023

Attachment 3

				Proportional Share		
Member Agency	# of EEs	2022 Incidents	% of Total EEs	Pension UAAL	Retiree Medical	Total
County Unincorporated (SFF) Station 8, 15, 18, 25, 33, 40, 56, 58, 67	125		15.13%	23,976,090	13,750,944	37,727,034
Aliso Viejo (SFF) Station 57	14		1.69%	2,685,322	1,540,106	4,225,428
					-	
					-	
Buena Park (CCC) Stations 61, 62, 63	48		5.81%	9,206,818	5,280,363	14,487,181
					-	
					-	
Cypress (SFF) Station 17	20		2.42%	3,836,174	2,200,151	6,036,325
					-	
					-	
Dana Point (SFF) Stations 29, 30	26		3.15%	4,987,027	2,860,196	7,847,223
					-	
Irvine (SFF) Stations 4, 6, 20, 26, 27, 28, 36, 38, 47, 51, 55	166		20.10%	31,840,247	18,261,254	50,101,501
					-	
					-	
Laguna Hills (SFF) Station 22 (serving both LGH & LGW)	33	3,842	1.63%	2,589,847	1,485,348	4,075,195
					-	
					-	
Laguna Woods (SFF) Station 22 (serving both LGH & LGW)		5,548	2.36%	3,739,841	2,144,901	5,884,742
					-	
					-	
Laguna Niguel (SFF) Stations 5, 39, 49	34		4.12%	6,521,496	3,740,257	10,261,753
					-	
					-	
Lake Forest (SFF) Stations 19, 42, 54	35		4.24%	6,713,305	3,850,264	10,563,569
					-	
					-	
La Palma (SFF) Station 13	9		1.09%	1,726,278	990,068	2,716,346
					-	
					-	
Los Alamitos (SFF) Station 2	12		1.45%	2,301,705	1,320,091	3,621,795
					-	
					-	
Mission Viejo (SFF) Stations 9, 24, 31	46		5.57%	8,823,201	5,060,347	13,883,548
					-	
					-	
Rancho Santa Margarita (SFF) Station 45	29		3.51%	5,562,453	3,190,219	8,752,672
					-	
					-	
San Clemente (CCC) Stations 50, 59, 60	37		4.48%	7,096,923	4,070,279	11,167,202
					-	
					-	

Orange County Fire Authority
Distribution of Liabilities by Member Agency
As of June 30, 2023

Attachment 3

				Proportional Share		
Member Agency	# of EEs	2022 Incidents	% of Total EEs	Pension UAAL	Retiree Medical	Total
San Juan Capistrano (SFF) Station 7	17		2.06%	3,260,748	1,870,128	5,130,877
					-	
					-	
Seal Beach (CCC) Stations 44, 48	20		2.42%	3,836,174	2,200,151	6,036,325
					-	
					-	
Stanton (CCC) Station 46	15		1.82%	2,877,131	1,650,113	4,527,244
					-	
					-	
Tustin (CCC) Stations 21, 37, 43	35		4.24%	6,713,305	3,850,264	10,563,569
					-	
					-	
Villa Park (SFF) Station 23	13		1.57%	2,493,513	1,430,098	3,923,612
					-	
					-	
Westminster (CCC) Stations 64, 65, 66	43		5.21%	8,247,775	4,730,325	12,978,100
					-	
					-	
Yorba Linda (SFF) Stations 10, 32, 53	49		5.93%	9,398,627	5,390,370	14,788,997
Totals	826		100.00%	158,434,000	90,866,239	249,300,239

Note: Santa Ana and Garden Grove are excluded since the UAAL being paid down originated prior to their joining OCFA.

Allocation of PARS 115 Trust

Attachment 4

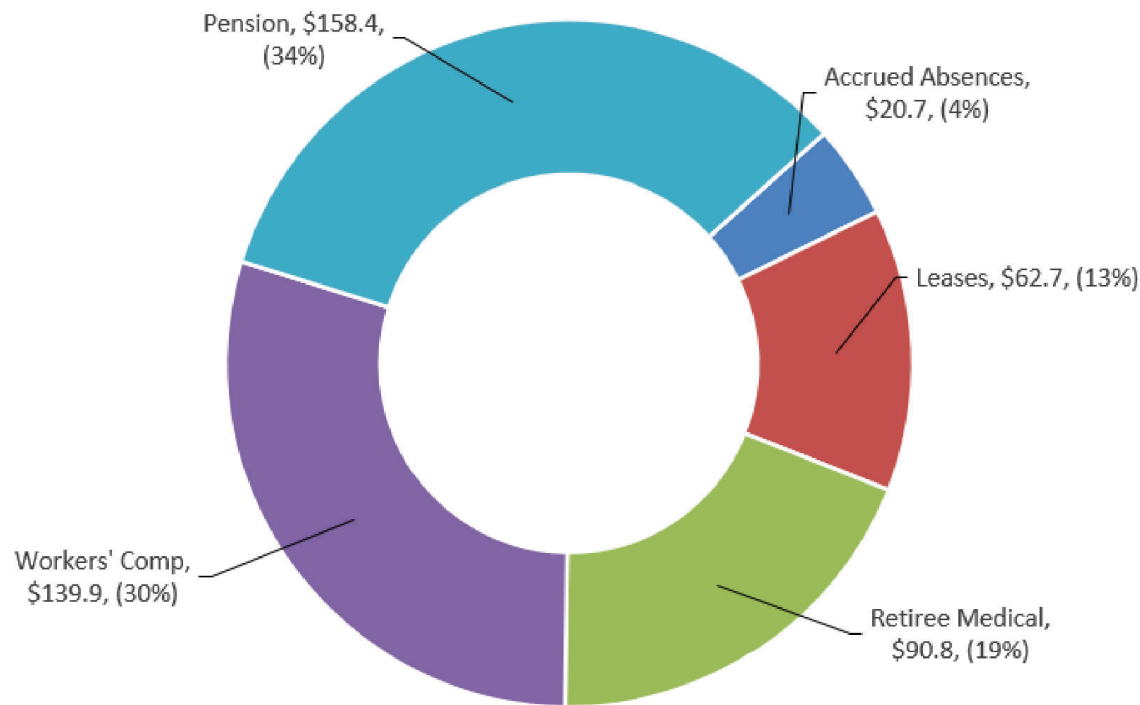
Agency	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Total
Aliso Viejo	\$ 33,313	\$ 25,075	\$ 25,707	\$ 6,538	\$ 9,208	\$ 99,841
Cypress	-	-	-	-	-	-
Dana Point	222,223	183,564	183,452	212,402	291,408	1,093,049
Irvine	1,143,817	938,075	1,098,374	1,267,502	1,572,011	6,019,779
La Palma	-	-	-	-	-	-
Laguna Hills	-	-	42,232	-	-	42,232
Laguna Niguel	93,236	81,334	89,472	90,602	118,454	473,098
Laguna Woods	-	-	-	-	-	-
Lake Forest	62,767	54,812	-	36,988	79,633	234,200
Los Alamitos	-	-	-	-	-	-
Mission Viejo	-	-	-	-	-	-
Rancho Santa Margarita	27,625	22,504	2,003	3,176	33,346	88,654
San Juan Capistrano	-	-	-	747	-	747
Villa Park	13,406	9,805	12,019	14,197	16,673	66,100
Yorba Linda	-	-	-	49,691	68,186	117,877
Unincorporated	434,898	292,224	216,002	186,249	299,620	1,428,993
Total	\$ 2,031,285	\$ 1,607,393	\$ 1,669,261	\$ 1,868,092	\$ 2,488,539	\$ 9,664,570

2023 Long Term Liability Study

Budget & Finance Committee Meeting
April 10, 2024

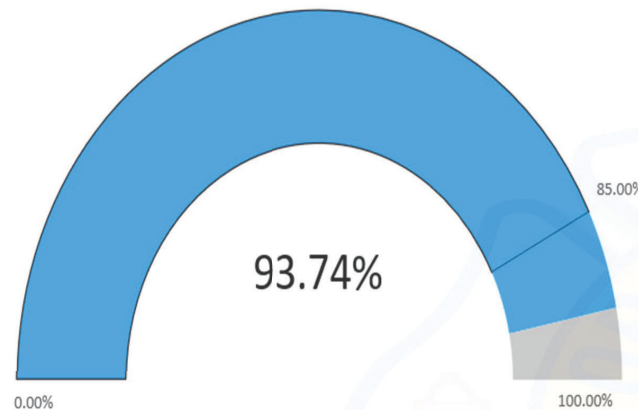
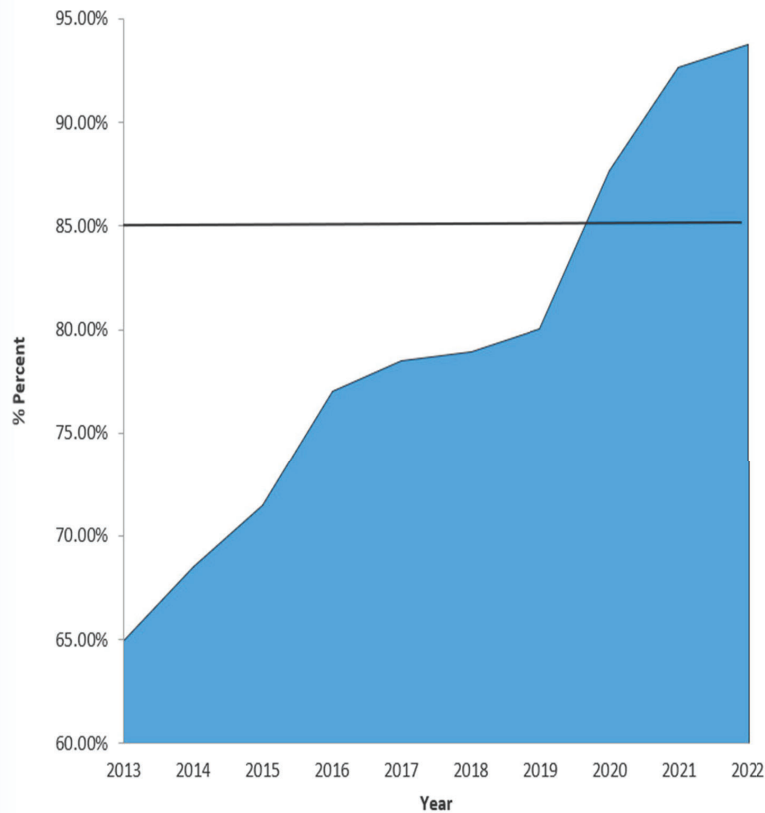


