



ORANGE COUNTY FIRE AUTHORITY

AGENDA

BOARD OF DIRECTORS REGULAR MEETING
Thursday, September 24, 2015
6:00 P.M.

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

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

If you wish to speak before the Fire Authority Board, 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 being heard before the Board. Speaker Forms are available at the counters of both entryways of the Board Room.



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Clerk of the Authority at (714) 573-6040.

CALL TO ORDER

INVOCATION by OCFA Chaplain Ken Krikac

PLEDGE OF ALLEGIANCE by Director Sloan

ROLL CALL

PUBLIC COMMENTS – CLOSED SESSION

At this time, any member of the public may address the Board on items listed under Closed Session. Comments are limited to three minutes per person. Please address your comments to the Board as a whole, and do not engage in dialogue with individual Board Members, Authority staff, or members of the audience.

CLOSED SESSION

CS1. CONFERENCE WITH LABOR NEGOTIATOR

Chief Negotiator: Peter Brown, Liebert Cassidy Whitmore

Employee Organizations: Orange County Professional Firefighters' Association,
Local 3631 and Orange County Fire Authority Chief
Officers' Association

Authority: Government Code Section 54957.6

CS2. CONFERENCE WITH LABOR NEGOTIATORS

OCFA Designated Labor Negotiators: Board Chair Gene Hernandez, Board Vice
Chair Beth Swift, and Budget and Finance Committee Chair Jerry
McCloskey

Authority: Government Code Section 54957.6

Unrepresented Employee: Fire Chief

CS3. CONFERENCE WITH LEGAL COUNSEL – INITIATION OF LITIGATION

Authority: Government Code Section 54956.9(d)(4) (1 case)

CS4. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Authority: Government Code Section 54956.9(d)(2)

Significant Exposure to Litigation (1 case)

CLOSED SESSION REPORT

PRESENTATIONS

1. Requests for Commendations and Proclamations

Submitted by: Sherry Wentz, Clerk of the Authority

A. Presentation of Fireman's Fund Grant

B. Achievement of Excellence Procurement Award to OCFA's Purchasing Division

C. Recognition of Departing Division Chiefs/Introduction of new Division Chiefs

Recommended Action:

Approve requests as submitted and make presentations to those present.

REPORT FROM THE BUDGET AND FINANCE COMMITTEE CHAIR

REPORT FROM THE HUMAN RESOURCES COMMITTEE CHAIR

REPORT FROM THE CLAIMS SETTLEMENT COMMITTEE CHAIR

REPORT FROM THE FIRE CHIEF

- California Major Activity Report

PUBLIC COMMENTS – PUBLIC SESSION

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 Board on items within the Board’s 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 Board as a whole, and do not engage in dialogue with individual Board Members, Authority staff, or members of the audience.

The Agenda and Minutes are now available through the Internet at www.ocfa.org. You can access upcoming agendas on the Monday before the meeting. The minutes are the official record of the meeting and are scheduled for approval at the next regular Board of Directors meeting.

2. MINUTES

A. Minutes from the August 27, 2015, Special Board of Directors Meeting

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT CALENDAR

A. Rebudget of FY 2014/15 Uncompleted Projects

Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Budget and Finance Committee Recommendation: *APPROVE*

Recommended Action:

Authorize the following FY 2015/16 budget adjustments, which are funded from unexpended fund balance available from FY 2014/15:

Fund	Increase Revenue	Increase Appropriations	Appropriate Fund Balance
121 – General Fund	\$956,729	\$1,541,022	\$584,293
12110 – General Fund CIP	0	822,032	822,032
12150 – Facilities Maintenance	0	400,000	400,000
133 – Vehicle Replacement	0	1,894,965	1,894,965

B. Interim Regional Fire Operations and Training Center (RFOTC) Security Enhancements

Submitted by: Jeremy Hammond, Director/Human Resources Department

Budget and Finance Committee Recommendation: *APPROVE*

Recommended Actions:

1. Direct staff to proceed with interim RFOTC security enhancements.
2. Approve the budget adjustment increasing appropriations in the FY 2015/16 General Fund by \$22,000 for interim RFOTC security enhancements.

C. Ratify Appointments to Executive Committee

Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Action:

Ratify the Executive Committee appointments of Director Gamble as an at-large member, and Directors Muller and Sachs as Structural Fire Fund alternates.

D. Response to Grand Jury Report: “Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?”

Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Action:

Approve and authorize the Fire Chief to submit the proposed response to the recommendations contained in the Grand Jury Report entitled “*Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?*” to the Presiding Judge of the Superior Court and to the Orange County Grand Jury.

END OF CONSENT CALENDAR**4. PUBLIC HEARING(S)**

No items.

5. DISCUSSION CALENDAR**A. OCFA Foundation Fundraising Efforts & PulsePoint Project Request**

Submitted by: Doug Davert, Chair/OCFA Foundation, and Jim Ruane, Chief Financial Officer/OCFA Foundation

Recommended Action:

1. Authorize OCFA support of the PulsePoint project by approving \$10,000 in funding to supplement the \$28,000 project budget previously funded through the OCFA Foundation.
2. Increase FY 2015/16 General Fund appropriations by \$10,000 to fund OCFA’s contribution to the PulsePoint project.
3. Direct staff to report back to the Board of Directors in six months with a project update and to obtain authorization for any future contract renewals that may be recommended.

B. Start-Up Funds/Orange County Task Force on Drowning Prevention

Submitted by: Sandy Cooney, Director/Communications and Public Affairs Department and Jim Ruane, Chief Financial Officer/OCFA Foundation

Budget and Finance Committee Recommendation: *APPROVE*

Recommended Actions:

1. Increase appropriations in the FY 2015/16 General Fund budget not to exceed \$25,000 for seed funding for the Orange County Drowning Prevention Task Force.
2. Direct staff, in collaboration with county agencies, to develop a plan for use of the funds for start-up expenses, to include market research and focus groups.
3. The release of this seed funding is contingent upon the commitment of contributions by other agencies.

C. Amendment to Employment Agreement with Fire Chief Jeff Bowman

Submitted by: Jeremy Hammond, Director/Human Resources Department

Recommended Action:

Approve an amendment to the employment agreement with Fire Chief Jeff Bowman.

BOARD MEMBER COMMENTS

ADJOURNMENT - The next special meeting of the Orange County Fire Authority Board of Directors is scheduled for October 22, 2015, at 5:30 p.m.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby, front gate public display case, and website of the Orange County Fire Authority, Regional Fire Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 24 hours prior to the meeting. Dated this 17th day of September 2015.

Sherry A.F. Wentz, CMC
Clerk of the Authority

UPCOMING MEETINGS:

Human Resources Committee Meeting - Cancelled	Tuesday, October 6, 2015, 12:00 noon
Budget and Finance Committee Meeting	Wednesday, October 14, 2015, 12:00 noon
Claims Settlement Committee Meeting	Thursday, October 15, 2015, 5:30 p.m.
Executive Committee Meeting	Thursday, October 15, 2015, 6:00 p.m.



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
September 24, 2015

Agenda Item No. 1A-C
Presentations

There are no written materials in connection with
this evening's presentations.

MINUTES ORANGE COUNTY FIRE AUTHORITY

**Board of Directors Special Meeting
Thursday, August 27, 2015
5:30 P.M.**

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

CALL TO ORDER

Chair Hernandez called a special meeting of the Orange County Fire Authority Board of Directors to order at 5:30 p.m. on August 27, 2015.

INVOCATION

Chaplain Emily McColl offered the invocation.

PLEDGE OF ALLEGIANCE

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

MOMENT OF SILENCE

With Chair Hernandez's concurrence, Chaplain Bob George offered words of remembrance for OCFA Senior Chaplain Warren Johnson and a moment of silence in his memory.

ROLL CALL

Angelica Amezcua, Santa Ana
Rick Barnett, Villa Park
Craig Greene, Placentia
Shelley Hasselbrink, Los Alamitos
Gene Hernandez, Yorba Linda
Jerry McCloskey, Laguna Niguel
Al Murray, Tustin
David Shawver, Stanton
Elizabeth Swift, Buena Park
Phillip Tsunoda, Aliso Viejo

Robert Baker, San Clemente
Lisa Bartlett, County of Orange
Gerard Goedhart, La Palma
Noel Hatch, Laguna Woods
Robert Johnson, Cypress
Joe Muller, Dana Point
Ed Sachs, Mission Viejo
David Sloan, Seal Beach
Tri Ta, Westminster

Absent: Carol Gamble, Rancho Santa Margarita
John Perry, San Juan Capistrano
Don Sedgwick, Laguna Hills

Jeffrey Lalloway, Irvine
Dwight Robinson, Lake Forest
Todd Spitzer, County of Orange

Also present were:

Fire Chief Jeff Bowman
Assistant Chief Lori Zeller
Assistant Chief Brian Young
General Counsel David Kendig
Clerk of the Authority Sherry Wentz

Assistant Chief Mike Schroeder
Assistant Chief Dave Thomas
Human Resources Director Jeremy Hammond
Director of Communications Sandy Cooney

PUBLIC COMMENTS – CLOSED SESSION (F: 11.11)

Chair Hernandez opened the Public Comments portion of the meeting.

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

At Chair Hernandez's discretion, Agenda Item 1C was brought forward to accommodate the family in attendance for this presentation.

PRESENTATIONS

1. Requests for Commendations and Proclamations

C. Recognition of OCFA personnel involved in 405 Freeway Baby Delivery (X: 11.09)

On motion of Director Johnson and second by Director Hatch, the Board of Directors voted to approve the requests as submitted and make presentations to those present.

Chair Hernandez and Fire Chief Bowman recognized Dispatcher Grace Romero, Captain Steve Horner, Engineer Jeff Hubert, and Firefighter Paramedics Randy Ripken, Jim Aldrich, Lance Hardy, and EMT's Danielle Rauch and Manuel Aroz for helping deliver a healthy baby girl in the median of the 405 Freeway during heavy traffic.

CLOSED SESSION F: (11.15)

General Counsel David Kendig reported the Board would be convening to Closed Session to consider the matters on the Agenda identified as CS1, Conference with Labor Negotiator, CS2, Public Employee Performance Evaluation, CS3, Conference with Labor Negotiators, and CS4, Conference with Legal Counsel – Initiation of Litigation.

Chair Hernandez recessed the meeting to Closed Session at 5:45 p.m.

CS1. CONFERENCE WITH LABOR NEGOTIATOR

Chief Negotiator: Peter Brown, Liebert Cassidy Whitmore

Employee Organizations: Orange County Professional Firefighters' Association, Local 3631, Orange County Fire Authority Chief Officers' Association, Orange County Fire Authority Managers Association, and Orange County Employees' Association, and all unrepresented employees.

Authority: Government Code Section 54957.6

Minutes

OCFA Board of Directors Special Meeting

August 27, 2015 Page - 2

CS2. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Position: Fire Chief
Authority: Government Code Section 54957

CS3. CONFERENCE WITH LABOR NEGOTIATORS

OCFA Designated Labor Negotiators: Board Chair Gene Hernandez, Board Vice Chair Beth Swift, and Budget and Finance Committee Chair Jerry McCloskey
Authority: Government Code Section 54957.6
Unrepresented Employee: Fire Chief

CS4. CONFERENCE WITH LEGAL COUNSEL – INITIATION OF LITIGATION

Authority: Government Code Section 54956.9(d)4

Director Amezcua arrived at this point. (6:03 p.m.)

Director Tsunoda arrived at this point. (6:30 p.m.)

Chair Hernandez reconvened the meeting from Closed Session at 7:11 p.m.

CLOSED SESSION REPORT (F: 11.15)

General Counsel David Kendig reported the Board of Directors unanimously approved the initiation of litigation which will be made public upon the person being served.

