



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, April 8, 2015

12:00 Noon

Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Jerry McCloskey, Chair
Elizabeth Swift, Vice Chair
Gerard Goedhart Gene Hernandez Al Murray
Todd Spitzer Tri Ta
Bruce Channing - Ex Officio

This Agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action or discussion shall be taken on any item not appearing on the following Agenda. Unless legally privileged, all supporting documents, including staff reports, and any writings or documents provided to a majority of the Budget and Finance Committee after the posting of this agenda are available for review at the Orange County Fire Authority Regional Fire Operations & Training Center, 1 Fire Authority Road, Irvine, CA 92602 or you may contact 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 Budget and Finance Committee, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority. Speaker Forms are available on the counter noted in the meeting 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. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Hernandez

ROLL CALL

1. PRESENTATIONS

No items.

PUBLIC COMMENTS

Any member of the public may address the Committee on items within the Committee'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 Committee as a whole, and do not engage in dialogue with individual Committee Members, Authority staff, or members of the audience.

2. MINUTES**A. Minutes for the March 11, 2015, Budget and Finance Committee Meeting**

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT CALENDAR**A. Quarterly Status Update Orange County Employees' Retirement System**

Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:

Receive and file the report.

4. DISCUSSION CALENDAR**A. Monthly Investment Reports**

Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of April 16, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Credit Card Service Fee Policy

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of April 23, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors adopt the proposed Credit Card Service Fee Policy.

C. Organizational Development and Training (ODT) Manager Position

Submitted by: Brian Young, Assistant Chief/Organizational Planning Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of April 23, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Approve and authorize staff to unfreeze and fund the ODT Manager position for the remainder of FY 2014/15.
2. Authorize a budget adjustment in Fund 121 in the amount of \$53,685 to fund the position for the remainder of FY 2014/15.

REPORTS

No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, May 13, 2015, at 12:00 noon.

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 and front gate public display case of the Orange County Fire Authority, Regional Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 2nd day of April 2015.

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

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, April 16, 2015, 5:30 p.m.
Executive Committee Meeting	Thursday, April 16, 2015, 6:00 p.m.
Board of Directors Special Meeting	Thursday, April 23, 2015, 5:30 p.m.
Human Resources Committee Meeting	Tuesday, May 5, 2015, 12:00 noon



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
April 8, 2015

Agenda Item No. 1
Presentations

There are no presentations scheduled for this agenda.

MINUTES ORANGE COUNTY FIRE AUTHORITY

**Budget and Finance Committee Meeting
Wednesday, March 11, 2015
12:00 Noon**

**Regional Fire Operations and Training Center
Room AE117
1 Fire Authority Road
Irvine, CA 92602**

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on March 11, 2015, at 12:01 p.m. by Chair McCloskey.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present:

Eugene Hernandez, Yorba Linda
Jerry McCloskey, Laguna Niguel
Al Murray, Tustin
Elizabeth Swift, Buena Park
Tri Ta, Westminster

Absent:

Gerard Goedhart, La Palma
Todd Spitzer, County of Orange

Also present were:

Fire Chief Jeff Bowman
Assistant Chief Lori Smith
Assistant Chief Brian Young
Communications Director Sandy Cooney
Clerk of the Authority Sherry Wentz
Ex Officio Bruce Channing

Assistant Chief Mike Schroeder
Assistant Chief David Thomas
Assistant Chief Lori Zeller
Human Resources Director Jeremy Hammond
General Counsel David Kendig

ELECTION OF VICE CHAIR (F: 12:02B1)

On motion of Director Hernandez and second by Chair McCloskey, the Committee voted to appoint Elizabeth Swift as Vice Chair of the Budget and Finance Committee to complete former Director Allevato's unexpired term. Director Murray was absent for the vote.

COMMITTEE MEMBER ORIENTATION

Chair McCloskey stated the orientation would be deferred to the next scheduled meeting when all new members of the Budget and Finance Committee were present.

PUBLIC COMMENTS

Chair McCloskey opened the Public Comments portion of the meeting. Chair McCloskey closed the Public Comments portion of the meeting without any public comments.

2. MINUTES

A. Minutes for the February 11, 2015, Budget and Finance Committee Meeting (F: 12.02B2)

On motion of Vice Chair Swift and second by Director Hernandez, the Committee voted to approve the Minutes of the February 11, 2015, Budget and Finance Committee Meeting, as submitted. Director Murray was absent for the vote. Director Ta was recorded as an abstention, due to his absence from the meeting.