OCFA's Long Term Liabilities



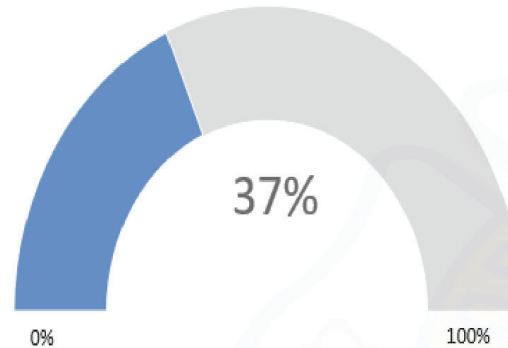
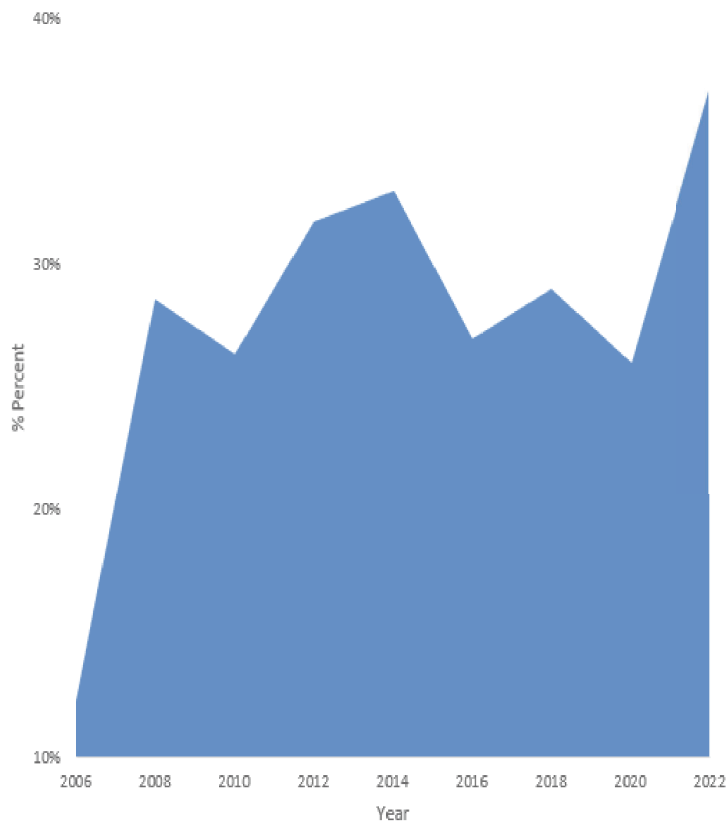
- Total liabilities decreased slightly as pension liability and leases decreased
- Workers compensation and accrued absences increased.

Pension Liability Funding Level



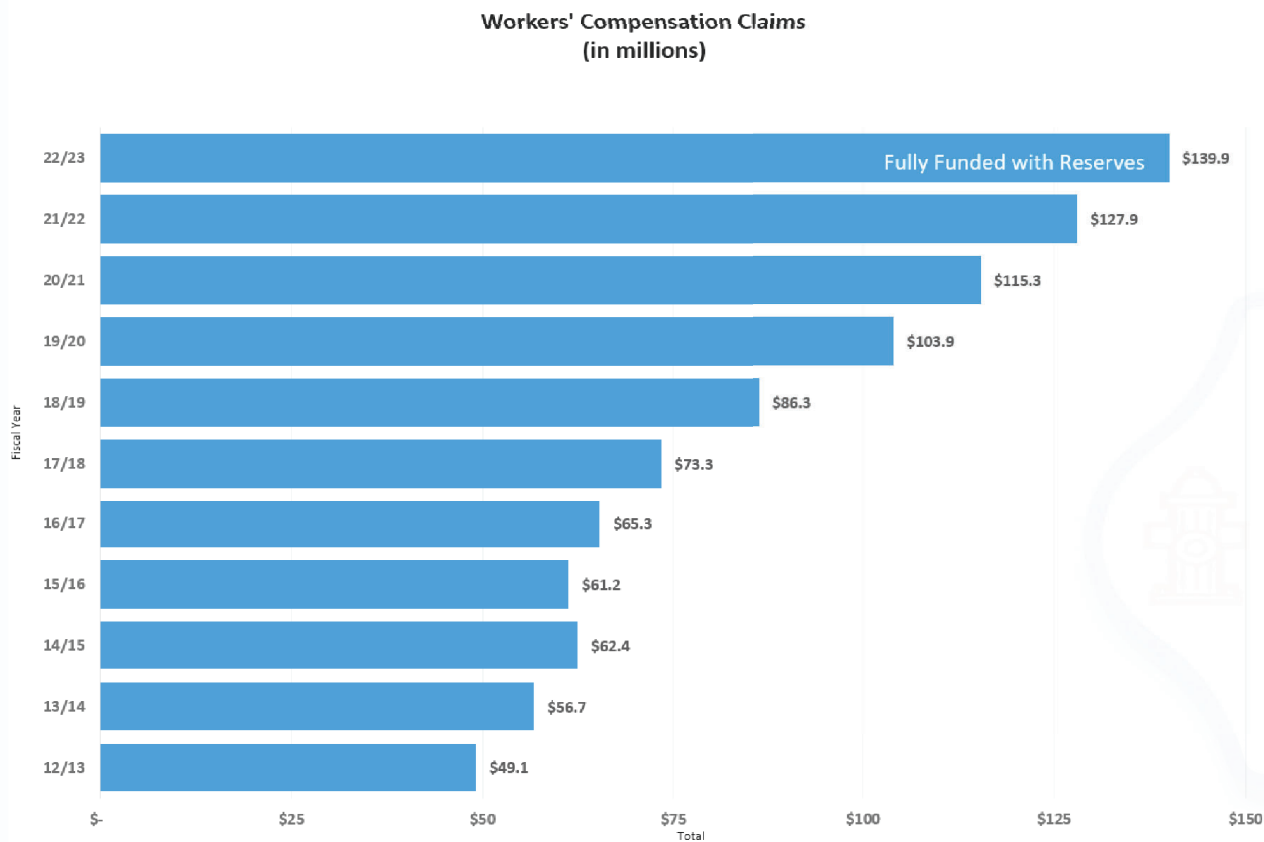
- Funding level of 85% achieved.
- Saved \$76.7M in interest.
- Additional snowball payment plan payments have been redirected to retiree medical liability fund.

Retiree Medical Liability Funding Level



- The UAL is \$90.8M and is 37% funded.
- Pension snowball payments redirected to this fund.
- Additional payments of \$32M have been made the past 2 fiscal years.
- Projected 100% funding by 2026.

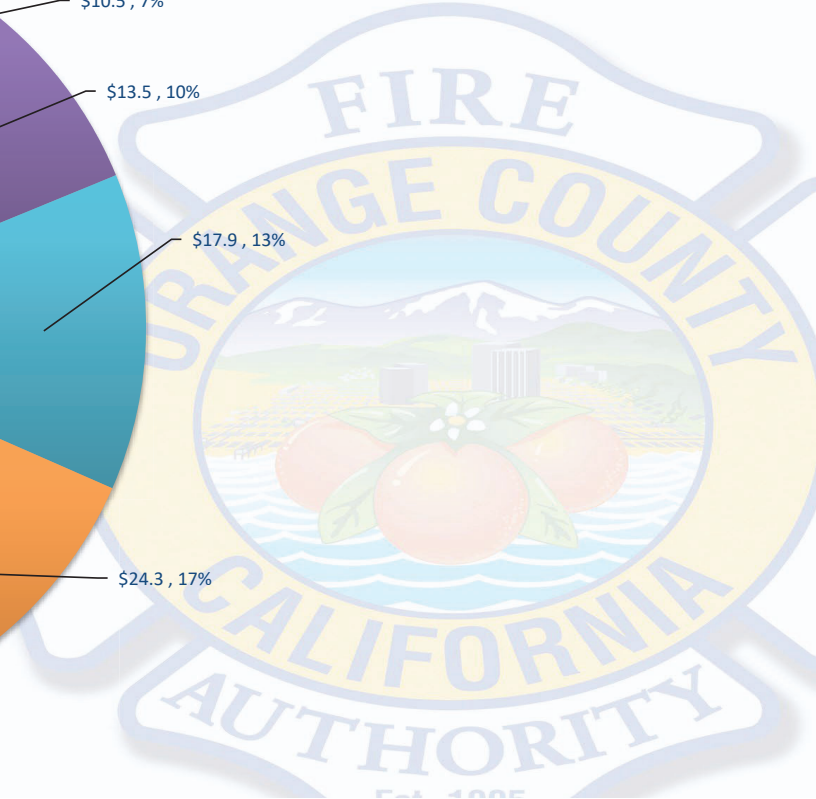
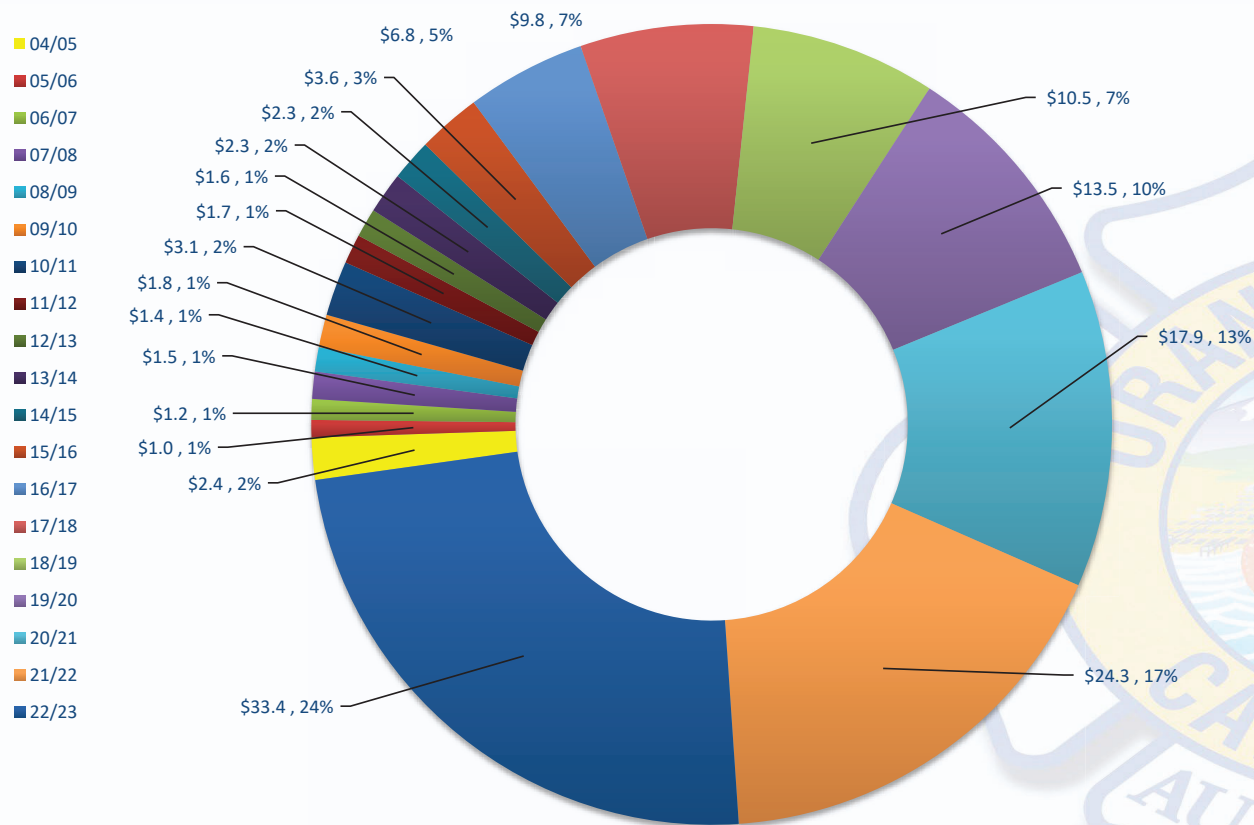
Cumulative Outstanding Workers' Compensation Claims (in millions)