CONTINUED PRESENTATIONS

1. Requests for Commendations and Proclamations

- A. Length of Service Recognition (F: 11.09D)
- B. Recognition of former Board Chair Al Murray (F: 11.09)
- D. Proclamation declaring October 4-10, 2015, as “Fire Prevention Week” (F: 11.09A)

On motion of Director Johnson and second by Director Hatch, the Board of Directors voted unanimously by those present to approve the requests as submitted and make presentations to those present.

Chair Hernandez and Fire Chief Bowman presented 30 Year Length of Service badges to Fire Captain Jeff Hughes and Firefighter Bruce Brown, and presented a token of appreciation to Director Al Murray for his service as OCFA Board Chair 2014-15.

REPORT FROM THE BUDGET AND FINANCE COMMITTEE CHAIR (F: 12.02A6)

Chair McCloskey reported that at the August 12, 2015, meeting of the Budget and Finance Committee, the Committee voted unanimously to direct staff to place the Monthly Investment Reports and Annual Investment Report on the agenda for the Executive Committee meeting, with the Committee's recommendations that the Executive Committee receive and file the reports. The Committee also voted unanimously to direct staff to place the Response to Grand Jury Report: "Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency" and the Acceptance of 2015 Department of Homeland Security/Federal Emergency Management Agency's Urban Search & Rescue Preparedness Grant on the agenda for the Board of Directors meeting, with the Committee's recommendation that the Board approve the recommended actions. The Committee held its annual election of Chair and Vice Chair; the Committee approved the reappointment of Chair McCloskey and Vice Chair Swift for the ensuing term.

REPORT FROM THE HUMAN RESOURCES COMMITTEE CHAIR (F: 12.02A6)

Chair Shawver reported that at the August 4, 2015, meeting of the Human Resources Committee, the Committee voted unanimously to receive and file the Workers' Compensation Program Update and directed staff to present this report in its entirety as a discussion item at the next Board of Directors meeting. The Committee received updates on Academy 41, the Firefighter Trainee recruitment process for Academy 42, and the recent Active Shooter Drill. The Committee held its annual election of Chair and Vice Chair; Director Hatch was elected as Vice Chair, and Chair Shawver had been re-elected as Chair for the ensuing term.

REPORT FROM THE CLAIMS SETTLEMENT COMMITTEE CHAIR (F: 11.12)

Chair Hernandez reported there was no Claims Settlement Committee Meeting in August; therefore, there was nothing to report.

REPORT FROM THE FIRE CHIEF (F: 11.14)

Fire Chief Jeff Bowman reported on the recent reconfiguration of the Board Room, the Chief's FY 2015/16 Performance Initiatives, and introduced Assistant Chief Thomas who provided updates on the various fires throughout California. Fire Chief Bowman also introduced Clerk of the Authority Sherry Wentz who requested completion of the provided Emergency Notification Form from the Directors. In conclusion, Fire Chief Bowman thanked Director Murray noting during his tenure as Board Chair, he traveled to Washington, D.C. to help lobby for the Homeland Security Grant, which resulted in the distribution of the second highest grant award in the United States to the OCFA.

PUBLIC COMMENTS – PUBLIC SESSION (F: 11.11)

Stephen Wontrobski, Mission Viejo resident, addressed various public record requests including the working papers of Lance, Soll, Lunghard, LLP.

2. MINUTES

A. Minutes from the July 23, 2015, Special Board of Directors Meeting (F: 11.06)

On motion of Director Johnson and second by Director Murray, the Board of Directors voted unanimously by those present to approve the minutes for the July 23, 2015, Special Board of Directors meeting. Directors Amezcua, Baker, and Bartlett were recorded as abstaining, due to their absence from the meeting.

3. CONSENT CALENDAR

A. Adoption of Ticket and Passes Distribution and Payments Policies (F: 11.100)

On motion of Director Goedhart and second by Director Johnson, the Board of Directors voted unanimously by those present to adopt the proposed Ticket and Passes Distribution Policy and Payments Policy.

B. Adoption of Board Teleconferencing Policy (F: 11.10M)

This item was pulled by Director Goedhart who spoke in opposition to teleconferencing.

A lengthy discussion ensued regarding the positive aspects of teleconferencing and the challenges in both hosting and participating in teleconferenced meetings.

On motion of Director Shawver and second by Director Muller, the Board of Directors voted by those present to adopt the proposed Board Teleconferencing Policy. The motion failed with the following members voting in opposition: Directors Baker, Barnett, Bartlett, Green, Goedhart, Hasselbrink, Hatch, McCloskey, Robinson, and Sachs.

C. Response to Grand Jury Report: “Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency” (F: 20.04A7)

This item was pulled by a member of the public.

Stephen Wontrobski, Mission Viejo resident, spoke in opposition to OCFA’s response to the Grand Jury Report.

On motion of Vice Chair Swift and second by Director Ta, the Board of Directors voted unanimously by those present to approve and authorize the Fire Chief to submit the proposed response to the recommendations contained in the Grand Jury Report entitled *“Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency”* to the Presiding Judge of the Superior Court and to the Orange County Grand Jury.

D. 2014 State Homeland Security Grant Program Agreement to Transfer Property or Funds (F: 16.02A)

On motion of Director Goedhart and second by Director Johnson, the Board of Directors voted unanimously by those present to:

1. Approve and authorize the Fire Chief, or his designee, to accept the 2014 State Homeland Security Grant award of \$100,000.
2. Increase revenue and appropriations in the FY 2015/16 General Fund by \$100,000 for the procurement of the Wildland Urban Interface Pre-fire Plans.

E. Acceptance of 2015 Department of Homeland Security/Federal Emergency Management Agency’s Urban Search & Rescue Preparedness Grant (F: 16.02B) (X: 11.07)

On motion of Director Goedhart and second by Director Johnson, the Board of Directors voted unanimously by those present to:

1. Adopt the proposed Resolution to accept the Department of Homeland Security/Federal Emergency Management Agency’s Administrative Preparedness Grant, entitled:

RESOLUTION NO. 2015-11

**A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY
ACCEPTING THE FEMA NATIONAL URBAN SEARCH AND
RESCUE (US&R) PROGRAM GRANT TO PURCHASE US&R
EQUIPMENT AND SUPPLIES, MAINTENANCE AND REPAIR OF
US&R EQUIPMENT, TRAINING AND PROGRAM
ADMINISTRATION**

2. Direct staff to increase revenue and appropriations in the amount of \$1,312,082 in the General Fund (Fund 121).

F. Grant Easement for Fire Station 31 (Mission Viejo) (F: 19.03A) (X: 19.07C3)

On motion of Director Goedhart and second by Director Johnson, the Board of Directors voted unanimously by those present to approve and authorize the Fire Chief, or his designee, to sign the Grant of Easement for Fire Station 31 to Southern California Edison to allow construction and maintenance of electric facilities adjacent to the fire station.

END OF CONSENT CALENDAR

4. PUBLIC HEARING(S)

No items.

5. DISCUSSION CALENDAR

A. Workers' Compensation Program Update (F: 18.10A29)

Human Resources Director Jeremy Hammond provided an update on the success of the Workers' Compensation Program.

Ray Geagan, President Local 3631, thanked Risk Management Analyst Rhonda Haynes and Attorney John Ferrone who collectively shaped the framework of the OCFA Alternative Dispute Resolution (ADR) Program.

John Ferrone, Adams Ferrone and Ferrone, summarized the various ADR Programs.

Stephen Wontrobski, Mission Viejo resident, addressed the topic.

On motion of Director Murray and second by Director Bartlett, the Board of Directors voted unanimously by those present to receive and file the report.

B. Contract Increase and Extension – Professional Labor Negotiation Services

(F: 17.10JI)

Director Ta left at this point. (8:14 p.m.)

Human Resources Director Jeremy Hammond summarized the request for the extension of the Professional Services Agreement.

On motion of Director Hatch and second by Director Murray, the Board of Directors voted by those present to:

1. Approve and authorize the Purchasing Manager to increase the value of the Professional Services Agreement with Peter Brown, of Liebert Cassidy Whitmore, by \$100,000 and extend the term through June 30, 2016, with the provision of an RFP at the next contract renewal.
2. Direct staff to submit a request to the Board of Directors with the FY 2015/16 Mid-Year Budget Adjustments to increase General Fund (Fund 121) appropriations by \$100,000 for professional labor negotiations services.

Director Ta was absent for the vote.

C. Executive Committee Membership (F: 12.02AI)

Chair Hernandez presented a concept of a potential expansion of the Executive Committee members and the potential reduction of the number of Board of Directors meetings for the Board's discussion.

The Board of Directors considered the concept, conducted discussion, and by consensus took no action at this time.

BOARD MEMBER COMMENTS (F: 11.13)

Director Green addressed public records requests and the public's rights to records. He also thanked Division Chief Kris Concepcion for his service in Placentia, and congratulated him on his new position as Fire Chief in the City of Vacaville in northern California.

Director McCloskey thanked Division Chief Bryan Brice for providing a presentation to the Rotary Club. He also congratulated Division Chief Kris Concepcion on his new position.

Director Murray, on behalf of former OCFA Director Randall Bressette (Laguna Hills), thanked OCFA personnel who responded to one of his family member's incident. Director Murray reported attending a preliminary meeting of the Drowning Prevention Task Force and noted that the working group will be meeting next week.

Director Amezcua thanked those responsible for the \$10,000 grant provided for swim lessons at the Australian Swim School in Santa Ana.

Director Johnson thanked Division Chief Dave Steffen for distributing over 300 smoke alarms to mobile home residence in the City of Cypress.

Director Sachs praised the Board Room reconfiguration.

Director Hatch commented on the redesign of the Board Room.

Director Baker inquired to the status of a new voting system for the Board Room.

Chair Hernandez thanked Division Chief Kris Concepcion for the flag burial ceremony in the City of Yorba Linda, and congratulated him on his promotion and service with OCFA.

CONTINUED CLOSED SESSION F: (11.15)

Chair Hernandez recessed the meeting to continue Closed Session at 8:39 p.m.

Chair Hernandez reconvened the meeting from Closed Session at 9:13 p.m., with all prior members in attendance.

CLOSED SESSION REPORT (F: 11.15)

General Counsel David Kendig reported there were no reportable actions.

ADJOURNMENT – Chair Hernandez adjourned the meeting in memory of Senior Chaplain Warren Johnson at 9:14 p.m. The next special meeting of the Orange County Fire Authority Board of Directors is scheduled for September 24, 2015, at 5:30 p.m.

Sherry Wentz, CMC
Clerk of the Authority



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
September 24, 2015

Agenda Item No. 3A
Consent Calendar

Rebudget of FY 2014/15 Uncompleted Projects

Contact(s) for Further Information

Lori Zeller, Assistant Chief Business Services Department	lorizeller@ocfa.org	714.573.6020
Tricia Jakubiak, Treasurer	triciajakubiak@ocfa.org	714.573.6301
Deborah Gunderson, Budget Manager	deborahgunderson@ocfa.org	714.573.6302

Summary

This is an annual request submitted for approval to rebudget various projects that were not completed in FY 2014/15 and require a rebudget to FY 2015/16.

Prior Board/Committee Action – Committee Recommendation: *APPROVE*

At its regular September 9, 2015, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

RECOMMENDED ACTION(S)

Authorize the following FY 2015/16 budget adjustments, which are funded from unexpended fund balance available from FY 2014/15:

Fund	Increase Revenue	Increase Appropriations	Appropriate Fund Balance
121 – General Fund	\$956,729	\$1,541,022	\$584,293
12110 – General Fund CIP	0	822,032	822,032
12150 – Facilities Maintenance	0	400,000	400,000
133 – Vehicle Replacement	0	1,894,965	1,894,965

Impact to Cities/County

Not Applicable.

Fiscal Impact

Approval of the requested rebudgets will increase appropriations in the General and CIP funds commensurate with equivalent amounts of unexpended fund balance from FY 2014/15.

