



ORANGE COUNTY FIRE AUTHORITY

AGENDA

BOARD OF DIRECTORS REGULAR MEETING
Thursday, November 21, 2013
6:30 P.M.

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

Unless legally privileged, all supporting documentation and any writings or documents provided to a majority of the Board of Directors after the posting of this agenda, which relate to any item on this agenda will be made available for public review in the office of the Clerk of the Authority located on the 2nd floor of the OCFA Regional Fire Operations & Training Center, 1 Fire Authority Road, Irvine, CA 92602, during regular business hours, 8:00 a.m. - 5:00 p.m., Monday through Thursday, and every other Friday, (714) 573-6040. In addition, unless legally privileged, all supporting documentation and any such writings or documents will be available online at <http://www.ocfa.org>.

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, supporting documents, including staff reports, 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 Friday from 8 A.M. to 5 P.M.

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 Warren Johnson

PLEDGE OF ALLEGIANCE by Director Aguirre

ROLL CALL

PRESENTATIONS**1. Requests for Commendations and Proclamations**

Submitted by: Sherry Wentz, Clerk of the Authority

- A. Length of Service Awards
- B. Presentation of National Procurement Institute's 18th Annual Achievement of Excellence in Procurement Award for 2013

Recommended Action:

Approve requests as submitted and make presentations to those present.

PUBLIC COMMENTS

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.

CLOSED SESSION**CS1. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION**

Name of Case: Steve Poole et al. v. Orange County Fire Authority

Case No.: OC Superior Court Case No. 30-2011-00463651

Authority: Government Code Section 54956.9(a)

CS2. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION

Authority: Government Code Section 54956.9(b) – Significant Exposure to Litigation (1 case)

CLOSED SESSION REPORT**REPORT FROM THE BUDGET AND FINANCE COMMITTEE CHAIR**

MINUTES

2. **Minutes from September 26, 2013, Regular Board of Directors Meeting (A) and October 7, 2013, Special Board of Directors Meeting (B)**
Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

CONSENT CALENDAR

3. **Annual Statement of Investment Policy and Investment Authorization**
Submitted by: Patricia Jakubiak, Treasurer

Recommended Actions:

1. Review and approve the submitted Investment Policy of the Orange County Fire Authority, to be effective January 1, 2014.
 2. Pursuant to Government Code Sections 53601 and 53607, renew delegation of investment authority to the Treasurer for a one-year period, to be effective January 1, 2014.
 3. Direct staff to return to the Budget and Finance Committee in January to discuss the option of using an outside investment manager.
4. **2013 Update – Fiscal Health Plan & Financial Stability Budget Policy**
Submitted by: Lori Zeller, Assistant Chief/Business Services Department
- Recommended Action:
Approve the Fiscal Health Plan and the Financial Stability Budget Policy.

5. **Refunds for Unverified Hazardous Materials Disclosure Inspections – Follow-up Actions**
Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Actions:

1. Direct staff to process a second mailing to eligible businesses that have not yet claimed refunds, using updated addresses where feasible.
 - a. Work with the Orange County Health Care Agency (HCA) for availability of more recent address information relating to these businesses.
 - b. Provide the list of outstanding eligible businesses, sorted by city, to our member agencies for any assistance that they may be able to provide in locating current addresses for these businesses.
 - c. Utilize light-duty staff to assist in searching public information that may lead to new addresses for the outstanding businesses.
 - d. Utilize the existing address on file if updated addresses cannot be located for businesses.

- e. Issue the second letters to these eligible businesses on or about January 15, 2014.
 2. Authorize a cut-off date of April 30, 2014, whereby the value of any remaining unclaimed refunds will be transmitted to the HCA for use in the existing Hazardous Materials Disclosure (HMD) program, thereby benefitting the existing participating HMD businesses.
 3. Direct staff to work with the HCA in developing potential actions for disposition of the \$935,870 in funds that resulted from FY 2007/08 HMD fee reductions that were approved by the OCFA Board of Directors after the HMD billings had been processed.
 - a. Potential actions should be brought back to the Budget and Finance Committee and Board of Directors, for further discussion and action.
- 6. Equity Status Update – Approval of Second Amendment to Amended OCFA Joint Powers Authority Agreement**
Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Actions:
Receive and file the report.
- 7. Acceptance of DHS/FEMA Administrative Preparedness Grant**
Submitted by: Dave Thomas, Assistant Chief/Operations Department

Recommended Actions:
 1. Adopt the submitted resolution to accept the Department of Homeland Security/Federal Emergency Management Agency's (DHS/FEMA) Administrative Preparedness Grant.
 2. Direct staff to increase revenue and appropriations in the amount of \$1,244,654 in the General Fund (Fund 121).
- 8. Proposed Human Resources Committee**
Submitted by: Keith Richter, Fire Chief

Recommended Actions:
 1. Authorize the establishment of a Human Resources (HR) Committee as an additional standing committee to serve in an advisory capacity to staff and the Board of Directors.
 2. Approve the submitted HR Committee Protocols.
 3. Approve the proposed Resolution to amend the Board Rules of Procedure to reflect the additional standing committee.

END OF CONSENT CALENDAR

DISCUSSION CALENDAR

9. **Audited Financial Reports for the Fiscal Year Ended June 30, 2013**
Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Action:
Receive and approve the reports.

10. **FY 2012/13 Backfill/Overtime and Total Earnings/Compensation Analysis**
Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Action:
Receive and file the report.

PUBLIC HEARING(S)

No items.

REPORTS

11. **Chief's Report**

BOARD MEMBER COMMENTS

CLOSED SESSION

CS3. CONFERENCE WITH LABOR NEGOTIATOR

Chief Negotiators: Janet Wells, Human Resources Director, and
Barbara Raileanu, Legal Counsel

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

Authority: Government Code Section 54957.6

CS4. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Position: Fire Chief

Authority: Government Code Section 54954.5

CLOSED SESSION REPORT

ADJOURNMENT - The next regular meeting of the Orange County Fire Authority Board of Directors is scheduled for January 23, 2014, at 6:30 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 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 14th day of November 2013.

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

UPCOMING MEETINGS:

Executive Committee Special Meeting	Wednesday, December 11, 2013, 1:00 p.m.
Budget and Finance Committee Meeting	Wednesday, January 8, 2014, 12 noon
Claims Settlement Committee Meeting	Thursday, January 23, 2014, 5:30 p.m.
Executive Committee Meeting	Thursday, January 23, 2014, 6:00 p.m.
Board of Directors Meeting	Thursday, January 23, 2014, 6:30 p.m.

PRESENTATIONS - AGENDA ITEM NO. 1A
BOARD OF DIRECTORS MEETING
November 21, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Craig Kinoshita
Deputy Fire Chief

SUBJECT: **Length of Service Recognitions**

Summary:

This is an opportunity to highlight our tenured employees and allow the Board an opportunity to meet and recognize them for their service to the Orange County Fire Authority.

Recommended Action:

Recognize Length of Service recipients in attendance.

Background:

All employees including professional and suppression staff members that achieve five year milestone steps beginning with 30 years of service will be regularly invited for length of service recognition at regular meetings of the Board of Directors following the closest anniversary date.

The following OCFA employees have reached milestone service anniversaries and have been invited to attend tonight's Board meeting for recognition:

40 Years
Jeffrey Morgan/Firefighter

35 Years
Christopher Abraham/Fire Captain
David Altamirano/Fire Captain
David Bautista/Fire Captain
Steven King/Fire Captain
Joseph Steelman/Fire Captain

30 Years
Victor Adame/ Fire Apparatus Engineer
David Forrester/Firefighter
Luis Fernandez/ Fire Apparatus Engineer
John Timoti/Fire Apparatus Engineer

The following OCFA employees have confirmed their attendance at the time of the preparation of the agenda report:

40 Years
Jeffrey Morgan/Firefighter

35 Years
David Bautista/Fire Captain
Joseph Steelman/Fire Captain

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Elizabeth Deacon
Office Services Specialist
elizabethdeacon@ocfa.org
(949) 347-2240

Attachments:

None.

There are no supportive materials
for Presentation Item No. 1B

MINUTES ORANGE COUNTY FIRE AUTHORITY

**Board of Directors Regular Meeting
Thursday, September 26, 2013
6:30 P.M.**

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

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Board of Directors was called to order on September 26, 2013, at 6:35 p.m. by Chair Steven Weinberg.

INVOCATION

Chaplain Bob George offered the invocation.

PLEDGE OF ALLEGIANCE

Director Murray, prior to leading the Pledge of Allegiance, requested for a moment of silence in honor of Laguna Beach Police Officer Jon Coutchie who died in the line of duty on September 21, 2013.

ROLL CALL

Present: Joseph Aguirre, Placentia	Sam Allevato, San Juan Capistrano
Bob Baker, San Clemente	Rick Barnett, Villa Park
Pat Bates, County of Orange	Carol Gamble, Rancho Santa Margarita
Gerard Goedhart, La Palma	Noel Hatch, Laguna Woods
Robert Johnson, Cypress	Trish Kelley, Mission Viejo
Warren Kusumoto, Los Alamitos	Jeffrey Lalloway, Irvine
Jerry McCloskey, Laguna Niguel	Kathryn McCullough, Lake Forest
Al Murray, Tustin	Sal Tinajero, Santa Ana
David Shawver, Stanton	David Sloan, Seal Beach
Todd Spitzer, County of Orange	Elizabeth Swift, Buena Park
Tri Ta, Westminster	Phillip Tsunoda, Aliso Viejo
Steven Weinberg, Dana Point	Craig Young, Alternate, Yorba Linda

Absent: Randal Bressette, Laguna Hills

Also present were:

Fire Chief Keith Richter	General Counsel Dave Kendig
Deputy Chief Craig Kinoshita	Assistant Chief Laura Blaul
Assistant Chief Brian Stephens	Assistant Chief Dave Thomas
Assistant Chief Lori Zeller	Clerk of the Authority Sherry Wentz
Assistant Clerk Lydia Slivkoff	

PRESENTATIONS

1. Requests for Commendations and Proclamations (X: 11.09)

On motion of Vice Chair Murray and second by Director McCullough, the Board voted unanimously to approve the requests as submitted, and make presentations to those present.

Chair Weinberg and Fire Chief Richter presented a token of appreciation to Director Trish Kelley for her work as Chairman of the Board of Directors for the 2012/2013 term. (F: 11.09)

Chair Weinberg and Fire Chief Richter presented a proclamation to Division Chief Kris Concepcion and Battalion Chief Kelly Zimmerman declaring October 6-12, 2013, as "Fire Prevention Week." (F: 11.09A)

Chair Weinberg and Fire Chief Richter presented the City-County Communications & Marketing Association's Silver Circle Award to Battalion Chief Kelly Zimmerman and Multi Media Specialists Kevin Hansen and Jakub Lichtenstein for their excellent work on the OCFA Monthly Briefing. (F: 17.10C)

Chair Weinberg presented the International Association of Fire Chief's Billy Goldfeder Fire Service Organizational Safety Award to Fire Chief Richter, Risk Manager Jonathan Wilby, Battalion Chief Devin Leonard, WEFIT Coordinator Chuck Legg, and Firefighter Jonathan Biegler in recognition of OCFA safety programs. (F: 18.10)

PUBLIC COMMENTS (X: 11.11)

Chair Weinberg opened the Public Comments portion of the meeting.

Stephen Wontrobski, Mission Viejo resident, provided public comments on past Board action retaining current public comment periods, supported the upcoming purchasing/procurement audit, and his denied access to ambulance provider meetings. (F: 15.02A1) (X: 18.05A)

Chair Weinberg closed the Public Comments portion of the meeting.

CLOSED SESSION (F: 11.15)

General Counsel David Kendig reported the Board would be convening to Closed Session to consider the matter on the Agenda identified as CS2, Conference with Legal Counsel-Existing Litigation. He also noted the Board would not be considering CS1, Conference with Labor Negotiator.

Chair Weinberg recessed the meeting to Closed Session at 6:53 p.m.

Minutes

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CS1. CONFERENCE WITH LABOR NEGOTIATOR

Chief Negotiator: Craig Kinoshita, Deputy Fire Chief

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

Authority: Government Code Section 54957.6

CS2. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION

Name of Claim: John Lawrence v. OCFA

Case No. WCAB: ADJ7888335

Authority: Government Code Section 54956.9(a)

Chair Weinberg reconvened the meeting at 6:59 p.m. with all Directors present.

CLOSED SESSION REPORT (F: 11.15)

General Counsel David Kendig announced the Board considered and unanimously authorized an offer of settlement on existing litigation claim CS1, the substance of which, upon acceptance by the party will be disclosed after the agreement has been fully executed.

REPORT FROM THE BUDGET AND FINANCE COMMITTEE CHAIR (F: 11.12)

Budget and Finance Committee Chair Beth Swift reported at the September 11, 2013, meeting of the Budget and Finance Committee, the Committee discussed and voted unanimously to send the Rebudget of FY 2012/13 Uncompleted Projects, 2013 Long Term Liability Study, paying down OCFA's Unfunded Pension Liability with Orange County Employees Retirement System, and the proposed Capital Improvement Program Projects – FY 2013/14 to the Board of Directors with the recommendation that the Board approve the items. She also reported the Committee received a status update on the Orange County Employees' Retirement System, Workers' Compensation Program, and Equity Working Group.

MINUTES

2. Minutes from July 25, 2013, Regular Board of Directors Meeting (F: 11.06)

On motion of Vice Chair Murray and second by Director McCullough, the Board voted to approve the minutes from the July 25, 2013, Regular Board of Directors meeting. Directors Kelley, Kusumoto, Sloan, Spitzer, and Tinajero abstained.

CONSENT CALENDAR

Director Spitzer pulled Agenda Item Nos. 3, 8, and 9; Director Bates pulled Item 7, for separate consideration.

3. **Ratify Appointment to Executive Committee** (F: 12.02A1)

Director Spitzer pulled this agenda item to indicate he would be assuming the duty of representing the County on the Executive Committee, with Director Bates concurrence.

On motion of Director Lalloway and second by Director McCullough, the Board voted unanimously to ratify the appointments of Todd Spitzer, as the County representative, Eugene Hernandez as an at-large member, and Noel Hatch as an alternate member to the Executive Committee.

4. **Adoption of a Resolution of the Orange County Fire Authority Temporarily Expanding the Dates of the Regular Board of Directors Meetings for Calendar Year 2014** (F: 11.05)

On motion of Vice Chair Murray and second by Director Kelley, the Board voted unanimously to adopt Resolution No. 2013-12, establishing the 2014 Meeting Schedule for the Orange County Fire Authority Board of Directors.

RESOLUTION NO. 2013-12
A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY
BOARD OF DIRECTORS AUTHORIZING TO TEMPORARILY
EXPAND THE REGULAR MEETING DATES OF THE
BOARD OF DIRECTORS FOR CALENDAR YEAR 2014

5. **Rebudget of FY 2012/13 Uncompleted Projects** (F: 15.04 FY12/13)

On motion of Vice Chair Murray and second by Director Kelley, the Board voted unanimously to authorize the following budget adjustments:

Fund	Increase Revenue	Increase Appropriations	Release Fund Balance
121	1,089,231	1,220,504	131,273
123		2,206,900	2,206,900
124		2,347,400	2,347,400
133		3,963,049	3,963,049
171		536,758	536,758

6. Reserve Firefighter Program Status Update (F: 17.11A)

On motion of Vice Chair Murray and second by Director Kelley, the Board voted unanimously to receive and file the report.

7. Grant Award Acceptance (F: 16.02E)

Director Bates pulled this agenda item for clarification on OCFA's expenditure portion of the grant.

Assistant Chief Zeller indicated the expenditure portion had already been budgeted, and the acceptance of the grant would further recover grant program costs.

On motion of Director Bates and second by Vice Chair Murray, the Board voted unanimously to accept California Fire Safe Council grant and direct staff to increase the FY 2013/14 General Fund (Fund 121) budget by \$158,064 in revenue and \$33,000 in appropriations.

8. Proposed Capital Improvement Program Projects – FY 2013/14

Director Spitzer pulled this agenda item with concern with that staff was seeking warehouse approval base upon projected developer contributions.

Assistant Chief Brian Stephens conveyed that tonight's action would allow staff to search for an appropriate facility, and that no purchase would take place without returning for Board approval.

On motion of Director Spitzer and second by Director Goedhart, the Board voted to:

1. Approve a CIP budget adjustment to Fund 123 (Facilities Replacement) for FY 2013/14 to increase appropriations by \$5,500,000 for the purchase/modification of an Urban Search and Rescue central warehouse, utilizing developer contribution revenue from the existing Secured Fire Protection Agreement with Heritage Fields El Toro, LLC.
2. Authorize the Fire Chief or his designee to enter into discussions with property owners for the purchase of a warehouse.
3. Direct the Fire Chief to return to the Board for final approval to enter escrow and purchase the identified property.
4. Approve a CIP budget adjustment to Fund 133 (Vehicle Replacement) for FY 2013/14 to increase appropriations by \$208,000 for the purchase of a Compressed Air Foam System Patrol vehicle.

Directors Barnett, Gamble, and Young registered in opposition.

9. Approval for Body Repair of Type I Fire Engine E61 (F: 19.09A)

Director Spitzer pulled this agenda item to comment his review of the investigation report, his disappointment in the communication process regarding the initial accident, and personnel not abiding by safety practices including disabling on-board safety systems.

Discussion ensued regarding the accident, notification processes, disabled safety equipment, and personnel accountability.

On motion of Director Spitzer and second by Vice Chair Murray, the Board voted unanimously to:

1. Approve and authorize the Purchasing Manager to issue a purchase order to A2Z Fire Apparatus for the repair of E61 in an amount not to exceed \$241,114.04.
2. Direct staff to increase revenue and appropriations in the General Fund (Fund 121) in the amount of \$241,114.04.
3. Direct the Fire Chief to develop a policy for Board notifications on risk management related issues.

10. Agreement between the City of Santa Ana and the Orange County Fire Authority (OCFA) For the Use of U.S. Department of Housing and Urban Development Community Development Block Grant Funds (F: 16.04G)

On motion of Vice Chair Murray and second by Director Kelley, the Board voted unanimously to:

1. Approve and authorize the Fire Chief to sign the Agreement between the City of Santa Ana and OCFA for use of Community Development Block Grant Funds.
2. Direct staff to make the necessary budget adjustments.

11. Secured Fire Protection Agreement with Cal I Crown Valley, LLC, for Entitlements in the Crown Development, in the City of Laguna Niguel (F: 18.14)

On motion of Vice Chair Murray and second by Director Kelley, the Board voted unanimously to:

1. Approve and authorize the Fire Chief to enter into a Secured Fire Protection Agreement with Cal I Crown Valley, LLC, for Entitlements in the Crown Development, in the City of Laguna Niguel.
2. Direct the Clerk of the Authority to record the Secured Fire Protection Agreement in the Official Records of the County of Orange and furnish to Cal I Crown Valley LLC a copy of the conformed document within fifteen (15) days of recordation.

12. Amended Secured Fire Protection Agreement with UCR/Pacific Los Alisos L.P., for Entitlements in the Los Alisos Apartments Development, in the City of Mission Viejo (F: 18.14)

On motion of Vice Chair Murray and second by Director Kelley, the Board voted unanimously to:

1. Approve and authorize the Fire Chief to enter into a Secured Fire Protection Agreement with UCR/Pacific Los Alisos L.P., for Entitlements in the Los Alisos Apartments Development, in the City of Mission Viejo.
2. Direct the Clerk of the Authority to record the Secured Fire Protection Agreement in the Official Records of the County of Orange and furnish to UCR/Pacific Los Alisos L.P. a copy of the conformed document within fifteen (15) days of recordation.