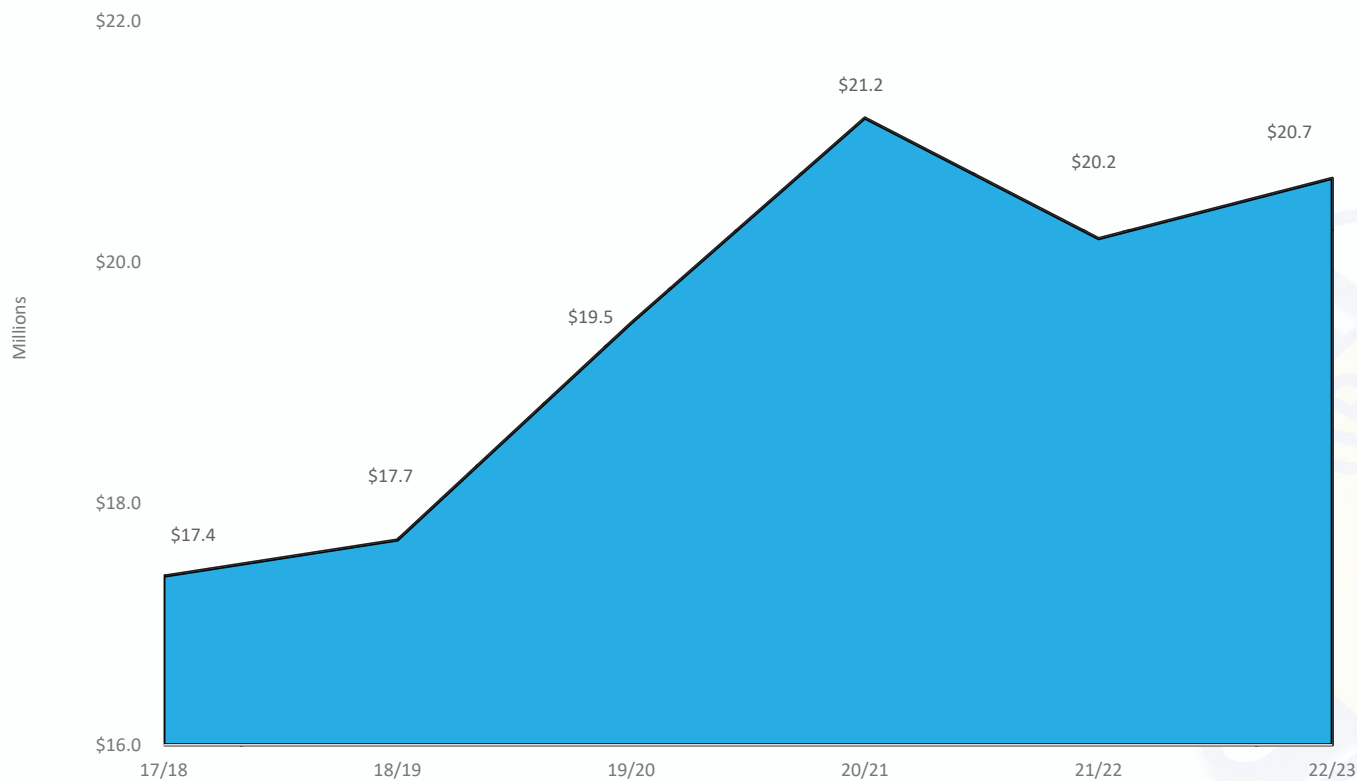
Driving Factors –

- Increase in the number of employees
- Aging workforce
- Increase in the number and frequency of claims
- Covid cases
- Growing mental health cases
- Increase in medical costs

Cumulative Outstanding Workers' Compensation Claims by Year (in millions)



Compensated Absences (in millions)



Driving Factors

- Employees resumed using sick and vacation time.
- MOU salary increases have caused the value of the accrued leave to increase.

Total Unfunded Liabilities (in millions)

	\$ Amount in Millions	% of Total
Defined Benefit Pension Plan	\$ 158.4	47.6%
Defined Benefit Retiree Medical Plan	90.8	27.3
Accrued Compensated Absences	20.7	6.2
Capital Leases	62.7	18.9
Total	\$332.6	100.0%

Total liabilities have decreased \$15.6M since last year driven primarily from savings recognized in the pension liability plan.

Recommended Action

- Receive and file the report





Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
April 10, 2024

Agenda Item No. 3D
Discussion Calendar

**Fiscal Year 2022/23 Backfill/Overtime and
Calendar Year 2023 Total Earnings/Compensation Analysis**

Contact(s) for Further Information

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Business Services Department

Alicea Caccavo, Finance Division Manager aliceacaccavo@ocfa.org 714.573.6304
Business Services Department

Summary

This annual agenda item is submitted to provide an overview and analysis of the Fiscal Year 2022/23 backfill and overtime earnings along with employee total compensation for Calendar Year 2023, and to reaffirm current direction regarding filling permanent and temporary vacancies.

Prior Board/Committee Action

Not applicable.

RECOMMENDED ACTION(S)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of April 25, 2024, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to continue pursuing reductions in overtime by filling vacant positions as quickly as possible after the positions become vacant.
2. Direct staff to continue using overtime to fill shifts which are temporarily vacant, recognizing this as a cost-effective practice for temporary needs.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Backfill/overtime costs are included in the annual budget.

Background

See extended background.

Attachment(s)

1. 2023 Average Overtime Shifts Compared to 2022 (Safety/Firefighter Ranks, 14 Hour Min.)
2. 2023 Average Overtime Shifts Compared to 2022 (Safety/Firefighter Ranks, 4 Hour Min.)
3. 2023 Average Overtime Shifts Compared to 2022 (Non-Safety/Dispatchers)
4. Frequently Asked Questions & Responses
5. Fiscal Year 2022/23 Backfill/Overtime & Calendar Year 2023 Total Earnings/Compensation Analysis (PowerPoint Slides)

Background

The OCFA's General Fund budget (excluding Fund 12110 – CIP) consists primarily of labor costs, with approximately 84.8% of final Fiscal Year (FY) 2022/23 expenditures allocated to salaries and employee benefits. For FY 2022/23, final backfill/overtime expenditures were \$66,622,827 or 14.8% of total salary and employee benefit costs. This percentage has consistently trended down for the past five fiscal years, from 17.5% in FY 2018/19, to 17.0% in FY 2019/20, 16.4% in FY 2020/21, 15.5% in FY 2021/22, and 14.8% in FY 2022/23. The primary factors driving OCFA's backfill/overtime costs are:

- OCFA's Constant Staffing Policy - \$51.6M
- Major Emergency Incident Response - \$2.9M
- Training Requirements - \$6.6M
- Discretionary - \$5.4M

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

Constant Staffing Backfill/Overtime (Non-Discretionary)

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

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

Major Emergency Incident Response (Non-Discretionary)

Another form of non-discretionary overtime incurred by OCFA is for major emergency incident response. OCFA responds to emergency incidents at the request of surrounding fire agencies (Mutual Aid), California Department of Forestry (CAL FIRE), Cleveland National Forest Service (CNF), and the California Office of Emergency Services (Cal OES). Backfill/overtime costs for responding to major emergency incidents in FY 2022/23 totaled \$2.9 million and represented approximately 4.4% of total backfill/overtime expenditures. Historically, 75-100% of emergency related incident response costs are reimbursed.

For FY 2022/23, the total claims submitted for emergency incident costs were \$6.2M, which includes personnel time (both regular and overtime), equipment, services, and supplies. Out of 58 Assistance by Hire (ABH) claims, OCFA has received reimbursement on all 58 claims at a

reimbursement rate of 100%, amounting to \$6.2M. For FEMA Federal Management Assistance Grant (FMAG) claims, FEMA will reimburse up to 75% of the amount claimed. In FY 2021/22, OCFA submitted one FMAG claim for the Coastal Fire in the amount of \$1.1M, for which a reimbursement of \$770K was received in FY 2023/24. For FEMA Public Assistance claims, FEMA will reimburse up to 90% of the amount claimed. In FY 2022/23, OCFA submitted one PA claim for COVID-19 in the amount of \$344K, which is currently progressing through the normal FEMA review process.

Backfill/Overtime costs for constant staffing and major emergency incident response are considered non-discretionary and represent 81.9% of FY 2021/22 Backfill/Overtime costs.

Training Requirements (Discretionary & Non-Discretionary)

OCFA incurs additional backfill/overtime costs related to various training requirements for suppression personnel. Examples include mandatory training requirements for federal, state, and local programs including Urban Search and Rescue (US&R), Airport Rescue Firefighting (ARFF), Weapons of Mass Destruction (WMD), and Incident Command (IC). Additionally, the OCFA historically incurs overtime and backfill costs to provide training academies for new and/or promoted dispatchers, firefighters, engineers, captains, battalion chiefs, and reserve firefighters. Backfill/overtime costs as a result of training activities in FY 2022/23 totaled \$6.6 million and represented 10.0% of the total backfill/overtime expenditures.

Backfill/Overtime/Discretionary

For FY 2022/23, total discretionary backfill/overtime was \$5.4 million or 8.2% and is attributable to the following:

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

Regular vs. Overtime Analysis

When OCFA has a need to fill firefighter shifts that are only vacant on a temporary basis, backfill/overtime continues to be more cost effective than hiring a full-time benefited employee for filling these temporary vacancies such as those that occur when employees are off on sick-leave or when employees are responding to out-of-county incidents. That said, it is **not** OCFA's intent to use overtime as a cost-savings measure when positions are vacant due to retirements/promotions. Instead, OCFA seeks to fill those vacant positions as quickly as possible through new recruitment academies and promotional academies.

Filling Vacant Positions

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

Academies in FY 2023/24

2 Firefighter Academies
2 Fire Apparatus Engineer Academies
2 Fire Captain Academies
1 Battalion Chief Academy

Academies planned for FY 2024/25

2 Firefighter Academies
2 Fire Apparatus Engineer Academies
2 Fire Captain Academies
1 Battalion Chief Academy

OCFA has maintained full staffing at the firefighter rank¹ due to Firefighter Academy graduations. OCFA recently completed Firefighter Academy 58 in December 2023 and is currently running Firefighter Academy 59 which began in February 2024. Firefighter vacancies occur throughout the year as firefighters are promoted into the engineer and captain ranks, and as retirement activity occurs among all ranks. As a result, the Board previously approved ongoing authorization for the hiring of approximately 50 firefighters per academy for all academies, due to attrition/promotions that will occur during and following academy graduations. This has resulted in total firefighter positions temporarily exceeding total permanent authorized firefighter positions pending promotions and retirements/other separations. This practice was first authorized by the Board of Directors in FY 2017/18, and it is the key factor which enabled OCFA to match the pace at which we hire new firefighters, to the ongoing pace of promotions and retirements. Our current practice is to strategically promote Fire Captains and Fire Apparatus Engineers from eligibility lists to minimize impacts at the lower ranks.