Background

This annual rebudget request includes projects in the General and CIP funds as detailed in the attachment. Due to the complexity of some of the projects and the time required to complete others, not all projects were completed in FY 2014/15; therefore, staff is recommending appropriations for these projects be rebudgeted to FY 2015/16 so the projects can be completed. **This is simply a timing change of planned expenditures, and does not reflect an overall increase.** FY 2015/16 fund balance will need to be appropriated commensurate with the unexpended portion of fund balance from FY 2014/15.

Attachment(s)

List of Rebudgets from FY 2014/15 to FY 2015/16

ORANGE COUNTY FIRE AUTHORITY
Rebudgets from FY 2014/15 to FY 2015/16

Attachment

Fund#	Description	Revenue Rebudgets	Expenditure Rebudgets	Appropriate Fund Balance
Fund 121 - General Fund				
121	US&R Grant	\$507,479	\$472,001	(\$35,478)
121	Mobex Grant	100,000	100,000	0
121	Homeland Security Grant	144,900	144,900	0
121	UASI Grant	94,350	94,350	0
121	SRA Fee Grant	110,000	110,000	0
121	Batt 7 Disaster Preparation Academy		4,571	4,571
121	IT projects related to new vehicle installs		471,500	471,500
121	IT TriTech CAD maintenance		30,000	30,000
121	IT Programming services		85,000	85,000
121	IT Westnet maintenance		8,700	8,700
121	IT Document imaging and scanning		20,000	20,000
		956,729	1,541,022	584,293
12110	IT Mobile Data Computers for new vehicles		276,402	276,402
12110	IT VHF Radios for new vehicles		53,600	53,600
12110	IT Fire Station phones/alarms/sound		99,054	99,054
12110	IT Network upgrades/servers/core switch upgrades		243,798	243,798
12110	IT SAN purchase for 911 data storage		149,178	149,178
		-	822,032	822,032
12150	Fire Station 11 improvements		300,000	300,000
12150	Fire Station 41 improvements		100,000	100,000
		-	400,000	400,000
Total: Fund 121		956,729	2,763,054	1,806,325
Fund 133 - Vehicle Replacement Fund				
133	Ambulance (1)		140,000	140,000
133	Compressed Air Foam Patrol System Vehicle (1)		214,000	214,000
133	Paramedic Squads (5)		558,000	558,000
133	Full-size Cargo Van (4)		167,000	167,000
133	Mid-size Cargo Van (1)		32,000	32,000
133	Mid-size 4 Door (2)		71,000	71,000
133	3/4 Ton General Pickup (3)		130,000	130,000
133	Vehicle Outfitting costs, 27 existing		582,965	582,965
Total: Fund 133		\$0	\$1,894,965	\$1,894,965



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
September 24, 2015

Agenda Item No. 3B
Consent Calendar

**Interim Regional Fire Operations and Training Center (RFOTC)
Security Enhancements**

Contact(s) for Further Information

Jeremy Hammond, Director jeremyhammond@ocfa.org 714.573.6018
Human Resources Department

Mike Schroeder, Assistant Chief michaelschroeder@ocfa.org 714.573.6008
Support Services Department

Summary

This agenda item is to request an appropriation of \$22,000 for enhanced security measures at the RFOTC that include hardening the facility and increasing the uniformed security presence during normal business hours.

Prior Board/Committee Action – Committee Recommendation: *APPROVE*

At its regular meeting on September 9, 2015, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

RECOMMENDED ACTION(S)

1. Direct staff to proceed with interim RFOTC security enhancements.
2. Approve the budget adjustment in increasing appropriations in the FY 2015/16 General Fund by \$22,000 for interim RFOTC security enhancements.

Impact to Cities/County

None.

Fiscal Impact

Appropriations in the FY 2015/16 General Fund budget will be increased by \$22,000.

Background

The interim RFOTC security enhancements are in response to recent employee security concerns. These recommendations were included in vulnerability assessments conducted by Secure Strategies International, LLC, and the Orange County Information Assessment Center (OCIAAC) in 2006 and 2014, respectively.

The RFOTC is equipped with an automated card access control system. The current system utilizes proximity cards and card readers at approximately 70 doors. A proximity identification card is required to gain access to most structures of the RFOTC. During regular work hours the electronic access system is disabled in some areas to permit greater ease of access to the workspaces. The vulnerability assessments recommended hardening the RFOTC by enabling the electronic access system in the areas that it was disabled for convenience. This recommendation has been implemented.

The OCFA currently maintains 24-hour, 7 days a week uniformed security guard service at the RFOTC through a contract with Universal Protection Services' which was competitively bid and approved by the Board. Universal Protection Services provides one uniformed security guard who is stationed at the RFOTC Building A Lobby. This guard conducts several exterior walking tours of the campus during working hours. The requested \$22,000 increased appropriation will be used to temporarily add a uniformed security presence with a second security guard during normal business hours due to recent employee security concerns.

Additional security enhancements include the dissemination of a "Be On the Look Out" bulletin and heightened situational awareness. It should also be noted that training specific to the Board of Directors will be provided at the October 22, 2015, Board meeting.

Attachment(s)

None.



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
September 24, 2015

Agenda Item No. 3C
Consent Calendar

Ratify Appointments to Executive Committee

Contact(s) for Further Information

Lori Zeller, Assistant Chief Business Services Department	lorizeller@ocfa.org	714.573.6020
Sherry Wentz, Clerk of the Authority	sherrywentz@ocfa.org	714.573.6041

Summary

This is a routine agenda item submitted to ratify the recent Executive Committee appointments made by Chair Hernandez.

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Ratify the Executive Committee appointments of Director Gamble as an at-large member, and Directors Muller and Sachs as Structural Fire Fund alternates.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

The Executive Committee, as defined by Rule 9(b) of the Board of Directors Rules of Procedure, consists of no more than nine (9) members of the Board of Directors. The Executive Committee membership is comprised of the following designated positions: the Chair and Vice Chair of the Board of Directors, the immediate past Chair of the Board, and the Chair of the Budget and Finance Committee. In addition, up to five at-large members, which must include at least one member of the County Board of Supervisors, may serve as members of the Committee. In the selection of at-large members, appointments shall be made in such a manner as to achieve approximately the ratio of cash contract cities to total member agencies of the Authority.

The Chair of the Board may make appointments to the Executive Committee to fill any vacancies, subject to approval by the Board of Directors. There is currently one at-large vacancy on the Executive Committee, due to the recent reorganization of the Board of Directors, and two vacancies for each group of alternates (Structural Fire Fund and Cash Contract). Chair Hernandez has selected Carol Gamble (Rancho Santa Margarita) to fill the at-large vacancy and Joe Muller (Dana Point) and Ed Sachs (Mission Viejo) to fill the two Structural Fire Fund alternate vacancies.

Therefore, pursuant to Rule 9 of the OCFA Board of Directors Rules of Procedures, and subject to the confirming vote by the Board of Directors, the membership of the Executive Committee will be as follows:

Gene Hernandez, Chair – Yorba Linda
Elizabeth Swift, Vice Chair – Buena Park*
Al Murray, Immediate Past Chair – Tustin*
Jerry McCloskey, BFC Chair – Laguna Niguel
Todd Spitzer, County Board of Supervisors
Carol Gamble, At-Large Member – Rancho Santa Margarita
Noel Hatch, At-Large Member – Laguna Woods
Jeffrey Lalloway, At-Large Member – Irvine
David John Shawver, At-Large Member – Stanton*

Structural Fire Fund Alternates: Gerard Goedhart – La Palma
Joe Muller – Dana Point
Dwight Robinson – Lake Forest
Ed Sachs – Mission Viejo

Cash Contract Alternates: Tri Ta – Westminster*
Vacancy
Vacancy

* = Cash Contract City

Attachment(s)

None.



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
September 24, 2015

Agenda Item No. 3D
Consent Calendar

Response to Grand Jury Report: “*Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?*”

Contact(s) for Further Information

Lori Zeller, Assistant Chief
Business Services Department

lorizeller@ocfa.org

714.573.6020

Summary

This item is submitted for approval to authorize the Fire Chief to respond to the recommendations regarding “*Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?*” contained in the 2014/2015 Orange County Grand Jury Report.

Prior Board/Committee Action

Not Applicable.

RECOMMENDED ACTION(S)

Approve and authorize the Fire Chief to submit the proposed response to the recommendations contained in the Grand Jury Report entitled “*Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?*” to the Presiding Judge of the Superior Court and to the Orange County Grand Jury.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

On June 29, 2015, the 2014/2015 Orange County Grand Jury released a Grand Jury report entitled “*Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?*” (Attachment 1). OCFA never received notification of this report from the Grand Jury, although the report includes findings and recommendations applicable to OCFA.

California Penal Code Section 933 requires that the Fire Authority provide a response to the findings and recommendations within 90 days from date of public release of the report, unless the agency has requested an extension in writing. This response is due by September 28, 2015.

OCFA’s proposed response to the findings and recommendations is provided as Attachment 2. The California Penal Code requires the OCFA to either agree with, or disagree in whole or in part with, each Grand Jury finding, and to indicate whether it has or will implement the Grand Jury’s recommendations. The response was prepared in conformance with those requirements.

Following the Board of Director's authorization, this response will be submitted to the Presiding Judge of the Orange County Superior Court and to the Orange County Grand Jury.

Attachment(s)

1. Grand Jury Report entitled "*Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?*"
2. OCFA Proposed Response to Grand Jury Report

UNFUNDED RETIREE HEALTHCARE OBLIGATIONS- A PROBLEM FOR PUBLIC AGENCIES?



GRAND JURY 2014-2015

TABLE OF CONTENTS

EXECUTIVE SUMMARY 3

BACKGROUND..... 3

Overview 3

GASB Statement No. 45 Reporting Requirements 4

REASON FOR THE STUDY 5

METHODOLOGY..... 5

INVESTIGATION AND ANALYSIS..... 6

GASB 45 Requirement: Authorize Actuarial Study 7

GASB 45 Requirement: Calculate & Disclose Annual ARC 7

GASB 45 Requirement: Disclose Cumulative Amount Owed to Retirees ... 10

GASB 45 Requirement: Compare ARC to the Annual Payroll Cost 13

GASB 45 Requirement: Timely and Appropriate Recognition of Benefit 15

Other Analysis on OPEB Financial Data..... 15

FINDINGS 17

RECOMMENDATIONS..... 17

REQUIRED RESPONSES 18

REFERENCES..... 21

APPENDIX: GLOSSARY OF TERMS 23

EXECUTIVE SUMMARY

When local government employees retire from service in Orange County, their employment often allows them to continue purchasing health insurance through the agency (city or county) for which they had been employed. They may also receive a stipend from that agency to help pay for these health insurance premiums. These benefits are known as Other Post-Employment Benefits, or OPEB in governmental accounting terms. Until 2004, these costs were considered routine operating expenses that were paid from an agency's general fund. As a result, historically, local agencies did not make any provisions to estimate the amount of funds that would be required in the future and did not set money aside to make sure the employers were able to make these payments when they came due. In 2004, the Governmental Accounting Standards Board (GASB) issued Statement No.45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" in an effort to improve financial reporting by state and local government agencies. The objective of issuing this directive was to require governments to improve their accounting practices. These changes were required to meet certain financial reporting goals that were not being met. These goals were:

1. Recognize the cost of benefits in periods when the related services are received by the employer.
2. Provide information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent these benefits have been funded.
3. Provide information useful in assessing potential demands on the employers future cash flows.