DISCUSSION CALENDAR

13. Equity Working Group – Final Report (F: 12.03E3)

Assistant Chief Lori Zeller provided a PowerPoint presentation on the Equity Working Group – Final Report.

Dave Rose, President, Orange County Professional Firefighters Association, Local 3631, provided public comments in support of the approval of the Second Amendment to the Amended JPA.

Devin Leonard, Vice President, Orange County Chief Officers Association, provided public comments in support of the approval of the Second Amendment to the Amended JPA.

A lengthy discussion ensued.

On motion of Director Gamble and second by Director Allevato, the Board voted by roll call vote to:

1. Approve the form of the Second Amendment to the Amended JPA.
2. Direct staff to submit the Second Amendment to the Amended JPA to the OCFA's member agencies for consideration by each member agencies' governing body.
3. Upon approval by 2/3 of the member agencies' governing bodies (16 agencies):
 - a. Authorize staff and General Counsel to submit the Second Amendment to the Amended JPA for judicial review to pursue Court Validation of the contract.
 - b. Direct staff to include an adjustment in the mid-year budget adjustments to provide for payment of the required equity rebate for FY 2013/14.
4. Direct staff to provide a status update to the Board of Directors at its meeting in November 2013.
5. Direct staff to pursue the delivery of in-kind services for agencies impacted by the five-year phase-in.

SUPPORT (20)

Joseph Aguirre, Placentia
Bob Baker, San Clemente
Carol Gamble, Rancho Santa Margarita
Robert Johnson, Cypress
Warren Kusumoto, Los Alamitos
Jerry McCloskey, Laguna Niguel
Al Murray, Tustin
David Sloan, Seal Beach
Elizabeth Swift, Buena Park
Steven Weinberg, Dana Point

Sam Allevato, San Juan Capistrano
Pat Bates, County of Orange
Gerard Goedhart, La Palma
Trish Kelley, Mission Viejo
Jeffrey Lalloway, Irvine
Kathryn McCullough, Lake Forest
David Shawver, Stanton
Todd Spitzer, County of Orange
Tri Ta, Westminster
Craig Young, Alternate, Yorba Linda

OPPOSED (3)

Noel Hatch, Laguna Woods
Sal Tinajero, Santa Ana

Phillip Tsunoda, Aliso Viejo

ABSTAINED (1)

Rick Barnett, Villa Park

ABSENT (1)

Randal Bressette, Laguna Hills

14. 2013 Long Term Liability Study (F: 17.06A)

Treasurer Tricia Jakubiak provided a PowerPoint presentation on the 2013 Long Term Liability Study.

On motion of Director Bates and second by Vice Chair Murray, the Board voted unanimously to:

1. Direct staff to transmit a copy of the report to the County Board of Supervisors and the OCERS Board of Retirement, for their consideration of potential cost-containment actions relating to Pension Cost of Living Adjustments (COLAs) under the authority granted by the '37 Act.
2. Direct staff to pursue a special actuarial study relating to the OCFA's Retiree Medical Defined Benefit Plan to evaluate options for potential plan amendments which could improve plan funding, subject to future negotiation with OCFA's labor groups.
3. Direct staff to evaluate the financial feasibility of paying off the outstanding lease financing obligations associated with the OCFA's helicopters, as part of the 2014/15 budget development process.
4. Direct staff to evaluate options for mitigating the budget and liability impacts of payouts for accumulated sick and vacation balances, subject to future negotiation with OCFA's labor groups.
5. Receive and file the report.

15. Paying Down OCFA's Unfunded Pension Liability with Orange County Employees Retirement System (F: 17.06)

Assistant Chief Lori Zeller provided a PowerPoint presentation on paying down OCFA's Unfunded Pension Liability with Orange County Employees Retirement System.

Dave Rose, President, Orange County Professional Firefighters Association, Local 3631, provided public comments in support of the agenda item.

A lengthy discussion ensued.

Director Gamble left at this point (8:30 p.m.)

On motion of Vice Chair Murray and second by Director Ta, the Board voted by roll call vote to:

1. Direct staff to provide updates to the Board each year as part of the mid-year budget presentation, indicating the amount of Fund Balance Available (FBA) from the prior fiscal year, and directing those amounts to be paid to OCERS as annual lump-sum payments towards the OCFA's UAAL.
2. Direct staff to include additional payments towards the OCFA's UAAL in the annual budget, including the following factors:
 - a. Savings that result from the new Public Employees' Pension Reform Act provisions and other reductions in OCFA's retirement contribution rates shall be used as a source for additional UAAL payments.
 - b. Beginning in FY 2016/17, an additional \$1 million should be added to the OCFA's annual budget each year for 5 years, for retirement contributions to OCERS as a base-building source for additional UAAL payments
 - c. Provide updates to the Board each year as part of the annual budget presentation, indicating the amount planned in each yearly budget as additional payments towards the OCFA's UAAL, resulting from the factors above.

SUPPORT (23)

Joseph Aguirre, Placentia
Bob Baker, San Clemente
Pat Bates, County of Orange
Noel Hatch, Laguna Woods
Trish Kelley, Mission Viejo
Jeffrey Lalloway, Irvine
Kathryn McCullough, Lake Forest
Sal Tinajero, Santa Ana
David Sloan, Seal Beach
Elizabeth Swift, Buena Park
Phillip Tsunoda, Aliso Viejo
Craig Young, Alternate, Yorba Linda

Sam Allevato, San Juan Capistrano
Rick Barnett, Villa Park
Gerard Goedhart, La Palma
Robert Johnson, Cypress
Warren Kusumoto, Los Alamitos
Jerry McCloskey, Laguna Niguel
Al Murray, Tustin
David Shawver, Stanton
Todd Spitzer, County of Orange
Tri Ta, Westminster
Steven Weinberg, Dana Point

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OPPOSED (0)

None

ABSTAINED (0)

None

ABSENT (2)

Randal Bressette, Laguna Hills

Carol Gamble, Rancho Santa Margarita

Director Tinajero left at this point (8:56 p.m.)

16. Paramedic Assessment Unit ALS Escort Study (F: 18.05)

This item was deferred at the request of staff for consideration at a future meeting.

17. Board Member Request for Salary and Benefit Survey (F: 17.03A)

Deputy Chief Craig Kinoshita provided an overview on the Board member's request for salary and benefit survey agenda item.

As the requestor for this agenda item, Director Barnett provided an oral presentation regarding his request and the need to conduct a salary and benefit survey.

Stephen Wontrobski, Mission Viejo resident, provided public comments on his concerns with escalating salaries and benefits.

A lengthy discussion ensued.

On motion of Chair Weinberg and second by Director Ta, the Board voted by roll call vote to receive the report.

SUPPORT (19)

Joseph Aguirre, Placentia

Bob Baker, San Clemente

Gerard Goedhart, La Palma

Robert Johnson, Cypress

Jeffrey Lalloway, Irvine

Kathryn McCullough, Lake Forest

David Shawver, Stanton

Todd Spitzer, County of Orange

Tri Ta, Westminster

Steven Weinberg, Dana Point

Sam Allevato, San Juan Capistrano

Rick Barnett, Villa Park

Noel Hatch, Laguna Woods

Trish Kelley, Mission Viejo

Jerry McCloskey, Laguna Niguel

Al Murray, Tustin

David Sloan, Seal Beach

Elizabeth Swift, Buena Park

Phillip Tsunoda, Aliso Viejo

OPPOSED (2)

Warren Kusumoto, Los Alamitos

Craig Young, Alternate, Yorba Linda

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ABSTAINED (1)

Pat Bates, County of Orange

ABSENT (3)

Randal Bressette, Laguna Hills
Sal Tinajero, Santa Ana

Carol Gamble, Rancho Santa Margarita

Director Tinajero returned at this point (9:24 p.m.)

PUBLIC HEARING(S)

No items.

REPORTS

18. Chief's Report (F: 11.14)

Fire Chief Richter thanked Assistant Chief Lori Zeller and the Finance Department staff for their hard work on the various financial based and complicated reports presented to the Board this evening.

BOARD MEMBER COMMENTS (F: 11.13)

Director Shawver commended Assistant Chief Lori Zeller and her staff for working with OCERS to develop a viable program.

Director Tinajero thanked Firefighters for assisting with the Reviving the Past, Maintaining Tradition community event held in the City of Santa Ana. He also thanked them for their response to a recent four alarm fire in the city.

Vice Chair Murray thanked OCFA for participating in a 9-11 Ceremony at the Tustin City Hall.

Director Lalloway indicated on October 13, 2013, the Orange County Great Park will start its Solar Decathlon, and encouraged everyone to attend.

Director Barnett requested his vote on Agenda Item No. 15 be changed to a support vote, with the consensus of the Board Director Barnett's vote was changed to support.

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 CS3, Conference with Legal Counsel-Existing Litigation and CS4, Conference with Legal Counsel-Initiation of Litigation, and indicated the Board would not be discussing CS2, Conference with Legal Counsel-Existing Litigation.

Chair Weinberg recessed the meeting to Closed Session at 9:26 p.m.

CS3. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Authority: Exposure to Litigation pursuant to Government Code Section 54956.9(b) (1 case)

CS4. CONFERENCE WITH LEGAL COUNSEL–INITIATION OF LITIGATION

Authority: Government Code Section 54956.9(c) – Initiation of Litigation (County Procurement for Airport Rescue and Firefighting Services for John Wayne Airport)

Chair Weinberg reconvened the meeting at 10:30 p.m. with all prior Directors present.

CLOSED SESSION REPORT (F: 11.15)

General Counsel David Kendig indicated the Board took no reportable action during Closed Session.

ADJOURNMENT - Chair Weinberg adjourned the meeting at 10:31 p.m. The next regular meeting of the Orange County Fire Authority Board of Directors is scheduled for November 21, 2013, at 6:30 p.m.

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

MINUTES ORANGE COUNTY FIRE AUTHORITY

**Board of Directors Special Meeting
Thursday, October 7, 2013
6:00 P.M.**

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

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Board of Directors was called to order on October 7, 2013, at 6:02 p.m. by Chair Steven Weinberg.

INVOCATION

Chaplain Warren Johnson offered the invocation.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present: Joseph Aguirre, Placentia	Bob Baker, San Clemente
Rick Barnett, Villa Park	Pat Bates, County of Orange
Randal Bressette, Laguna Hills	Carol Gamble, Rancho Santa Margarita
Gerard Goedhart, La Palma	Noel Hatch, Laguna Woods
Eugene Hernandez, Yorba Linda	Robert Johnson, Cypress
Trish Kelley, Mission Viejo	Jeffrey Lalloway, Irvine
Jerry McCloskey, Laguna Niguel	Kathryn McCullough, Lake Forest
Al Murray, Tustin	David Shawver, Stanton
David Sloan, Seal Beach	Todd Spitzer, County of Orange
Elizabeth Swift, Buena Park	Tri Ta, Westminster
Phillip Tsunoda, Aliso Viejo	Steven Weinberg, Dana Point

Absent: Sam Allevato, San Juan Capistrano	Warren Kusumoto, Los Alamitos
Sal Tinajero, Santa Ana	

Also present were:

Fire Chief Keith Richter	General Counsel Dave Kendig
Assistant Chief Laura Blaul	Assistant Chief Brian Stephens
Assistant Chief Dave Thomas	Assistant Chief Lori Zeller
Clerk of the Authority Sherry Wentz	Assistant Clerk Lydia Slivkoff

CLOSED SESSION (F: 11.15)

General Counsel David Kendig reported the Board would be convening to Closed Session to consider the matter on the Agenda identified as CS1, Conference with Legal Counsel-Anticipated Litigation.

Director Tsunoda arrived at this point (6:06 p.m.)

Chair Weinberg recessed the meeting to Closed Session at 6:06 p.m.

CS1. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Section 54956.9(d2)

Case No.: Two Cases

Directors Bates and Ta arrived at this point (6:14 p.m.)

Chair Weinberg reconvened the meeting at 7:20 p.m. with all Directors present.

CLOSED SESSION REPORT (F: 11.15)

General Counsel David Kendig reported the Board voted unanimously to make public a memorandum dated October 2, 2013, regarding OCFA Ambulance Service RFP competitive process requirements.

DISCUSSION CALENDAR

1. Discussion of County Board of Supervisors Consideration of Authority to Award Ambulance Contracts in Unincorporated Areas, and OCFA Ambulance Process for Request for Proposals (F: 18.05B)

Fire Chief Keith Richter provided an overview of the County Board of Supervisors upcoming agenda item regarding the authority to award ambulance contracts in unincorporated areas, and the OCFA ambulance process for request for proposals.

General Counsel provided a report on Attachment 5, a legal opinion from General Counsel, which included a history of the ambulance service RFP process for OCFA jurisdictions and his analysis on the outcome should the Board of Supervisors rescind Resolution 04-120 in its entirety.

Assistant Chief Lori Zeller provided a report on staff's inability to conduct a full analysis of the impact to affected cities, due to the short notice of the County's agenda item. She indicated the staff report included an OCFA Board of Director's recommendation that the County Board of Supervisors defer the ambulance item until a thorough analysis is complete. She noted the Fire Chief and staff would be attending the meeting.

A lengthy discussion ensued.

Stephen Wontrobski, Mission Viejo resident, provided public comments on his denied access to ambulance provider meetings, and his opposition to OCFA conducting the ambulance RFP process.

Finance Manager Jim Ruane provided a PowerPoint presentation on the OCFA request for proposal process for ambulance service contracts.

Director Bates left at this point (8:36 p.m.)

Additional discussion ensued.

On motion of Director Gamble and second by Vice Chair Murray, the Board, by a roll call vote, directed the Fire Chief to appear before the Orange County Board of Supervisors to apologize for the OCFA staff email regarding the ambulance provider meetings, to request the Board of Supervisors delay the rescinding of Resolution 04-120, and reply to the Orange County Health Care Agency OCFA's intent to comply with its terms set forth regarding the upcoming ambulance request for proposals process.

SUPPORT (20)

Joseph Aguirre, Placentia	Bob Baker, San Clemente
Rick Barnett, Villa Park	Randal Bressette, Laguna Hills
Carol Gamble, Rancho Santa Margarita	Gerard Goedhart, La Palma
Noel Hatch, Laguna Woods	Eugene Hernandez, Yorba Linda
Robert Johnson, Cypress	Trish Kelley, Mission Viejo
Jeffrey Lalloway, Irvine	Jerry McCloskey, Laguna Niguel
Kathryn McCullough, Lake Forest	Al Murray, Tustin
David Shawver, Stanton	David Sloan, Seal Beach
Elizabeth Swift, Buena Park	Tri Ta, Westminster
Phillip Tsunoda, Aliso Viejo	Steven Weinberg, Dana Point

OPPOSED (0)

None

ABSTAINED (1)

Todd Spitzer, County of Orange

ABSENT (4)

Sam Allevato, San Juan Capistrano	Pat Bates, County of Orange
Warren Kusumoto, Los Alamitos	Sal Tinajero, Santa Ana

Minutes

OCFA Board of Directors Special Meeting

October 7, 2013 Page - 3

2. Consider Circulation of Board Member Contact Information by the Clerk of the Authority (F: 11.17)

Director Spitzer provided an overview on the benefits of having access to colleague's personal contact information.

On motion of Director Lalloway and second by Director Goedhart, the Board, by roll call vote, directed the Clerk of the Authority create a confidential Board directory containing personal contact information as provided by the Directors.

SUPPORT (19)

Joseph Aguirre, Placentia	Bob Baker, San Clemente
Randal Bressette, Laguna Hills	Carol Gamble, Rancho Santa Margarita
Gerard Goedhart, La Palma	Noel Hatch, Laguna Woods
Eugene Hernandez, Yorba Linda	Robert Johnson, Cypress
Trish Kelley, Mission Viejo	Jeffrey Lalloway, Irvine
Jerry McCloskey, Laguna Niguel	Kathryn McCullough, Lake Forest
Al Murray, Tustin	David Shawver, Stanton
David Sloan, Seal Beach	Elizabeth Swift, Buena Park
Tri Ta, Westminster	Phillip Tsunoda, Aliso Viejo
Steven Weinberg, Dana Point	

OPPOSED (0)

None

ABSTAINED (2)

Rick Barnett, Villa Park	Todd Spitzer, County of Orange
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ABSENT (4)

Sam Allevato, San Juan Capistrano	Pat Bates, County of Orange
Warren Kusumoto, Los Alamitos	Sal Tinajero, Santa Ana

BOARD MEMBER COMMENTS (F: 11.13)

No comments were received.

ADJOURNMENT – Chair Weinberg adjourned the meeting at 9:07 p.m. The next regular meeting of the Orange County Fire Authority Board of Directors is scheduled for November 21, 2013, at 9:07 p.m.

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

CONSENT CALENDAR - AGENDA ITEM NO. 3
BOARD OF DIRECTORS MEETING
November 21, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer

SUBJECT: **Annual Statement of Investment Policy and Investment Authorization**

Summary:

This agenda item is submitted to the Committee in compliance with the Authority's Investment Policy that requires the Statement of Investment Policy to be reviewed and approved annually by the Budget and Finance Committee and the Board of Directors. This item is also being submitted in compliance with Government Code provisions which require the Board of Directors to review and renew the annual delegation of investment authority to the Treasurer for a one-year period.

Committee Action:

At its November 6, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

Recommended Actions:

1. Review and approve the submitted Investment Policy of the Orange County Fire Authority, to be effective January 1, 2014.
2. Pursuant to Government Code Sections 53601 and 53607, renew delegation of investment authority to the Treasurer for a one-year period, to be effective January 1, 2014.
3. Direct staff to return to the Budget and Finance Committee in January to discuss the option of using an outside investment manager.

Background:

The Statement of Investment Policy is reviewed annually and revised by the Treasurer, if needed. The proposed Policy is then submitted to the Budget and Finance Committee and Board of Directors for approval every November to become effective on January 1 for the calendar year. During the past year, there were no significant legislative amendments to the California Government Code regarding investments.

In response to questions raised by Director Baker, San Clemente during the July 25, 2013, Board of Directors meeting, staff reviewed the Investment Policy asset allocation and maturity restrictions of several agencies in Orange County and compared them to what is permitted under the California Government Code (Attachment 1). OCFA's Investment Policy was developed over 18 years ago in the wake of the Orange County bankruptcy and while appropriate at that time, now seems unduly restrictive compared to other agencies and the California Government Code as shown on the attached survey. Therefore, a proposed change to the Investment Policy on page 9 under *Maturity Diversification* is redlined for review and approval, to be effective January 1, 2014 (Attachment 2).

In addition, in response to several suggestions by Director Bressette, the following sections are also redlined with proposed changes: page 2 under *Prudence*, page 3 under *Duties and Responsibilities* and *Ethics and Conflicts of Interest*, page 3 *Authorized Financial Dealers and Institutions*, page 7 *Authorized and Suitable Investments*, and page 8 *Collateralization*.