Also, we currently have four dispatcher vacancies plus three dispatchers on extended leave. In addition, we currently have six additional “functional” vacancies as the current trainees still require fully certified personnel to fill behind. The vacancies in dispatcher positions have continued to accumulate quickly. The workload and demands on the OCFA Emergency Command Center (ECC) have continued to increase over time, resulting from an increase in incident volume, incident complexity, and the loss of trained personnel. Our last academy started with fourteen trainees, of which, only six remain. The ECC is currently experiencing a 10-year record high forced hiring situation. The staffing situation sometimes necessitates employees working between 4-10 shifts beyond their regularly assigned 15 or 16 twelve-hour shifts per month. This level of forced hiring has a direct impact on morale, family/work balance, and the ability to retain trained and qualified employees.

As with most fire service dispatch centers, the staffing situation is complex. Vacancies from personnel attrition and retirements, accrued leave utilization, and workers’ compensation add to the force hiring situation at the ECC. As a result, the Board previously approved ongoing authorization to temporarily exceed the number of authorized dispatchers hired into each academy, pending attrition/retirements/promotions that will occur. This practice is the key factor helping us tackle the staffing situation in the ECC.

Backfill/Overtime Monitoring & Analysis

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

The OCFA also has policies, procedures, and systems in place that monitor and report overtime usage. Due to the significant weather events across California requiring deployments and prepositions, combined with open positions, vacancies, promotions, retirements, and workers’ compensation cases during CY 2023, the OCFA was required to utilize backfill and overtime to fulfill these needs. The need to force-hire employees to work extended hours beyond what they voluntarily desired to work decreased at the captain and engineer rank, and slightly increased at the firefighter rank compared to CY 2022 (Attachments 1, 2, and 3). These numbers are trending down at the end of 2023. As stated earlier, the OCFA has aggressively been conducting various

¹ Although full staffing was reached at the firefighter rank, continued promotional processes were added to make progress in filling vacancies in the ranks of fire apparatus engineer and fire captain.

academies to help reduce the distribution of overtime and impact on employees. OCFA staff has also been working with the Orange County Professional Firefighters Association, Local 3631, to enhance existing policies and make modifications to the Staffing System to reduce the amount of forced overtime.

As discussed in this report, the majority of backfill/overtime incurred by OCFA is non-discretionary and emergency response activity is generally 75-100% reimbursable. The small portion of overtime considered discretionary (8.2% of total backfill/overtime expenditures) is carefully managed and closely monitored.

Total Employee Compensation Reporting

OCFA is directed by the California State Controller's Office (SCO) to comply with Government Code 53891 that requires cities, counties, and independent special districts to submit completed financial and compensation reports to the SCO once per year. The SCO provides jurisdictions with a report template that identifies specific compensation pay elements which must be included in the report along with a required report format. Effective in CY 2018, employers were required to only report the normal employer paid retirement costs and not report the Unfunded Actuarial Accrued Liability (UAAL) as part of an individual employee's compensation. Currently, the UAAL comprises 31-49% of the OCERS employer retirement costs. This year's report will be provided to the SCO on or before April 30, 2024, in compliance with the due date.

Compensation Cost Transparency

The Orange County Grand Jury developed their own Compensation Cost Transparency (CCT) model, which has different reporting requirements from the SCO. Annual employee compensation costs are posted and readily available on the OCFA website dating back to CY 2009. Starting with CY 2011, the format of the report follows the CCT model and includes all earnings segregated by base salary, overtime, unused leave payouts, and other/special pay. Employer paid retirement and benefits are also included in the employee compensation report. This year's report will be posted to the OCFA website on or before April 30, 2024, in compliance with the due date.

OVERTIME MONTHLY UPDATE

Dec 2023

AVERAGE OVERTIME SHIFTS - 14-Hour

Forced Overtime

Voluntary Overtime

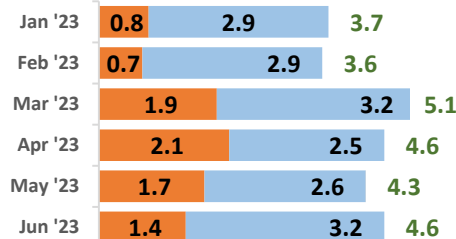
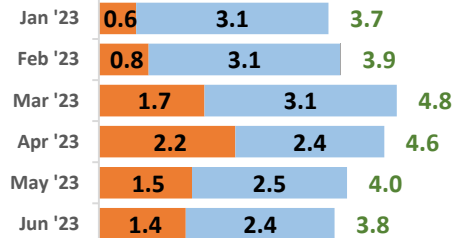
Total Overtime



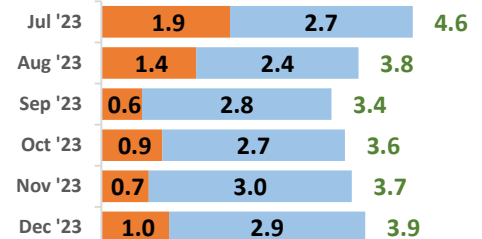
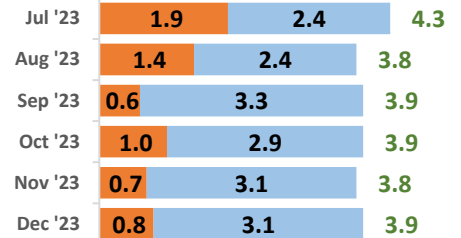
PM/FC

FC

2023 Jan-Jun

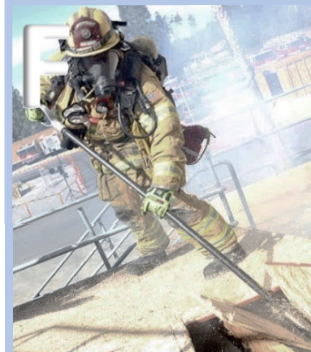
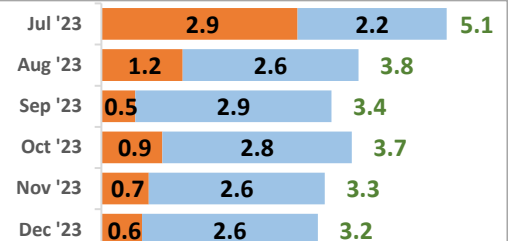
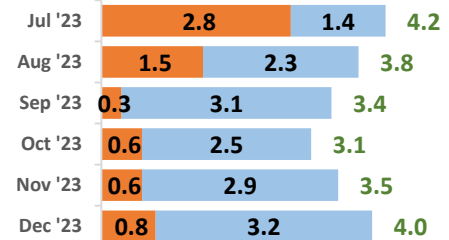
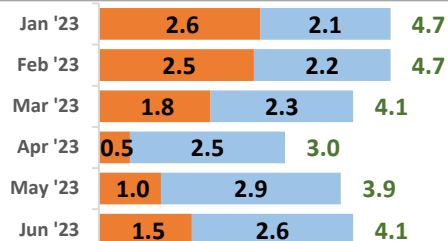
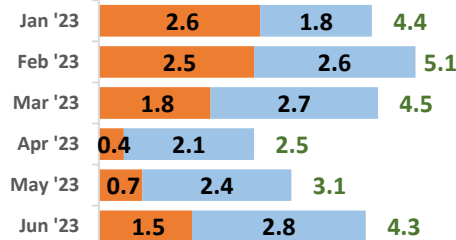


2023 Jul-Dec



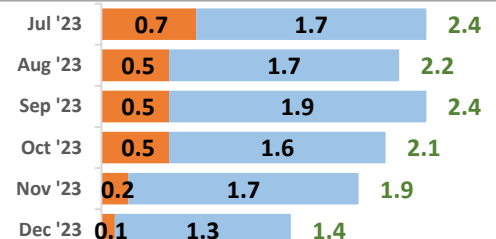
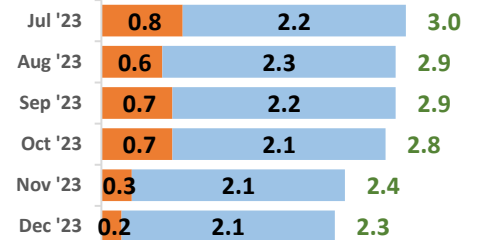
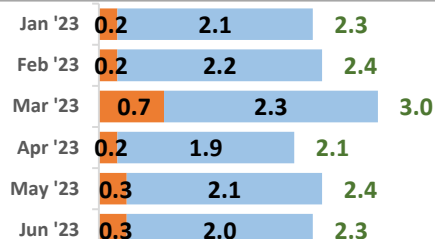
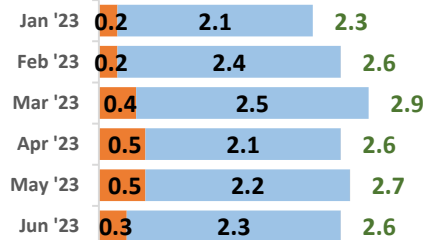
PM/FAE

FAE



PM/FF

FF



Forced and Voluntary Overtime include shifts of 14+ hours worked only.

Averages are calculated using number of Overtime shifts (14+ hours) divided by the number of employees working 3+ shifts in a month.

Rank indicates the individual working the overtime; does not indicate the position worked.

In work-down situations, the OT is counted to the individual in rank.

Beginning April 2020, the reporting period is realigned to cover actual days of the month (previously based on rolling 29 day periods).