The Orange County Grand Jury (OCGJ) reviewed the data provided in the investigated agencies' financial statements for the fiscal year ended June 30, 2013, to locate the information identified above. The inquiry determined that the combined Unfunded Retiree Health Obligation for the 36 (less four non-reporting cities) agencies was \$1.1 billion as of June 30, 2013, which were derived from the Comprehensive Annual Financial Reports (CAFRs). This is a significant amount, especially when combined with the Unfunded Pension Liability of \$5.7 billion. The OCGJ further determined that less than 30% of the agencies surveyed recognized the full annual cost of the OPEB expense, with most not recognizing the deferred benefit as earned compensation of current employees. The analysis of the potential demands on the employer's future cash flows revealed that certain agencies were at far greater risk of encountering issues with future cash flows than others due to the higher benefits promised to retirees in the past and lack of efforts to fund the liability at present.

BACKGROUND

(A Glossary of Terms is provided in the Appendix.)

Overview

In 1961 the State of California (State) began to offer State workers retiree healthcare benefits because workers were at risk of losing their health care coverage

upon retirement. This loss to the retiree may have resulted because the high premium cost was more than the retiree could afford, or the retiree had a health condition that resulted in insurers denying coverage. Local governments followed suit, and many cities and local agencies began offering health care benefits to retirees. This is true today even though conditions have changed; for example, today government workers are eligible for federal Medicare at age 65 or through the Affordable Care Act.

All 34 cities in Orange County, as well as the County of Orange (County) and the Orange County Fire Authority (OCFA), offer their employees some form of retiree health care benefits. In many agencies, if a retiree purchases health insurance through the agency that they retired from, that agency may choose to contribute a minimal amount. This amount is established by the Public Employees Medical and Hospital Care Act (PEMHCA) and helps to offset the retiree's health insurance premium. Some agencies provide generous benefits that may pay up to 90% of the premium cost for retirees. Until 2004, most local government agencies accounted for the costs of paying for retiree benefits as a cost of doing business and charged the costs to ongoing expenses.

In 2004, the Governmental Accounting Standards Board (GASB), an organization that oversees how governments account for their financial activities, examined this pay-as-you-go policy used to account for the health care benefits payables. The GASB concluded that this approach is not a sound accounting practice for three reasons. First, it did not allow the government entity or the public to know what the actuarial accrued liabilities for health benefits are which have been promised to retirees. Second, it did not provide information about whether the government entity had the funds to pay for these costs annually as well as in the future. Third, it did not match the expense of the benefit in the period that it was earned/incurred.

GASB Statement No. 45 Reporting Requirements

In order to correct the above accounting and information issues, the GASB, through GASB Statement No. 45, required government agencies to do the following:

1. Authorize an actuarial or alternate measurement study done which assesses how much the agency will have to pay for medical benefits in the future based on the life expectancy of current employees as well as retirees for whom benefits are being paid. This calculated amount is known as the Accrued Actuarial Liability (AAL).
2. Calculate the annual amount that the agency will have to pay every year to make sure that all future obligations are met. This amount is known as the Annual Required Contribution (ARC).
3. Disclose the cumulative amount owed to retirees for the health care benefits promised or Accrued Actuarial Liability (AAL) as well as the amount of monies the employer has put aside in an irrevocable trust to pay for the future liability (Contributed Amount).
4. Compare the ARC to the annual payroll cost of the employer to assess potential demands on the employers' future cash flow.
5. Recognize the cost of benefits in periods which the related services are received (including the benefit as compensation to the employee that has

earned it even though the employee does not collect the benefit until after retirement).

Orange County cities, the County, and the OCFA all provide retiree health benefits that are funded at varying levels. This report provides the citizens of the County a snapshot of the overall financial situation regarding retiree health benefits promised by local agencies.

REASON FOR THE STUDY

The main purpose of this study is to quantify the full extent of the financial liability for retiree health benefits facing the County's 34 cities, the County, and the OCFA. The goal is to determine how much is owed in total by these 36 agencies and how much each agency has to contribute each year to meet its obligation to pay for the benefit.

The State's Legislative Analyst Office (LAO) Report in 2015 stated that retiree healthcare is "the state's last major liability that needs a funding plan" (Legislative, 2015). According to the LAO, the "unfunded liability" for retiree healthcare promised to state workers over the next 30 years is \$72 billion, which is greater than the \$50 billion unfunded liability for state worker pensions reported by the California Public Employees Retirement System (CalPERS) in 2014. In light of the LAO report, the Orange County Grand Jury (OCGJ) decided it was advisable to determine the level of the liability for retiree healthcare costs facing the taxpayers of the County.

In addition to determining the magnitude of the liability, the OCGJ also considered it advisable to see how many public agencies were complying with the requirements and recommendations put forward by the GASB in Statement No. 45, as they play an important role in transparency by revealing the full extent of future costs and public liabilities of retiree health benefits. In addition, the analysis provided by the OCGJ provides quantitative information regarding each public entity's progress in addressing the important issue of unfunded liability.

METHODOLOGY

The method of investigation adopted by the OCGJ was mainly through document and literature reviews.

The historical origins of the retiree health benefit provisions by local agencies were studied and analyses were done on the subject of post-employment benefits and the issues involved in reporting and paying for these benefits.

The research included a review of the accounting literature as it pertains to the recognition of these expenses and the correct presentation of this data in the financial reports of local agencies.

The OCGJ decided to examine the financial statements of the 34 cities of Orange County, the County of Orange, and the Orange County Fire Authority to determine if these agencies were complying with the disclosure requirements imposed on them by GASB Statement No. 45. The OCGJ also obtained an understanding of the potential

demands on the agencies' future cash flows based on the annual cost, as well as the accumulated liability, for their Other Post Employment Benefit obligations.

The Comprehensive Annual Financial Reports (CAFR) for the year ending June 30, 2013, were obtained from the agencies' websites and analyzed by the OCGJ. The "Notes to the Financial Statements" were analyzed for the required information and data regarding balance sheet liabilities. General Fund annual expenditures were also obtained for analysis purposes. In cases where a disclosure was missing, the agencies were contacted by mail and were requested to provide the information to the OCGJ. The resulting data gathered was analyzed to provide insight into the level of liability for healthcare that the agencies are responsible for, as well as annual expenses incurred by each agency.

INVESTIGATION AND ANALYSIS

The investigation yielded a significant amount of data. The following tables lay out the nature of the data collected and support the conclusions drawn from the data. The OCGJ had access to information regarding the AAL calculated for each agency by an external actuary or, in a few cases, by using an alternate measurement method prescribed by the GASB; and was also able to determine the amount of funding that the agencies had put in an irrevocable trust. In addition to the data on the extent of the liability and the annual required contribution to be made by an agency, the OCGJ collected information on the amount of General Fund liabilities and expenditures for the FY 2012-13. The Grand Jury also analyzed the population of each jurisdiction to assess the impact of that agency's annual OPEB costs on its residents.

Table 1: List of Orange County Cities/Agencies Reviewed

1	Aliso Viejo	19	Lake Forest
2	Anaheim	20	Los Alamitos
3	Brea	21	Mission Viejo
4	Buena Park	22	Newport Beach
5	Costa Mesa	23	Orange
6	Cypress	24	Placentia
7	Dana Point	25	Rancho Santa Margarita
8	Fountain Valley	26	San Clemente
9	Fullerton	27	San Juan Capistrano
10	Garden Grove	28	Santa Ana
11	Huntington Beach	29	Seal Beach
12	Irvine	30	Stanton
13	La Habra	31	Tustin
14	La Palma	32	Villa Park
15	Laguna Beach	33	Westminster
16	Laguna Hills	34	Yorba Linda
17	Laguna Niguel	35	County of Orange
18	Laguna Woods	36	Orange County Fire Authority

The data collected were for the 34 cities in Orange County, the County, and the OCFA (see Table 1). The last two agencies (County and OCFA) were included because many County cities contract with the County Sheriff's Department and the OCFA for police and/or fire services, and do not have a local police and/or fire department. To fully estimate the liability for post-employment healthcare costs for County agencies (and ultimately residents), the information related to the County agencies needs to be included.

GASB 45 Requirement: Authorize Actuarial Study

A review of the data collected from the Comprehensive Annual Financial Reports (CAFRs) of the 36 entities revealed that four cities did not have the disclosures in their CAFR regarding retiree healthcare obligations. As a result, the OCGJ concluded that these cities did not comply with the GASB Statement No. 45 requiring them to conduct an actuarial or alternative measurement study, to estimate the annual required contribution and the amount of the actuarial obligation. These cities were Aliso Viejo, Dana Point, Laguna Hills, and Villa Park. The City of Laguna Woods also did not disclose GASB Statement No. 45 in the annual CAFR, but provided the information to the OCGJ when requested. The Grand Jury followed up with a questionnaire to each of the above four cities.

It is the opinion of the OCGJ that if a city or agency is subject to PEMHCA, the agency is providing post-employment healthcare benefits even if it is at a very low level. Since all California cities that allow their retirees to purchase health insurance are subject to PEMCHA and are required to provide a subsidy to retirees towards the payment for healthcare premiums, it is important that each of the four cities listed above review their policies to determine if they are, in fact, exempt from GASB Statement No. 45 reporting.

GASB 45 Requirement: Calculate & Disclose Annual ARC

The OCGJ reviewed the Comprehensive Annual Financial Reports for the year ended June 30, 2013, and was able to determine the level of ARC for the year by each agency (see Table 2). The total annual cost is almost \$100 million dollars for the 32 entities that provided this information.

To assess the how significant this cost was to the agencies, the OCGJ decided to compare the Annual OPEB Cost (which is the ARC less any payments already made in the current year) for each agency to its General Fund Expenditures for the same period.

The data in Table 3 indicates the annual OPEB cost (AOPEBC) on average was 2% of General Fund Expenses (GFEXP). However, in Westminster the OPEB cost was over 9% of annual expenditures, which is significantly higher than the survey average. Six cities had AOPEBC that were more than double the average. Cities with higher than average AOPEBC/GFEXP ratios may encounter difficulty in meeting their obligations in the case of an economic downturn when their revenues are reduced.

Table 2: Annual Required Contribution of Orange County Agencies

	Agency	Annual Required Contribution (ARC)
1	Anaheim	\$8,694,000
2	Brea	\$1,443,000
3	Buena Park	\$563,749
4	Costa Mesa	\$2,146,578
5	Cypress	\$519,000
6	Fountain Valley	\$2,533,000
7	Fullerton	\$3,860,848
8	Garden Grove	\$925,657
9	Huntington Beach	\$1,561,000
10	Irvine	\$679,000
11	La Habra	\$615,000
12	La Palma	\$159,370
13	Laguna Beach	\$153,301
14	Laguna Woods	\$14,924
15	Laguna Niguel	\$242,811
16	Lake Forest	\$50,024
17	Los Alamitos	\$243,447
18	Mission Viejo	\$736,000
19	Newport Beach	\$2,806,000
20	Orange	\$989,285
21	Placentia	\$2,198,487
22	Rancho Santa Margarita	\$45,299
23	San Clemente	\$139,542
24	San Juan Capistrano	\$114,894
25	Santa Ana	\$2,732,000
26	Seal Beach	\$502,000
27	Stanton	\$177,000
28	Tustin	\$1,195,094
29	Westminster	\$4,878,000
30	Yorba Linda	\$1,748,362
31	County of Orange	\$42,713,000
32	OCFA	\$14,307,307
	Total ARC	\$99,686,979

Source: Annual Comprehensive Financial Reports for FY 2012-13 obtained from agency websites