Impact to Cities/County:

Not Applicable

Fiscal Impact:

Not Applicable

Staff Contacts for Further Information:

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Triciajakubiak@ocfa.org

(714) 573-6301

Jane Wong, Assistant Treasurer

Janewong@ocfa.org

(714) 573-6305

Attachments:

1. 2013 Investment Policy Survey
2. Proposed Investment Policy (to be effective January 1, 2014)

Orange County Fire Authority
Investment Policy Survey - November 2013

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	CA GOVERNMENT CODE	MATURITY RESTRICTIONS	CA GOVERNMENT CODE
<u>OCFA</u>	U.S. Treasury securities	100%	None	5 years	5 Years
	Federal Agency securities	75%	None	5 years	5 years
	Bankers Acceptances	25% ("Issued by 1 of 10 largest domestic banks or 20 largest international banks based on assets")	40% (30% in any one commercial bank)	180 days	180 days
	Local Agency Investment Fund (LAIF)	75%	None	N/A	N/A
	Negotiable Certificates of Deposit	25%	30%	5 years	5 years
	Commercial Paper (CP)	15% (must be rated highest-quality by at least 2 of 3 nationally recognized rating agencies...)	25% (Must be of "prime" quality of the highest ranking of a nationally recognized statistical rating organization...)	270 days	270 days
	Money Market Mutual Funds	15% (Whose portfolio consists solely short-term treasury securities. Must be rated "AAA" by 2 of 3 rating agencies)	20% (Attained the highest ranking by not less than 2 national recognized statistical rating organizations)	N/A	N/A
	Repurchase Agreements	15%	None	14 days	1 year
	Collateralized or insured passbook savings accounts or demand deposits	15%	Shall not exceed shareholder's equity of any depository	N/A	None
	Collateralized or insured certificates of deposit	15%	30%	5 years	5 years
	Bond proceeds or other indebtedness may be invested in accordance with bond indenture, resolution, or other statutory provisions	N/A	None	N/A	None
	Retiree Medical Funds may be held in a separate trust fund.	N/A	None	N/A	None
	Notes: "At least 50% of the portfolio is limited to one year or less. An additional 20% of the portfolio may have maturities extending to 3 years from the current date, and the remaining 25% may have maturities extending to 5 years from the current date." "Unless matched to a specific requirement and approved by the Executive Committee and the Board of Directors, no portion of the portfolio may exceed 5 years."				
	Unallowable Investments for OCFA:				
	Derivatives, except for indirect investment through LAIF	N/A	Prohibits inverse floaters, range notes, mortgage derived and interest-only STRIPS		

**Orange County Fire Authority
Investment Policy Survey - November 2013**

<u>AGENCY</u>	<u>INVESTMENT TYPE</u>	<u>ALLOCATION RESTRICTIONS</u>	<u>CA GOVERNMENT CODE</u>	<u>MATURITY RESTRICTIONS</u>	<u>CA GOVERNMENT CODE</u>
<u>OCFA</u>	Reverse Repurchase Agreements-(indirect investment through a pool is allowable up to a maximum of 10% of the pool's portfolio)	N/A	20%	N/A	92 days
	Financial futures or financial options	N/A	None	N/A	None
	Common stocks or corporate bonds	N/A	(Not allowed except Medium-Term Notes)	N/A	N/A
	Local Agency Bonds	N/A	None	N/A	5 years
	State Obligations - CA and Others	N/A	None	N/A	5 years
	CA Local Agency Obligations	N/A	None	N/A	5 years
	Medium-Term Notes	N/A	30%	N/A	5 years
	Mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond	N/A	20%	N/A	5 years

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
City of Buena Park			
	U.S. Treasury securities	No limit	1 year
	U.S. Government Agency securities	No limit	
	Banker's Acceptances	20%	
	Local Agency Investment Fund	35%	
	Negotiable Certificates of Deposit	30%	
	Commercial Paper	20%	270 days
	Mutual Fund administered by a major bank	15%	
	Repurchase Agreements	15%	
	Medium Term Notes	30%	
	Investment in outside agency pools	N/A	
		("...limited to those specifically listed in the City's Investment Policy")	

Note:

"The portfolio should consist a mix of various types of securities, issuers, and maturities."

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>City of Buena Park</u>			

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>City of Dana Point</u>			
	U.S. Treasury securities	No limit	Maturity not to exceed the projected dates of the City's cash needs or five years, whichever is less
	U.S. Agency securities	No limit; however, the "prudent investor" rule shall apply for a single agency name	Maturity not to exceed the projected dates of the City's cash needs or five years, whichever is less
	Banker's Acceptances	40% (10% for any one bank)	180 days
	Local Agency Investment Fund (or any other single investment pool)	50% (May exceed the 50% limit at the Treasurer's discretion under extraordinary circumstances)	120 days if exceed the 50% limit
	Negotiable Certificates of Deposit	30%	2 years
	Commercial Paper	15% (10% for any one issuing corporation; 10% of outstanding CP of any single issuer)	270 days
	Money Market Funds	20% (10% for any one money market fund)	N/A

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>City of Dana Point</u>			
	Repurchase Agreements	50%	1 year
	Time Deposits	15%	1 year
	Money held by Trustee or Fiscal Agent	N/A	N/A

Note:

"...no investment shall be made in any security that at the time of the investment has a term remaining to maturity in excess of 5 years, unless the City Council has granted express authority...no less than 3 months prior to the investment."

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>City of Laguna Hills</u>			
	U.S. Treasury securities	50%	
	Banker's Acceptances	15%	270 days
	Local Agency Investment Funds	85%	
	Certificates of Deposit-Commercial Banks	50% (25% for individual bank)	
	Certificates of Deposit-Savings and Loan	25% (\$250K for individual institution/issuer)	
	Commercial paper	10%	180 days
	Money market mutual funds	15%	
	Overnight Government Securities Investment account managed by the City's primary bank; Overnight commercial paper investment account managed by the City's primary bank; Overnight repurchase agreement managed by the City's primary bank	50%	

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>City of Laguna Hills</u>			
	<u>Notes:</u>		
	"All authorized investment instruments shall mature within 1 year from the time of purchase unless otherwise stated."		
	"Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs..."		
	"Investments of funds held under a trust indenture may have maturities up to 2 years in duration."		

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>City of Laguna Niguel</u>			
	U.S. Treasury securities	No limit	5 years
	U.S. Agency securities	60% (25% single issuer limit)	5 years
	Local Agency Investment Fund	\$40MM or 40% of portfolio whichever is less through 12/31/13; \$20MM or 30% of portfolio whichever is less after 12/31/13	N/A
	Insured Certificates of Deposit	30% (\$100K for single institution w/ maturity after 12/31/13; \$250K for single institution w/ maturity on or before 12/31/13)	5 years
	Money Market Mutual Funds	20% (10% per investment)	N/A
	Collateralized or Insured Money Market Accounts/Demand Deposits	No limit	N/A
	CA Asset Management Program	\$15MM or 20%, whichever is greater through 12/31/13 \$5MM after 12/31/13	N/A
	The Investment Trust of California Short-Term Fund	\$15MM or 20%, whichever is greater through 12/31/13; \$0 after 12/31/13	N/A

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>City of Laguna Niguel</u>			

Notes:

"...Invested funds shall be diversified to minimize the risk of loss resulting from over concentration os assets in a specific maturity, specific issuer..."

"The City shall use LAIF...with a maturity of 1 year or less...As a general guideline, the balance of the portfolio should be invested in and evenly distributed between instruments with maturities 1 to 5 years unless...circumstances and/or the interest rate environment warrant an alternative investment approach. Specific instruments may be purchased to meet identified and scheduled capital expenditures."

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
City of Mission Viejo			
	U.S. Treasury securities	No limit	
	U.S. Agency securities (Investment in mortgage-backed bonds and collateralized mortgage obligations (CMOs) is prohibited, even if such bonds are issued by agencies of the U.S. Government)	\$14MM or 70% whichever is greater; \$7MM or 35% whichever is greater for single agency	
	Banker's Acceptances	\$4MM or 20% whichever is greater	180 days
	Local Agency Investment Fund	\$8MM or 40% whichever is greater	N/A
	Negotiable Certificates of deposit	\$4MM or 20% whichever is greater	180 days
	Commercial paper	15%	180 days
	Mutual Funds	20% (10% in any one fund)	Permitted investments/securities in these funds must have remaining maturity of 1 year or less
	Repurchase Agreements	\$2MM or 10% whichever is greater	30 days

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
City of Mission Viejo	Federal Insured Time Deposits	N/A	181 days
	Time Deposits	\$4MM or 20% whichever is greater	180 days
	Local Agency Sponsored Investment Pools	\$3MM or 15% whichever is greater; 5% of the MV of any single pool	N/A
	FDIC Guaranteed Obligations; senior debt guaranteed by the FDIC under the Temporary Liquidity Guarantee Program (TLGP)	\$7MM or 35% whichever is greater; \$4MM or 20% for any single issuing corporation	

Notes:

"No more than the greater of \$1MM or 5% of the total portfolio may be invested in securities of any single issuer, except that limits on investment securities issued by government agencies ..."

"The maximum stated final maturity of individual securities in the portfolio shall be 5 years."

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>City of San Juan Capistrano</u>			
	U.S. Treasury securities	100%	
	U.S. Agency securities	75%	
	Banker's acceptances	30%	180 days
	Local Agency Investment Fund	40%	
	Negotiable CDs	30%	
	Non-negotiable CDs	25%	
	Commercial paper	25%	270 days
		(max 10% of o/s commercial paper of any single corp. issue)	
	Money market funds	20%	
	Passbook Savings Account Demand Deposit	5%	
	Municipal Obligations	25%	
	Orange County Investment Pool	10%	

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>City of San Juan Capistrano</u>	Local Government Investment Pool (LGIPs)	10%	
	Medium-term corporate notes	30%	5 years

Notes:

"The City shall not invest in a security whose maturity exceeds 5 years from the date of purchase unless City Council has provided approval for a specific purpose at least 90 days before the investment is made."

"...City Treasurer may not invest more than 25% of the portfolio [for 3 years]. When matched to a specific requirement and with approval by the Council, the City Treasurer may invest more than 25% of the portfolio for a period greater than 3 years."

"No more than 5% of the City's Investment Portfolio may be invested in the securities of any one issuer... Excluding U.S. Treasuries, U.S. Government Agencies, and pooled investments such as LAIF, LGIPs, and money market funds."

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>City of Tustin</u>			
	U.S. Treasury securities	No limit	5 years
	U.S. Agency securities	50%	5 years
	Banker's acceptances	25%	180 days
	Government sponsored pools, such as LAIF and mutual funds	No limit	
	Negotiable Certificates of Deposit	"...of global banks only w/ highest short-term ratings."	
	Commercial paper	25%	90 days Average weighted maturity shall not exceed 31 days if commercial paper exceeds 15% of total portfolio assets
	Mutual Funds		N/A
	Repurchase Agreements		N/A
	Municipal securities	10% of portfolio & 5% of any one issuer's securities; 10% for CA securities; 5% for other local government securities	

**Orange County Fire Authority
Investment Policy Survey - November 2013**

<u>AGENCY</u>	<u>INVESTMENT TYPE</u>	<u>ALLOCATION RESTRICTIONS</u>	<u>MATURITY RESTRICTIONS</u>
<u>City of Tustin</u>	Corporate notes	10%	5 years
	Investment contracts	N/A	N/A (Bonds proceeds may be placed in investment contracts if authorized by borrowing documents)

Notes:

"As a general rule, intermediate-term maturities shall not represent a significant percentage of the portfolio. Unless previously authorized by City Council, no investment may have a term final stated maturity longer than 5 years. At the time of purchase, holdings with maturities greater than 1 year shall not exceed 35 % of the total portfolio."

"The portfolio shall consist various types of securities approved by statute and this Statement of Investment Policy, as well as varied issuers and maturities."

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>County of Orange</u>			
	U.S. Treasury securities	100%	5 years for long-term & 397 days for short-term
	U.S. Government Agency securities	100%; each issuer is limited to 30% of any individual pool's total assets	5 years for long-term & 397 days for short-term
	Banker's acceptances	40% of any individual pool's total assets; 5% in any single issuer	180 days
	Negotiable Certificates of Deposit	30% of any individual pool's total assets; 5% in any single issuer	5 years for long-term & 397 days for short-term
	Commercial paper	40% of any individual pool's total assets; 5% in any single issuer	270 days
	Money Market Mutual Funds	20% of any individual pool's total assets; 10% in a single money market fund	Weighted average maturity of 60 days or less
	Repurchase Agreements	20% of any individual pool's total assets; 10% in any single issuer	1 year
	Investment Pool/Mutual Funds (JPAs)	20% of any individual pool's total assets; 10% in any one fund	N/A

**Orange County Fire Authority
Investment Policy Survey - November 2013**

AGENCY	INVESTMENT TYPE	ALLOCATION RESTRICTIONS	MATURITY RESTRICTIONS
<u>County of Orange</u>			
	Municipal debt	30% of any individual pool's total assets; 5% in a single issuer, except 10% in County of Orange's pool	5 years for long-term & 397 days for short-term
	Medium Term Notes	30% of any individual pool's total assets; 5% in any single issuer	5 years for long-term & 397 days for short-term

Notes:

"At the time of purchase, an individual pool may invest up to 10% of its total market value in a single issuer for a period up to 3 business days only with approval of the Treasurer. The fund may not invest in the securities of more than one issuer under this provision at any time."

"The long-term pools, such as extended fund, shall have duration not to exceed a leading 1-3 year index +25%"



ORANGE COUNTY FIRE AUTHORITY

INVESTMENT POLICY

Calendar Year 2014



INVESTMENT POLICY

History of OCFA's Investment Policy & Cash Management Program

Following the formation of the Orange County Fire Authority in March 1995, OCFA funds were initially invested in the Orange County Investment Pool (OCIP) and the Local Agency Investment Fund (LAIF). At that time, investment options were limited since the Authority was using County services for treasury, banking, and accounting systems pending implementation of its own systems. During this transitional stage, OCFA staff worked to establish independent banking, custodian, and broker/dealer agreements, installed a portfolio management system, and implemented the Banner Financial System. Staff also researched and drafted a comprehensive Investment Policy. On January 1, 1997, the OCFA Board of Directors adopted the Investment Policy and appointed a Treasurer. Immediately thereafter, OCFA assumed in-house responsibility for Treasury services and implemented its own Cash Management & Investment Services Program.

As the Cash Management program evolved, all remaining funds in the OCIP were gradually withdrawn. The Treasurer invested these funds in individual securities and scheduled maturities to correspond with cash flow needs. Investments included Treasury and Federal Agency securities, prime quality commercial paper, money market mutual funds (U.S. Treasury Obligations), and LAIF.

Since inception in 1997, the Treasurer has continued to refine the Investment Policy on an annual basis to meet the changing needs of the Authority. As a result of these enhancements, the policy was formally recognized by the Association of Public Treasurer's of the United States and Canada (APTA US&C) in 1999, 2001, and again in 2007. Certification is awarded when an investment policy meets the professional standards set forth by MTA US&C. Agencies may submit for re-certification after significant changes are made to the Policy.

During the past year, there were no significant legislative amendments to the California Government Code regarding investments that would require a change to the 2014 Investment Policy.



INVESTMENT POLICY

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INVESTMENT POLICY

ORANGE COUNTY FIRE AUTHORITY

1. **Policy:** The Orange County Fire Authority (the “Authority”) shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives, in priority order, of safety, liquidity, and return on investment.
2. **Scope:** This investment policy applies to all financial assets of the Orange County Fire Authority which are available for investment by the Authority’s Treasurer; except that funds in the Authority’s deferred compensation plan, defined contribution plan, and security deposits held in escrow in lieu of retention are excluded from this investment policy. The funds governed by this policy may be referred to herein as the OCFA portfolio.
 - 2.1. The Authority’s funds are accounted for in the Comprehensive Annual Financial Report (CAFR) and include the funds listed below and any new fund created by the Board of Directors unless specifically exempted.
 - Fund 121 General Fund
 - Fund 122 Facilities Maintenance and Improvements
 - Fund 123 Capital Projects
 - Fund 124 Communications and Information Systems Replacement
 - Fund 133 Vehicle Replacement
 - Fund 171 Structural Fire Fund Entitlement
 - Fund 190 Self-Insurance Fund
 - Fund 422 Extra-Help Retirement Trust
 - 2.2. Bond fund investments will be held separately and made in accordance with the bond debenture requirements.
 - 2.3. Retiree Medical Trust Funds may be held separately from the OCFA portfolio and invested in accordance with California Government Code Section 53620 to 53622 and/or Section 31694.3.

3. **Prudence:** The standard of prudence to be used shall be the “prudent person” standard (as cited in Probate Code Sections [16040-16042](#) and [16045-16054](#)) and shall be applied in the context of managing the overall portfolio, not to a single item within a diversified portfolio. Investments shall be made with judgment and care (under circumstances then prevailing) which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.
4. **Objectives:** The primary objectives of investment activities, in order of priority, shall be:
 - 4.1. *Safety:* Safety of principal is the prime objective of the investment program. The investment program shall be designed and implemented to ensure preservation of capital in the overall portfolio. Invested funds shall be **diversified** to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities.
 - 4.2. *Liquidity:* The investment portfolio shall be structured in a manner which strives to time the maturity of securities with cash requirements. Additionally, since not all possible cash demands can be anticipated, the portfolio should consist of securities with an active secondary or resale market.
 - 4.3. *Return on investment:* The Authority shall attempt to obtain a reasonable return provided that the requirements of safety and liquidity are first met.
5. **Authorization and Delegation of Authority:** Under California Government Code Section 53601, the legislative body of a local agency (i.e., the Authority’s Board of Directors) is authorized to invest surplus moneys as specified in that code section. In accordance with California Government Code Section 53607, this authority is delegated to the Treasurer of the Authority for a one-year period. Subject to review, the Board of Directors may renew the delegation of authority under this code section each year. The Treasurer will be responsible for all investment transactions and shall establish a system of controls to regulate the activities of officials involved in any aspect of the investment program.
 - 5.1. *Investment Procedures:* The Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy. The procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. The procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction, except as provided under the terms of this policy and the procedures established by the Treasurer.
 - 5.2. *Delegation in Treasurer’s Absence:* In the Treasurer’s absence, the Treasurer delegates investment authority in the following order to (1) the Assistant Chief, Business Services and (2) the Deputy Fire Chief.

6. **Duties and Responsibilities:**

- 6.1. *Treasurer*: Charged with responsibility for all public funds and securities belonging to or under the control of the Authority, and for the deposit and investment of those funds in accordance with the principles of sound treasury management and in accordance with the applicable laws, ordinances and policies adopted by the Authority.
- 6.2. *Auditor*: Charged with recording investment activity in the accounting records and with verifying the Treasurer's records with broker confirmations, bank statements and safekeeping records.
- 6.3. *Assistant Chief, Business Services*: Charged with responsibility (in the absence of the Treasurer) for all public funds and securities belonging to or under the control of the Authority and for their deposit. Duties related to investment activities shall be performed by staff other than those responsible for the accounting of those investments.

6.4. *Deputy Fire Chief*: Charged with responsibility (in the absence of the Treasurer and Assistant Chief, Business Services) for all public funds and securities belonging to or under the control of the Authority and for their deposit. Duties related to investment activities shall be performed by staff other than those responsible for the accounting of those investments.

6.4.6.5. *Fire Chief*: Charged with responsibility for implementation of and conformance to the policies and procedures approved by the Board of Directors for the investment of the Authority's funds.

6.5.6.6. *Budget and Finance Committee*: Charged with responsibility for investment oversight. The Committee shall review the monthly investment reports and significant investment activity being undertaken. The Committee's recommendations shall be reported in a monthly investment report to the Executive Committee.

6.6.6.7. *Executive Committee*: Charged with responsibility to receive, review and approve the monthly investment report, following review by the Budget and Finance Committee.

6.7.6.8. *Board of Directors*: May delegate to the Treasurer for a one-year period the authority to invest the Fire Authority's funds. Subject to review, the Board may renew the delegation of this authority each year. The Board shall also annually consider and approve a written Statement of Investment Policy at a public meeting. Any change to the Investment Policy at any time shall also be considered by the Board at a public meeting.

7. **Ethics and Conflicts of Interest:** All officers, employees, and participants in the Authority's investment process shall:

- 7.1. Act responsibly as custodians of the public trust.