OVERTIME QUARTERLY UPDATE

Dec 2023

AVERAGE OVERTIME SHIFTS -
14-Hour

Forced Overtime

Voluntary Overtime

Total Overtime

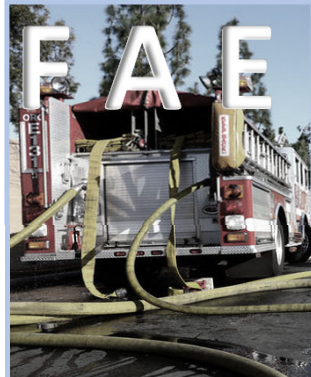
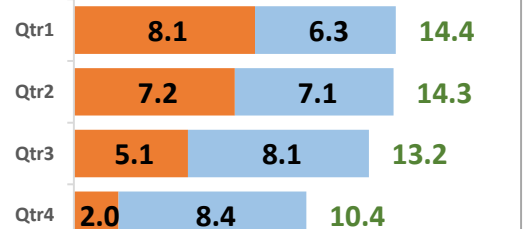
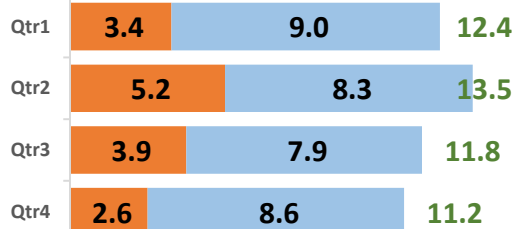
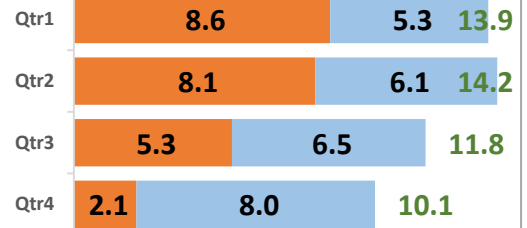
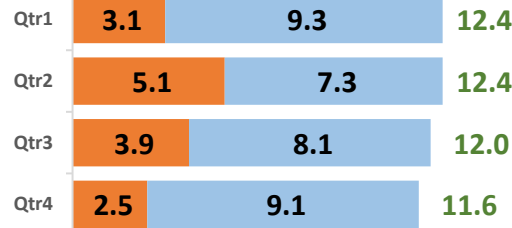


PM/FC

FC

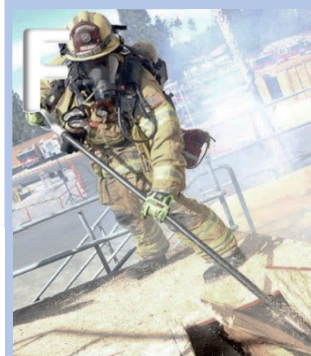
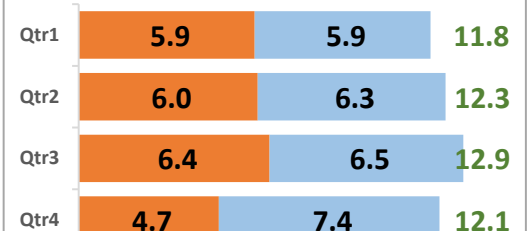
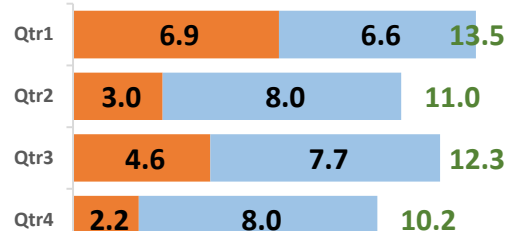
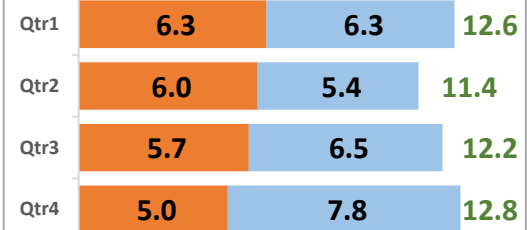
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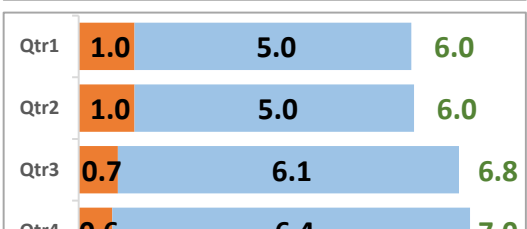
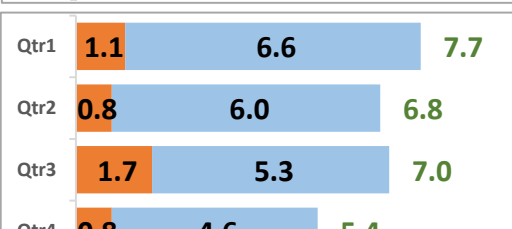
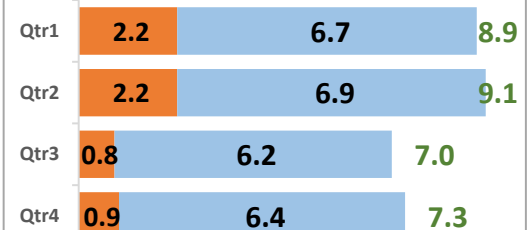
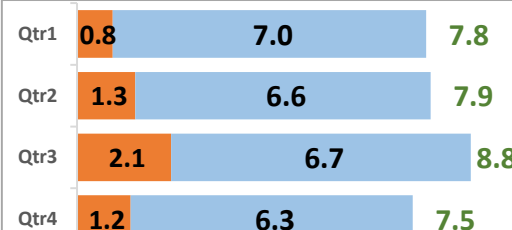
PM/FAE

FAE



PM/FF

FF



Forced and Voluntary Overtime include shifts of 14+ hours worked only.

Averages are calculated using number of Overtime shifts (14+ hours) divided by the number of employees working 9+ shifts for the quarter.

Rank indicates the individual working the overtime; does not indicate the position worked.

In work-down situations, the OT is counted to the individual in rank.

Beginning April 2020, the reporting period is realigned to cover actual days of the month (previously based on rolling 29 day periods).

OVERTIME MONTHLY UPDATE


Dec 2023

AVERAGE OVERTIME SHIFTS - 4-HOUR

Forced Overtime

Voluntary Overtime

Total Overtime

		2023 Jan-Jun	2023 Jul-Dec
	PM/FC	Jan '23 -- - Feb '23 -- - Mar '23 -- - Apr '23 -- - May '23 -- - Jun '23 -- -	Jul '23 2.0 2.5 4.5 Aug '23 1.6 2.5 4.1 Sep '23 0.7 3.4 4.1 Oct '23 1.2 2.9 4.1 Nov '23 0.9 3.2 4.1 Dec '23 0.9 3.1 4.0
	FC	Jan '23 -- - Feb '23 -- - Mar '23 -- - Apr '23 -- - May '23 -- - Jun '23 -- -	Jul '23 2.1 2.7 4.8 Aug '23 1.6 2.5 4.1 Sep '23 0.8 2.8 3.6 Oct '23 1.1 2.7 3.8 Nov '23 0.8 3.1 3.9 Dec '23 1.0 3.0 4.0
	PM/FAE	Jan '23 -- - Feb '23 -- - Mar '23 -- - Apr '23 -- - May '23 -- - Jun '23 -- -	Jul '23 2.9 1.5 4.4 Aug '23 1.6 2.3 3.9 Sep '23 0.4 3.1 3.5 Oct '23 0.8 2.5 3.3 Nov '23 0.9 2.9 3.8 Dec '23 0.9 3.2 4.1
	FAE	Jan '23 -- - Feb '23 -- - Mar '23 -- - Apr '23 -- - May '23 -- - Jun '23 -- -	Jul '23 3.1 2.2 5.3 Aug '23 1.4 2.7 4.1 Sep '23 0.6 2.9 3.5 Oct '23 1.0 2.8 3.8 Nov '23 0.8 2.6 3.4 Dec '23 0.7 2.6 3.3
	PM/FF	Jan '23 -- - Feb '23 -- - Mar '23 -- - Apr '23 -- - May '23 -- - Jun '23 -- -	Jul '23 0.9 2.3 3.2 Aug '23 0.7 2.5 3.2 Sep '23 0.7 2.3 3.0 Oct '23 0.8 2.2 3.0 Nov '23 0.5 2.2 2.7 Dec '23 0.3 2.2 2.5
	FF	Jan '23 -- - Feb '23 -- - Mar '23 -- - Apr '23 -- - May '23 -- - Jun '23 -- -	Jul '23 0.8 1.7 2.5 Aug '23 0.6 1.8 2.4 Sep '23 0.6 1.9 2.5 Oct '23 0.5 1.7 2.2 Nov '23 0.4 1.8 2.2 Dec '23 0.2 1.5 1.7

Forced and Voluntary Overtime include shifts of 4+ hours worked only.

Averages are calculated using number of Overtime shifts (4+ hours) divided by the number of employees working 3+ shifts in a month.

Rank indicates the individual working the overtime; does not indicate the position worked.

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OVERTIME QUARTERLY UPDATE

Dec 2023

AVERAGE OVERTIME SHIFTS- 4-HOUR

Forced Overtime

Voluntary Overtime

Total Overtime

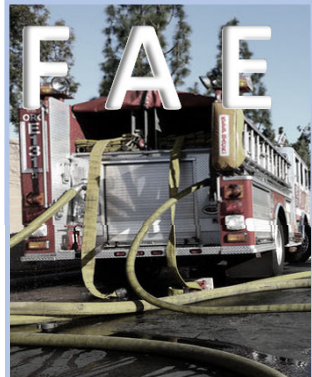
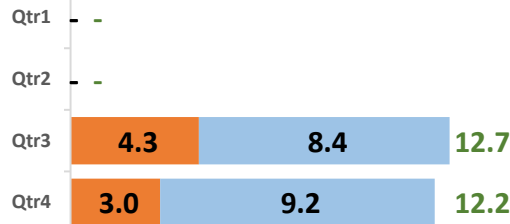


PM/ FC

FC

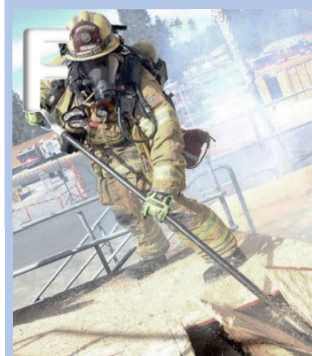
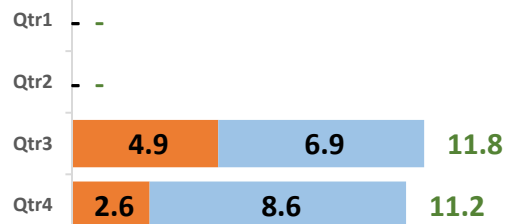
2023

2022



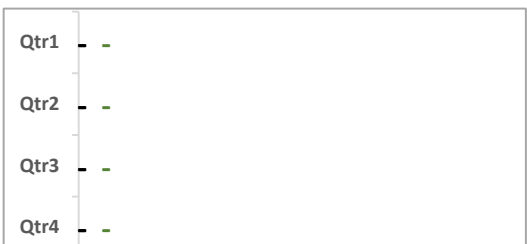
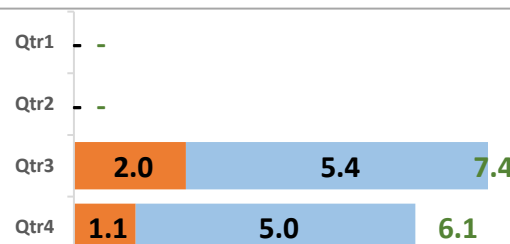
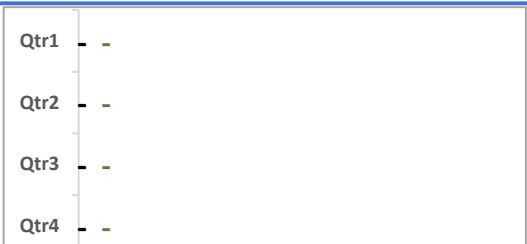
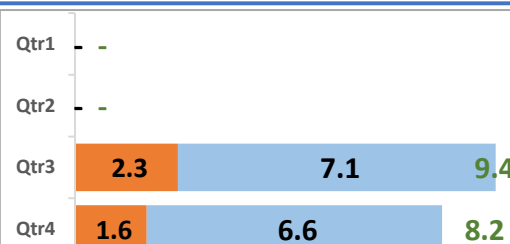
PM/ FAE