Table 3: Annual Cost as a Percentage of General Fund Expenditures

	Cities/Agencies	Annual OPEB Costs (AOPEBC)	Total General Fund Expenditures (GFEXP)	AOPEBC/GFEXP Percentage
1	Westminster	\$4,272,000	\$44,977,980	9.5%
2	Fountain Valley	\$2,533,000	\$38,207,193	6.6%
3	Yorba Linda	\$1,583,193	\$26,255,575	6.0%
4	Laguna Woods	\$226,947	\$4,095,104	5.5%
5	Placentia	\$1,375,364	\$25,061,558	5.5%
6	Fullerton	\$3,877,097	\$74,222,592	5.2%
7	OCFA	\$13,689,125	\$285,518,241	4.8%
8	Anaheim	\$8,574,000	\$238,154,000	3.6%
9	Brea	\$1,324,000	\$53,866,984	2.5%
10	Costa Mesa	\$2,153,804	\$90,115,525	2.4%
11	Los Alamitos	\$243,447	\$11,513,015	2.1%
12	Seal Beach	\$507,830	\$25,610,260	2.0%
13	Newport Beach	\$2,806,000	\$143,834,937	2.0%
14	Cypress	\$462,249	\$23,834,348	1.9%
15	Tustin	\$1,034,400	\$54,837,976	1.9%
16	La Palma	\$155,293	\$9,159,937	1.7%
17	La Habra	\$556,000	\$33,355,966	1.7%
18	County of Orange	\$42,497,000	\$2,654,002,000	1.6%
19	Mission Viejo	\$747,497	\$48,447,473	1.5%
20	Santa Ana	\$2,785,000	\$184,442,950	1.5%
21	Buena Park	\$636,448	\$49,520,579	1.3%
22	Stanton	\$177,000	\$14,881,860	1.2%
23	Orange	\$931,833	\$89,018,039	1.0%
24	Garden Grove	\$941,164	\$90,026,024	1.0%
25	Huntington Beach	\$1,484,000	\$185,015,000	0.8%
26	San Juan Capistrano	\$113,595	\$20,066,475	0.6%
27	Irvine	\$666,000	\$155,031,000	0.4%
28	Rancho Santa Margarita	\$48,968	\$14,301,268	0.3%
29	San Clemente	\$139,542	\$45,678,277	0.3%
30	Laguna Beach	\$150,021	\$59,572,597	0.3%
31	Lake Forest	\$50,024	\$36,884,211	0.1%
32	Laguna Niguel	\$11,965	\$27,468,565	0.0%
	TOTALS	\$96,753,806	\$4,856,977,509	2.0%

Source: Annual Comprehensive Financial Reports for FY 2012-13 obtained from agency websites

GASB 45 Requirement: Disclose Cumulative Amount Owed to Retirees

The level of overall liability recorded by the various agencies was quite significant. Table 4 displays the amount of the actuarial liability for each of the 32 agencies, which totals almost \$1.3 billion. There are some agencies that have contributed towards funding the deficit, thereby reducing the unfunded portion of their AAL.

Table 4: Retiree Health Benefit Liability

	Cities/Agencies	Most Recent Accrued Actuarial Liability (AAL)		Cities/Agencies	Most Recent Accrued Actuarial Liability (AAL)
1	County of Orange	\$528,639,000	18	Mission Viejo	\$7,500,000
2	Anaheim	\$201,108,000	19	Seal Beach	\$6,902,000
3	OCFA	\$156,623,184	20	La Habra	\$5,879,000
4	Westminster	\$62,216,000	21	Irvine	\$5,407,000
5	Santa Ana	\$44,238,000	22	Los Alamitos	\$2,724,394
6	Fullerton	\$37,800,000	23	La Palma	\$1,893,010
7	Costa Mesa	\$36,429,075	24	Cypress	\$1,725,000
8	Newport Beach	\$35,922,000	25	San Clemente	\$1,432,716
9	Fountain Valley	\$35,418,000	26	Laguna Beach	\$1,346,828
10	Placentia	\$23,732,646	27	San Juan Capistrano	\$1,207,808
11	Huntington Beach	\$20,200,000	28	Laguna Niguel	\$865,981
12	Yorba Linda	\$18,725,000	29	Stanton	\$771,000
13	Brea	\$18,197,000	30	Lake Forest	\$499,136
14	Orange	\$11,873,809	31	Rancho Santa Margarita	\$272,705
15	Garden Grove	\$10,633,859	32	Laguna Woods	\$106,225
16	Tustin	\$9,800,000			Total AAL
17	Buena Park	\$7,500,000			\$1,297,588,376
					Funding Contributed
					\$244,591,329
					Unfunded Liability
					\$1,052,997,047

Source: Annual Comprehensive Financial Reports for FY 2012-13 obtained from agency websites

GASB Statement No. 45 requires agencies to recognize 100% of the AOEBC every year. An analysis was undertaken to determine whether the agencies had been booking their AOEBC in full. Table 5 presents the results of that analysis. Note that 26 of the 32 agencies were not complying with this GASB requirement, while five agencies were contributing more than their requirement and essentially prefunding their liability.

Table 5: Contributions as a Percentage of Cost

	Cities/Agencies	Annual OPEB Cost (AOPEBC)	Actual Contributions (AC)	% of Cost Contributed (AC/AOPEBC)
1	Lake Forest	\$50,024	\$247,263	494.3%
2	Huntington Beach	\$1,484,000	\$2,683,000	180.8%
3	Anaheim	\$8,574,000	\$9,826,000	114.6%
4	County of Orange	\$42,497,000	\$48,446,580	114.0%
5	Buena Park	\$636,448	\$659,520	103.6%
6	Stanton	\$177,000	\$177,000	100.0%
7	Seal Beach	\$507,830	\$502,000	98.9%
8	Mission Viejo	\$747,497	\$736,000	98.5%
9	Costa Mesa	\$2,153,804	\$1,727,148	80.2%
10	Laguna Beach	\$150,021	\$115,181	76.8%
11	Placentia	\$1,375,364	\$1,053,529	76.6%
12	La Palma	\$155,293	\$108,299	69.7%
13	Irvine	\$666,000	\$430,902	64.7%
14	Fountain Valley	\$2,533,000	\$1,613,268	63.7%
15	Brea	\$1,324,000	\$776,718	58.7%
16	Westminster	\$4,272,000	\$2,206,588	51.7%
17	Los Alamitos	\$243,447	\$122,503	50.3%
18	Fullerton	\$3,877,097	\$1,593,988	41.1%
19	Yorba Linda	\$1,583,193	\$583,255	36.8%
20	Tustin	\$1,034,400	\$372,160	36.0%
21	Garden Grove	\$941,164	\$327,517	34.8%
22	OCFA	\$13,689,125	\$4,759,104	34.8%
23	Orange	\$931,833	\$323,234	34.7%
24	Santa Ana	\$2,785,000	\$874,000	31.4%
25	San Juan Capistrano	\$113,595	\$33,801	29.8%
26	Cypress	\$462,249	\$117,249	25.4%
27	La Habra	\$556,000	\$137,000	24.6%
28	San Clemente	\$139,542	\$33,125	23.7%
29	Rancho Santa Margarita	\$48,968	\$4,750	9.7%
30	Laguna Woods	\$11,965	\$673	5.6%
31	Laguna Niguel	\$226,947	\$6,748	3.0%
32	Newport Beach	\$2,806,000	\$0	0.0%
	Totals	\$96,753,806	\$80,598,103	83.3%

Source: Annual Comprehensive Financial Reports for FY 2012-13 obtained from agency websites

The OCGJ also analyzed the data to determine how many agencies had set up a trust fund to help fund their retiree health care liability, as recommended by GASB Statement No. 45 (Governmental, 2004). The review disclosed that only 11 of the 32 agencies that had submitted data had started such a trust fund. These trust funds

convert the liability from unfunded to a funded category that reduces financial exposure and risk to the public.

As shown in Table 6, the combined AAL was less than 20% funded as of June 30, 2013. While some agencies contributed a significant amount in funding the health care obligations for retirees, some agencies did not contribute any money.

**Table 6: Contributions to Retiree Healthcare Trust Fund:
Accrued Actuarial Liability (AAL)**

	Cities/Agencies	Assets Contributed		Cities/Agencies	Assets Contributed
1	County of Orange	\$116,804,000	19	La Palma	0
2	Anaheim	\$67,747,000	20	Laguna Beach	0
3	OCFA	\$28,910,090	21	Laguna Woods	0
4	Huntington Beach	\$9,600,000	22	Laguna Niguel	0
5	Newport Beach	\$7,889,000	23	Los Alamitos	0
6	Fountain Valley	\$6,068,000	24	Orange	0
7	Mission Viejo	\$4,300,000	25	Placentia	0
8	Seal Beach	\$1,738,000	26	Rancho Santa Margarita	0
9	Stanton	\$585,000	27	San Clemente	0
10	Buena Park	\$500,000	28	San Juan Capistrano	0
11	Lake Forest	\$450,239	29	Santa Ana	0
12	Brea	0	30	Tustin	0
13	Costa Mesa	0	31	Westminster	0
14	Cypress	0	32	Yorba Linda	0
15	Fullerton	0			
16	Garden Grove	0		Total Contributed	\$244,591,329
17	Irvine	0		Total AAL	\$1,297,588,376
18	La Habra	0		Percent of AAL Contributed	18.85%

Source: Annual Comprehensive Financial Reports for FY 2012-13 obtained from agency websites

To assess the impact of the OPEB liability on the population of each agency the OCGJ conducted an analysis to determine how much each resident of an agency owed for that agency's unfunded liability. Table 6 displays the results.

As Table 7 shows, certain cities, such as Westminster, Fountain Valley and Placentia, carry a relatively high per resident liability. Other cities, like Lake Forest and Stanton carry a very low per resident liability. Unfunded liabilities have higher funding priority than other agency obligations and, in the event of a fiscal crisis, funding these unfunded liabilities will require that other agency budget items will have to be slashed.

Table 7: Funds Owed Per Resident for Retiree Healthcare

	City/Agencies	Population	Unfunded Accrued Liability(UAAL)	UAAL per Resident
1	Westminster	89,701	\$62,216,000	\$694
2	Fountain Valley	55,313	\$29,350,000	\$531
3	Placentia	50,533	\$23,732,646	\$470
4	Brea	39,282	\$18,197,000	\$463
5	Anaheim	336,265	\$133,361,000	\$397
6	Costa Mesa	109,960	\$36,429,075	\$331
7	Newport Beach	85,186	\$28,033,000	\$329
8	Yorba Linda	64,234	\$18,725,000	\$292
9	Fullerton	135,161	\$37,800,000	\$280
10	Los Alamitos	11,449	\$2,724,394	\$238
11	Seal Beach	24,168	\$5,164,000	\$214
12	County of Orange	3,010,232	\$411,835,000	\$137
13	Santa Ana	324,528	\$44,238,000	\$136
14	Tustin	75,540	\$9,800,000	\$130
15	La Palma	15,568	\$1,893,010	\$122
16	La Habra	60,239	\$5,879,000	\$98
17	Orange	136,416	\$11,873,809	\$87
18	Buena Park	80,530	\$7,000,000	\$87
19	Garden Grove	170,883	\$10,633,859	\$62
20	Laguna Beach	22,723	\$1,346,828	\$59
21	Huntington Beach	190,963	\$10,600,000	\$56
22	OCFA	3,010,232	127,713,124	\$42
23	Cypress	47,802	\$1,725,000	\$36
24	San Juan Capistrano	34,593	\$1,207,808	\$35
25	Mission Viejo	93,305	\$3,200,000	\$34
26	Irvine	212,375	\$5,407,000	\$25
27	San Clemente	63,522	\$1,432,716	\$23
28	Laguna Niguel	62,979	\$865,981	\$14
29	Laguna Woods	16,192	\$106,225	\$7
30	Rancho Santa Margarita	47,853	\$272,705	\$6
31	Stanton	38,186	\$186,000	\$5
32	Lake Forest	77,264	\$48,897	\$1

Source: Annual Comprehensive Financial Reports for FY 2012-13 obtained from agency websites

GASB 45 Requirement: Compare ARC to the Annual Payroll Cost

The next step in the data analysis was to determine whether the annual costs of retiree health benefits comprised a significant portion of each agency's annual covered payroll (ACP) costs. A comparison of each agency's ARC/ACP is depicted in Table 8.