- 7.2. Avoid any transaction that might impair the public confidence in the Authority's ability to serve the citizens of our area of responsibility.
 - 7.3. Refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.
 - 7.4. Abide by the Authority's adopted Conflict of Interest Code, which by reference is incorporated into this Investment Policy.
 - 7.5. The Treasurer, the Assistant Chief, Business Services, the Deputy Fire Chief and the Fire Chief shall be prohibited from doing personal investment transactions with any broker or securities dealer with whom OCFA does business, with the exception of the OCFA's primary bank for banking services. Employees shall subordinate their personal investment transactions to those of OCFA, particularly with regard to the time of purchases and sales.
8. **Authorized Financial Dealers and Institutions**: To promote the optimum yield on the investment of Authority funds, investment procedures shall be designed to encourage competitive bidding on transactions from approved financial institutions or broker/dealers.
- 8.1. On an annual basis, the Treasurer shall recommend a list of at least three financial institutions and broker/dealers who are authorized to provide investment services. The list shall be approved by the Budget and Finance Committee and the Executive Committee. All financial institutions and broker/dealers who wish to be considered for the list must meet the following minimum requirements:
 - 8.1.1 Must certify that they have read and agree to comply with the investment policies of the Authority.
 - 8.1.2 Must be a primary or regional dealer that qualifies under the Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule).
 - 8.1.3 Must have an branch office in California.
 - 8.1.4 Must be experienced in institutional trading practices and familiar with the California Government Code as related to investments for local governmental agencies.
 - 8.1.5 Must have been in business for at least three years.
 - 8.1.6 Must provide current audited financial statements.
 - 8.1.7 Must provide proof of ~~National Association of Security Dealers~~ Financial Industry Regulatory Authority (FINRA) certification.

- 8.1.8 Other criteria as may be established in the *Investment Procedures Manual* of the Authority.
- 8.2. All financial institutions in which the Authority's public funds are deposited will supply the Treasurer with the following:
 - 8.2.1 Current audited financial statements.
 - 8.2.2 Depository contracts.
 - 8.2.3 A copy of the latest FDIC call report.
 - 8.2.4 Proof that the institution is state or federally chartered.
9. **Authorized Investment Advisors and Investment Managers:**

Authorized Investment Advisors

Although the Authority does not currently use an investment advisor, these policies and procedures shall be applicable if an investment advisor is utilized in the future to provide advice and guidance for the investment of OCFA portfolio funds. Under Government Code, the Authority is authorized to engage specially trained and experienced firms for economic advice and services. The Board of Directors must approve, in advance, all contracts with an investment advisor, after review by the Authority's Counsel. The investment advisor may only provide advice and may not effectuate trades; he/she may not make investment decisions. The Treasurer shall provide the investment manager with a copy of the Authority's Investment Policy.

Authorized Investment Managers

The provisions above for authorized investment advisors also apply to authorized investment managers. In addition, an investment manager may effectuate trades upon specific authorization for each transaction; however, he/she may not make investment decisions. All investment decisions must be made and approved by the Treasurer in advance, before the investment manager is authorized to execute a transaction. The Treasurer shall provide the investment manager with a copy of the Authority's Investment Policy. Upon execution of any trade, the Authority must receive confirmation directly from the broker/dealer and the custodian, not from the investment manager. Investments recommended by the investment manager should be safe kept by the Authority's regular custodian, and not with the investment manager.

10. **Authorized and Suitable Investments:** The Authority is empowered by statute (California Government Code Section 53600 et seq., 53620 et seq., and Section 5922[d]) to invest in the following types of securities (see Section 15 of this Policy for maximum percentage limits imposed under Authority Policy):
 - 10.1. U.S Treasury or Federal Agency securities.

- 10.2. Collateralized or insured passbook savings accounts and demand deposits.
- 10.3. Collateralized or insured certificates of deposit (or time deposits) placed with commercial banks (maximum term five years).
- 10.4. Bankers acceptances (issued by one of the 10 largest domestic banks or 20 largest international banks based on assets) with maturities not to exceed 180 days. State statute restricts bankers' acceptances to no more than 40% of the agency's surplus funds and no more than 30% in any one commercial bank. Authority policy is more restrictive, with a maximum 25% limit (see Section 15.1.4). Bankers' acceptances are to be purchased only from institutions that are well capitalized as the term is defined in the glossary.
- 10.5. Money market mutual funds whose portfolio consists solely of short-term treasury securities (i.e., one year or less remaining until maturity, at purchase). Mutual funds must be AAA rated by at least 2 of the 3 largest rating agencies.
- 10.6. Repurchase agreements whose underlying collateral consists of U.S. Treasury obligations or U.S. government agency obligations and the collateralization level must be in accordance with Government Code section 53601(i)(2), effective January 1, 1996 (maximum maturity of 14 days). A Public Securities Association (PSA) Master Repurchase Agreement is required between the Authority and the bank or broker/dealer for all repurchase agreements transacted. Direct investment in reverse repurchase agreements is prohibited.
- 10.7. Local Agency Investment Fund (State of California Pool).
- 10.8. Commercial paper in compliance with the following requirements:
 - 10.8.1 Must be rated highest-quality by at least two of the following three nationally recognized rating agencies. Highest-quality ratings are defined as (1) Moody's Investor Services rating of P1; (2) Standard & Poor's rating of A1/A1+; (3) Fitch rating of F1/F1+.
 - 10.8.2 Investments will not be made with commercial paper issuers placed on negative credit watch by any one of the above rating agencies.
 - 10.8.3 Commercial paper issuers must be domestic corporations having assets in excess of \$500,000,000 and having an AA or better rating on its long term debentures as provided by Moody's, Standard & Poor's, or Fitch.
 - 10.8.4 Purchases of eligible commercial paper may not: (a) exceed 270 days to maturity; or (b) exceed 15% of the cost value of the portfolio. Although Government Code allows a maximum investment in commercial paper of 25%, Authority Policy maintains a 15% maximum, which is more restrictive.

- 10.8.5 The Treasurer shall conduct research on commercial paper issuers prior to investing OCFA funds with those issuers. The Treasurer will avoid investing in issuers with current events that involve negative financial implications that could lead to a downgrade to their credit rating. Sources of research will include, at a minimum, WSJ.com, Bloomberg.com, CBS.marketwatch.com, and SmartMoney.com.
- 10.9. Negotiable certificates of deposit, issued by national or state-chartered banks or state or federal savings institutions, commercial bank, savings bank (savings and loan association), or credit union that uses a private sector entity that assists in the placement of certificates of deposit under specified conditions. Government code limits negotiable certificates of deposit to 30% of the portfolio. Authority Policy, which is more restrictive, limits investment in these securities to 25% (see Section 15.1.5).
- 10.10. Proceeds of bonds or other indebtedness and any moneys set aside and pledged to secure payment of the bonds may be invested in accordance with the resolution, indenture, or other statutory provisions governing the issuance of those bonds or indebtedness.
- 10.11. Retiree Medical Funds may be held in a separate trust fund and invested as permitted under California Government Code Section 53620 to 53622 and/or Section 31694.3 for the purpose of paying health insurance benefits to retirees.
11. **Unallowable Investments / Restrictions:** The Authority shall **not** invest OCFA portfolio funds in the following instruments:
- 11.1. Derivatives, except for indirect investment through the State's Local Agency Fund.
- 11.2. Reverse repurchase agreements, although indirect investment through a pool is allowable up to a maximum of ten percent (10%) of the pool's portfolio.
- 11.3. Financial futures or financial options.
- 11.4. Common stocks or corporate bonds.
12. **Investment Pools:** Governmental sponsored pools and/or mutual funds should be carefully reviewed prior to investing and should be monitored on an ongoing basis. Requisite information on the pool includes the following:
- 12.1. A statement of investment policy and objectives.
- 12.2. A list of allowable investments.

- 12.3. Disclosure regarding settlement and safeguarding of investments.
 - 12.4. Description of securities pricing (fair value) and whether GASB 31 compliant.
 - 12.5. An explanation of interest calculations and distributions, plus fee disclosures.
 - 12.6. Deposit and withdrawal restrictions.
 - 12.7. Disclosure of audit findings and reports.
13. **Collateralization:** Collateral must always be held by an independent third party with whom the Authority has a current custodial agreement.
- 13.1. State law regarding collateralization of deposits of public funds requires that securities be held by an agent (i.e., a trust company) of the bank, which may include the bank's trust department only if acceptable to both the bank and the Treasurer, pursuant to California Government Code Sections 53656 and 53658. Under the provisions of California Government Code Section 53652, banks are required to secure the deposits of public funds, including certificates of deposits, by: a) pledging government securities with a value of 110% of the principal and accrued interest; b) pledging first trust deed mortgage notes having a value of 150% of the total agency deposit; or c) a letter of credit drawn on the Federal Home Loan Bank at 105% of the total agency deposit. Deposits must be secured at all times with eligible securities pursuant to Section 53651. A copy of the Call Report of Local Agency's Deposits and Securities must be supplied to the Authority and retained to document compliance with the collateral requirements.
 - 13.2. Collateralization of repurchase agreements must be at least 102% of the market value of principal and accrued interest. Collateral must consist of U.S. Treasury obligations or U.S. Agency obligations. Other specific requirements on repurchase agreements must be addressed in a master repurchase agreement between the Authority and the bank or broker/dealer.
 - 13.3. The Treasurer, at his/her discretion, may waive the collateral requirements for deposits up to ~~\$100,000~~ 250,000 which are fully insured by the Federal Deposit Insurance Corporation. The right of collateral substitution is granted.
14. **Safekeeping and Custody:** All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party qualified custodian and evidenced by safekeeping receipts. The trust department of the Authority's bank may act as third party custodian, provided that the custodian agreement is separate and apart from the banking agreement.
15. **Diversification:** The Authority shall maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or security type.
- 15.1. *Restrictions on Securities:* At no time shall the Authority's portfolio be invested in a

single security type or in a single financial institution or pool in excess of 15% of the total investment portfolio, with the following exceptions:

- 15.1.1 Treasury securities 100%
 - 15.1.2 Local Agency Investment Fund 75% (*Excludes moneys deposited in LAIF bond funds.*)
 - 15.1.3 Federal Agency securities 75%
 - 15.1.4 Bankers' Acceptances 25%
 - 15.1.5 Negotiable CD's 25%
- 15.2. *Exception for Automatic Overnight Sweep:* There shall be no restriction on the amount that is automatically swept from the Authority's bank into the Highmark Money Market Mutual Fund of U.S. Treasury Obligations *on an overnight basis*, in order to accommodate immediate investment of large inflows of property taxes or other receipts, pending diversified investment into other securities by the Treasurer.
- 15.3. *Maturity Diversification:* Every effort will be made to match investment maturities to cash flow needs. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing the market risk. Maximum maturities shall be as follows:
- 15.3.1 At least 50% of the portfolio is limited to a period of one year or less.
 - 15.3.2 ~~An additional 25% of the portfolio may have maturities extending to three years from the current date, and the remaining 25% may have maturities extending to five years from the current date.~~
 - 15.3.3 Unless matched to a specific requirement and approved by the Executive Committee and the Board of Directors, no portion of the portfolio may exceed five years.

16. **Internal Control:**

- 16.1. Internal policies and procedures shall be developed to assure that appropriate controls are in place to document and confirm all transactions. A separate *Investment Procedures Manual* shall be established to assist Treasury staff with daily operations and shall be reviewed at least annually by the Treasurer.
- 16.2. An independent analysis by an external auditor shall be conducted annually to review internal control, account activity and compliance with policies and procedures.
- 16.3. To provide further protection of the Authority funds, written instructions require the Authority's bank to obtain verification of all wire transfers from two of the three

following officers:

16.3.1 Treasurer.

16.3.2 Assistant Chief, Business Services.

16.3.3 Deputy Fire Chief.

17. **Performance Standards:** The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with investment risk constraints and cash flow needs.

17.1. *Investment Strategy:* The Authority's basic investment strategy is to buy and hold investments until maturity. However, the Treasurer may sell a security due to adverse changes in credit or market risk or due to unexpected cash flow needs.

17.2. *Market Yield (Benchmark):* The basis used by the Treasurer to determine whether market yields are being achieved shall be the rates of return from the following combination of indices: Local Agency Investment Fund (LAIF) and 3-month, 6-month and 1-year Treasury Bills (constant maturity).

17.3. *Review:* The investment policy shall be reviewed at least annually by the Budget and Finance Committee and approved by the Board of Directors to ensure its consistency with the overall objectives of safety (including diversification), liquidity and return, as well as its relevance to current law and financial/economics trends. The Authority's philosophy prohibits speculation (i.e., purchasing securities with the intent to profit from anticipated changes in future market conditions). Leveraging or borrowing money for the purpose of investing is specifically prohibited.

18. **Reporting:**

18.1. *Monthly Reports:* In compliance with Government Code Sections 53607 and 53646, the Treasurer shall file a monthly investment report with the Clerk of the Board, who will submit copies to the Board of Directors, the Executive Committee, the Budget and Finance Committee, the Fire Chief, the Assistant Chief of Business Services, the Auditor, and the Authority's outside auditor (as required). The investment report will be agendaized for the monthly meetings of the Budget and Finance Committee and the Executive Committee, and any Board member may request inclusion of the report on the Board's agenda at any time. This report shall certify that the Treasurer has complied with the Authority's *Investment Procedures Manual* and will include an *Executive Summary*, which provides a condensed summary of the most important information in the report, plus a detailed report covering the following elements:

18.1.1 Type of investments and percent that each type represents in the portfolio.

18.1.2 Issuer.

- 18.1.3 Purchase date.
 - 18.1.4 Date of maturity.
 - 18.1.5 Amount of deposit.
 - 18.1.6 Face value of the securities.
 - 18.1.7 Current market value of securities.
 - 18.1.8 Portfolio yield and comparison to benchmark.
 - 18.1.9 Interest earnings.
 - 18.1.10 Percentage of portfolio maturing within one year, 1-3 years, 3-5 years and over 5 years.
 - 18.1.11 Statement relating the report to the Investment Policy.
 - 18.1.12 Statement on availability of funds to meet its obligations for the next 30 days and the next 6 months.
 - 18.1.13 Description of funds, investments, or programs managed by contracted parties.
 - 18.1.14 Statement of compliance of the portfolio with the investment policy or manner in which the portfolio is out of compliance.
 - 18.1.15 GASB 31 effects on financial statements.
 - 18.1.16 Comments on the fixed income markets and economic conditions.
 - 18.1.17 Potential changes in future portfolio structure (if any), including risk factors.
 - 18.1.18 Any other information required by the Board.
- 18.2. *Annual Reports:* The Treasurer shall submit an annual report to the Budget and Finance Committee and the Executive Committee, following the close of the fiscal year which shall certify that the Treasurer has complied with the Authority's investment procedures and detail the following:
- 18.2.1 Analysis of the composition of the investment fund.
 - 18.2.2 Discussion of investment risk in the portfolio.

18.2.3 GASB 31 impacts.

18.2.4 A review of trends regarding the size of the investment fund.

18.2.5 Portfolio performance and comparison to benchmark.

18.2.6 Investment income.

18.2.7 A statement of anticipated investment fund activity in the next fiscal year.

18.3 **Investment Policy Adoption:** The Treasurer shall annually render to the Fire Chief, the Budget and Finance Committee, and the Board of Directors a Statement of Investment Policy.

Glossary

Active Deposits. Funds which are immediately required for disbursement.

Active investment management. An investment strategy that involves the active trading of securities in an attempt to earn above-average returns on a portfolio. Active investment management requires frequent monitoring of financial markets.

Agency. A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of an FSA is the Federal National Mortgage Association (FNMA).

Arbitrage. Generally, transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a difference in prices in the two markets.

Bankers' Acceptances (BA's). Time drafts or bills of exchange that are accepted payment by banks engaged in the financing of international trade. BA's finance the importation, exportation, shipment or storage of foreign and domestic goods. BA's are usually backed by documentation such as invoices, bills of lading, or warehouse receipts. Upon acceptance by a bank, a BA becomes an irrevocable and unconditional obligation of the accepting bank, while it is also an obligation of the drawer as well as any endorser thereof.

Basis point. By common agreement, .01% of yield on a fixed income security (1/100 of 1%).

Bond Equivalent Yield (BEY). An annual yield, expressed as a percentage, describing the return provided to bond holders. A bond equivalent yield is double the simple interest, semiannual yield. Since Treasury and agency notes and bonds pay interest semiannually, the bond equivalent yield is a way to compare yields from discount securities, such as Treasury bills and bankers' acceptances with yields available from coupon securities. From that usage, this yield measure is also known as the coupon yield equivalent. For securities that pay daily, monthly or quarterly interest, the bond equivalent yield understates the benefits obtained from the compounding of those investments.

Book-entry clearance. A system for the transfer of ownership of securities through entries on the records of a centralized agency. The centralized agency holds securities on behalf of their owners; when the securities are sold, ownership is transferred by bookkeeping entry from the seller to the purchaser. In the case of U.S government securities, securities certificates are not issued, and ownership of the securities is evidenced in computer records maintained by the Federal Reserve System. For other types of securities, book entry clearance is made available through linked or interfaced systems maintained by four securities depositories, which hold securities and act on behalf of their participants.

Book-entry security. A security which is not available to purchasers in physical form. Such a security may be held either as a computer entry on the records of a central holder (as is the case with U.S. certain government securities) or in the form of a single, global certificate.

Book value. The value at which a security is carried on the inventory lists or other financial records of an investor. This value may be the original cost of acquisition of the security, or original cost adjusted by the amortization of a premium or accretion of a discount. The book value may differ significantly from the security's current value in the market.

Broker. A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not position or take ownership of the security.

Certificate of Deposit (CD). A deposit of funds, in a bank or savings and loan association, for a specified term that earns interest at a specified rate or rate formula.

Collateralization. Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper. Unsecured short-term promissory notes issued by corporations, with maturities ranging from 2 to 270 days. May be sold on a discount basis or may bear interest. Firms with lower ratings or without well known names usually back their commercial paper with guarantees or bank letters of credit.

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

Credit Risk. The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return). A measure of the simple interest annual yield for interest-bearing investments with maturities of one year or more. To calculate the current yield, the annual coupon interest income is divided by the amount paid to acquire the investment. It is important to note that the current yield is only accurate for investments purchased at par. The current yield calculation includes just one income cash flow - the annual interest income. It ignores the profit or loss resulting from discounts and premiums.

Custody. The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the **custodian**.

Dealer. An individual or firm who, as a matter of regular business, purchases or sells securities for his account and risk.

Delivery versus payment (DVP). A settlement procedure where payment for a securities purchase is made simultaneously with the transfer of the purchased securities. The same procedure applies for a securities sale; the securities are transferred as payment is made.

Derivative instrument. A security that derives its value from an underlying asset, group of assets, reference rate, or an index value. Some derivative instruments can be highly volatile and result in a loss of principal in changing interest rate environments.

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

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

Diversification. Dividing investment funds among a variety of securities, offering independent returns, to reduce risk inherent in particular securities.

Effective Annual Yield. A seldom used expression to refer to the yield on an investment expressed on a compound interest basis.

Fed Wire. Computerized network linking the Fed with its district banks, member banks, and primary dealers in government securities.

Federal Agency Securities. A variety of securities issued by several Federally sponsored agencies. Some are issued on a discount basis and some are issued with coupons. Several have the full faith and credit guarantee of the U.S. government, although others do not.

Federal Deposit Insurance Corporation (FDIC). A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

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

Fed Funds Rate - Interest rate charged by one institution lending federal funds to another.

Floater. A floating rate security with an interest rate that resets at specified intervals according to an underlying index, such as LIBOR (the London Interbank Offered Rate), and is based on a predetermined formula. The value of a floater will fluctuate as interest rates change and therefore can be very volatile.

Inactive deposits. Funds not immediately needed for disbursement.

Interest rate risk. The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Inverse floater. A security that reacts inversely to the direction of interest rates. These securities can be very volatile and can lose value in a rising interest-rate environment.