3. CONSENT CALENDAR

A. FY 2014-15 Mid-Year Budget Adjustment (F: 15.04 14/15)

On motion of Director Hernandez and second by Director Ta, the Committee voted to direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the proposed mid-year budget adjustments. Director Murray was absent for the vote.

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

On motion of Director Hernandez and second by Director Ta, the Committee voted to direct staff to place the item on the agenda for the Board of Directors meeting of March 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the following.

1. Adopt the proposed Resolutions authorizing the Fire Chief, or his designee, to execute the Agreement to Transfer Property or Funds for 2014 Homeland Security Grant Program Purposes.
 2. Increase revenue and appropriations in the FY 2014/15 General Fund by \$160,000 for the Fire Captain position at the Orange County Intelligence Assessment Center.
- Director Murray was absent for the vote.

C. Financial Audit Services Contract Renewal (F: 15.02A)

On motion of Director Hernandez and second by Director Ta, the Committee voted to direct staff to place the item on the agenda for the Executive Committee meeting of March 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee approve and authorize the Purchasing Manager to renew the Blanket Order with Lance, Soll & Lunghard, LLP for two additional years in the aggregate amount of \$141,844. Director Murray was absent for the vote.

4. DISCUSSION CALENDAR

A. Monthly Investment Reports (F: 11.10D2)

Director Murray arrived at this point. (12:05 p.m.)

Treasurer Patricia Jakubiak provided an overview of the Monthly Investment Reports.

On motion of Vice Chair Swift and second by Director Murray, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of March 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Updated Broker/Dealer List (F: 11.10D4)

Treasurer Patricia Jakubiak provided a report on the Updated Broker/Dealer List.

On motion of Director Murray and second by Director Ta, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee Meeting of March 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee approve the proposed Broker/Dealer List to include the following three firms:

- FTN Financial
- Raymond James
- UBS Financial Services

C. Organizational Development and Training (ODT) Manager Position (F: 17.12)

Assistant Chief Brian Young pulled this item from the Discussion Calendar to defer it to a future Budget and Finance Committee meeting.

COMMITTEE MEMBER COMMENTS

Director Murray acknowledged former Director Allevato for his service on the Budget and Finance Committee.

Director Ta thanked Board Chair Murray for his appointment to the Committee and commended Treasurer Patricia Jakubiak for her reports on the Monthly Investment Reports and Updated Broker/Dealer List.

ADJOURNMENT – Chair McCloskey adjourned the meeting at 12:29 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, April 8, 2015, at 12:00 noon.

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



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
April 8, 2015

Agenda Item No. 3A
Consent Calendar

Quarterly Status Update
Orange County Employees' Retirement System

Contact(s) for Further Information

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Tricia Jakubiak, Treasurer
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Summary

This agenda item is a routine quarterly transmittal to the Committee to provide a report on actions taken by the Orange County Employees' Retirement System's (OCERS) to improve its financial policies, procedures, and business practices.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Receive and file the report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Actions Taken/Financial Policies & Practices January –March 2015:

OCERS BOARD OF RETIREMENT MEETING January 20, 2015:

OCERS PORTFOLIO ACTIVITY REPORT

OCERS Chief Investment Officer (CIO), Girard Miller, reported that OCERS portfolio returned 4.93% in calendar year 2014, below the assumed earnings rate of 7.25%. Mr. Miller indicated that the drag of OCERS investments in real return assets, a type of insurance against future inflation, detracted from the assumed earnings.

OCERS INVESTMENT COMMITTEE MEETING January 27, 2015:

ENERGY MARKETS DISLOCATION OPPORTUNITIES INVESTMENT – DIRECT LENDING MANAGERS

OCERS issued a Request for Proposals for Energy Markets dislocation opportunities in December, with a January 16 deadline. The Tennenbaum fund will focus on direct lending to firms operating in the energy or energy-related industries with a strong focus on senior secured loans and senior debt. Direct Lending is a sub-strategy in the OCERS Diversified Credit sub-portfolio.

YEN CURRENCY HEDGING

OCERS CIO together with the Investment Committee's consultant, NEPC, indicated they were in favor of a yen currency hedge as a risk management tool and a means to reduce volatility both strategically and tactically. The committee authorized the CIO to implement a (short) yen currency hedge at a level not to exceed the equivalent of \$90 million.