Table 8: Annual Contributions as Percentage of Annual Payroll for FY12-13

	Agencies	Annual Required Contributions (ARC)	Annual Covered Payroll (ACP)	ARC as a % of ACP
1	Placentia	\$2,198,487	\$8,500,000	25.86%
2	Westminster	\$4,878,000	\$20,722,000	23.54%
3	Yorba Linda	\$1,748,362	\$7,619,000	22.95%
4	OCFA	\$14,307,307	\$75,432,000	18.97%
5	Garden Grove	\$925,657	\$6,528,958	14.18%
6	Fountain Valley	\$2,533,000	\$18,041,000	14.04%
7	Stanton	\$177,000	\$1,870,000	9.47%
8	Fullerton	\$3,860,848	\$45,200,000	8.54%
9	Mission Viejo	\$736,000	\$9,900,000	7.43%
10	Seal Beach	\$502,000	\$8,083,000	6.21%
11	Brea	\$1,443,000	\$24,983,000	5.78%
12	Costa Mesa	\$2,146,578	\$38,315,112	5.60%
13	Tustin	\$1,195,094	\$21,520,000	5.55%
14	Los Alamitos	\$243,447	\$4,400,809	5.53%
15	Anaheim	\$8,694,000	\$169,331,000	5.13%
16	Cypress	\$519,000	\$10,749,000	4.83%
17	Santa Ana	\$2,732,000	\$68,382,000	4.00%
18	Newport Beach	\$2,806,000	\$74,971,000	3.74%
19	La Habra	\$615,000	\$16,525,000	3.72%
20	County of Orange	\$42,713,000	\$1,273,636,000	3.35%
21	La Palma	\$159,370	\$4,788,525	3.33%
22	Rancho Santa Margarita	\$45,299	\$1,663,686	2.72%
23	Buena Park	\$563,749	\$21,600,000	2.61%
24	Huntington Beach	\$1,561,000	\$82,400,000	1.89%
25	Laguna Woods	\$14,924	\$790,122	1.89%
26	San Juan Capistrano	\$114,894	\$6,200,557	1.85%
27	Orange	\$989,285	\$55,933,448	1.77%
28	San Clemente	\$139,542	\$13,708,188	1.02%
29	Irvine	\$679,000	\$68,415,000	0.99%
30	Lake Forest	\$50,024	\$5,201,037	0.96%
31	Laguna Beach	\$153,301	\$20,159,361	0.76%
	Sub-Total	\$99,444,168	\$2,185,568,803	4.55%
	Laguna Niguel	\$242,811	No data avail	
	Total	\$99,686,979		

Source: Annual Comprehensive Financial Reports for FY 2012-13 obtained from agency websites: *Data on Laguna Niguel covered payroll not available from CAFR FY 12-13*

Table 8 reveals that some cities had OPEB annual costs that exceeded 20% of the annual payroll, while others, had costs that were less than 1% of their annual payroll. The median is approximately 5% of payroll costs. Agencies that significantly exceed the median have a greater risk of facing financial difficulties in an economic downturn. In the opinion of the OCGJ, it is in the best interest of the cities with high

ARC/ACP values to take steps to reduce their AAL, either by putting away funds (sinking fund) to meet these future expenses, or by renegotiating their future benefit payments with their employees/unions.

GASB 45 Requirement: Timely and Appropriate Recognition of Benefit

According to Generally Accepted Accounting Principles (GAAP), retiree health benefits earned by current employees for their future use should be recognized in the agency's compensation report in the period in which those benefits are earned. Compliance with this reporting requirement is important to both the agency and the public, because it results in a more accurate representation of actual agency compensation costs. The OCGJ analyzed the compensation reports completed by the reviewed agencies to determine whether the agencies that had accrued actuarial liability of their OPEB costs had also disclosed earned retiree health benefits on their compensation reports for current employees. The analysis showed that only one agency, Anaheim, properly discloses retiree health benefits as part of employee compensation.

Other Analysis on OPEB Financial Data

The OCGJ tried to determine why certain agencies had higher OPEB liabilities than others. To determine if high OPEB benefits are a byproduct of contractual agreements between agencies and safety employees, the OCGJ compared the OPEB liabilities of agencies that have the safety employees in-house versus where they are contracted. Safety employees are defined by the California Public Employees Retirement System (CalPERS) as those employees "who are involved in law enforcement, fire suppression, or who are employed in a position designated by law as "Local Safety." Typically these employees include law enforcement officers (e.g., police officers or deputy sheriffs), their supervisors (e.g., police sergeants), and management (e.g. police lieutenants, commanders, captains, and chiefs); or fire protection officers (e.g., firefighters), their supervisors and managers (e.g., fire captains, battalion chiefs, and fire chiefs).

An analysis of the data in Table 9 confirms that generally agencies that outsource their safety functions incur lower costs than agencies that have in-house safety departments. There are a few exceptions, such as the City of Laguna Beach that has both police and fire agencies in-house yet has only \$1.3 million in unfunded OPEB liabilities, and the City of Yorba Linda that has outsourced both safety services and yet has \$18.7 million in OPEB liabilities. However, in general, it appears that outsourcing does bring down OPEB costs for agencies, and that there are budgetary implications in changing from in-house versus outsourcing of safety functions.

Table 9: Unfunded Accrued Actuarial Liability (UAAL) for Safety Services

	City/Agencies	Safety-Police	Safety-Fire	UAAL
1	County of Orange	IN HOUSE	IN HOUSE	\$411,835,000
2	Anaheim	IN HOUSE	IN HOUSE	\$133,361,000
3	Orange County Fire Authority	IN HOUSE	IN HOUSE	\$127,713,094
4	Westminster	IN HOUSE	OUTSOURCE	\$62,216,000
5	Santa Ana	IN HOUSE	OUTSOURCE	\$44,238,000
6	Fullerton	IN HOUSE	IN HOUSE	\$37,800,000
7	Costa Mesa	IN HOUSE	IN HOUSE	\$36,429,075
8	Fountain Valley	IN HOUSE	IN HOUSE	\$29,350,000
9	Newport Beach	IN HOUSE	IN HOUSE	\$28,033,000
10	Placentia	IN HOUSE	OUTSOURCE	\$23,732,646
11	Yorba Linda	OUTSOURCE	OUTSOURCE	\$18,725,000
12	Brea	IN HOUSE	IN HOUSE	\$18,197,000
13	Orange	IN HOUSE	IN HOUSE	\$11,873,809
14	Garden Grove	IN HOUSE	IN HOUSE	\$10,633,859
15	Huntington Beach	IN HOUSE	IN HOUSE	\$10,600,000
16	Tustin	IN HOUSE	OUTSOURCE	\$9,800,000
17	Buena Park	IN HOUSE	OUTSOURCE	\$7,000,000
18	La Habra	IN HOUSE	OUTSOURCE	\$5,879,000
19	Irvine	IN HOUSE	OUTSOURCE	\$5,407,000
20	Seal Beach	IN HOUSE	OUTSOURCE	\$5,164,000
21	Mission Viejo	OUTSOURCE	OUTSOURCE	\$3,200,000
22	Los Alamitos	IN HOUSE	OUTSOURCE	\$2,724,394
23	La Palma	IN HOUSE	OUTSOURCE	\$1,893,010
24	Cypress	IN HOUSE	OUTSOURCE	\$1,725,000
25	San Clemente	OUTSOURCE	OUTSOURCE	\$1,432,716
26	Laguna Beach	IN HOUSE	IN HOUSE	\$1,346,828
27	San Juan Capistrano	OUTSOURCE	OUTSOURCE	\$1,207,808
28	Laguna Woods	OUTSOURCE	OUTSOURCE	\$865,981
29	Rancho Santa Margarita	OUTSOURCE	OUTSOURCE	\$272,705
30	Stanton	OUTSOURCE	OUTSOURCE	\$186,000
31	Laguna Niguel	OUTSOURCE	OUTSOURCE	\$106,225
32	Lake Forest	OUTSOURCE	OUTSOURCE	\$48,897
	Total UAAL			\$1,052,997,047

Source: Annual Comprehensive Financial Reports for FY 2012-13 obtained from agency websites

FINDINGS

In accordance with California Penal Code Sections 933 and 933.05, the 2014-2015 Grand Jury requires (or, as noted, requests) responses from each agency affected by the findings presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation titled “Unfunded Retiree Health Care Obligations-A Problem for Public Agencies?,” Orange County, the 2014-2015 Orange County Grand Jury has arrived at five principal findings, as follows:

- F.1.** Aliso Viejo, Dana Point, Laguna Hills, and Villa Park were not in compliance with GASB Statement No. 45 regarding the authorization of a study to determine other post-employment benefit liabilities. Aliso Viejo, Dana Point, Laguna Hills, Laguna Woods, and Villa Park were not in compliance with the disclosure of post-employment benefits in the Notes Section of their Comprehensive Annual Financial Report for the FY2012-13
- F.2.** Twenty one out of the 32 agencies that provided June 30, 2013, data to the Grand Jury had not put aside funds in an irrevocable trust to help pay for the accrued actuarial liability of retiree healthcare costs in the future. This is an imprudent level of contribution.
- F.3.** Anaheim, Buena Park, County of Orange, Huntington Beach, Lake Forest, and Stanton were in compliance with the requirement to contribute a full 100% or more of their Annual Required Contribution in the FY 2012-13. The remaining 26 agencies were not in compliance.
- F.4.** All agencies surveyed (except Anaheim) do not disclose retiree health benefits as part of employee compensation per GAAP standards.

RECOMMENDATIONS

In accordance with California Penal Code sections 933 and 933.05, the 2014-2015 Grand Jury requires (or, as noted, requests) responses from each agency affected by the recommendations presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation titled “Unfunded Retiree Health Care Obligations-A Problem for Public Agencies?,” the 2014-2015 Orange County Grand Jury makes the following four recommendations:

- R.1.** The cities of Aliso Viejo, Dana Point, Laguna Hills, Villa Park, and Laguna Woods should measure and disclose their liability in accordance with Governmental Accounting Standards Board Statement No. 45. (F.1.)
- R.2.** The 21 agencies that have not contributed into an irrevocable trust fund to finance their retiree health obligations should begin to put aside monies to fund this obligation and reduce their unfunded public liabilities (F.2.)

- R.3.** The 26 agencies that are not recognizing the full amount of their Annual Required Contribution as expense in the current period and should comply with the requirement to do so. (F.3.)
- R.4.** All agencies surveyed should recognize retiree health care benefits in employee compensation in conformity with GAAP. (F.4.)

REQUIRED RESPONSES

The California Penal Code section 933 requires the governing body of any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the governing body. Such comment shall be made no later than 90 days after the Grand Jury publishes its report (filed with the Clerk of the Court). Additionally, in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such elected official shall comment on the findings and recommendations pertaining to the matters under that elected official's control within 60 days to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code section 933.05, subdivisions (a), (b), and (c), provides as follows, the manner in which such comment(s) are to be made:

(a) As to each Grand Jury finding, the responding person or entity shall indicate one of the following:

(1) The respondent agrees with the finding

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

(b) As to each Grand Jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.

Unfunded Retiree Health Care Obligations-A Problem for Public Agencies?

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.