Leverage. An attempt to increase the rate of return on an investment by buying securities on margin or using borrowed funds for investment purposes. This practice can be risky if interest rates rise or if investment yields are lower than expected.

Liquidity. The quality of an asset that permits it to be converted quickly into cash without a significant loss of value.

Local Agency Investment Fund (LAIF). A special fund in the State Treasury which local agencies may use to deposit funds for investment and for reinvestment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$40 million for any agency (*excluding bond funds, which have no maximum*). It offers high liquidity because deposits can be converted to cash in 24 hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via a check, warrant, or direct deposit to the agency's State Pooled Fund account. The State keeps an amount for reasonable costs of making the investments, not to exceed 1/4 of a percent of the earnings.

Marketability. The measure of ease with which a security can be sold in the secondary market.

Mark-to-Market. The practice of valuing a security of portfolio according to its market value, rather than its cost or book value.

Market Rate of Return. The average yield of the 3-month U.S. Treasury Bill or other index that closely matches the average maturity of the portfolio.

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

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

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

Mutual Fund. An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines.

Negotiable. Salable.

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

Passive investment management. An investment strategy where securities are bought with the

intention of holding them to maturity or investments in benchmark products designed to yield a market rate of return.

Principal. The face amount or par value of a debt instrument.

Primary Dealer. A small group of large banks and brokers that have pledged to make a market for any Treasury securities at any time. They are required to report their inventory positions and volume of activities to the Federal Reserve. Because of this, they are given the right to deal directly with the Federal Reserve in their daily operations.

Prudent Investor Standard. A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

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

Public Securities Association. The bond market trade association, which publishes a Master Repurchase Agreement that is widely accepted as the industry standard.

Rating. Judgment of creditworthiness of an issuer made by an accepted rating service.

Repurchase Agreement (Repo). A form of secured, short-term borrowing in which a security is sold with a simultaneous agreement to buy it back from the purchaser at a future date. A *master repurchase agreement* is a written contract governing all future transactions between the parties and seeks to establish each party's rights in the transaction.

Reverse Repurchase Agreement. A form of secured, short-term investment in which a security is purchased with a simultaneous agreement to sell it back to the seller at a future date.

Safekeeping. A procedure where securities are held by a third party acting as custodian for a fee.

Secondary Market. Markets for the purchase and sale of any previously issued financial instrument. The first sale of a financial instrument by the original issuer is said to be done a primary market. All subsequent trades are said to be secondary market.

Securities Investors Protection Corporation (SIPC). A private corporation providing insurance to brokerage firms to cover customer accounts up to \$500,000 in securities (including 100,000 in cash).

Swap. The trading of one asset, or cash flows, for another. Sometimes used in active portfolio management to increase investment returns by "swapping" one type of security for another. Also used to manage risk; for example, swapping fixed interest rate payments for floating rate payments.

Total return. Interest income paid on the invested principal, plus interest income earned from the successive reinvestment of that interest income, plus projected capital gains (or minus losses) on the investment. Differs from yield to maturity because (1) it can include gains or losses from sales prior to maturity, and (2) it permits the assumption of a reinvestment rate different from the yield earned on the underlying principal.

Treasury Bills. Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes. Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds. Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000.

Uniform Net Capital Rule. Securities and Exchange Commission 15C3-1 outlining capital requirements for brokers.

Weighted Average Maturity (WAM). The average maturity of all the securities that comprise a portfolio.

Yield. Loosely refers to the annual return on an investment expressed as a percentage on an annual basis. For interest-bearing securities, the yield is a function of the rate, the purchase price, the income that can be earned from the reinvestment of income received prior to maturity, call or sale and the time from purchase to maturity, call or sale. Different formulas or methods are used to calculate yield. See Yield to Maturity and Total Return Analysis.

Yield-to-maturity. The rate of return yielded by a debt security held to maturity when both the interest payments and the investor's potential capital gain or loss are included in the calculation of the return.

CONSENT CALENDAR - AGENDA ITEM NO. 4
BOARD OF DIRECTORS MEETING
November 21, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **2013 Update – Fiscal Health Plan & Financial Stability Budget Policy**

Summary:

This agenda item is submitted to the Committee for review and approval of a comprehensive update of the former *Fiscal Health Contingency Plan* and the *Financial Stability Budget Policy*.

Committee Action:

At its November 6, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

Recommended Action:

Approve the Fiscal Health Plan and the Financial Stability Budget Policy.

Background:

Fiscal Health Contingency Plan

In May of 2002, the Board of Directors approved a Fiscal Health Contingency Plan as a framework for responding to adverse fiscal circumstances. The Plan also included requirements for OCFA's general fund contingency reserve, described key fiscal policies/guiding principles, and established reporting processes for monitoring OCFA's fiscal health.

The Fiscal Health Contingency Plan was amended in March of 2005 to reduce the general fund contingency requirement from 15% to 10% of expenditures (net of grant funded expenditures). The Plan has remained in place and unchanged since March of 2005.

Since 2005, we have increased financial reporting to cover many additional areas and improve transparency. We have also expanded use of the five-year financial forecasting, and we now rely on the prospective forecasting tool instead of the historical financial indicators, for measuring future financial stability, strength, or weakness. Furthermore, we have established a routine cycle for performance of internal control reviews by an external auditor, and added Audit Oversight responsibilities to the existing Budget and Finance Committee.

Considering the variety of enhancements that we've made to our fiscal monitoring and reporting, we found it appropriate to update the Fiscal Health Contingency Plan to reflect the improvements. In addition, we have deleted the word "Contingency" from the title of the Plan to more accurately reflect the broader purpose of the Plan, which encompasses much more than contingency planning provisions.

Financial Stability Budget Policy

Also in May of 2002, the Financial Stability Budget Policy was approved to formally document contingency fund levels for the General Fund and establish annual funding targets for the CIP funds. In addition, the Financial Stability Budget Policy was designed to guide OCFA in making annual budget decisions that focus on 1) both short and long-term financial priorities and 2) the fiscal health of OCFA as an organization rather than focusing on a “fund-by-fund” basis.

This Policy has been updated to conform to changes proposed for the Fiscal Health Plan.

Best Practices in Financial Reporting

Both of the policies discussed above are designed to provide OCFA the opportunity to be proactive in addressing potential future negative financial conditions or operational deficits through ongoing analysis of financial condition. The policies are consistent with the Government Finance Officers’ Association’s best practices in financial reporting.

Impact to Cities/County:

A strong Fiscal Health Plan for OCFA is intended to assist in ensuring that services are appropriately sustained for the communities we serve.

Fiscal Impact:

Adoption of these policies has no fiscal impact; however, the actions taken as a result of having these policies in place should assist OCFA’s fiscal health for the long-term.

Staff Contact for Further Information:

Lori Zeller, Assistant Chief

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(714) 573-6020

Attachments:

1. Fiscal Health Plan – November 2013
2. Financial Stability Budget Policy – November 2013

Orange County Fire Authority

Fiscal Health Plan

Business Services Department
November 2013

ORANGE COUNTY FIRE AUTHORITY

FISCAL HEALTH PLAN

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ORANGE COUNTY FIRE AUTHORITY

Fiscal Health Plan

Introduction

Purpose of Plan

Consistent with the Government Finance Officers' Association's best practices in financial reporting, the purpose of this Plan is to establish a framework for ensuring an ongoing focus on fiscal health and a general process to assure timely and appropriate response to adverse fiscal circumstances. One of OCFA's major strengths is its depth of financial oversight and multiple tiers of financial review. OCFA's finances are overseen by the Board of Directors, the Executive Committee, Budget and Finance Committee, City Managers Technical Advisory Committee, City Managers Budget and Finance Committee, OCFA's Executive Management team, and OCFA's Business Services staff. Each has an essential role to play in maintaining OCFA's fiscal health.

Background

The Orange County Fire Authority (OCFA) was formed in March 1995 in the wake of the Orange County bankruptcy, the largest municipal bankruptcy in history. At that time, property taxes, OCFA's primary revenue source, had shown little or no growth in recent years but there were signs of economic recovery. OCFA's first operating budget was approved with a \$4.1 million deficit. The Board of Directors directed staff to balance the operating budget by FY 1998/99 with the ultimate goal to generate a revenue stream to fund OCFA's capital needs. This financial goal was fully realized with the adoption of the FY 2000/01 budget.

Between FY 1996/97 – FY 2000/01, the Budget and Finance Committee and the Board of Directors established a set of strong fiscal policies and implemented strategies to re-build OCFA's fiscal health. OCFA's first multi-year Capital Improvement Program (CIP) was approved in FY 1998/99. The following year, OCFA implemented its first two-year budget to improve financial planning efforts and to streamline the budget process. Between FY 2000/01 and 2012/13, OCFA staff and the Budget and Finance Committee developed many key policies for approval by the Board of Directors, including policy areas of budgeting, capital and contingency reserves, cost recovery, grant administration, and short-term debt.

Today, OCFA routinely makes use of inter-fund borrowing, Tax & Revenue Anticipation Notes (TRANS) and Master Lease financing, where feasible, to maximize cash flow. A robust model is in place for multi-year financial forecasting. We receive awards from the Government Finance Officers Association for meeting professional standards of excellence on our annual budget and our comprehensive annual financial report. The Association of Public Treasurers of the United States and Canada has certified our investment policy, and our Purchasing Section has been awarded the Achievement in Excellence in Procurement Award from the National Procurement Institute. OCFA went to market for the first time in August 2001 to issue bonds for the financing of our Regional Fire Operations and Training Center (RFOTC). Standard & Poor's rated the bonds AA and Moody's rated them A-1. This was a remarkable achievement for a first-time issuer. Both rating agencies indicated that the primary factors for assigning positive ratings were

strong financial management, a solid record of fiscal discipline, and the high quality of information provided by OCFA staff. OCFA has since paid the bonds in full, and did so in advance of the required payment timeline to achieve savings in interest payments.

With the strides we have made since formation of the OCFA, it is critical that we maintain our strong fiscal health. This Fiscal Health Plan serves as a central tool for guiding our financial planning, monitoring, and actions during both strong and weak economic times.

Cornerstones and Scope of Plan

The cornerstones of this plan are a set of strong fiscal policies and a comprehensive system for monitoring OCFA's fiscal performance. The plan is focused on OCFA's General Fund – Fund 121, but also will impact planning for the CIP. All departments of OCFA will fully participate in this plan.

Triggers

Specified actions within the Fiscal Health Plan will be triggered by adverse fiscal circumstances, as determined by the Fire Chief, that have the potential to significantly impact OCFA's fiscal health, such as:

- “ Natural or human-made disasters
- “ State or judicial property tax takeaways
- “ Large, unexpected costs
- “ Economic downturns

Specified contingency actions will also be triggered whenever there are two consecutive quarters of adverse fiscal results in OCFA's top revenue sources, property taxes and charges for services, or when other financial / economic indicators point to significant weakness.

Financial indicators will be monitored through frequent updates of the OCFA's five-year financial forecast to evaluate the stability, strength, or weakness of OCFA's finances. The forecast will measure the areas of revenues, expenditures, debt, committed and uncommitted fund balances. Annual measurement of unfunded liabilities will also help assess financial stability, strength, or weakness. These measurement factors will be refined and adjusted periodically as appropriate. The outcome of the financial forecast analysis will be reported annually with the mid-year budget review, or more frequently if significant events occur impacting OCFA's finances. The annual measurement of unfunded liabilities will occur each fall.

SIX KEY ELEMENTS OF THE PLAN

One: Maintaining Minimum Fund Balance at Policy Levels

By Board of Directors policy, OCFA maintains an operating fund contingency set at 10% of operating expenditures. For purposes of this policy, operating expenditures are defined to include salaries, employee benefits, services, and supplies. Operating expenditures exclude grant-funded expenditures, annual equity payments, and operating transfers out to the Capital Improvement Program (CIP).

Fund balances are also maintained for CIP funds and for the Workers' Compensation Self-Insurance Program. In accordance with the Financial Stability Budget Policy, the OCFA strives to achieve CIP fund balance equal to five-years of projected capital projects, less anticipated revenue sources. For Workers' Compensation, Board-adopted policy mandates funding to be set aside for past incurred cases at the 50% confidence level.

OCFA's fund balances are its first line of defense in adverse circumstances. The fund balances allow OCFA to continue operations and projects in responding to short-term fiscal problems. The fund balances also provide a bridge or "breathing" room in addressing longer-term problems while comprehensive plans are developed for response and recovery.

Two: Other Key Fiscal Policies

OCFA's guiding principle is to prevent fiscal problems before they begin and to keep problems from getting bigger when they do occur. This is accomplished by adherence to the following policies:

- " Balanced budget
- " Ongoing operating expenditures funded with ongoing revenues
- " Adherence to adopted procurement policies and procedures
- " Conservative investment practices with monthly oversight by the Budget and Finance Committee
- " Budget authority vested with the Board of Directors, oversight by the Budget and Finance Committee, City Managers Budget and Finance Committee, and delegation of budget management authority to the Fire Chief
- " User fee cost recovery, with cyclical fee studies performed every two years
- " Proactive work with developers to ensure that new development pays its own way
- " Limited use of debt financing
- " Ongoing equipment and vehicle replacement plans
- " Use of contracting for services where more efficient and cost effective
- " Ongoing pursuit of productivity improvements
- " Performance of internal control reviews and annual financial audits by independent auditors, with oversight by the Budget and Finance/Audit Oversight Committee

Three: Monitoring of Fiscal Health

The OCFA maintains ongoing systems for the timely reporting of fiscal conditions and trends. Staying on top of OCFA's fiscal condition on an ongoing basis is an essential part of our overall strategy for preserving our fiscal health. We disclose our fiscal condition on an ongoing basis – whether good or bad – to our Board of Directors, city managers, senior managers, and to the organization-at-large. Core principles, financial forecasting, and descriptions of fiscal health monitoring reports are included in the Appendix.

Four: Assessment: Short or Long-Term Fiscal Problem?

Different strategies apply to different types of problems. Short and long-term strategies are as follows:

Assessment of Short-Term Problem: A short-term problem is a one-time event or downturn that is not likely to continue indefinitely. “One-time” fixes are the appropriate response to one-time only problems. The goal is not just short-term savings, but preserving future options if the problem turns out to be ongoing.

- “ Hiring Chill: Action may be taken to fill positions required to meet front-line service needs that cannot be met through overtime or temporary staffing. Fire Chief (or Deputy Fire Chief) approval is required to fill all other vacant positions.
- “ Travel and Training Chill: Maintain existing approval procedures but limit travel and training. Though the tendency is to curtail all travel and training, OCFA believes this is short-sighted. Training is critical to maintain essential skills. The ability to stay abreast of current best practices is enhanced through conferences and professional meetings, which is essential to help protect OCFA’s interests. This is even more important in adverse times.
- “ CIP Project Deferrals: OCFA staff and the CIP Ad Hoc Committee will identify candidate projects for possible deferral.
- “ One-Time Operating Cost Review: Treasury and Financial Planning staff will identify and present one-time only projects to OCFA Executive Management to consider for possible deferral.
- “ Fund Balance: Consider use of contingency fund balance below the Board’s 10% of operating expenditure policy level. Parameters that will be used to guide staff in recommending use of contingency fund balance to the Board shall include the following:
 - ü Use of contingency fund balance may be recommended when a solution has been identified to eliminate future budget deficits, and a bridge of time is needed to implement the solution
 - ü If use of fund balance is to be recommended, it should not exceed 25% of the contingency fund balance in any one fiscal year
 - ü Use of fund balance will not be recommended for more than two consecutive years
 - ü ***Ultimately, the recommended use of fund balance can only be achieved with Board approval***
- “ Other Short-Term Curtailments: Identify and implement any other short-term curtailments, as appropriate.

Assessment of Long-Term Problem: A long-term problem is reflected in a downturn in revenues or increases in costs that are systemic. One-time fixes will not work for a long-term structural imbalance. Long-term fixes require new ongoing revenues (which are extremely unlikely for OCFA given our property tax base) or ongoing expenditure reductions. If the problem can be seen in advance, OCFA’s philosophy is that it is far better to take action early before it becomes unmanageable and thus avoid future pain to OCFA.

Four Basic Steps to Take in the Assessment

1. Implement short-term actions until completion of action plan.

2. Prepare a long-term financial forecast (Five-Year Model) to define the problem.
3. Prepare revenue enhancement and expenditure reduction options tailored to the problem as defined by the financial forecast. Consider that it will likely take six or more months to prepare the plans and another 12 to 18 months to implement them.
4. Finalize and begin implementing the plan.

Five: Identifying Options

In addressing long-term fiscal problems, there are only two basic options – increase revenues and/or reduce expenditures.

Increase Revenues

Since OCFA is property tax based, the ability to increase revenues is extremely limited. However, benefit assessments or other voter-approved measures should not be overruled, depending on the magnitude and severity of the problem. The action plan must consider the lead-time essential for such an action. Voter approval will require time for the effective preparation before a measure is placed on the ballot. The *critical success factor* will be an effective community and labor association-based group that will work hard to pass the measure. Any actions in pursuit of such a measure would require Board approval.

Reduce Expenditures (and related service levels)

In the short-term, use of fund balance is an option, but it is not a viable long-term solution. The exception to this is the strategic use of fund balance that reduces future year operating costs or increases ongoing revenues. The hard reality is that meaningful expenditure reductions require reductions in regular staff costs, including front-line personnel. To put this in perspective, over 90% of OCFA's operating costs are for salaries and employee benefits.

General Expenditure Reduction Strategies

The Assistant Chiefs of each of OCFA's four departments and the Deputy Chief are responsible for developing expenditure reduction options that are real, doable and:

- “ Reflect the least service impacts to the community. There is to be no “game-playing” or proposal of least-likely reductions.
- “ Are ongoing.
- “ Describe service impacts in factual, objective, and credible terms.
- “ Are within OCFA's ability to do independently – no speculative reductions contingent on actions of others.
- “ Can be implemented within three months of adoption by the Board of Directors.
- “ Are net of any related revenues from fees or grants.
- “ Maintain essential facilities and equipment at reasonable levels – we will **not** defer essential station or equipment maintenance, as this is not a genuine cost reduction.
- “ Reflect participation from throughout their departments – we do **not** want any of our staff to be surprised.

Expenditure Reduction Principles and Targets

Any service reductions will be balanced, and ensure that OCFA's highest priority services are retained. The focus will be on retaining front-line core services and reducing services with the least impact to OCFA's service communities.

Though expenditure reductions are not likely to be the sole budget-balancers, the identification of service impacts is critical to attracting support for any new revenues or other mitigation strategies.

CIP Projects

Staff will ask the Chair of the Board of Directors to convene an Ad Hoc Committee to assist in the identification and prioritization of short-term as well as ongoing CIP project reduction opportunities. Projects to maintain existing facilities would generally have higher priority over “new” facilities. OCFA’s Strategic Planning Services team will assist in providing data and recommendations related to service needs for new fire stations in developing areas.

Projects likely to be exempted from reductions include those that have:

- “ Direct adverse impacts to public health and safety
- “ Outstanding contractual or bond/lease financing commitments
- “ Significant outside resources or related one-time revenues

Legislative Advocacy

Legislative advocacy may play a role in the plan, depending on the reason for the adverse fiscal circumstances. If state or federal legislative actions drive the reason, OCFA will work closely with its legislative advocates, board members, labor associations, and other stakeholders to influence the mitigation of service reductions.

Involvement and Participation

The Fire Chief will encourage employee and labor association participation and involvement throughout OCFA in preparing any expenditure reduction options and will openly communicate any resulting action plans well in advance of the implementation date. The Fire Chief will also involve impacted communities and community interest groups in preparing the plan.