OCERS INVESTMENT COMMITTEE MEETING February 25, 2015:

PIMCO has been on watch as a result of personnel and organizational changes (including the resignation of founder and Chief Investment Officer Bill Gross in September 2014). PIMCO presently manages \$1.2 billion for OCERS in six different investment mandates and has been a portfolio manager for OCERS for 32 years.

OCERS conducted an exploratory search for one of the domestic fixed income funds being managed by PIMCO – the \$300 million Total Return Fund. After interviewing three firms: Dodge & Cox, JP Morgan, and PIMCO, the Investment Committee authorized an allocation to Dodge & Cox of \$200 million from PIMCO's Total Return Fund and keeping \$100 million with PIMCO.

OCERS PLAN SPONSOR MEETING March 19, 2015:

OCERS CIO distributed and discussed two pages from OCERS 2014 Year in Review document that discusses the 2014 results and the investment outlook for 2015-2020 (Attachment).

OCFA staff will continue to monitor actions taken by OCERS to improve its financial policies and practices, and will report back in July regarding progress made during the next quarter.

Attachment(s)

OCERS 2014 Year in Review Excerpt, Investment Update for Stakeholders

OCERS INVESTMENT UPDATE FOR STAKEHOLDERS

2014 Results. OCERS closed the year with a portfolio return in 2014 of 4.93%, considerably lower than the System's 7.25% long-term actuarial assumption. Although most of our individual investment managers performed well, the long-term asset allocation of the plan was hurt by negative returns in international stockholdings and our real return (inflation hedge) portfolio allocations, which are larger than many public pension plans. By way of background, OCERS established a 50-50% ratio for domestic vs non U.S. stocks a decade ago.

Our long-term strategy has been a balanced, moderate -risk portfolio. Although that serves us well in recessionary market periods when OCERS typically suffer s less than others, we tend to lag in up markets. Last year was particularly impacted as the international segment of the portfolio produced negative returns while U.S stocks appreciated 12%.

International currency hedging to reduce risk. With European and Japanese central banks engaged in aggressive monetary policies at the same time that the U.S. economy is growing and expecting somewhat higher interest rates eventually, our board deemed it prudent to protect our overseas investments from some of the potential adverse effects of currency movements. OCERS implemented a partial hedge on our European currency exposure in mid-December, and that has proved immediately beneficial. A similar strategy has been approved by the board for our Yen exposure.

2015-2020 investment outlook. OCERS' general consultants NEPC delivered their annual investment outlook and forecast of investment returns by asset class at the January 27 meeting. Expected returns on most investment vehicles are lower again this year. This is almost impossible to overcome in a world in which 10-year government bonds yield less than 2 percent and investors worldwide are scrambling for yield. The result is a growing disparity between the 5-7 year outlook for public pension portfolios vs their 30 year actuarial assumptions. In this environment, it is important to avoid "stretching for yield" by undertaking imprudent risks, so OCERS is taking a cautious tactical approach to implement strategies for improved returns in selected market areas.

Energy markets dislocation strategies. One area presently under study is the energy industry, where the 2014 washout in oil prices has created some extraordinary bargain-hunting opportunities for long-term institutional investors. After issuing a timely and well-received RFP to scan the market for the best strategies, OCERS' board investment committee has approved several new income-oriented strategies to capture higher returns on well-secured loans and debt instruments in this industry. In March, we expect to continue this exploratory work and evaluate the merits of several "strong ownership" strategies working with experienced operators to take advantage of the washout in the petroleum industry as bargains become available when over-leveraged firms are forced to liquidate properties with already proven reserves.

Adjustments and strategies under consideration. In the second quarter of this year, the OCERS staff and consultants will be working with our Investment Committee to update our asset allocation plan. Although we anticipate that any changes in the portfolio design will be incremental with modifications in any one asset class of no more than a few percentage points, our board will consider several suggested adjustments in the following asset classes:

- Diversified credit strategies and vehicles, including direct lending and other forms of contractual income would be expected to be increased as a result of our work on energy credits and a preference for contractual claims on enterprise values (rather than increasing equity exposure).
- Global bonds could be reduced because of the ultra-low yields overseas which are negative in a few countries now.
- Emerging markets equity may be increased slightly relative to developed markets on a relative-value basis.
- We will likely restructure our inflation hedging asset portfolio to place greater emphasis on value-added growth and income-producing strategies with future inflationary upside. Strategy adjustments may be appropriate as global disinflationary and deflationary forces in the near term make it costly and risky for a pension fund to “buy insurance” against future inflation through conventional commodity ownership and indexes.
- We expect to avoid substantial new commitments to venture capital because of frothy markets where too much capital is chasing too many speculative and late-comer start-ups.
- Our real estate portfolio is being restructured to better diversify and reduce office building exposure which is fully valued, while placing more emphasis on value-added strategies that do not rely on further declines in interest rates to drive their returns.