(c) If a finding or recommendation of the Grand Jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the Grand Jury, but the response of the Board of Supervisors shall address only those budgetary /or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with Penal Code section 933.05 are required from Orange County, the Orange County Fire Authority, and the Mayors of the cities as denoted in the following Response Matrix:

RESPONSE MATRIX									
	Findings					Recommendations			
	F1	F2	F3	F4		R1	R2	R3	R4
1 Aliso Viejo	x					x			
2 Anaheim									
3 Brea		x	x	x			x	x	x
4 Buena Park				x					x
5 Costa Mesa		x	x	x			x	x	x
6 County of Orange (BOS)				x					x
7 Cypress		x	x	x			x	x	x
8 Dana Point	x					x			
9 Fountain Valley			x	x				x	x
10 Fullerton		x	x	x			x	x	x
11 Garden Grove		x	x	x			x	x	x
12 Huntington Beach				x					x
13 Irvine		x	x	x			x	x	x
14 La Habra		x	x	x			x	x	x
15 La Palma		x	x	x			x	x	x
16 Laguna Beach		x	x	x			x	x	x
17 Laguna Hills	x					x			
18 Laguna Niguel		x	x	x			x	x	x
19 Laguna Woods	x	x	x	x		x	x	x	x

Unfunded Retiree Health Care Obligations-A Problem for Public Agencies?

RESPONSE MATRIX									
		Findings				Recommendations			
		F1	F2	F3	F4	R1	R2	R3	R4
20	Lake Forest				X				X
21	Los Alamitos		X	X	X		X	X	X
22	Mission Viejo			X	X			X	X
23	Newport Beach			X	X			X	X
24	Orange		X	X	X		X	X	X
25	Orange County Fire Authority			X	X			X	X
26	Placentia		X	X	X		X	X	X
27	Rancho Santa Margarita		X	X	X		X	X	X
28	San Clemente		X	X	X		X	X	X
29	San Juan Capistrano		X	X	X		X	X	X
30	Santa Ana		X	X	X		X	X	X
31	Seal Beach			X	X			X	X
32	Stanton				X				X
33	Tustin		X	X	X		X	X	X
34	Villa Park	X				X			
35	Westminster		X	X	X		X	X	X
36	Yorba Linda		X	X	X		X	X	X

REFERENCES

California Debt and Investment Advisory Commission. OPEBs & GASB 45, A Question and Answer Guide CDIAAC # 06-09(2009)

Comprehensive Annual Financial Reports for FY 2012-13, as retrieved from the following city/agency web sites:

Aliso Viejo
Anaheim
Brea
Buena Park
Costa Mesa
Cypress
Dana Point
Fountain Valley
Fullerton
Garden Grove
Huntington Beach
Irvine
Laguna Beach
Laguna Hills
Laguna Niguel
Laguna Woods
La Habra
Lake Forest
La Palma
Los Alamitos
Mission Viejo
Newport Beach
Orange
Placentia
Rancho Santa Margarita
San Clemente
San Juan Capistrano
Santa Ana
Seal Beach
Stanton
Tustin
Villa Park
Westminster
Yorba Linda
County of Orange
Orange County Fire Authority

Governmental Accounting Standards Board GASB (2004). Summary of Statement No.45, as retrieved from :
http://www.gasb.org/jsp/GASB/Pronouncement_C/GASBSummaryPage&cid=1176156700943

Governmental Accounting Standards Board (GASB)(2004). GASB Statement 45 on OPEB accounting by governments, A few basic questions and answers as retrieved from:
http://www.gasb.org/project_pages/gasb_st45_basic_q&a.pdf

Legislative Analyst Office. Consider phasing out retiree health care. (2015): as retrieved from: <http://calpensions.com/2015/03/23/lao-consider-phasing-out-retiree-health-care>.

New Reports Detail Pension Fund Finances(2015) as retrieved from:
<https://www.calpers.ca.gov/index.jsp?bc=/about/newsroom/news/new-report-fund-finances.xml>

Torres, Zahira (2015, March 7). Health benefits are a promise school districts find hard to keep. Los Angeles Times.

APPENDIX: GLOSSARY OF TERMS

Governmental Accounting Standards Board (GASB): GASB is the source of generally accepted accounting principles (GAAP) used by state and local governments in the United States. As with most of the entities involved in creating GAAP in the United States, it is a private, non-governmental organization.

The GASB is subject to oversight by the Financial Accounting Foundation (FAF), which selects the members of the GASB and the Financial Accounting Standards Board and funds both organizations.

The mission of the GASB is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports.

The GASB has issued Statements, Interpretations, Technical Bulletins, and Concept Statements, defining GAAP for state and local governments since 1984. GAAP for the Federal government is defined by the Federal Accounting Standards Advisory Board.

Other Post-Employment Benefits (OPEB): are part of total compensation offered by employers to attract and retain employees. OPEB includes postemployment health care, as well as other postemployment benefits e.g. life insurance when provided separately from a Pension Plan.

The applicable GASB statements are:

- Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*
- Statement No. 26, *Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Pension Plans*
- Statement No. 43, *Financial Reporting for Post-employment Benefit Plans, Other Than Pension Plans*
- Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits, Other Than Pensions*

GASB pronouncements apply to governmental entities, public benefit entities, public employee retirement systems, and public utilities, hospitals and other healthcare providers, and colleges and universities.

Unfunded Accrued Actuarial Liability (UAAL) is the amount of retirement benefits that are owed to employees in future years that exceed current assets and their projected growth.

Annual Required Contribution (ARC) is the employer's required contributions for the year, calculated in accordance with certain parameters and includes (a) the normal cost

Unfunded Retiree Health Care Obligations-A Problem for Public Agencies?

for the year and (b) a component for amortization of total unfunded actuarial accrued liabilities(or funding excess) of the plan over a period not to exceed thirty years.

Grand Jury Response: “Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?”

September 24, 2015

The Honorable Glenda Sanders
Presiding Judge
Orange County Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Your Honor,

The Orange County Fire Authority (OCFA) Board of Directors reviewed the 2014/15 Grand Jury report, “*Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?*” during its public meeting held on September 24, 2015. The Board has reviewed and authorized this formal response from our agency.

We appreciate the time and effort the Grand Jury has dedicated to the citizens of Orange County in the pursuit of fair and transparent governance. The enclosed responses describe the OCFA’s compliance with the Grand Jury’s recommendations.

If I may be of service in the clarification of this response, please feel free to contact me at jeffbowman@ocfa.org or (714) 573-6010.

Sincerely,

Jeff Bowman
Fire Chief

Grand Jury Response: “Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?”

Reserved for Board Recommendation/Action

Grand Jury Response: “Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?”

Summary

The Orange County Grand Jury released a report entitled, “*Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?*” on June 29, 2015. The report addresses concerns with (1) quantifying the full extent of the financial liability for retiree health benefits facing the County’s 34 cities, the County, and the OCFA, (2) determining how much is owed in total by these 36 agencies, (3) identifying how much each agency has to contribute each year to meet its obligation to pay for the benefit, (4) to see how many public agencies are complying with the requirements and recommendations put forward by the Governmental Accounting Standards Board (GASB) in Statement No. 45, and (5) the provision of quantitative information regarding each public entity’s progress in addressing the important issue of unfunded liability.

The OCFA agrees with the need to understand the full extent of liability associated with retiree health benefits. One of the key components of fiscal responsibility is prudent management of long-term liabilities. For this very reason, the OCFA has been providing annual Liability Studies to its Board of Directors since 2012, focusing on all OCFA liabilities including retiree health benefits. By performing these reviews annually, not only do we provide transparency to the public through an accurate assessment of the OCFA’s *total* long-term obligations, but we also remain proactive in identifying strategies to reduce and/or fund the liabilities. These annual Liability Studies are presented to the Board of Directors at public meetings and remain available on the OCFA’s website.

<http://www.ocfa.org/Transparency>

Overview of Retiree Healthcare at OCFA

The OCFA administers two separate plans for retiree healthcare.

- 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. The Plan’s assets are held in an irrevocable trust for the exclusive benefit of plan participants. Active employees hired prior to January 1, 2007, are required to contribute 4% of their gross pay toward the plan. This plan is referred to as the “Retiree Medical Plan,” which is addressed in the OCFA’s Comprehensive Annual Financial Report (CAFR) and the Grand Jury Report.
- Employees hired after January 1, 2007, are in a *defined contribution plan* that provides for retiree health savings accounts for each participant. Employees are required to contribute 4% of their gross pay, with the contributions invested as directed by each participant. All contributions, investment income, realized gains and losses are credited to each individual participant’s account. Upon retirement, the participant receives reimbursement for medical, dental and other healthcare expenses from their individual accounts. Under this plan structure, there is no liability to OCFA.

The OCFA’s post-2007 defined contribution plan was created specifically to address retiree healthcare liabilities. Since the defined contribution plan imposes no liability on the OCFA, we were able to ensure that OCFA’s retiree healthcare liability will not grow perpetually into the future.

Grand Jury Response: “Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?”

Response to Findings and Recommendations

Finding 3. Anaheim, Buena Park, County of Orange, Huntington Beach, Lake Forest, and Stanton were in compliance with the requirement to contribute a full 100% or more of their Annual Required Contribution in the FY 2012-13. The remaining 26 agencies were not in compliance.

The OCFA disagrees wholly with this finding because GASB Statement No. 45 does not require agencies to fund their Annual Required Contribution (ARC). GASB dictates reporting of the liability, using the actuary’s calculation of ARC, but GASB does not dictate funding.

The Government Accounting Standards Board (GASB) Statement No. 45 requires government agencies to have an actuarial valuation performed every two years to determine (among other things) the Annual Required Contribution (ARC) for uniform financial reporting of other post-employment benefits (OPEB). The ARC is then required to be recorded as an expense in the financial statements, and any portion of the expense which is not funded by contributions must be recorded as a net OPEB obligation (liability). However, GASB does not require government agencies to contribute 100% of the ARC. GASB compliance is based on financial reporting rather than funding contribution levels. OCFA has complied with all GASB requirements, as confirmed by the annual independent financial audit.

Finding 4: All agencies surveyed (except Anaheim) do not disclose retiree health benefits as part of employee compensation per GAAP (Generally Accepted Accounting Principles) standards.

The OCFA disagrees wholly with this finding because OCFA does correctly disclose amounts earned for retiree health benefits as part of employee compensation.

As described above in the section titled **Overview of Retiree Healthcare at OCFA**, these benefits are funded by mandatory employee contributions at 4% of gross pay for all active employees. At the outset of these benefit programs and funding mechanisms, OCFA provided salary increases combined with simultaneous-mandatory employee deductions for retiree healthcare. The 4% salary is part of the employees’ gross pay, which is reported as employee compensation each year. This 4% earning is then deducted from employee pay and deposited to the applicable retiree healthcare trust fund (either the pre-2007 Plan or the post-2007 Plan).

Recommendation 3. The 26 agencies that are not recognizing the full amount of their Annual Required Contribution as expense in the current period and should comply with the requirement to do so (F.3).

The recommendation has been implemented.

OCFA has correctly recognized the full ARC as an expense in the current period every year since GASB Statement No. 45 became effective. See the description of the GASB requirements provided under Finding 3.

Grand Jury Response: “Unfunded Retiree Healthcare Obligations – A Problem for Public Agencies?”

Recommendation 4. All agencies surveyed should recognize retiree health care benefits in employee compensation in conformity with GAAP (F.4).

The recommendation has been implemented.

OCFA has correctly included the 4% salary earnings/deductions, which are dedicated to funding the healthcare benefit, as part of employee compensation each year. See additional details provided under Finding 4.



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
September 24, 2015

Agenda Item No. 5A
Discussion Calendar

**OCFA Foundation Fundraising Efforts
& PulsePoint Project Request**

Contact(s) for Further Information

Doug Davert, Chair OCFA Foundation	OCFAFoundation@ocfa.org	714.573.6040
Jim Ruane, Chief Financial Officer OCFA Foundation	jimruane@ocfa.org	714.573.6304
Tammie Pickens, General Accounting Manager Business Services Department	tammiepickens@ocfa.org	714.573.6320

Summary

This item is to provide the Board with an update of the OCFA Foundation fundraising activities and sponsored events, and to request supplemental funding for the PulsePoint project.

Prior Board/Committee Action(s)

Not Applicable.