Six: Finalize and Implement Fiscal Health Action Plan

The Fire Chief (with advice from OCFA’s Executive Management team, the City Manager Technical Advisory Committee, and the Budget and Finance Committee) is responsible for preparing his recommended Fiscal Health Action Plan for Board of Directors consideration. Board of Directors approval is required for implementation.

Communications

Whenever the Fiscal Health Action Plan is placed in effect, the OCFA will strive to effectively communicate with the communities we serve regarding any service impacts. Additionally, communications to OCFA employees will have the highest priority.

Monitoring and Reporting of Outcomes

Treasury and Financial Planning staff will closely monitor results of the action plan in achieving its goal and will report any significant deviations (as well as positive results) to the Fire Chief who in turn will report to the Board of Directors.

ORANGE COUNTY FIRE AUTHORITY

Monitoring OCFA's Fiscal Performance

OVERVIEW

Staying on top of the OCFA's fiscal condition on an ongoing basis – on both the revenue and expenditure side of the equation – is an essential part of our overall strategy for preserving our fiscal health. The following summarizes how we monitor and report on fiscal health at the Board of Directors and staff level.

Core Principles

There are four core principles underlying our fiscal monitoring and reporting efforts:

- 1. Strong Systems.** We need to have an underlying financial management and internal control system that captures and produces *timely, credible and reliable* information.
- 2. Meaningful Reports.** To be useful for policy makers and managers, this raw data then needs to be analyzed and summarized to answer the key question: *what does it mean?* Setting specific, periodic reporting goals and standards is one of the best ways of ensuring that this kind of analysis is in fact taking place. The resulting information must be interpreted the same way by everyone who uses the system.
- 3. Timely, Open Reporting.** Full, open, honest and straightforward disclosure of our fiscal condition on an ongoing basis – whether good or bad – to the Board of Directors, OCFA city managers, senior managers, the organization at-large, and the community is a fundamental precept for effective and responsible stewardship of the public resources that have been entrusted to us. Though we may not always like the results – if we are doing our job, our reports should never be a surprise.
- 4. Organizational Responsibility.** On the revenue side, Business Services plays the lead role in managing OCFA's fiscal condition; on the expenditure side, Assistant Chiefs and the Deputy Chief have the principal responsibility for ensuring that OCFA's resources are used wisely and in accordance with adopted plans, policies, service levels and the resources allocated by the Board of Directors.

FISCAL HEALTH MONITORING

Monitoring Financial Indicators

To assist with the ongoing evaluation of OCFA's fiscal health, staff will monitor financial indicators through frequent updates of the OCFA's financial forecast measuring revenues, expenditures, debt, committed and uncommitted fund balance. These measurement aspects will be forecast to provide indicators of fiscal stability, strength, or weakness.

In addition, an annual trend report will be used to look backwards and track changes from forecasted financial data to actual financial results. This data will be reviewed to assess the accuracy of forecasted revenues and expenditures against actual activity, taking into account budget adjustments, grants and reimbursements. Outcomes from the trend analysis will be used to assess whether adjustments should be built into the forecasting methodology. As a general guideline, the forecasting tool should allow for variances no more than +/- 5% per line item in Year 1 of the forecast, and no more than +/- 10% per line item in the outer years of the forecast.

The above method of monitoring financial indicators will be refined and adjusted periodically as appropriate. The outcome and any resulting recommended actions will be reported to the Fire Chief and the Board of Directors annually with the mid-year budget review process.

Monitoring Long-Term Liabilities

To further assist with the ongoing evaluation of OCFA's fiscal health, staff will measure long-term liabilities annually, trending the data to assess drivers behind increases (if applicable) and to measure effectiveness of strategies that are put in place to either reduce or fund the liabilities. Categories to be measured will include the pension plan, Retiree Medical Plan, lease financing obligations, workers' compensation, and accrued compensated absences. These categories will be refined and adjusted periodically, as appropriate. The annual Long Term Liability Study will be provided to the Budget and Finance Committee and Board of Directors each fall.

Review of Fee-Funded Programs

Several layers of review will be applied to OCFA's fee-funded programs. Reviews will include a routine cycle for performing Fee Studies every two years, as well as annual reconciliations following each year-end to ensure that fees do not exceed the cost of performing the services, and to ensure that cost recovery goals are met. OCFA will continue to contract with a professional fee consultant who will validate the fee study process and results. In addition to routinely performing fee studies every two years, fee studies may be prompted at earlier intervals when driven by the following factors:

- Material changes are made to the organization of Fire Prevention staff amongst various fee funded programs.

- Material changes are made to the manner in which tasks are performed to carry out the various fee funded activities, impacting the time it takes to perform the task or impacting the level of employee required to perform the task.
- Year-end reconciliations of fee revenue and volume of fee funded activity vs. cost to perform fee funded services indicates a surplus or deficit in excess of 10%.

The outcome and any resulting recommended actions from the year-end reconciliation will be reported to the Fire Chief and the Board of Directors annually with the mid-year budget review process.

Board of Directors Focused Reports

The following reports are provided to the Board of Directors and Budget and Finance Committee on an ongoing basis, and, except as noted, typically cover both revenues and expenditures. In all cases, these same reports are widely distributed within the organization; and several of these that have broad interest are distributed externally to others and will be posted on our web site and intranet.

- “ **Annual Budget.** This is the benchmark against which we measure our fiscal performance for revenues, departmental operating expenditures and CIP projects. While this document primarily looks forward to the next year, it also includes detailed information about our fiscal performance for both revenues and expenditures for the prior two years.
- “ **Five-Year Financial Forecasting Model.** This forecasting model is a budget tool that is updated annually, in conjunction with the budget, for projected revenues and expenditures for the following five years. The forecast, based on the annual operating budget and the five-year CIP, combines all OCFA budgetary funds into one financial summary to provide a picture of OCFA’s overall fiscal health. The forecast can also be presented with multiple scenarios to demonstrate the impact of various pending fiscal issues. The forecast is updated whenever a significant financial event occurs or is anticipated to occur mid-year in order to assess the severity of the impact. The forecast is also evaluated before undertaking any significant financial commitment to ensure that OCFA’s fiscal health is maintained.
- “ **Mid-Year Budget Review.** Prepared six months into each fiscal year, this is another opportunity to take a formal look at OCFA’s fiscal performance, and take corrective action as needed. A comprehensive mid-year review is provided each January and recommended mid-year budget adjustments are presented to the Budget and Finance Committee and the Board of Directors annually each March.
- “ **Quarterly Financial Newsletters.** In staying focused on the “big picture,” we issue a Quarterly Newsletter that focuses on key fiscal performance indicators in the General and CIP Funds. This includes year-to-date revenues, expenditures, key General Fund revenues (which account for about 95% of the total) and budget versus actual expenditures for each of the departments. This Newsletter is distributed electronically to all employees.

- “ **Comprehensive Annual Financial Report.** This includes audited financial statements for all of OCFA’s funds, including budget versus actual revenues and expenditures. More importantly, it includes a transmittal memorandum from the Assistant Chief of Business Services that concisely analyzes key fiscal results for the year.
- “ **Monthly Investment Report.** This report shows OCFA’s cash and investment position for all funds held by the OCFA. The Budget and Finance Committee and the Executive Committee review this report monthly.
- “ **Monthly OCERS Updates.** This report assists in providing ongoing updates of activities occurring at the Orange County Employees’ Retirement System (OCERS) relating to financial policies, practices, and actuarial changes which impact retirement contribution rates and funding of pension benefits.
- “ **Quarterly Workers’ Compensation Updates.** These quarterly reports are provided to share information regarding workers compensation claims, illness and injury trends, and safety or wellness initiatives underway which are designed to reduce illness and injuries.
- “ **Annual Investment Report.** This report provides an overview of OCFA’s cash and investment position for the fiscal year and demonstrates compliance with the Investment Policy approved by the Board of Directors. It analyzes the composition of the investment portfolio, discusses different types of investment risks, identifies GASB 31 impacts, and reviews trends and performance of the portfolio compared to market benchmarks.
- “ **Annual Backfill/Overtime and Total Compensation Report.** This report analyzes backfill and overtime activity for the prior fiscal year and summarizes base earnings, total earnings, and total compensation for each employee/labor group. In addition, total annual employee compensation is posted to the OCFA website to improve transparency for the public.
- “ **Annual Liability Report.** This report measures OCFA’s long-term liabilities and is used as a tool to assist management and the Board of Directors in developing appropriate strategies to reduce and/or fund each category of liability.
- “ **Annual Grant Priorities.** This report is prepared each January to establish priorities for the types of grants that may be available and/or pursued each year.
- “ **Staff Agenda Reports.** In every staff agenda report, we assess the fiscal impact of the recommended action, including budget impact, impact on member agencies, and any budget shortfalls if applicable.
- “ **Special Notices and other Ad Hoc Reports.** As key information comes to us with significant revenue or expenditure impacts, we immediately let the Budget and Finance Committee and/or Board of Directors know through special notices or other “ad hoc” reports.

Staff Focused Reports

- “ **Budget Detail – Policy and Guidelines.** After adoption of the budget, we produce and distribute this document at the beginning of each fiscal year to help our managers monitor their budget and purchasing activities. The document includes line item budget detail, budget responsibilities and guidelines, a user’s guide for completing purchase requisitions, a chart of accounts describing OCFA’s various accounts, a list of current ORG numbers (used for tracking expenditures), and a user’s guide for interpretation of monthly reports provided for monitoring expenditures.
- “ **Quarterly Financial Reports.** We produce and distribute detailed quarterly financial reports to section managers and Assistant Chiefs to ensure that records are accurate and up-to-date.
- “ **Quarterly On-Call Pay and Backfill/Overtime Reports.** We produce and distribute detailed reports summarizing on-call pay and backfill/overtime activity to section managers and Assistant Chiefs to facilitate appropriate monitoring and oversight of applicable programs.
- “ **Quarterly CIP Expenditure Status Reports.** An internal CIP Review Committee meets quarterly to review the status of CIP projects. An important part of their role is to identify any problem areas with upcoming projects (and resolve problems with corrective action plans); and to ensure smooth coordination of complex projects. Detailed reports on the “project-to-date” budget and expenditure status of all CIP projects will then be presented to the Fire Chief and Executive Management.
- “ **Quarterly Expenditure Reviews with the Fire Chief.** The Budget Team (Budget Manager and Budget Analysts) meet with their assigned departments each quarter to review in detail the status of departmental operating expenditures. The Budget Team then presents its draft report to the Assistant Chief of Business Services, the Treasurer and the Finance Manager. The final report is presented each quarter to the Fire Chief and Executive Management.
- “ **Daily Cash Balance Reports.** Treasury staff produces daily cash balance reports to ensure that cash liquidity is sufficient to cover anticipated disbursements and to determine if, and for how long, surplus cash should be invested.
- “ **Weekly Cash Balance Reports by Fund.** This report, which identifies the breakdown of cash and investments by Fund, is used to confirm that each fund has sufficient cash balance to cover planned expenditures. For example, Fund 121 has a cyclical cash balance which drops very low prior to receipt of property taxes in November and rises dramatically from December through April.
- “ **Quarterly Cost Savings Reports.** This report will identify savings achieved from the efforts of Purchasing staff through bidding, additional vendor competition, and negotiated savings.

SUMMARY

There are two key aspects to our approach in monitoring our fiscal condition - we are committed to an ongoing program of collecting meaningful information and then ensuring that this information is reported and acted upon in a timely manner.

<p style="text-align: center;">FINANCIAL STABILITY BUDGET POLICY</p>

1. PURPOSE

- 1.1. To guide OCFA budget actions toward maintaining long-term financial stability and to establish contingency fund levels and annual funding targets for the Authority's General Fund and Capital Improvement Program (CIP) Funds.
- 1.2. To establish CIP fund balances that accumulate and deplete in harmony with the needs and timing of capital projects identified in the five-year CIP.

2. ADOPTION AND REVIEW

- 2.1. This policy was originally adopted by the Board of Directors on May 23, 2002 and was implemented with the Fiscal Year 2002/03 Budget Update.
- 2.2. This policy shall be reviewed periodically for recommended revisions in order to maintain the policy in a manner that reflects the ongoing financial goals of the Authority.
- 2.3. Policy revisions shall be reviewed by the Budget and Finance Committee and approved by the Board of Directors.

3. POLICY

- 3.1. The Five-Year Financial Forecast shall be used as a budget tool that's updated annually in conjunction with the budget for projected revenues and expenditures. The Five-Year Forecast will include all OCFA budgetary funds to provide a picture of the Authority's overall fiscal health.
 - 3.1.1 The Five-Year Forecast will also be updated whenever a significant financial event occurs or is anticipated to occur mid-year in order to assess the severity of the impact.
 - 3.1.2 The Five-Year Forecast shall also be evaluated before undertaking any significant financial commitment to ensure the Authority's fiscal health is maintained.

- 3.1.3 It should be noted that data included in the first two years of the forecast is the most predictable and reliable.
- 3.1.4 Data contained in the outer years of the forecast is less reliable due to uncertainties regarding items such as future property tax growth, benefit costs, and capital needs. Although less reliable, the information is a useful indicator of trends and the potential need for early corrective intervention.
- 3.2. The proposed operating budget (General Fund) submitted by Authority staff shall be a balanced budget.
- 3.3. The Authority shall also strive to achieve a projected operating budget that's balanced for all years included in the Five-Year Financial Forecast.
- 3.4. The Authority shall maintain a contingency reserve in the General Fund set at 10% of operating expenditures for unplanned emergencies.
- 3.4.1 Operating expenditures exclude grant-funded expenditures, annual equity payments, and operating transfers out to the CIP.
- 3.5. Funds available for transfer out of the General Fund after funding annual operating expenses (net general fund revenue) shall be allocated first to the 10% General Fund contingency reserve, and then to the CIP.
- 3.6. The Authority shall review reserve fund levels annually for the CIP funds and establish annual funding targets as follows:
- 3.6.1 CIP funds will include:
- Fund 122 – Facilities Maintenance & Improvement
 - Fund 123 – Capital Projects
 - Fund 124 – Communications & Information System Replacements
 - Fund 133 – Vehicle Replacement
- 3.7.2 The amount of revenue available for transfer from the General Fund to the CIP shall be allocated based on the existing reserve balance in each CIP fund and based on the future needs identified in the five-year CIP.

Priority #1: Each CIP fund shall be allocated sufficient funds to meet planned expenditures included in the upcoming fiscal year. Sufficient funds can be a combination of existing fund balance plus new revenues and operating transfers in from the General Fund.

Priority #2: After meeting the needs for the upcoming fiscal year in each CIP fund, any additional funding shall be allocated based on planned expenditures included in the second fiscal year of the five-year CIP. This process shall be repeated for future years to the extent that funding is available.

Ultimate Funding Target: Although this status may or may not be achieved, a fully funded five-year CIP would be our ultimate goal and would allow OCFA to rest assured that all projects identified within our planning horizon have funds earmarked for those projects.

- 3.7. The Authority will analyze the feasibility of paying its annual retirement contributions to the Orange County Employees Retirement System (OCERS) early each year, to take advantage of the discount offered by OCERS.
 - 3.7.1 OCERS has taken the approach to use the assumed rate of return for the system (7.25%) as the discount. The employer is given a 7.25% discount if payment is made in January, a full year in advance, and a 3.625% discount if payment is made six months in advance in July.

CONSENT CALENDAR - AGENDA ITEM NO. 5
BOARD OF DIRECTORS MEETING
November 21, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Refunds for Unverified Hazardous Materials Disclosure Inspections – Follow-up Actions**

Summary:

This item is submitted to provide an update regarding the refunds for unverified hazardous materials disclosure inspections that were authorized by the Board of Directors at the meeting of June 27, 2013, and to discuss additional follow-up actions.

Committee Action:

At its November 6, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

Recommended Actions:

1. Direct staff to process a second mailing to eligible businesses that have not yet claimed refunds, using updated addresses where feasible.
 - a. Work with the Orange County Health Care Agency (HCA) for availability of more recent address information relating to these businesses.
 - b. Provide the list of outstanding eligible businesses, sorted by city, to our member agencies for any assistance that they may be able to provide in locating current addresses for these businesses.
 - c. Utilize light-duty staff to assist in searching public information that may lead to new addresses for the outstanding businesses.
 - d. Utilize the existing address on file if updated addresses cannot be located for businesses.
 - e. Issue the second letters to these eligible businesses on or about January 15, 2014.
2. Authorize a cut-off date of April 30, 2014, whereby the value of any remaining unclaimed refunds will be transmitted to the HCA for use in the existing Hazardous Materials Disclosure (HMD) program, thereby benefitting the existing participating HMD businesses.
3. Direct staff to work with the HCA in developing potential actions for disposition of the \$935,870 in funds that resulted from FY 2007/08 HMD fee reductions that were approved by the OCFA Board of Directors after the HMD billings had been processed.
 - a. Potential actions should be brought back to the Budget and Finance Committee and Board of Directors, for further discussion and action.

Background:

At the June 27, 2013, meeting of the OCFA Board of Directors, staff was directed to issue refunds to businesses that were billed for hazardous materials disclosure inspections for FY 2005/06 through 2011/12, the performance of which could not be verified during the audit of inspection records. In addition, staff was directed to circulate notice to the affected businesses of the availability of a refund to enable those businesses to claim their refunds.

On Monday, July 8, 2013, letters were mailed to 2,259 affected business owners noticing them of the availability of refunds. Vouchers were included with the letters, along with return-stamped envelopes to facilitate the business owners in claiming their refunds. In addition to mailing letters, the list of the 2,259 affected businesses was posted on the OCFA website on July 15, 2013. As a result, activities to date are as follows:

Date	Quantity of Claims	Dollar Amount
Month of July, 2013	711	\$566,709.80
Month of August, 2013	212	\$170,602.40
Month of September, 2013	161	\$175,908.00
Month of October, 2013	27	\$14,641.00
November 1, 2013	3	\$2,065.00
Cumulative Total-To-Date	1,114	\$929,926.20

With approval of the proposed recommended actions, staff will continue researching current address information for unclaimed refunds and preparing for a second mailing to businesses to be issued on or about January 15, 2013. An updated database is being provided by the HCA for use in this process, and recommendations for final disposition of any unclaimed funds is under discussion with the HCA.

Impact to Cities/County:

Not Applicable.

Fiscal Impact

The proposed value of refunds, based on the audit of physical inspection records for FY 2005/06 through 2011/12 is \$1,751,044. Because some of the businesses will have moved or closed or for some other reason may not seek the refund, staff does not anticipate that it will receive refund requests for the entire amount. It is difficult to estimate what percentage of the businesses will seek refunds.

Staff Contact for Further Information:

Lori Zeller, Assistant Chief/Business Services

lorizeller@ocfa.org

(714) 573-6020

Jim Ruane, Finance Manager/Auditor
Finance Division
jimruane@ocfa.org
(714)573-6304

Attachments:
None

CONSENT CALENDAR – AGENDA ITEM NO. 6
BOARD OF DIRECTORS MEETING
November 21, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services, Department

SUBJECT: **Equity Status Update – Approval of Second Amendment to Amended OCFA Joint Powers Authority Agreement**

Summary:

This agenda item is submitted to provide a status update to the Board regarding the approval process for the proposed Second Amendment to the Amended OCFA Joint Powers Authority (JPA) Agreement.

Recommended Action:

Receive and file the report.

Background:

At the September 26, 2013, meeting, the Board of Directors approved the proposed equity mitigation solution identified as the Enhanced Hybrid Model in the form of a Second Amendment to the Amended JPA Agreement. The Board also directed staff to submit the Second Amendment to the OCFA's member agencies for consideration by each member agency's governing body, and to provide a status update at the November Board meeting.

As our member agencies consider the Second Amendment, staff has also requested that they consider authorizing their city attorney or county counsel to join in OCFA's validation action in support of the Amendment.