Steady at the Helm. Despite these marginal adjustments, our overall portfolio would best be described as risk-balanced, moderate-growth in its overall construction, with lower exposure to equity (stock) risks than many public pension plans OCERS seeks to find alternatives to traditional bonds which now yield very little toward the achievement of our actuarial investment return objectives.

House Views on the Economy and the Markets. OCERS' CIO has posted his “House Views” on the economy, which are regularly available on our website under the Investments section. We encourage stakeholders interested in our Investment program to visit that page regularly for fresh updates on our strategies and views, as well as developments in our investment program.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
April 8, 2015

Agenda Item No. 4A
Discussion Calendar

Monthly Investment Reports

Contact(s) for Further Information

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Summary

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

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of April 16, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Attached is the final monthly investment report for the month ended February 28, 2015. A preliminary investment report as of March 20, 2015, is also provided as the most complete report that was available at the time this agenda item was prepared.

Attachment(s)

Final Investment Report – February 2015/Preliminary Report – March 2015

Orange County Fire Authority Monthly Investment Report



Final Report – February 2015

Preliminary Report – March 2015



Monthly Investment Report Table of Contents

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Orange County Fire Authority

Final Investment Report

February 28, 2015



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of February 2015, the size of the portfolio declined further to \$156.5 million from \$170.3 million. Significant receipts for the month included apportionments of property taxes and various contract and grant payments totaling \$6.0 million. Significant disbursements included two biweekly payrolls, which were approximately \$9.2 million each with related benefits. Total February cash outflows amounted to approximately \$20.5 million. The portfolio's balance is expected to stay about the same in the following month.

In February, the portfolio's yield to maturity (365-day equivalent) rose by 2 basis points to 0.29%. The effective rate of return increased by 6 basis points to 0.30% for the month, and edged up by 1 basis point to 0.26% for the fiscal year to date. The average maturity of the portfolio lengthened slightly by 3 days to 151 days to maturity.

Economic News

The U.S. economy pulled back slightly in February 2015, although employment conditions continued to strengthen further. There were a total of 295,000 new jobs created for the month, a much stronger number than expected. The unemployment rate also improved better than expected declining by 2 basis points to 5.5% from 5.7% previously. The LEI (Leading Economic Index) increased further and the NFIB (National Federation of Independent Business) optimism index also rose slightly. Industrial production reversed and edged up a notch. Consumer confidence measures dropped in February and retail sales continued to decline. Non-manufacturing activity continued to pick up while manufacturing activity declined. Energy prices continued to drop in February causing producer prices to plunge further. Housing activity was mixed and remained slow. On March 18, 2015, at the second day of the Federal Open Market Committee's meeting, the Committee voted to keep the federal funds rate unchanged at a target range of 0-0.25%. In its released statement, the Committee stopped using the word "patient", which is being viewed by many market observers that the Committee is moving closer to raising rates. Current expectations remain for the first rate hike to take place in June.



BENCHMARK COMPARISON AS OF FEBRUARY 28, 2015

3 Month T-Bill: 0.02%	1 Year T-Bill: 0.22%
6 Month T-Bill: 0.07%	LAIF: 0.27%
OCFA Portfolio: 0.30%	

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value-	\$156,514,261	\$170,300,354	\$121,167,391
Yield to Maturity (365 day)	0.29%	0.27%	0.31%
Effective Rate of Return	0.30%	0.24%	0.32%
Days to Maturity	151	148	232



ORANGE COUNTY FIRE AUTHORITY Portfolio Management Portfolio Summary February 28, 2015

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

(See Note 1 on page 9) (See Note 2 on page 9)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	9,040,131.66	9,040,131.66	9,040,131.66	5.80	1	1	0.001	0.001
Federal Agency Coupon Securities	34,888,888.78	34,850,119.89	34,900,088.89	22.38	1,294	559	0.714	0.724
Federal Agency Disc. -Amortizing	62,000,000.00	61,995,420.00	61,987,630.00	39.75	139	64	0.105	0.106
Local Agency Investment Funds	50,000,000.00	49,999,019.00	50,000,000.00	32.07	1	1	0.262	0.266
Investments	155,929,020.44	155,884,690.55	155,927,830.55	100.00%	345	151	0.286	0.290