FAE



PM/ FF

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OVERTIME UPDATE

Dec 2023

AVERAGE
OVERTIME SHIFTS

Fire Communications Dispatcher

MONTHLY

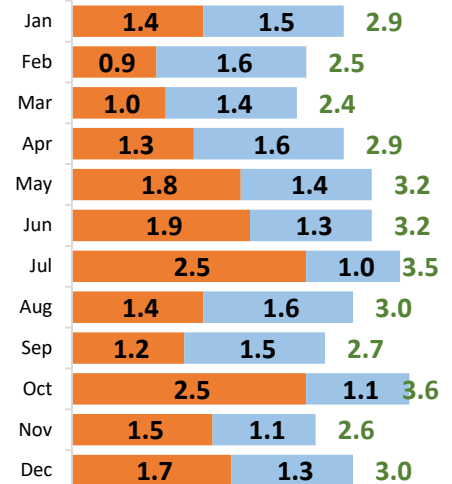
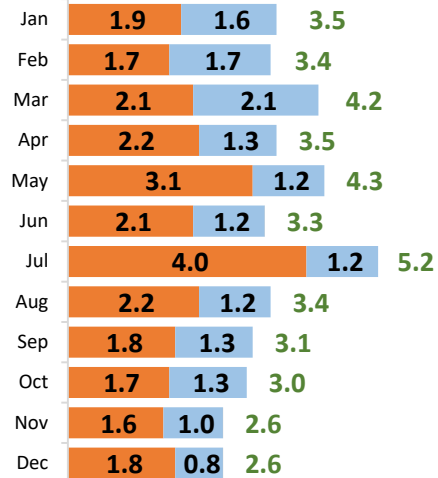
Forced Overtime

Voluntary Overtime

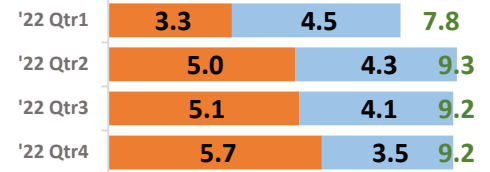
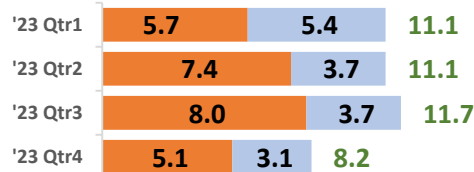
Total Overtime

2023

2022

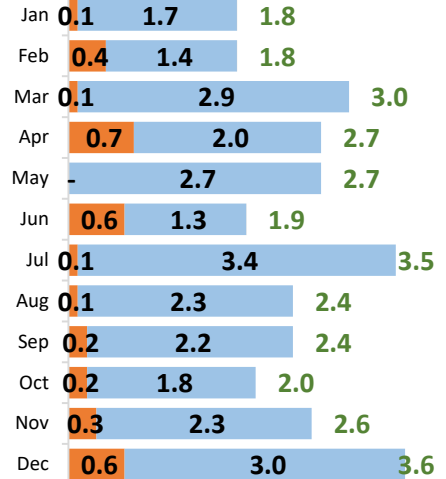
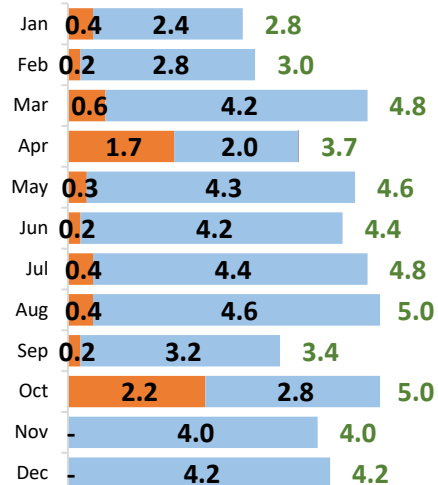


QUARTERLY

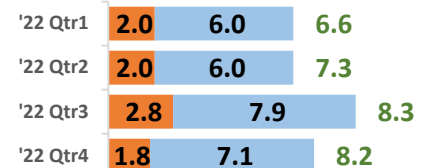
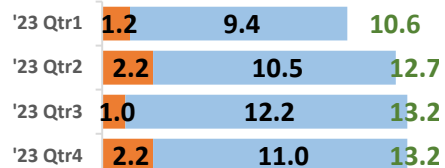


Fire Communications Supervisor

MONTHLY



QUARTERLY



FY 2022/23 BACKFILL/OVERTIME ANALYSIS FREQUENTLY ASKED QUESTIONS

1. What is a firefighter's standard work schedule?

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

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

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

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

In addition to what is outlined in No. 2 above, there are various other reasons for OCFA's backfill/overtime budget. First, due to retirements and promotions, there are positions that remain temporarily unfilled pending both graduation of new recruits from Firefighter Academies and completion of promotional academies. For FY 2022/23, vacant positions across all ranks reached a high of 184 which required constant staffing on an overtime/backfill basis. Second, this past year, another contributing factor to backfill/overtime was personnel on leave due to Workers' Compensation. Each of these issues is being proactively addressed with current and upcoming academies along with promotional exams that will reduce the number of vacancies and open positions.

4. How many continuous hours may a firefighter work?

Currently, the maximum number of continuous hours (regular and backfill/overtime) an employee may work is 120. The Assistant Chief of Operations (North and South) may suspend the 120-hour rule to ensure sufficient incident response capability and adequate station coverage. Employees enter their availability to work into the OCFA's Staffing System. The system hires employees based upon the premise of an equal distribution of overtime and agreed upon hiring list procedures. Personnel assigned to out-of-county strike teams or to overhead positions are often deployed for periods of 7-21 days. When assigned to these extended incidents, employees work within established work/rest cycles.

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

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

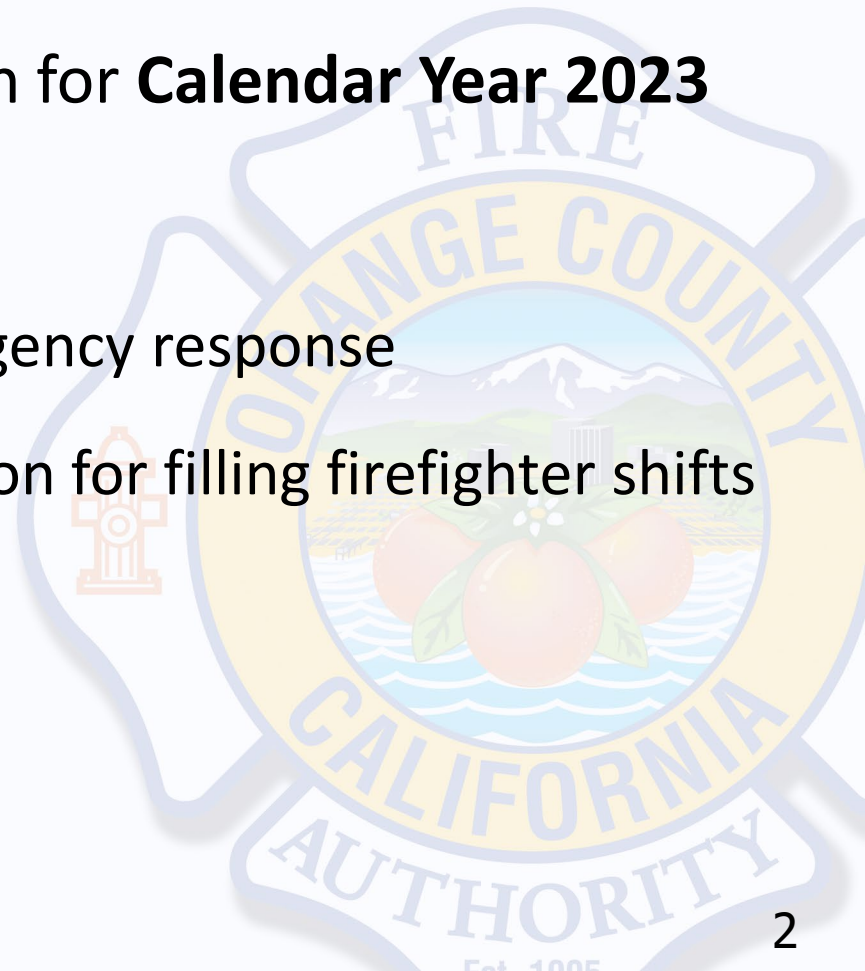
Fiscal Year 2022/23 Backfill/Overtime & Calendar Year 2023 Total Earnings/Compensation Analysis

Budget and Finance Committee Meeting
April 10, 2024



Agenda

- Backfill and overtime earnings for **Fiscal Year 2022/23**
- Total employee compensation for **Calendar Year 2023**
- Backfill/overtime:
 - Provides for consistent emergency response
 - Provides a cost-effective option for filling firefighter shifts which are temporarily vacant
- Recommendations



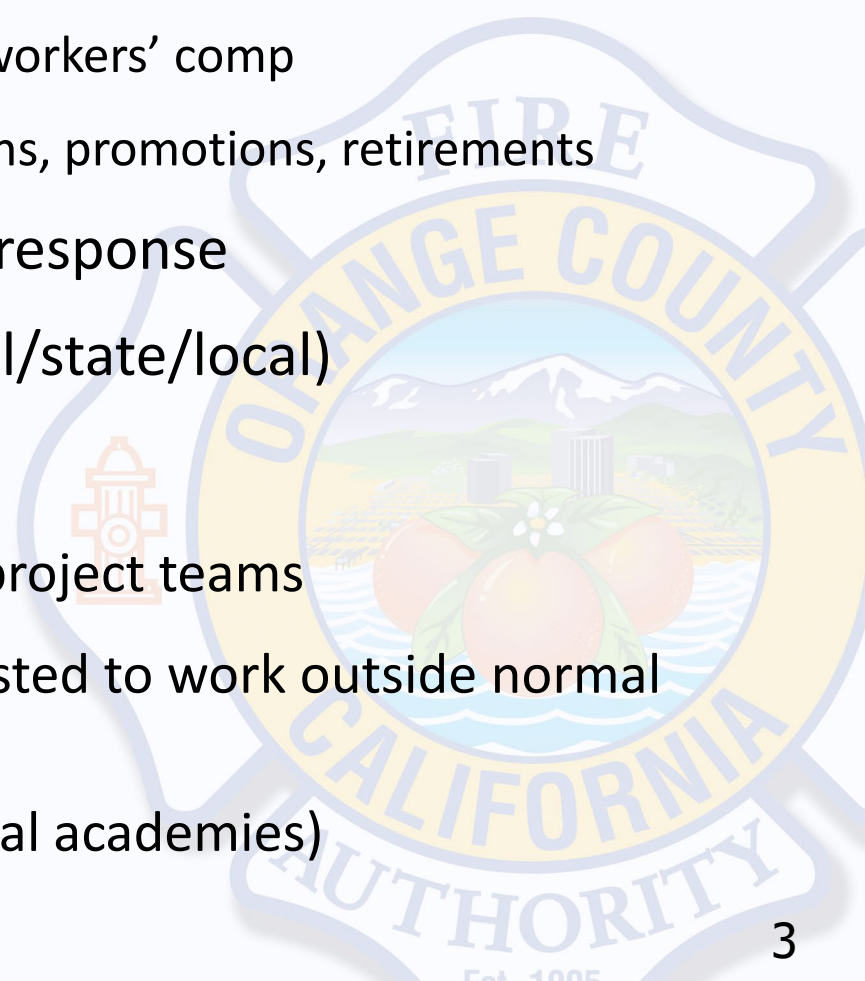
Fiscal Year 2022/23 Backfill/Overtime Categories