To become effective the Second Amendment must be approved by 2/3 (16) of the member agencies, as of the writing of this agenda item, 15 member agencies have considered the Second Amendment and have voted as follows:

- 13 agencies have unanimously approved the Second Amendment
- 2 agencies rejected the Second Amendment
- 12 agencies have authorized their city attorney to join the validation action in support of the Amendment

The remaining 9 member agencies which have not yet considered or voted on the Second Amendment have scheduled the matter for upcoming meetings through mid-December. Details regarding the actions taken by each member agency and upcoming meetings are provided in the Attachment.

Impact to Cities/County:

Resolution of the equity concerns expressed by the City of Irvine in a manner that will gain their commitment to remain with OCFA through June 30, 2030 will provide significant long-term organizational stability for OCFA and all member agencies.

Fiscal Impact:

The Enhanced Hybrid Model is estimated to provide the City of Irvine with funding of approximately \$134.5 million over the next 17 years, through June 30, 2030. Total funding provided to all other eligible agencies under the Enhanced Hybrid Model is estimated at \$50.1 million over the next 17 years, for a combined total of \$184.7 million.

Staff Contacts for Further Information:

Keith Richter, Fire Chief

keithrichter@ocfa.org

(714) 573-6010

Lori Zeller, Assistant Chief/Business Services Department

lorizeller@ocfa.org

(714) 573-6020

Attachment:

Second Amendment Meeting Roster

**Orange County Fire Authority
Member Agency Meetings – Second Amendment to Amended JPA**

	Agency	Scheduled Meeting	Team to Attend	Agenda Information	Vote	
1	Irvine	Tuesday 10/8 @ 5pm	Moore & Zeller	Irvine staff presentation	5-0	Approved
2	Rancho Santa Margarita	Wednesday 10/9 @ 7pm	Wells & Zeller	City Manager presentation	5-0	Approved
3	La Palma	Tuesday 10/15 @ 7pm	McKeown & Zeller	OCFA presentation	5-0	Approved
4	Placentia	Tuesday 10/15 @ 7pm	Concepcion & Stephens	Consent calendar	4-0	Approved
5	Yorba Linda	Tuesday 10/15 @ 6:30pm	Thomas	Present 9/17, Vote 10/15	5-0	Approved
6	Laguna Woods	Wednesday 10/16 @ 2pm	Brice & Zeller	OCFA presentation	5-0	Approved
7	Stanton	Tuesday 10/22 @ 5pm	McKeown, Zeller, & Richter	OCFA presentation	5-0	Approved
8	Laguna Hills	Tuesday 10/22 @ 7pm	Brice & Kinoshita	City Manager discussion	5-0	Approved
9	Villa Park	Tuesday 10/22 @ 7pm	Concepcion, Thomas, & Zeller	OCFA presentation	4-1	Rejected
10	Westminster	Wednesday 10/23 @ 7pm	Jones & Zeller	Consent calendar	5-0	Approved (1)
11	Cypress	Monday 10/28 @ 7pm	McKeown & Thomas	Consent calendar	5-0	Approved
12	Seal Beach	Monday 10/28 @ 7pm	Jones & Zeller	OCFA presentation	4-0	Approved
13	San Juan Capistrano	Tuesday 11/5 @ 6pm	Wells & Zeller	Consent calendar	5-0	Approved
14	Tustin	Tuesday 11/5 @ 7pm	Concepcion & Richter	OCFA presentation	5-0	Approved
15	Aliso Viejo	Wednesday 11/6 @ 7pm	Brice & Zeller	Consent calendar	5-0	Rejected
16	Buena Park	Tues 11/12 @ 5pm & 11/26	McKeown & Zeller	Present 11/12, Vote 11/26		
17	Santa Ana	Monday 11/18 @ 6pm	Brown & Thomas	Consent calendar		
18	Los Alamitos	Monday 11/18 @ 5pm	Jones	2 nd Hearing (Presented 10/21)		
19	Mission Viejo	Monday 11/18 @ 6pm	Wells & Zeller	OCFA presentation		
20	San Clemente	Tuesday 11/19 @ 6pm	Wells & Richter	Consent calendar		
21	Lake Forest	Tuesday 11/19 @ 7pm	Brice & Zeller	Discussion		
22	Laguna Niguel	Tuesday 12/3 @ 7pm	TBD & Zeller	OCFA presentation		
23	Dana Point	Tuesday 12/3 @ 6pm (2)	Wells & Zeller	TBD		
24	County	Tuesday 12/10 @ 9:30am	Richter & Zeller	Discussion		

(1) The City approved the Second Amendment, but did not authorize the City Attorney to join in support of the validation action.

(2) Meeting date is tentative, pending confirmation.

CONSENT CALENDAR - AGENDA ITEM NO. 7
BOARD OF DIRECTORS MEETING
November 21, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Dave Thomas, Assistant Chief
Operations Department

SUBJECT: **Acceptance of DHS/FEMA Administrative Preparedness Grant**

Summary:

This item is submitted for approval for acceptance of a 2013 grant award from the Department of Homeland Security/Federal Emergency Management Agency's (DHS/FEMA) National Urban Search and Rescue (US&R) Program.

Committee Action:

At its October 9, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

Recommended Actions:

1. Adopt the submitted resolution to accept the Department of Homeland Security/Federal Emergency Management Agency's (DHS/FEMA) Administrative Preparedness Grant.
2. Direct staff to increase revenue and appropriations in the amount of \$1,244,654 in the General Fund (Fund 121).

Background:

California Task Force Five (CA TF-5), located in Orange County and sponsored by the Orange County Fire Authority, is one of 28 National US&R Task Forces. CA TF-5 has used past grant funds and activation reimbursements to equip and train the task force members for the mission of rescuing victims in collapsed structures and for weapons of mass destruction/terrorist responses.

Currently, CA TF-5 maintains a response capability that includes apparatus and equipment supply inventory worth approximately \$8 million. There is also a personnel cadre of over 210 members, composed of a civilian element of structural engineers, disaster canines, and physicians, as well as firefighters from the participating agencies of Anaheim, Orange and the OCFA.

DHS/FEMA has authorized a grant award of \$1,132,154 to each US&R Task Force for the administration of an approved National Urban Search and Rescue Response System. CA TF-5 will receive an additional \$112,500 to host three National Training Meeting/Courses. This brings OCFA to the final grant total of \$1,244,654. This grant money is available for use beginning October 1, 2013, through March 15, 2015. Funding for this grant was received prior to the October 1 Federal Government shutdown, using funds appropriated in the previous Congressional Continuing Resolution.

The 2013 grant was delayed from its typical receipt date of June, because of the on-going Congressional Continuing Resolution that has funded the Federal Government for the past several years. The final grant approval notification did not arrive until September 24, 2013, which was too late for inclusion in the September Board Meeting agenda.

The fiscal year of 2013/2014 is the 11th year that the US&R grant funds have covered a more realistic share of the costs of the program. This year's grant funds are divided into four major categories, and the DHS/FEMA/US&R Program is allocating funds in the following amounts to our Task Force for these specific categories:

- q *Administration*
 - \$411,234 for administration of the program
- q *Training*
 - \$298,000 for training delivery (including travel expenses)
- q *Equipment/Cache*
 - \$156,380 for equipment acquisition, HazMat/WMD, water rescue equipment and other Task Force expenses
- q *Storage and Maintenance*
 - \$379,040 for storage and maintenance of cache equipment

The purpose of this agreement is to continue the development and maintenance of the National US&R Response System resources to be prepared to provide qualified, competent US&R personnel in support of all US&R and WMD activities/incidents under the Federal Response Plan.

Impact to Cities/County:

Not applicable.

Fiscal Impact:

\$1,244,654 increase in General Fund (Fund 121) revenue and appropriations in the FY 2013/14 budget.

Staff Contacts for Further Information:

Dave Thomas, Assistant Chief/Operations Department

Davethomas@ocfa.org

(714) 573-6012

Jeff Adams, Battalion Chief, Program Manager

Jeffadams@ocfa.org

(714) 323-2061

Attachment:

Proposed Resolution for Acceptance of FEMA US&R Grant

RESOLUTION NO. 2013-XX

**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**

WHEREAS, the Orange County Fire Authority is one of only 28 agencies in the country selected to participate in the FEMA's National US&R Response System; and

WHEREAS, OCFA entered into a tri-party agreement with FEMA and CalEMA, who provides oversight and additional support for the program; and

WHEREAS, currently Orange County US&R Task Force 5 maintains a response capability including apparatus and equipment supply inventory worth approximately \$8 million; and

WHEREAS, Orange County US&R Task Force 5 maintains a personnel cadre of over 210 members that includes a civilian element of structural engineers, disaster search canines, physicians, as well as firefighters from the participating agencies of Anaheim, Orange and the OCFA; and

WHEREAS, FEMA has authorized a grant award of \$1,244,654 which is available for use beginning October 1 2013, through March 31, 2015, for preparedness issues related to the Urban Search and Rescue Program.

NOW, THEREFORE, the Board of Directors of the Orange County Fire Authority does hereby resolve to accept the FEMA US&R grant to be utilized for such things as procurement of US&R equipment and supplies, maintenance and repair of US&R equipment, training and program administration. Additionally, these funds can be used for associated travel expenses for task force personnel to attend US&R related training courses, exercises, meetings, and for the management and administration of US&R activities. This includes expenses relating to task force maintenance, development, record-keeping, and correspondence.

PASSED, APPROVED, AND ADOPTED this 21st day of November 2013.

STEVE WEINBERG, CHAIR
Board of Directors

ATTEST:

SHERRY A. F. WENTZ, CMC
Clerk of the Authority

CONSENT CALENDAR – AGENDA ITEM NO. 8
BOARD OF DIRECTORS MEETING
November 21, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Keith Richter, Fire Chief

SUBJECT: **Proposed Human Resources Committee**

Summary:

This agenda item is submitted to establish an additional standing committee to serve in an advisory capacity on a variety of matters relating to Human Resources.

Recommended Actions:

1. Authorize the establishment of a Human Resources (HR) Committee as an additional standing committee to serve in an advisory capacity to staff and the Board of Directors.
2. Approve the submitted HR Committee Protocols.
3. Approve the proposed Resolution to amend the Board Rules of Procedure to reflect the additional standing committee.

Background:

In the early years following the formation of OCFA, an additional standing committee existed known as the Administration and Personnel Committee. This Committee served in an advisory role from 1996 to 2000, reviewing matters relating to our personnel. The structure mirrored the form of the Budget and Finance Committee, which continues in existence today to review matters relating to our finances. The Administration and Personnel Committee was disbanded in 2000, with its responsibilities merged into those of the Executive Committee.

Staff is recommending to re-establish this Brown Action compliant Committee for review of matters relating to Human Resources in greater detail, and to enable more time to be spent on these matters prior to making recommendations to the full Board. This would keep the Board advised through the Committee, and avoid creating a time drain for the entire Board. Protocols for the proposed HR Committee are outlined in the attachment.

Impact to Cities/County:

The proposed Committee can facilitate improved communications relating to HR matters on behalf of our member agencies and the Board of Directors.

Fiscal Impact:

Not Applicable.

Staff Contacts for Further Information:

Keith Richter, Fire Chief

keithrichter@ocfa.org

(714) 573-6010

Janet Wells, Human Resources Director

janetwells@ocfa.org

(714) 573-6801

Attachments:

1. Human Resources Committee Protocols
2. Proposed Resolution

Human Resources Committee

Background Information

- The Human Resources (HR) Committee shall be considered a Standing Committee, as defined by Rule 10 (a) of the Board of Directors Rules of Procedure.
- The HR Committee reports directly to the Board of Directors.
- The HR Committee shall include the following 5 designated positions:
 - Chair of the Board of Directors
 - Vice Chair of the Board of Directors
 - Immediate Past Chair of the Board of Directors
 - Chair of the Budget and Finance Committee
 - Vice Chair of the Budget and Finance Committee
- The Chair and Vice Chair of the Board of Directors shall also serve as the Chair and Vice Chair of the HR Committee.
- The Committee shall meet monthly at the Regional Fire Operations & Training Center, with the designated-recurring meeting dates and times to be established by the Committee.

Committee Mission/Purpose

The Human Resources Committee advises the staff and makes recommendations to the Board of Directors on matters regarding human resources policies; job class specifications; compensation programs; benefit changes and renewals; labor negotiations; staff training, development and recognition programs; succession planning; risk management and workers' compensation policies; and development of management/performance evaluation and information systems.

Committee Guidelines

This section contains the operating philosophy of the Committee, its policy and decision-making responsibilities, staff involvement, the Committee's relationship to other committees and the Board of Directors, and other details about Committee activities.

Operating Philosophy, Policy-Making and Oversight Responsibilities

- A broad regional perspective will be applied to issues coming before the Committee to achieve the mission of the Committee as well as the Authority.
- The Authority's mission and goals relevant to human resources issues will be periodically revisited by the Committee.
- The Committee will convey proposed revisions for its structure or oversight responsibilities for consideration by the Board of Directors.
- The Committee will consider whether issues should:
 - remain with the review jurisdiction of the Committee as an advisory item only
 - be referred to the Executive Committee
 - be referred to the Board of Directors
- *All policy matters or matters requiring budget adjustments shall be referred to the Board of Directors.*

Human Resources Committee

Staff Liaison, Agenda Materials & Staff Presentations

- The Human Resources Director will serve as the primary Staff Liaison to the Committee.
- Items shall be included on the Committee's agenda only with the approval of the Committee Chair or Staff Liaison.
- Written and oral reports by staff will be used in presenting issues to the Committee.
- An executive summary followed by sufficient backup material will be used to describe the major issues of the item and form the basic model of agenda material coming before the Committee.

RESOLUTION NO. 2013-XX

**A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY
AMENDING THE BOARD OF DIRECTORS RULES OF PROCEDURE**

WHEREAS, the Orange County Fire Authority Board of Directors adopted Resolution No. 99-04, on January 28, 1999, establishing the Board of Directors Rules of Procedure, and

WHEREAS, the Board of Directors has periodically amended said Rules, the most recent amendment occurring on March 28, 2013; and

WHEREAS, the Board is considering amendments to these Rules.

NOW, THEREFORE, BE IT RESOLVED as follows:

The Board of Directors Rules of Procedures is amended as indicated by the redline version attached hereto as Exhibit A.

PASSED, APPROVED and ADOPTED this 21st day of November 2013.

STEVEN WEINBERG, CHAIR
OCFA Board of Directors

ATTEST:

SHERRY A.F. WENTZ, CMC
Clerk of the Authority

OCCA BOARD OF DIRECTORS



**ORANGE COUNTY FIRE AUTHORITY
BOARD OF DIRECTORS
RULES OF PROCEDURE
(Last Revision: ~~03/28/13~~11/21/13)**

- Rule 1 Time and Place of Meetings of the Board of Directors and the Executive Committee
- Rule 2 Agendas/Minutes for Meetings of the Board of Directors
- Rule 3 Order of Business for Meetings of the Board of Directors
- Rule 4 Motions During Meetings of the Board of Directors
- Rule 5 Decorum for Public Meetings
- Rule 6 Election of Chair and Vice Chair of the Board of Directors/
Absence of Presiding Officer
- Rule 7 Retention of Exhibits and Documentary Material received in Hearings Before the Board of Directors
- Rule 8 Ceremonial Functions and Proclamations
- Rule 9 The Executive Committee
- Rule 10 The Standing Committees
- Rule 11 Designated Labor Negotiations
- Rule 12 Alternate Directors
- Rule 13 Compensation/Reimbursement for Expenses
- Rule 14 Amendment of Rules of Procedure

RULE 1. TIME AND PLACE OF MEETINGS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

- (a) Except as otherwise provided in this Rule, a regular meeting of the Board of Directors shall be held on the fourth Thursday of each odd-numbered month, commencing at the hour of 6:30 p.m. in the Board Meeting Room, Regional Fire Operation and Training Center (RFOTC), One Fire Authority Road, Irvine. The meeting for the month of November shall be scheduled for the third Thursday, commencing at the hour of 6:30 p.m. in the Board Meeting Room, RFOTC, One Fire Authority Road, Irvine.
- (b) Except as otherwise provided in this Rule, a regular meeting of the Executive Committee shall be held on the fourth Thursday of each month, with the exception of December, commencing at the hour of 6:00 p.m. in the Board Meeting Room, RFOTC, One Fire Authority Road, Irvine.

- (c) The Clerk of the Authority shall maintain the official meeting calendar, and shall post same in the display case located in the lobby of the Board Meeting Room and posting case outside main entry gate, RFOTC, One Fire Authority Road, Irvine.
- (d) Any meeting of the Board may be adjourned to any other date and time when necessary for the transaction of business. Any adjourned meeting of the Board is part of a regular meeting.
- (e) Special meetings of the Board may be called pursuant to and in accordance with Section 54956 of the Government Code. The Clerk shall prepare the notice and call of any special meeting. The notice shall specify the time and place of the special meeting and the business to be transacted. No other business shall be considered at such special meeting. A copy of the notice of the special meeting shall also be posted at the places designated in subsection (c) of Rule 1.
- (f) In the event the Board or Executive Committee, or their respective Chairs, determine it advisable to hold a regular meeting at a location other than the Board Meeting Room, RFOTC, One Fire Authority Road, Irvine, a notice specifying the location of such meeting shall be posted in the display case in the lobby of the Board Meeting Room and posting case outside main entry gate, RFOTC, One Fire Authority Road, Irvine. Additional notices shall be posted and maintained as set forth in (c) above.

RULE 2. AGENDAS/MINUTES FOR MEETINGS OF THE BOARD OF DIRECTORS

- (a) Items for the agenda for any regular meeting of the Board may be included on the agenda only with the approval of the Fire Chief or the Chair of the Board.
- (b) During the Board Member Comments portion of a Board meeting, any member may request that an item be placed on a future agenda of the Board of Directors. Staff will prepare reports as appropriate and place the item on the agenda for the next meeting of the Board of Directors. At any other time, any Board Member may contact the Chair to request that an item be placed on the agenda of the next meeting of the Board of Directors. This item will be placed on the Board Discussion Calendar portion of the agenda for concurrence by the Board. No staff reports or materials will be prepared until the full Board directs that the item be placed on an agenda.
- (c) As required by the Ralph M. Brown Act, items not on the posted agenda for a meeting shall not be considered by the Board except as follows:
 - (1) Upon determination by a majority vote of the Board that an emergency situation exists. The determination shall be made prior to Board consideration of the emergency item. An emergency situation is limited to:
 - (a) Work stoppage or other activity which severely impairs public health, safety or both.
 - (b) Crippling disaster which severely impairs public health, safety or both.

- (2) Upon determination by a two-thirds vote of the Board Members present, or a unanimous vote if less than two-thirds of the Members are present, that there is a need to take immediate action and that the need came to the attention of the Authority subsequent to the agenda being posted. The determination shall be made prior to Board consideration of the item.
- (3) The item was posted for a prior meeting occurring not more than five calendar days prior to the date action is taken on the item and at which prior meeting, the item was continued to the meeting at which action is being taken.
- (d) The OCFA Board has adopted the use of Robert's Rules of Order as its official guideline in the creation of minutes. All Board/Committee meeting will be documented using action-type minutes. Minutes will document the record of what actions were taken by the governing body, not what was said. The minutes will not contain personal comments or someone's opinion about what happened.
 - (1) The minutes shall document the items identified in Rule 3 in the Board's Order of Business.
 - (2) Public comments will identify the name of the speaker, their city of residences/or organization they represent (if provided by the speaker), and identify the subject to which their comments are being submitted. If commenting on a specific agenda item, the minutes will record the speaker's name, their city of residences/or organization they represent (if provided), and identify if they are speaking in support or opposition of that item.