Cash								
Passbook/Checking (not included in yield calculations)	680,597.00	680,597.00	680,597.00		1	1	0.000	0.000
Total Cash and Investments	156,609,617.44	156,565,287.55	156,608,427.55		345	151	0.286	0.290

	February 28 Month Ending	Fiscal Year To Date
Total Earnings		
Current Year	37,978.82	280,703.04
Average Daily Balance	166,027,962.81	162,405,081.16
Effective Rate of Return	0.30%	0.26%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2015. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubak
Patricia Jakubak, Treasurer 3/6/15

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 156,608,427.55
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ (94,166.47)
Total	\$ 156,514,261.08

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
February 28, 2015

(See Note 1 on page 9)

(See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			9,040,131.66	9,040,131.66	9,040,131.66	0.001	0.001	1	
		Subtotal and Average	10,571,185.77		9,040,131.66	9,040,131.66			0.001	1	
Commercial Paper Disc. -Amortizing											
		Subtotal and Average	5,356,857.14								
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,995,230.00	8,997,595.82	0.400	0.424	418	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	6,000,300.00	6,000,000.00	1.000	0.981	892	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 3-9-15)		12/20/2012	9,000,000.00	8,951,490.00	9,007,924.50	1.000	0.966	984	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	888,888.78	888,799.89	888,828.08	0.470	0.477	372	03/07/2016
3130A3RM8	850	Fed Home Loan Bank (Callable 6-30-15)		12/30/2014	10,000,000.00	10,014,300.00	10,005,720.49	0.770	0.645	121	12/30/2016
		Subtotal and Average	34,900,236.32		34,888,888.78	34,850,119.89	34,900,068.89		0.724	559	
Federal Agency Disc. -Amortizing											
313312FH8	846	Farm Credit Disc Note		12/18/2014	9,000,000.00	8,999,370.00	8,997,620.00	0.140	0.144	68	05/08/2015
313396CZ4	837	Freddie Mac		10/27/2014	8,000,000.00	7,999,920.00	7,999,840.00	0.060	0.062	12	03/13/2015
313396ED1	847	Freddie Mac		12/18/2014	9,000,000.00	8,999,730.00	8,998,950.00	0.105	0.108	40	04/10/2015
313396FX6	848	Freddie Mac		12/18/2014	9,000,000.00	8,999,190.00	8,997,335.00	0.130	0.134	82	05/22/2015
313396GM9	849	Freddie Mac		12/18/2014	9,000,000.00	8,998,830.00	8,996,780.00	0.135	0.139	96	06/05/2015
313384DP1	840	Fed Home Loan Bank		12/04/2014	9,000,000.00	8,998,910.00	8,999,545.00	0.070	0.072	26	03/27/2015
313384HN2	851	Fed Home Loan Bank		02/03/2015	9,000,000.00	8,998,470.00	8,997,580.00	0.080	0.082	121	06/30/2015
		Subtotal and Average	65,199,683.57		62,000,000.00	61,995,420.00	61,987,630.00		0.106	64	
Local Agency Investment Funds											
SYS336	336	Local Agency Investmt Fund			50,000,000.00	49,999,019.00	50,000,000.00	0.266	0.266	1	
		Subtotal and Average	50,000,000.00		50,000,000.00	49,999,019.00	50,000,000.00		0.266	1	
		Total and Average	166,027,962.81		155,929,020.44	155,884,690.55	155,927,830.55		0.280	151	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
February 28, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2014	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2014	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2014	395,597.00	395,597.00	395,597.00		0.000	1
SYS361	361	CORVEL		07/01/2014	250,000.00	250,000.00	250,000.00		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			166,027,962.81		156,609,617.44	156,565,287.55	156,608,427.55		0.290	151

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ORANGE COUNTY FIRE AUTHORITY