RECOMMENDED ACTION(S)

1. Authorize OCFA support of the PulsePoint project by approving \$10,000 in funding to supplement the \$28,000 project budget previously funded through the OCFA Foundation.
2. Increase FY 2015/16 General Fund appropriations by \$10,000 to fund OCFA's contribution to the PulsePoint project.
3. Direct staff to report back to the Board of Directors in six months with a project update and to obtain authorization for any future contract renewals that may be recommended.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Should the PulsePoint software license be transferred to OCFA, the General Fund budget may require an additional \$28,000 beginning FY 2016/17, for each year the OCFA continues to use PulsePoint. Alternatively, should OCFA gain future grant funding for renewals, then the General Fund expenditure would be offset with a corresponding revenue increase.

Background

See attached extended background.

Attachment(s)

See attached extended background.

Background

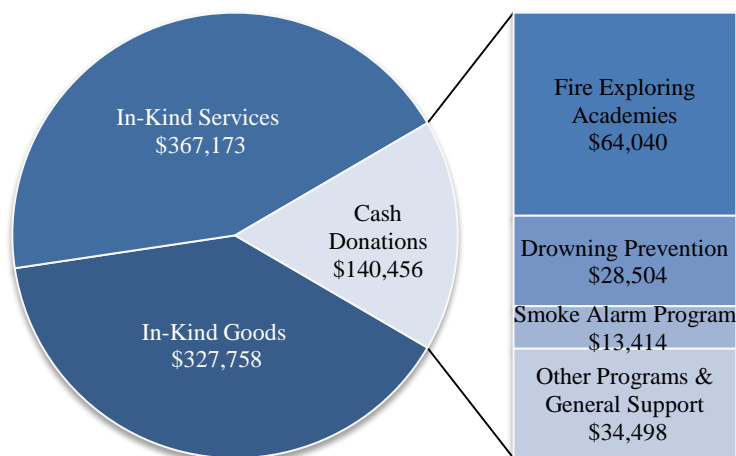
The OCFA Foundation (“Foundation”) was established by the OCFA Board of Directors in July 2010, and qualifies as a nonprofit corporation under Section 501(c)-(3) of the Internal Revenue Code. The purpose of the Foundation is to support the OCFA with the additional resources needed to provide an enhanced level of fire prevention, suppression, and emergency medical services to the citizens of Orange County. The Foundation assists the OCFA by conducting fundraising activities and securing non-government grant funds, services, materials, and contributions that support OCFA’s mission. The OCFA provided \$50,000 from the General Fund as startup funding for the Foundation. The Foundation’s Board of Directors currently consists of five members, all of whom have served as OCFA Board Chair.

Summary of Foundation Accomplishments to Date

Since Fiscal Year 2010/11, the Foundation has received over \$140,000 in cash donations and nearly \$700,000 of contributed goods and professional services (“in-kind donations”). Donations are currently used to support three primary initiatives: (1) activities that educate the community on the importance of reducing risks in order to help protect their families and save lives; (2) activities that provide or enhance the education and training needs of OCFA; (3) and the September 11th Memorial project. Some highlights of the program accomplishments over the last five years include:

- The Foundation has raised \$64,040 to support the annual Fire Explorer Academies from 2013 through 2015. In addition, professional firefighters have donated 6,947 cumulative hours of their time (\$350,000 of in-kind services) to provide instruction and oversight throughout the academy. These one-week academies provide teenagers and young adults the opportunity to further their education and skills in pursuit of a fire service career. The most recent Academy (No. 17) held in July 2015 had 42 participants, including 10 who received \$2,800 in scholarships that were funded by donations through the Foundation.
- Kidde has donated 13,750 smoke alarms and nearly 2,000 carbon monoxide alarms to the Foundation since 2013 (\$325,000 of in-kind goods). Volunteers have installed these alarms directly in the homes of OCFA’s citizens, most recently through community outreach events held in San Juan Capistrano, Tustin, and Westminster. These events have been a success thanks to the collaborative efforts of Kidde, the Foundation, OCFA staff, members of Local 3631, the Orange County Sheriff’s Department, the American Red Cross, and other faith-based and community groups.
- Since 2013, the Foundation has been the recipient of five “heritage grants” from the Fireman’s Fund totaling over \$40,000 to support drowning prevention, the Fire FRIENDS (Firesetter Regional Intervention Education Network and Delivery System) program, and a community emergency response program. During OCFA’s Summer 2015 drowning prevention campaign, the Foundation used these grant funds to provide public service announcements in area theaters, as well as swim lessons to more than 200 children and adults in the Santa Ana community. The Foundation is also in the process of purchasing 10 I-pads that will aid staff in tracking community education programs and measuring their results.

OCFA Foundation Donations Received to Date



Current Projects

In addition to seeking additional smoke alarms, seeking grants for drowning prevention and fundraising for the upcoming Fire Explorer academy, the Foundation recently applied for and received a \$28,000 grant from Hoag Memorial Hospital Presbyterian Community Benefits program (HOAG) to purchase PulsePoint. PulsePoint is a pre-arrival software solution designed to support public safety agencies working to improve cardiac arrest survival rates through improved bystander performance and active citizenship. PulsePoint empowers everyday citizens to provide life-saving (CPR) assistance to victims of sudden cardiac arrest.

PulsePoint users who have indicated they are trained in cardiopulmonary resuscitation (CPR) and willing to assist in case of an emergency can now be notified if someone nearby is having a cardiac emergency and may require CPR. If the cardiac emergency is in a public place, the location-aware application (PulsePoint will be integrated with the OCFA CAD systems) will alert trained citizens in the vicinity of the need for bystander CPR simultaneous with the dispatch of advanced medical care. The application also directs these citizen rescuers to the exact location of the closest publicly accessible Automated External Defibrillator (AED). The total year one implementation cost is anticipated to be \$38,000.

In addition to notifying CPR trained citizens of a cardiac incident requiring CPR, PulsePoint offers the following additional benefits:

- Improve public awareness of fire department activities for fire, medical, and rescue calls. Incidents can be filtered by geographic area and configured for individual notifications. Incidents involving law enforcement or sensitive incidents in nature are automatically suppressed in the application.
- The application can be used by OCFA stakeholders to monitor activity while remaining HIPAA compliant.
- Join over 1,100 communities across 22 states in increasing cardiac arrest survival rates by enlisting the help of citizen responders.
 - To date, over 10,000 citizen responders have been activated to more than 3,500 cardiac arrest incidents.
- Assist citizens in locating publicly accessible Automatic External Defibrillators (AED's).

At its July 15, 2015, meeting, the Foundation approved the following staff recommendations:

- Authorize the CEO, or his designee, to accept the \$28,000 grant from HOAG.
- Approve the purchase of PulsePoint.
- Authorize the Foundation Chair to request \$10,000 in funding from OCFA to supplement the project budget for the one-time installment costs of approximately \$10,000.
- Direct Foundation staff to transfer (upon approval from OCFA) the PulsePoint software application license to OCFA 30 days after it becomes operational.
 - The estimated annual license renewal cost is \$28,000 and will be requested as part of the 2016/17 budget process. In addition, future grant funding will be pursued to continue offsetting the costs for the annual license.

PulsePoint is anticipated to go live by December 2015, and staff will report back to the Board with a six month update.



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
September 24, 2015

Agenda Item No. 5B
Discussion Calendar

Start-Up Funds/Orange County Task Force on Drowning Prevention

Contact(s) for Further Information

Sandy Cooney, Director Communications and Public Affairs	sandycooney@ocfa.org	714.573.6801
Jim Ruane, Chief Financial Officer OCFA Foundation	jimruane@ocfa.org	714.573.6304

Summary

This agenda item is submitted to request an appropriation not to exceed \$25,000 for start-up costs (including focus groups and market research) for the Orange County Task Force on Drowning Prevention

Prior Board/Committee Action – Committee Recommendation: *APPROVE*

At its August 12, 2015, meeting, the Budget and Finance Committee continued the item to its next meeting and directed staff to provide additional information regarding the Task Force's intended use of the start-up funds.

At its regular September 9, 2015, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

RECOMMENDED ACTION(S)

1. Increase appropriations in the FY 2015/16 General Fund budget not to exceed \$25,000 for seed funding for the Orange County Drowning Prevention Task Force.
2. Direct staff, in collaboration with county agencies, to develop a plan for use of the funds for start-up expenses, to include market research and focus groups.
3. The release of this seed funding is contingent upon the commitment of contributions by other agencies.

Impact to Cities/County

None.

Fiscal Impact

Appropriations in the FY 2015/16 General Fund budget will be increased by an amount not to exceed \$25,000.

Background

The Orange County Drowning Prevention Task Force leadership has met since the August 12, 2015, Budget and Finance Committee meeting. Recently, the Committee received a report on its facilitated task force meeting of August 3, 2015, reviewed a draft goals and objectives framework, and evaluated a quote for expected costs to facilitate focus groups recommended by the Task Force.

The initial quote for the focus groups is \$116,000. This is an estimate of costs; a contract will go out to bid at the appropriate time. The quote includes costs for focus groups representing the top five population groups within Orange County: English, Spanish, Vietnamese, Korean, and Chinese. The quote also includes three demographic groups within each population. It still is undetermined to what extent other Orange County agencies will contribute to these costs.

Notably, the cost to implement public awareness is minimal by comparison as an average cost to treat a permanently injured drowning patient is estimated to be \$52,429 per year, according to the National Institutes of Health, May 2012.

An evaluation of the focus group results and market research will be performed through in-kind services utilizing graduate students from a local university. This will reduce costs and involve an academic institution in partnership with the Task Force.

A working group comprised of staff from the Orange County Health Care Agency, the Orange County Sheriff's Department, Newport Beach Lifeguards, City of Tustin, Blue Buoy Swim School, the Jasper Ray Foundation, and the OCFA has also met to begin development and implementation of the goals and objectives framework.

The proposed project to create a countywide integrated media campaign has a delivery date of spring 2016. In order to complete the proposed work schedule and meet the established deadlines, funds should be appropriated this month.

The Orange County Task Force on Drowning Prevention was created by OCFA leadership, with support from the OCFA Executive Committee, to identify and implement countywide methods and strategies to reduce drowning incidents and fatalities. The twenty-four member panel includes representatives of public health, public safety, local government, non-profit organizations, parents of drowning victims, and Olympic medal-winning swimmers.

The group is currently exploring ways to increase public awareness of drowning prevention that include: community and media outreach, consistent messaging in materials, and a unified approach on all countywide drowning prevention efforts. Establishing multiple demographic focus groups and market research has been identified as a first step. This funding supports that process.

Attachment(s)

None.



Orange County Fire Authority
AGENDA STAFF REPORT

Board of Directors Meeting
September 24, 2015

Agenda Item No. 5C
Discussion Calendar

Amendment to Employment Agreement with Fire Chief Jeff Bowman

Contact(s) for Further Information

Jeremy Hammond, Director
Human Resources Department

jeremyhammond@ocfa.org

714.573.6018

Summary

This item is submitted to request approval of an amendment to the employment agreement with Fire Chief Jeff Bowman.

Prior Board/Committee Action

At its August 27, 2015, meeting, the Board of Directors reviewed the performance of the Fire Chief.

RECOMMENDED ACTION(S)

Approve an amendment to the employment agreement with Fire Chief Jeff Bowman.

Impact to Cities/County

Not Applicable.

Fiscal Impact

To be discussed following closed session.

Background

On August 27, 2015, the Board of Directors met in closed session to deliver the performance evaluation for Fire Chief Jeff Bowman. In closed session on September 24, 2015, the Board's designated labor negotiators will discuss the proposed agreement revisions with the Board of Directors. In the event the Fire Chief agrees with the proposed revisions to the agreement, it will be presented to the full Board for discussion, consideration, and approval in open session.

This agenda item is submitted as a contingency, to ensure an opportunity for discussion and approval of the contract, if needed.

Attachment(s)

Fire Chief Employment Agreement, Revised – To be distributed following closed session