- *Non-Discretionary Categories:*

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

- *Discretionary Categories:*

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



Fiscal Year 2022/23

Backfill/Overtime by Category

Categories of Backfill/OT	FY 2020/21		FY 2021/22		FY 2022/23	
	(in millions)	% of Total	(in millions)	% of Total	(in millions)	% of Total
Constant Staffing <i>(Vacant Shifts)</i> <i>Non-Discretionary</i> - Vacant Shifts (sick, vacation, WC)	\$24.5	34.9%	\$30.0	43.0%	\$28.8	43.1%
Constant Staffing <i>(Vacant Positions)</i> <i>Non-Discretionary</i> - Vacant Positions (new positions promotions, retirements)	\$25.5	36.3%	\$24.0	34.3%	\$22.9	34.3%
Emergency Response* <i>Non-Discretionary</i>	\$12.3	17.5%	\$6.2	8.9%	\$2.9	4.4%
Training <i>Discretionary & Non-Discretionary</i>	\$3.8	5.5%	\$5.4	7.8%	\$6.6	10%
Projects <i>Discretionary</i>	\$4.1	5.8%	\$4.2	6.0%	\$5.4	8.2%
FY Total	\$70.2		\$69.8		\$66.6	

* Emergency response overtime is generally 75-100% reimbursable

Backfill/Overtime Cost Effectiveness for Filling Temporarily Vacant Shifts

Example Firefighter Position:

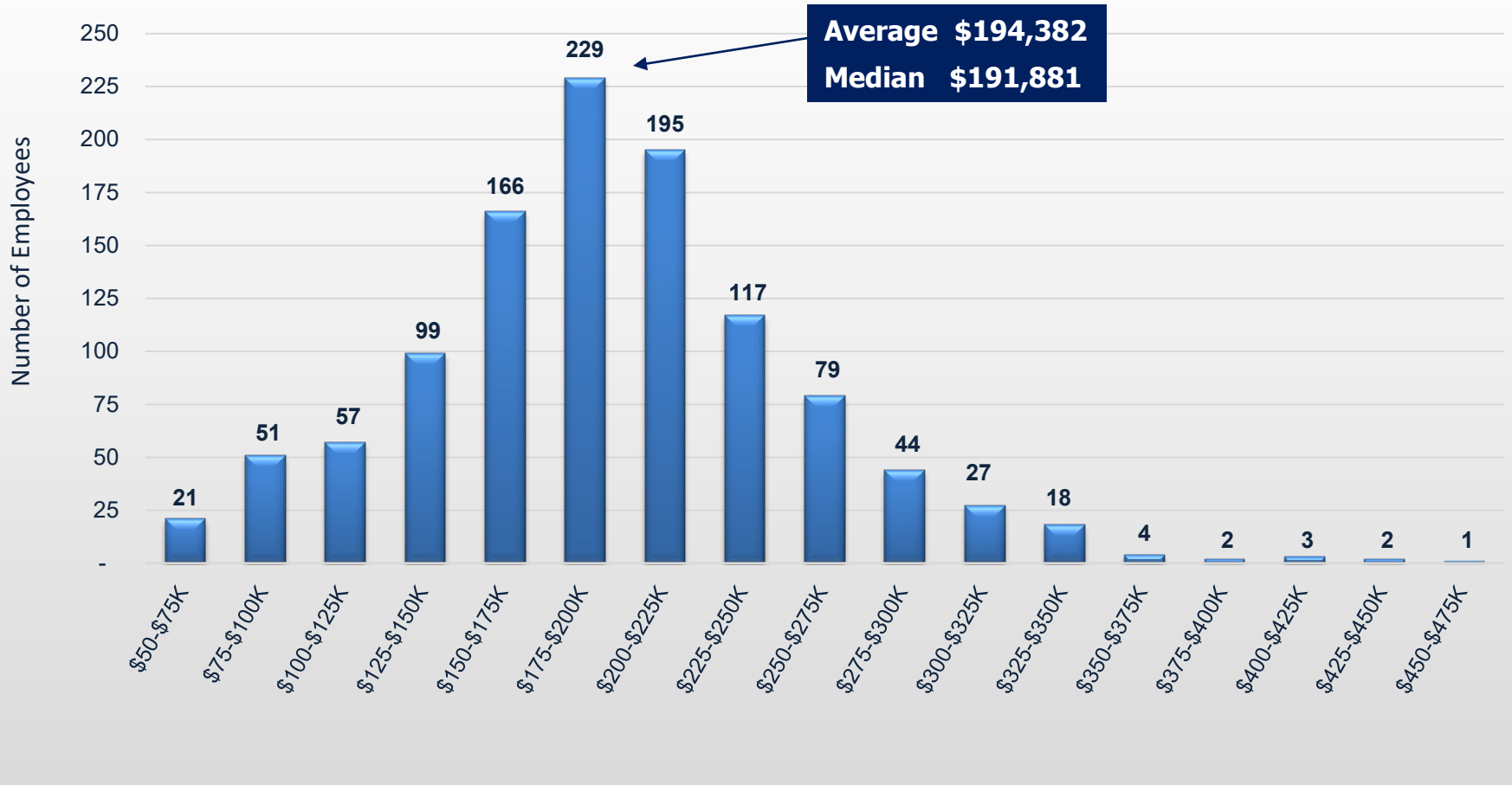
Hourly Rate Regular Full-Time	Top Step Regular Rate	Top Step OT Rate
<i>Salaries:</i>		
Base Hourly Rate	\$34.29	\$51.44
Other Pays (Holiday, Education, Increases, EMT)	\$9.36	
Total Salaries	\$43.65	\$51.44
<i>Benefits:</i>		
Retirement	\$13.35	
Workers' Compensation/Medicare	\$2.17	\$2.49
Health Insurance	\$9.02	
Total Benefits	\$24.54	\$2.49
Total Hourly Salaries & Benefits	\$68.19	\$53.93

\$ Difference	\$14.26
% Difference	20.91%

More cost-effective to use overtime to backfill temporary firefighter vacant shifts compared to hiring a regular full-time firefighter to fill floating temporary vacancies

Firefighter Ranks Total Earnings Analysis

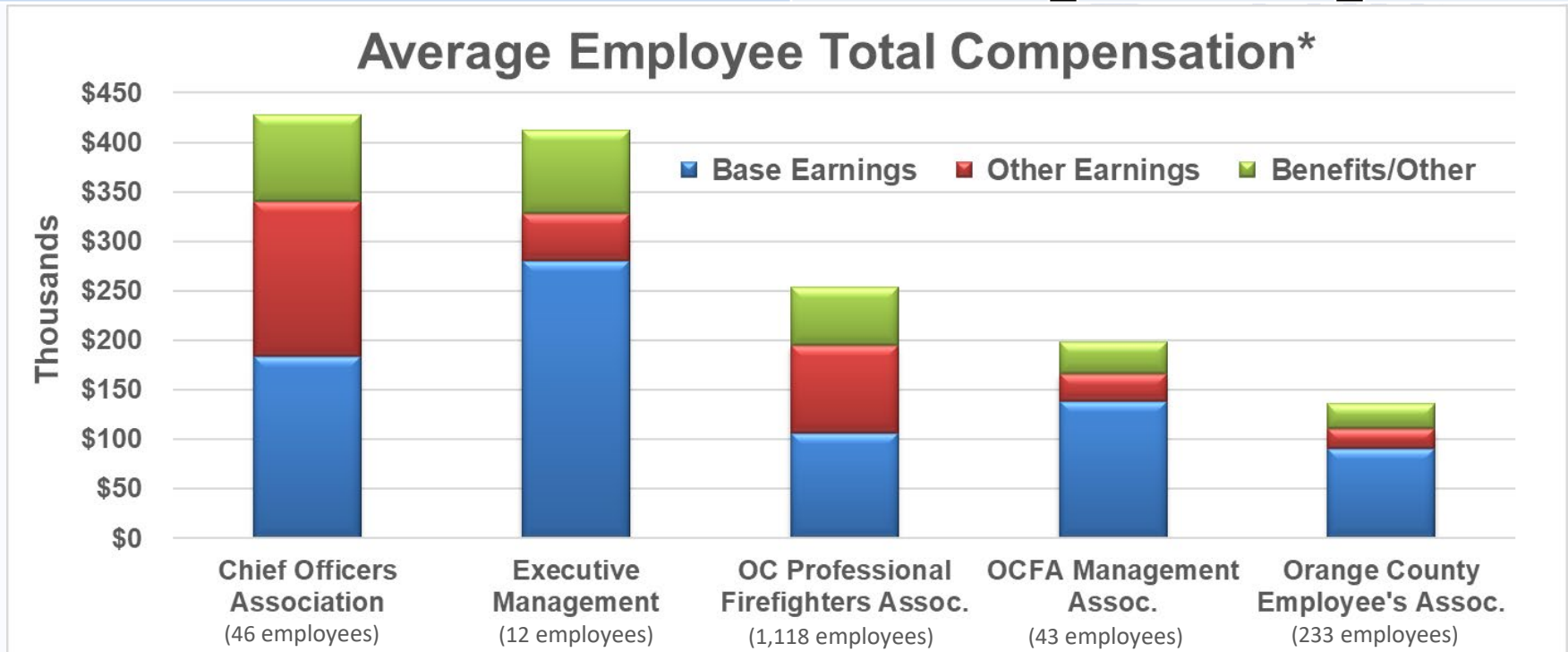
Calendar Year 2023 Firefighter Ranks Earnings*
(excluding trainees, minimum 2,000 hours)



* Excludes benefits

Calendar Year 2023 Total Employee Compensation

Bargaining Group	Average Base Earnings	Average Total Earnings	Average Total Compensation
ORANGE COUNTY FIRE AUTHORITY CHIEF OFFICERS ASSOCIATION	\$183,308	\$340,317	\$427,671
EXECUTIVE MANAGEMENT	\$280,322	\$328,297	\$412,041
ORANGE COUNTY PROFESSIONAL FIREFIGHTERS ASSOCIATION	\$106,173	\$194,382	\$253,452
ORANGE COUNTY FIRE AUTHORITY MANAGEMENT ASSOCIATION	\$137,816	\$165,998	\$198,715
ORANGE COUNTY EMPLOYEES ASSOCIATION	\$90,198	\$111,042	\$135,916