Aging Report By Maturity Date

As of March 1, 2015

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

Aging Interval:	0 days	(03/01/2015 - 03/01/2015)	6 Maturities	0 Payments	59,720,728.66	38.13%	Current Book Value	Current Market Value
Aging Interval:	1 - 30 days	(03/02/2015 - 03/31/2015)	2 Maturities	0 Payments	17,000,000.00	10.85%	16,999,385.00	16,999,830.00
Aging Interval:	31 - 60 days	(04/01/2015 - 04/30/2015)	1 Maturities	0 Payments	9,000,000.00	5.75%	8,998,950.00	8,999,730.00
Aging Interval:	61 - 91 days	(05/01/2015 - 05/31/2015)	2 Maturities	0 Payments	18,000,000.00	11.49%	17,994,955.00	17,998,560.00
Aging Interval:	92 - 121 days	(06/01/2015 - 06/30/2015)	2 Maturities	0 Payments	18,000,000.00	11.49%	17,994,340.00	17,997,300.00
Aging Interval:	122 - 152 days	(07/01/2015 - 07/31/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	(08/01/2015 - 08/31/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(09/01/2015 - 11/30/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(12/01/2015 - 02/29/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(03/01/2016 - 02/28/2018)	5 Maturities	0 Payments	34,888,888.78	22.28%	34,900,068.89	34,850,119.89
Aging Interval:	1096 days and after	(03/01/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			18 Investments	0 Payments		100.00	156,608,427.55	156,565,287.55



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank (formerly Union Bank) Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2014 includes an increase of \$14,938 to the LAIF investment and a decrease of \$(109,104) to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Local Agency Investment Fund (LAIF)

As of February 28, 2015, OCFA has \$50,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of December 31, 2014 is 0.99998038. When applied to OCFA's LAIF investment, the fair value is \$49,999,019 or \$981 below cost. Although the fair value of the LAIF investment is lower than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at February 28, 2015 is included on the following page.



Fair Value Including Accrued Interest	\$	57,718,520,434.87
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Orange County Fire Authority

Preliminary Investment Report

March 20, 2015



ORANGE COUNTY FIRE AUTHORITY Portfolio Management Portfolio Summary March 20, 2015

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

(See Note 1 on page 18) (See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	4,620,168.48	4,620,168.48	4,620,168.48	2.71	1	1	0.001	0.001
Federal Agency Coupon Securities	34,888,888.78	34,888,597.67	34,889,851.85	20.47	1,294	539	0.714	0.724
Federal Agency Disc. -Amortizing	81,000,000.00	80,988,120.00	80,986,373.90	47.50	128	67	0.096	0.097
Local Agency Investment Funds	50,000,000.00	49,999,019.00	50,000,000.00	29.32	1	1	0.262	0.266
Investments	170,509,057.26	170,475,905.15	170,506,394.23	100.00%	326	143	0.269	0.273

Cash								
Passbook/Checking (not included in yield calculations)	571,185.80	571,185.80	571,185.80		1	1	0.000	0.000
Total Cash and Investments	171,080,243.06	171,047,090.95	171,077,580.03		326	143	0.269	0.273

	March 20 Month Ending	Fiscal Year To Date
Total Earnings		
Current Year	25,735.01	306,438.05
Average Daily Balance	164,907,915.89	162,595,410.80
Effective Rate of Return	0.28%	0.26%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2015. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubiak
Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:
Book Value of Cash & Investments before GASB 31 (Above)
GASB 31 Adjustment to Books (See Note 3 on page 18)
Total

\$ 171,077,580.03
\$ (94,166.47)
\$ 170,983,413.56

(See Note 1 on page 18) (See Note 2 on page 18)

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ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
March 20, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	ABPA (Acct Closed)		07/01/2014	0.00	0.00	0.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2014	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2014	551,185.80	551,185.80	551,185.80		0.000	1
SYS361	361	CORVEL (Acct Closed)		07/01/2014	0.00	0.00	0.00		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			164,907,915.89		171,080,243.06	171,047,090.95	171,077,580.03		0.273	143

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ORANGE COUNTY FIRE AUTHORITY

Aging Report

By Maturity Date

As of March 21, 2015

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval:	0 days	(03/21/2015 - 03/21/2015)	6 Maturities	0 Payments	55,191,354.28	32.26%	55,191,354.28
Aging Interval:	1 - 30 days	(03/22/2015 - 04/20/2015)	2 Maturities	0 Payments	18,000,000.00	10.52%	17,999,370.00
Aging Interval:	31 - 60 days	(04/21/2015 - 05/20/2015)	1 Maturities	0 Payments	9,000,000.00	5.26%	8,998,320.00
Aging Interval:	61 - 91 days	(05/21/2015 - 06/20/2015)	3 Maturities	0 Payments	27,000,000.00	15.78%	26,994,295.00
Aging Interval:	92 - 121 days	(06/21/2015 - 07/20/2015)	3 Maturities	0 Payments	27,000,000.00	15.78%	26,993,250.00
Aging Interval:	122 - 152 days	(07/21/2015 - 08/20/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00
Aging Interval:	153 - 183 days	(08/21/2015 - 09/20/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00
Aging Interval:	184 - 274 days	(09/21/2015 - 12/20/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00
Aging Interval:	275 - 365 days	(12/21/2015 - 03/20/2016)	1 Maturities	0 Payments	888,888.78	0.52%	888,831.40
Aging Interval:	366 - 1095 days	(03/21/2016 - 03/20/2018)	4 Maturities	0 Payments	34,000,000.00	19.88%	34,011,020.45
Aging Interval:	1096 days and after	(03/21/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00
Total for					20 Investments	0 Payments	171,077,580.03
							171,047,090.95



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2014 includes an increase of \$14,938 to the LAIF investment and a decrease of \$(109,104) to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Orange County Fire Authority **AGENDA STAFF REPORT**

Budget and Finance Committee Meeting
April 8, 2015

Agenda Item No. 4B
Discussion Calendar

Credit Card Service Fee Policy

Contact(s) for Further Information

Lori Zeller, Assistant Chief
Business Services Department

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714.573.6020

Tricia Jakubiak, Treasurer

triciajakubiak@ocfa.org

714.573.6301

Summary

This item is submitted for approval of a new Credit Card Service Fee Policy to recover OCFA's cost for providing a convenient credit card payment option to customers.

Prior Board/Committee Action(s)

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of April 23, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors adopt the proposed Credit Card Service Fee Policy.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Adoption of this Policy will reduce costs by approximately \$48,000 annually.

Background

OCFA has been accepting credit cards for over 15 years as a convenience to customers and to enable quick and efficient payment collection. The current credit card service provider, Elavon, provides services under an agreement that originated as part of our banking contract.

When OCFA began accepting credit cards, transaction volume and fees were low. Additionally, interest rates were higher enabling OCFA to earn credit from daily compensated balances at the bank to cover fees. However, due to historically low interest rates since the Great Recession, combined with increased credit card payments, OCFA has been incurring direct costs for fees since 2008. As shown below, fees have doubled since 2010 and are expected to continue rising with higher volume, transaction values, and incentives/rewards offered by credit card companies.

<u>Year</u>	<u>Volume</u>	<u>Total Value</u>	<u>OCFA Fees</u>
2014	4,306	\$1,601,974	\$55,296
2013	2,811	1,097,791	38,130
2012	2,154	795,021	28,004
2011	2,033	702,609	26,399
2010	1,993	700,513	26,222

Staff recently negotiated a reduction in fees charged by Elavon from an average rate of 3.5% to 3.0%. Assuming similar activity, fees in 2015 are estimated at \$48,000, a reduction of \$7,000 over 2014. However, staff expects that further savings can be achieved through an RFP process to be performed later this year. Alternatively, these costs could be eliminated completely through adoption of a Credit Card Fee Policy, as proposed herein.

California State Law

California Government Code Section 6159 permits government agencies to accept credit card payments and charge a reasonable fee to the credit card users to offset the cost incurred to provide this convenience.

VISA/Credit Card Association Regulations Regarding Credit Card Service Fees

Each credit card association has different requirements for “surcharges” and “convenience fees”. VISA has the most restrictive guidelines, defining a “surcharge” as an added cost for the privilege of paying by credit card and defining a “convenience fee” as a fee for the privilege of using an alternative/convenient payment method or channel that is not standard for the merchant (i.e. online or phone transaction instead of face-to-face).

Prior to settlement of a class action lawsuit in July 2012, VISA prohibited merchants from imposing surcharges on its cards, but allowed a convenience fee with requirements along with its Tax Payment Program. Other card associations also allowed a convenience fee with conditions. As a result of these regulations, we previously saw limited transactions with convenience fees imposed for credit card payments. The limited transactions included property tax payments, income tax, or utility payments from government agencies. For example, the County of Orange charges credit card fees with credit card payment of property taxes.

In 2012, settlement of the class action lawsuit allowed merchants to impose a surcharge. Effective November 6, 2012, VISA expanded its Tax Payment Program and renamed it the Government and Higher Education Program, which includes eligibility for OCFA. Under this program, OCFA may pass credit card service/convenience fees to card users. In addition, other card associations’ (MasterCard, Discover, and American Express) allow pass through of fees.

Since this option is now available, staff recommends adoption of the attached Credit Card Service Fee Policy to enable OCFA to pass credit card service/convenience fees through to customers. Upon adoption of the Policy and completion of an RFP to select a new provider, the credit card fees would be paid directly to the card processor (a third-party processing company) for providing the convenient payment option, and OCFA would only collect the amount connected with OCFA services. Annual OCFA costs of \$48,000 would be eliminated.