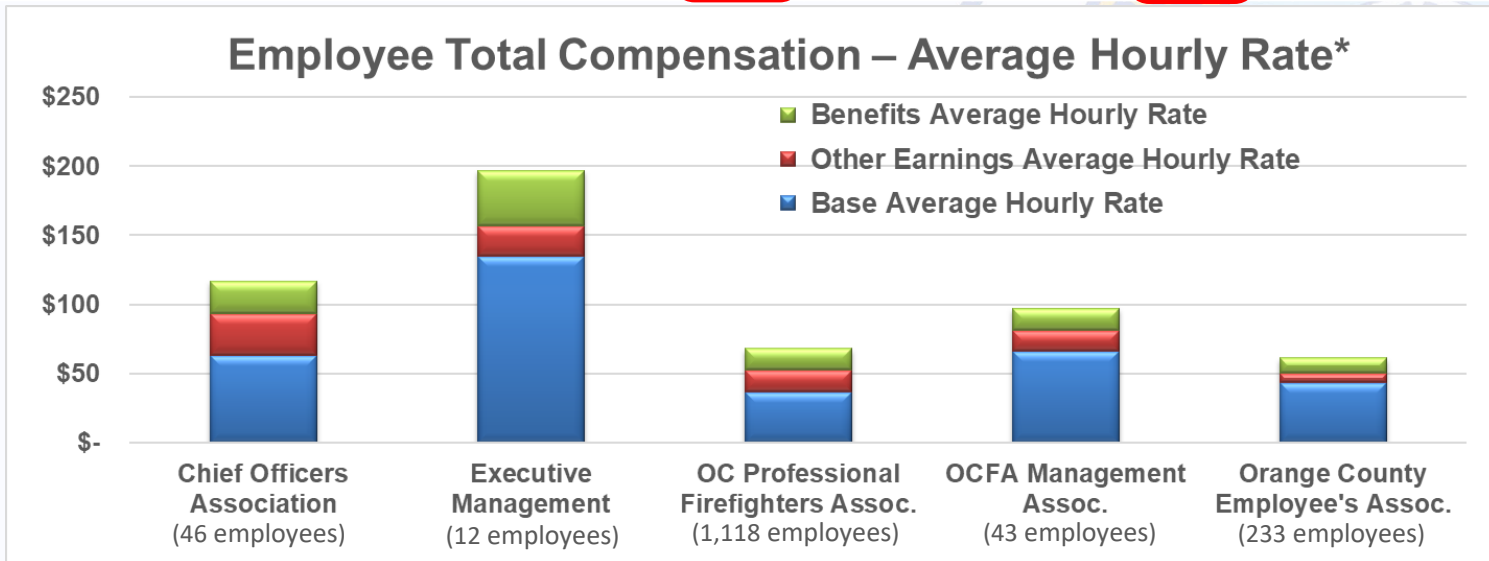


* Employees working a minimum of 2,000 hours for safety and 1,430 for non-safety (approx. 70% of regularly scheduled hours)

Calendar Year 2023 Total Compensation

Average Hourly Rate

Bargaining Group	BASE EARNINGS			TOTAL EARNINGS			TOTAL COMPENSATION		
	Average Base Earnings	Regularly Scheduled Hours	Average Hourly Rate	Average Total Earnings	Average Hours Worked	Average Hourly Rate	Average Total Compensation	Average Hours Worked	Average Hourly Rate
OCFA CHIEF OFFICERS ASSOCIATION	\$183,308	2,912	\$62.95	\$340,317	3,653	\$93.16	\$427,671	3,653	\$117.07
EXECUTIVE MANAGEMENT	\$280,322	2,080	\$134.77	\$328,297	2,080	\$157.84	\$412,041	2,080	\$198.10
OC PROFESSIONAL FIREFIGHTERS ASSOCIATION	\$106,173	2,912	\$36.46	\$194,382	3,720	\$52.25	\$253,452	3,720	\$68.13
OCFA MANAGEMENT ASSOCIATION	\$137,816	2,080	\$66.26	\$165,998	2,041	\$81.33	\$198,715	2,041	\$97.36
OC EMPLOYEES ASSOCIATION	\$90,198	2,080	\$43.36	\$111,042	2,215	\$50.13	\$135,916	2,215	\$61.36



* Exempt employee groups under 2,080 hours reflect new hires/separations during the year. Actual hours worked usually exceeds regularly scheduled hours.

Calendar Year 2023 Top 10 Employees Hours by Backfill/Overtime*

	Title/ Assignment	Base Hours	Backfill for Constant Staffing	Overtime for Emergency Incidents ¹	Overtime to Attend Training	Other ²	Total Hours
1	Fire Division Chief	2,080	-	762	-	205	3,047
2	Fire Captain	2,912	3,420	2	101	306	6,741
3	Fire Division Chief	2,080	-	638	-	242	2,960
4	Fire Captain	2,912	3,436	90	87	256	6,781
5	Fire Captain	2,912	2,871	97	25	70	5,975
6	Fire Battalion Chief	2,912	1,168	85	194	75	4,434
7	Fire Battalion Chief	2,080	666	333	84	136	3,299
8	Fire Battalion Chief	2,912	1,279	315	38	144	4,688
9	Fire Battalion Chief	2,912	1,104	407	219	150	4,792
10	Fire Battalion Chief	2,880	1,018	325	212	128	4,563

* Per Cause Code; ¹ Potentially Reimbursable; ² Special Activities, Other Discretionary/ Non-Discretionary, Admin.

Calendar Year 2023 Top 10 Employees Compensation Average Hourly Rate

	Title/Assignment	Total Compensation*	Base Hours	Backfill/ Overtime Hours	Total Hours	Average Hourly Fully Burdened Rate
1	Fire Division Chief	\$539,472	2,080	967	3,047	\$177.05
2	Fire Captain	\$535,339	2,912	3,829	6,741	\$79.42
3	Fire Division Chief	\$520,747	2,080	880	2,960	\$175.93
4	Fire Captain	\$505,788	2,912	3,869	6,781	\$74.59
5	Fire Captain	\$505,192	2,912	3,063	5,975	\$84.55
6	Fire Battalion Chief	\$503,601	2,912	1,522	4,434	\$113.58
7	Fire Battalion Chief	\$499,980	2,080	1,219	3,299	\$151.56
8	Fire Battalion Chief	\$498,915	2,912	1,776	4,688	\$106.42
9	Fire Battalion Chief	\$497,643	2,912	1,880	4,792	\$103.85
10	Fire Battalion Chief	\$490,201	2,880	1,683	4,563	\$107.43

*Includes all employer paid benefits

Calendar Year 2023 Top 10 Employees

Compensation Pensionable vs. Non-Pensionable

	Title/Assignment	Total Compensation		Compensation Pensionable		Compensation Non-Pensionable*	Employer Paid Pension (Non-Pensionable)	Employer Paid Health (Non-Pensionable)
1	Fire Division Chief	\$539,472	=	\$253,555	+	\$285,917	\$79,054	\$22,961
2	Fire Captain	\$535,339	=	\$174,225	+	\$361,114	\$50,975	\$26,394
3	Fire Division Chief	\$520,747	=	\$256,304	+	\$264,443	\$80,266	\$22,964
4	Fire Captain	\$505,788	=	\$151,456	+	\$354,332	\$48,117	\$26,394
5	Fire Captain	\$505,192	=	\$187,537	+	\$317,655	\$57,664	\$26,394
6	Fire Battalion Chief	\$503,601	=	\$230,228	+	\$273,373	\$72,513	\$22,815
7	Fire Battalion Chief	\$499,980	=	\$222,238	+	\$277,742	\$68,707	\$25,884
8	Fire Battalion Chief	\$498,915	=	\$208,674	+	\$290,241	\$66,329	\$18,421
9	Fire Battalion Chief	\$497,643	=	\$205,258	+	\$292,385	\$65,334	\$22,815
10	Fire Battalion Chief	\$490,201	=	\$214,476	+	\$275,725	\$67,780	\$21,586

*Compensation Non-Pensionable includes overtime, non-pensionable specialty pays, employer paid pension, and employer paid health.

Summary

- Approximately 82% of the backfill/overtime costs are non-discretionary (78% constant staffing and 4% emergency activity)
- OCFA staff has conducted and anticipates the following academies over the next two fiscal years:

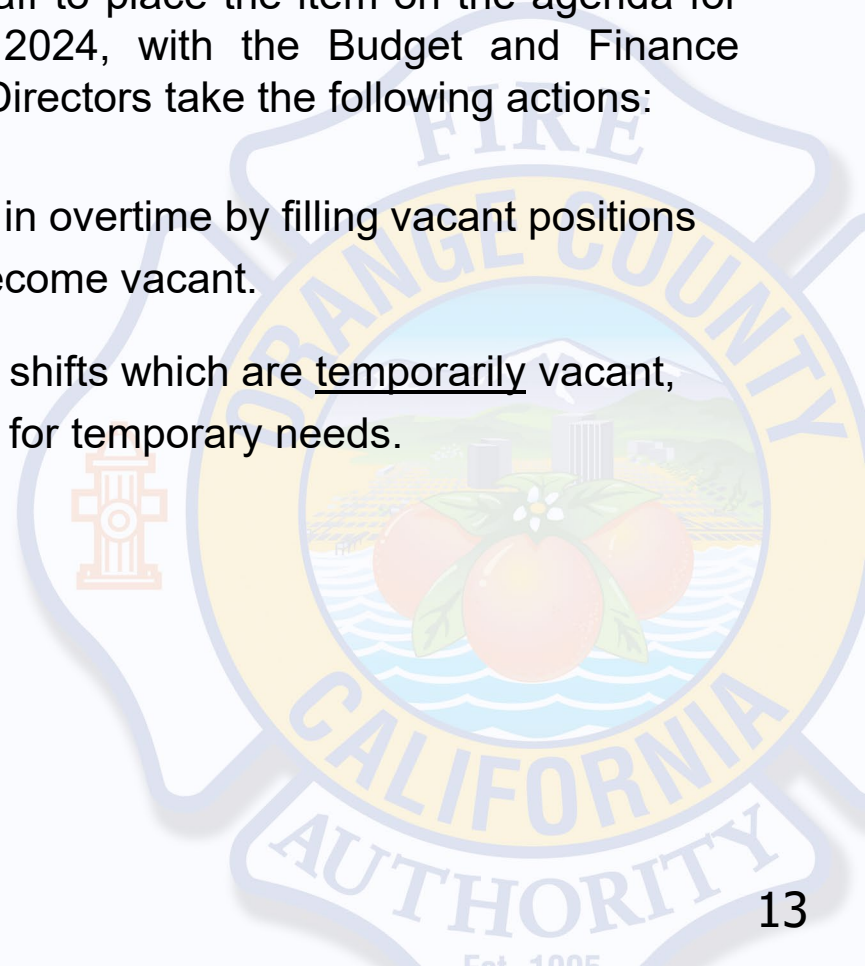
FY 2023/24	FY 2024/25
2 Firefighter Academies	2 Firefighter Academies
2 Fire Apparatus Engineer Academies	2 Fire Apparatus Engineer Academies
2 Fire Captain Academies	2 Fire Captain Academies
1 Battalion Chief Academy	1 Battalion Chief Academy

- When backfill is required, it is more cost effective to use overtime to backfill for temporary shift vacancies than hiring a full-time benefited firefighter

Recommended Action

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of April 25, 2024, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Direct staff to continue pursuing reductions in overtime by filling vacant positions as quickly as possible after the positions become vacant.
2. Direct staff to continue using overtime to fill shifts which are temporarily vacant, recognizing this as a cost-effective practice for temporary needs.



Questions/Comments?