RFP for Credit Card Service Provider

Staff is currently developing an RFP for credit card service providers in connection with the Board’s consideration of this Policy. Staff expects to issue the RFP in July and return to the Executive Committee for award of a contract around September–October 2015. After approval of a selected provider, an implementation/transition process would be completed, including coordination with the various credit card associations to ensure all requirements are in place prior to charging card users the service/convenience fee. Actual implementation of the fees to be paid by card users (if the Policy is approved) would likely take place in early 2016.

Attachment(s)

Credit Card Service Fee Policy

Orange County Fire Authority
Treasury and Financial Planning

<p>CREDIT CARD SERVICE FEE POLICY</p>
--

1. PURPOSE

- 1.1 The purpose of the Credit Card Service Fee Policy is to ensure that OCFA remains cost neutral for providing the convenient credit card payment option to its customers.

2. ADOPTION AND REVIEW

- 2.1 This policy shall be reviewed in conjunction with the banking services contract for recommended revisions in order to maintain the policy in a manner that reflects the ongoing financial goals of the OCFA.
- 2.2 Policy revisions shall be reviewed by the Budget and Finance Committee and approved by the Board of Directors.

3. POLICY

- 3.1 Pursuant to California Government Code Section 6159(b)(5), OCFA will accept credit/debit card payments for services provided that the reasonable cost of the card service/convenience fee to the OCFA shall be recovered.
- 3.2 In accordance with California Government Code Section 6159(h), OCFA seeks to recover its cost of card service/convenience fee by passing through the convenience fee to the card users.
- 3.3 All OCFA credit card transactions shall be processed in compliance with the Payment Card Industry Data Security Standard (PCI DSS).



Orange County Fire Authority AGENDA STAFF REPORT

**Budget and Finance Committee Meeting
April 8, 2015**

**Agenda Item No. 4C
Discussion Calendar**

Organizational Development and Training (ODT) Manager Position

Contact(s) for Further Information

Brian Young, Assistant Chief
Organizational Planning Department

brianyoung@ocfa.org

714.573.6014

Summary

This agenda item is submitted for approval to unfreeze and fund the Organizational Development and Training (ODT) Manager position and establish an associated training budget.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of April 23, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors:

1. Approve and authorize staff to unfreeze and fund the ODT Manager position for the remainder of FY 2014/15.
2. Authorize a budget adjustment in Fund 121 in the amount of \$53,685 to fund the position for the remainder of FY 2014/15.

Impact to Cities/County

This agreement will positively impact services provided to our members.

Fiscal Impact

If approved, the expenditure budget will be increased by \$53,685 to fund the ODT Manager position for the remainder of FY 2014/15. The annual cost of the position in FY 2015/16 will be \$214,740 and the annual training budget will be \$100,000, starting in FY 2015/16.

Background

Planning is a vital function for organizational success. The component sections of the newly created Organizational Planning Department include Strategic Services, Emergency Planning and Coordination (EPAC), and Organizational Development and Training (ODT). Previously, all three sections fell under different departments and were moved to Organizational Planning to focus on improving efficiency and effectiveness, achieving goals, building capacity, and managing challenges, as well as change agency wide.

Oversight of Organizational Development and Training is provided by a manager position. The ODT Manager position previously reported to Human Resources. In 2011, the ODT Manager position was frozen following a retirement and remains frozen.

Organizational development is necessary to support the achievement of OCFA's goals, as well as to create programs and opportunities that increase individual and division/section ability to achieve their respective goals. ODT places particular emphasis on the synergistic nature between organizational development and training operations within the organization. It also strives to leverage technology in the delivery of learning and development opportunities.

The focus of the Organizational Development and Training Section is to facilitate programs and processes that foster learning and development opportunities. At the individual level, ODT helps ensure all employees are provided training to advance their knowledge and skills to develop competencies necessary to be successful in their positions and to prepare for new responsibilities by participating in a variety of developmental programs. By building individual capacity, employees are continuously equipped with skillsets and processes to meet their professional goals, while supporting the vision of the OCFA.

The associated training budget of \$100,000 that will begin in FY 2015/16 is based on an assumption that three to four training programs will be delivered to OCFA personnel per year. These programs will be designed to address short, mid- and long-term deficiencies, and needs of the OCFA. Cost estimates are based on past training deliveries and industry norms.

Attachment(s)

None.