RULE 3. ORDER OF BUSINESS FOR MEETINGS OF THE BOARD OF DIRECTORS

- (a) The order of business for regular meetings of the Board shall be:

Invocation
 Pledge of Allegiance
 Roll Call
 Presentations
 Committee Reports
 Public Comments
 Minutes
 Consent Calendar

- (1) Agenda review at call of the Chair to identify those items on the Consent Calendar which a member of the Board or public requests the opportunity to discuss.
- (2) Approval at the call of the Chair of those items for which there is no request for discussion.
- (3) Discussion of items that the public has requested an opportunity to discuss shall be taken in sequential order.

Public Hearing(s)
 Discussion Calendar
 Chief's Report
 Closed Session
 Closed Session Report

Adjournment

The Chair may alter or deviate from this order of business.

- (b) 9:30 p.m. Rule: At the hour of 9:30 p.m. the meeting will take a brief moment from the agenda at hand and make a determination as to which items will be considered and those that may be continued to the next regular meeting.
- (c) 10:30 p.m. Curfew: All meetings will end business at 10:30 p.m. unless the hearing body elects to extend the curfew by a three-fifths vote of all members present.

RULE 4. MOTIONS DURING MEETINGS OF THE BOARD OF DIRECTORS

- (a) Action of the Board shall be taken by motion. Any action of the Board may be proposed by the motion of any Member. Such a motion, if seconded by any member, shall be on the floor and must be considered, unless a substitute motion has been made, seconded, and adopted. If a motion is not seconded, the motion fails for lack of a second, and shall be so declared by the Chair.
- (b) A motion may be withdrawn or amended by its maker at any time before adoption or rejection, with the consent of the second. Absent the consent of the second, the original motion shall remain on the floor. The second to a motion may be withdrawn by the seconder at any time before adoption or rejection of the motion. Upon withdrawal of the second, the motion will be lost for lack of a second and so declared by the Chair unless seconded by another Member.
- (c) After a motion has been seconded, any Member may discuss the subject of the motion. The Chair may, on any motion, call for the vote if it appears that further discussion will be repetitious or that a majority of the Members present concur in the call.
- (d) A motion to reconsider the vote on an agenda item may be made at the meeting at which the item was acted upon, or any adjourned session of the same meeting.

RULE 5. DECORUM FOR PUBLIC MEETINGS

- (a) Members of the Board shall conduct themselves in an orderly and business-like manner to ensure that the business of the Authority shall be attended to efficiently and thoroughly and to ensure that the integrity of the deliberative process of the Board is maintained at all times. Members of the Board shall maintain a polite, respectful, and courteous manner when addressing one another, Authority staff, and members of the public during the meetings.
- (b) Subject to direction by a majority of the Board, the Chair, or in the Chair's absence the Vice Chair, or in their absence any other member designated by the Board, shall be responsible for resolving all procedural issues and for maintaining the orderly conduct and decorum of meetings. It shall be the duty of the Chair to ensure that the rules of decorum contained herein are observed. The Chair shall

maintain control of communication among Board Members, and between Board Members and the public.

(c) Communication by Board Members

1. Board Members should be recognized by the Chair before speaking.
2. A Board Member who is speaking shall remember that the purpose of the meeting is to attend to and resolve Authority business. Board Members shall avoid repetition and shall endeavor to limit their comments to the subject matter at hand. Board Members shall endeavor to express their views without engaging in lengthy debates.
3. When one Board Member is speaking, other Board Members shall not interrupt or otherwise disturb the speaker.

(d) Communication with members of the public addressing the Board.

1. Board Members may question the person addressing the Board at the conclusion of the person's comments. A Board Member wishing to ask questions of a member of the public should first be recognized by the Chair.
2. Board Members shall not engage the person addressing the Board in a dialogue, but shall confine communication to a question and answer format.
3. If a member of the audience has addressed the Board on matters which are not on the agenda, Board Members shall refrain from extended discussions of the matter. If a Board Member so wishes, he/she may, during the Board Member Comments portion of the meeting, request that the matter be placed on a future agenda.

(e) Authority Staff shall not engage in a dialogue with members of the public during Board meetings. When addressed by the Board, staff shall respond in a polite and respectful manner.

(f) Members of the Audience shall not engage in disorderly or boisterous conduct, including the utterance of loud, threatening or abusive language, clapping, whistling, and stamping of feet or other acts which disturb, disrupt, impede or otherwise render the orderly conduct of the Board meeting unfeasible. A member of the audience engaging in any such conduct shall, at the discretion of the Chair or a majority of the Board Members, be subject to removal from that meeting.

(g) Members of the public may address the Board of Directors during the Public Comment Period and prior to the consideration of any agenda item. Any person wishing to speak, whether during the Public Comment Period or on an agenda item, shall first complete a request to speak form slip and submit the form to the Authority Clerk prior to the calling to order of the meeting or as soon as possible thereafter.

(h) No person shall address the Board of Directors without first being recognized by the Chair.

(i) The purpose of addressing the Board of Directors is to formally communicate to the Board on matters relating to Authority business or citizen concerns within the subject matter jurisdiction of the Board. Persons addressing the Board on an

agenda item shall confine the subject matter of their remarks to the particular matter before the Board.

- (j) Each person addressing the Board of Directors shall do so in an orderly manner and shall not engage in any conduct, which disrupts, disturbs, or otherwise impedes the orderly conduct of the Board meeting. Any person who so disrupts the meeting shall, at the discretion of the Chair or a majority of the Board Members, be subject to removal from that meeting.
- (k) Persons addressing the Board of Directors shall address the Board as a whole and shall not engage in a dialogue with individual Board Members, Authority staff, or members of the audience.
- (l) A time limit of approximately three minutes per person shall be allocated to all persons addressing the Board of Directors, however, at the discretion of the Chair, an individual speaking on behalf of a group sharing common concerns or opinions may be allocated additional time to speak for the group. A total of approximately thirty minutes will be allocated at the beginning of the meeting for Public Comments, with additional time granted at the discretion of the Chair. If needed, additional time for Public Comments will be provided at the conclusion of the normal business of the Board.
- (m) Upon a violation of the rules of decorum established herein, the procedure to enforce the rules is as follows:
 - 1. Warning The Chair shall first request that a person who is violating the rules cease such conduct. If, after receiving a request from the Chair, the person persists in violating these rules, the Chair shall order a recess. Any representative of the local assigned law enforcement personnel who is present at the meeting when the violation occurred shall be authorized to warn the person that his/her conduct is violating the rules and that he/she is requested to cease such conduct. If upon resumption of the meeting the violation persists, the Chair shall order another recess, whereupon the local assigned law enforcement personnel shall have the authority to order the person removed from the meeting and/or cited in violation of Penal Code Section 403.
 - 2. Motion to Enforce If the Chair of the Board fails to enforce the rules of decorum set forth herein, any Board Member may move to require the Chair to do so, and an affirmative vote of a majority of the Board shall require the Chair to do so. If the Chair fails to carry out the will of the majority of the Board, the majority may designate another Board Member to act as Chair for the limited purpose of enforcing the rules of decorum established herein.
 - 3. Clearing the Room Pursuant to Government Code Section 54957.9, in the event that any meeting is willfully interrupted by a person or groups of persons so as to render the orderly conduct of such meeting unfeasible and order cannot be restored by the removal of the individuals who are willfully interrupting the meeting, by a majority vote of the Board Members the meeting room may be ordered cleared and the meeting shall continue in session. Only matters appearing on the agenda may be considered in such a session. Representatives of the press or other news media, except those

participating in the disturbance, shall be allowed to attend any session held pursuant to this Section 54957.9.

4. Violation of the California Penal Code A person or persons who substantially impair(s) the conduct of a Board meeting by knowingly and intentionally violating these rules of decorum may be prosecuted under Penal Code Section 403 for disturbing a public meeting. Every person who violates Penal Code Section 403 is guilty of a misdemeanor.

RULE 6. ELECTION OF CHAIR AND VICE CHAIR OF THE BOARD OF DIRECTORS/ABSENCE OF PRESIDING OFFICER

- (a) The officers of the Board are the Chair and Vice Chair.
- (b) Elections for Chair and Vice Chair shall be held at the first meeting of each fiscal year.

The method of nomination and election of the Chair and Vice Chair will be at the discretion of the Board.

- (c) The Presiding Officer of the Board, who shall be the Chair, or in the Chair's absence the Vice Chair followed by the Immediate Past Chair, then the Budget and Finance Committee Chair.

RULE 7. RETENTION OF EXHIBITS AND DOCUMENTARY MATERIAL RECEIVED IN HEARINGS BEFORE THE BOARD OF DIRECTORS

All exhibits, including documentary materials such as photographs, drawings, maps, letters, petitions, and other physical evidence received by the Board at hearings shall be retained by the Clerk as part of the record of the hearings. To the extent possible, the Clerk may furnish copies of such materials to persons requesting them upon payment of the fee prescribed for copies of public records.

RULE 8. CEREMONIAL FUNCTIONS AND PROCLAMATIONS

The Chair is authorized to represent the Authority at ceremonial functions, proclamation ceremonies, and other similar events when the Board has not otherwise designated one of its Members to represent the Authority.

RULE 9. THE EXECUTIVE COMMITTEE

- (a) The Executive Committee shall conduct all business of the Authority, with the exception of policy issues, including labor relations, budget issues, and other matters specifically retained by the Board of Directors.
- (b) The Executive Committee shall consist of no more than nine members of the Board of Directors. Members of the Executive Committee shall serve until a new member is seated in their stead by virtue of appointment or assumption of one of

the designated positions. 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, membership as constituted, shall include at least one member of the County Board of Supervisors. The Chair shall appoint the remaining at-large members, who shall serve subject to approval by majority vote of the Directors present at a subsequent meeting. Said members are authorized to serve pending such vote of the Board. 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 City Managers Technical Advisory Committee shall serve as the ex officio non-voting member of the Executive Committee and shall not be included in the determination of a quorum for any meeting.

- (c) The Chair shall appoint a three-member panel of structural fire fund Alternate Directors and a three-member panel of cash contract city Alternate Directors. If an at-large member of the Executive Committee notifies the Clerk of the Authority that he or she cannot attend an Executive Committee meeting, the Clerk shall call, on a rotating basis, Alternate Directors from the respective panels in an attempt to replace a structural fire fund Director with a structural fire fund Alternate and/or a cash contract city Director with a cash contract city Alternate, as the case may be.

In the absence of the member of the Executive Committee representing the County Board of Supervisors, the Alternate voting member shall be, in order: the second regular member of the Board of Directors representing the County Board of Supervisors, and then the alternate member representing the County Board of Supervisors.

In the absence of the Budget and Finance Chair, the Alternate voting member shall be the Vice Chair of the Budget and Finance Committee.

Should the position of Immediate Past Chair on the Executive Committee become vacant, the most recent past Chair, who is a Director and who is not currently seated on the Executive Committee, shall serve in that capacity. Should there be no prior Board Chair on the Board of Directors, the current Director with the most tenure and not currently seated as a member of the Executive Committee will be seated on the Executive Committee and shall serve in the interim until there is an Immediate Past Chair.

There shall be no Alternate Directors appointed in the absence of the Chair, Vice Chair, or immediate past Chair.

Should the Board Chair or Vice Chair be unable to officiate over a Board and/or Executive Committee meeting that the Immediate Past Chair followed by the Budget and Finance Committee Chair assume the duty of presiding over the meeting.

RULE 10. THE STANDING COMMITTEES

- (a) Standing Committees may be established by the Board of Directors for the purpose of facilitating a thorough review of various issues before presentation to and action by the full Board. Alternate Directors shall not act as alternates for Directors on standing committees.
- (b) The Budget and Finance Committee shall be established as a standing committee. The regular meetings of the Budget and Finance Committee will be on the second Wednesday of each month, with the exception of December, at 12 noon located in Classroom 1 (Board Breakout Room) at the RFOTC.
 - (1) The Chair shall make all appointments to the Budget and Finance Committee. Appointments to the Budget and Finance Committee shall be made in such a manner as to achieve, as close as reasonably possible, a balance between the number of members representing Structural Fire Fund and Cash Contract cities.
 - (2) At the first meeting of the Budget and Finance Committee following the annual election of the Chair and Vice Chair of the Board of Directors, the Directors assigned to the Budget and Finance Committee shall elect from their members a Chair and Vice Chair of the Committee.
 - (3) The Chair, or in his/her absence, the Vice Chair, of the Budget and Finance Committee shall serve as a member of the Executive Committee.
 - (4) Items for the agenda for any regular meeting of the Budget and Finance Committee shall be included on the agenda only with the approval of the Committee Chair or the Staff Liaison.
 - (5) The Board of Directors, through the Chair, shall appoint one City Manager to the Budget and Finance Committee. The City Manager shall serve as an ex officio non-voting member of the Budget and Finance Committee. As an ex officio member, the City Manager shall not be included in the determination of a quorum for any meeting.
- (c) The Claims Settlement Committee shall be established as a standing committee. The regular meetings of the Claims Settlement Committee will be at 5:30 p.m., prior to and on the same days as the regular meetings of the Executive Committee meetings. The Committee will meet in Classroom 1 (Board Breakout Room) at the RFOTC.
 - (1) The Claims Settlement Committee consists of the Board Chair and Vice Chair, the Budget and Finance Committee Chair, the Fire Chief, and the Human Resources Director. The Deputy Fire Chief shall, in the absence of the Fire Chief, be an alternate Committee member. The Risk Manager shall in the absence of the Human Resources Director, be an alternate Committee member. In the absence of a member of the Board of Directors, the absent member may designate in writing, filed with the Clerk of the Authority, an alternate Committee member from the Executive Committee who may attend and participate to the full extent as the designated Committee member.
 - (2) Staff to the Committee will be the Risk Manager or his or her designee. Additional subject matter experts may attend Committees as necessary.
 - (3) The Claims Settlement Committee shall have authority to (a) settle workers' compensation claims for amounts over \$50,000, not to exceed \$250,000,

exclusive of any statutorily required future medical payments; (b) settle non-workers' compensation claims for amounts over \$50,000, not to exceed \$250,000; and (c) advise and recommend to OCFA's attorney of record the settlement of any lawsuit in an amount not to exceed \$250,000.

(d) The Human Resources Committee shall be established as a standing committee. The regular meetings of the Human Resources Committee will be (established by the Committee). The Human Resources Committee will meet in Classroom 1 (Board Breakout Room) at the RFOTC.

(1) The Human Resources Committee consists of the Board Chair, Vice Chair, and Immediate Past Chair; the Budget and Finance Committee Chair and Vice Chair, the Fire Chief, and the Human Resources Director. There are no designated alternates for Committee members. The Board Chair and Vice Chair shall also serve as the Human Resources Committee Chair and Vice Chair.

(2) Staff to the Committee will be the Human Resources Director or his or her designee. Additional subject matter experts may attend Committees as necessary.

(3) The Human Resources Committee shall advise OCFA staff and makes recommendations to the Board of Directors on matters regarding human resources policies; job class specifications, compensation programs; benefit changes and renewals; labor negotiations; staff training, development and recognition programs; succession planning; risk management and workers' compensation policies; and development of management/performance evaluation and information systems.

RULE 11. DESIGNATED LABOR NEGOTIATIONS

- (a) For purposes of holding a closed session concerning compensation and benefits for the Fire Chief, the Board of Directors' designated representatives shall be the Chair, the Vice Chair and the Budget and Finance Committee Chair. Should the Board and/or Budget and Finance Committee reorganize prior to the completion of the Fire Chief's evaluation process the negotiators that began the process will complete the evaluation.
- (b) For purposes of holding a closed session concerning compensation and benefits for all other represented and unrepresented employees, the Board of Directors' designated representatives shall be the Chief Deputy, the Human Resources Director and any other management representative so designated at a meeting of the Board of Directors.

RULE 12. ALTERNATE DIRECTORS

An Alternate Director may act in the absence of the Director for his or her member agency and, in that capacity, may attend closed sessions of the Board of Directors. Alternate Directors shall not act as alternates for Directors on the Executive Committee or standing committees.

RULE 13. COMPENSATION/REIMBURSEMENT FOR EXPENSES

- (a) Compensation: Members of the Board of Directors are entitled to receive \$100 per meeting per day, with a maximum of \$300 per month, for voting member attendance at OCFA publicly noticed (Brown Act compliant) meetings and the monthly Chair/Chief meeting.
- (b) Authorized Expenses: OCFA funds, equipment, supplies (including letterhead), titles, and staff time must only be used for authorized OCFA business. The following types of occurrences qualify a Board Member to receive payment and/or reimbursement of expenses relating to travel, meals, lodging, and other actual and necessary expenses, and generally constitute authorized expenses, as long as the other requirements of this policy are met:
 - 1) Communicating with representatives of regional, state and national government on OCFA adopted policy positions;
 - 2) Attending conferences designed to improve Board Member's expertise and information levels, including, but not limited to, ethics training required pursuant to California Government Code Section 53234;
 - 3) Participating in regional, state and national organizations whose activities affect OCFA's interests;
 - 4) Recognizing service to OCFA (for example, acknowledging a longtime employee with a retirement gift or celebration of nominal value and cost);
 - 5) Attending OCFA events.

All other expenditures require prior approval by the OCFA Board of Directors at a public meeting. The following expenses also require prior Board of Directors' approval:

- 1) International travel;
- 2) Expenses exceeding \$2,500 per person, per trip.

Examples of personal expenses that OCFA will not reimburse include, but are not limited to:

- 1) The personal portion of any trip;
- 2) Political contributions or events;
- 3) Family expenses, including partner's expenses when accompanying a Board Member on OCFA-related business, as well as children or pet-related expenses;
- 4) Charitable contributions or events, unless the event has a direct relationship to OCFA business, (for example, acknowledging extraordinary deeds by OCFA personnel) is approved by the Fire Chief and does not exceed \$250;
- 5) Entertainment expenses, including theater, movies (either in-room or at the theater), sporting events (including gym, massage and/or golf related expenses), or other cultural events;

- 6) Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline;
- 7) Personal losses incurred while on OCFA business.

Any questions regarding the propriety of a particular type of expense should be resolved before the expense is incurred.

- (c) Expense and Reimbursement Guidelines: To conserve OCFA resources and keep expenses within appropriate standards for public officials, expenditures, whether paid directly by OCFA or reimbursed to a Board Member, Members should adhere to the following guidelines. Unless otherwise specifically provided, reimbursement for travel, meals, lodging, and other actual and necessary expenses shall be at the Internal Revenue Service rates presently in effect as established in Publication 463 or any successor publication.

Transportation: The most economical mode and class of transportation reasonably consistent with scheduling needs and space requirements must be used, using the most direct and time-efficient route. In the event that a more expensive transportation form or route is used, the cost borne by OCFA will be limited to the cost of the most economical, direct, efficient and reasonable transportation form. Government and group rates offered by a provider of transportation services shall be used when available.

Automobile mileage is reimbursable at Internal Revenue Service rates in effect at the time of travel (see www.irs.gov). These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are also reimbursable.

Reasonable and necessary charges for public transportation, taxi, or shuttle service are reimbursable at actual cost with receipts.

Rental vehicles may be used during out-of-county travel and will be reimbursed at actual cost. Rental vehicles may be used when the efficient conduct of OCFA business precludes the use of other means of transportation or when car rental is the most economical mode available. Itemized original receipts must be submitted with vehicle rental claims.

Lodging: Actual lodging costs will be reimbursed or paid for when travel on official OCFA business reasonably requires an overnight stay. If such lodging is in connection with a conference or organized educational activity, lodging costs shall not exceed the group rate published by the conference or activity sponsor for the meeting in question, provided that the group rate is available at the time of booking. Government and group rates offered by a provider of lodging services shall be used when available.

Non-reimbursable lodging-related expenses include, but are not limited to, costs for an extra person staying in the room, costs related to late check out or uncanceled reservations, in-room pay-per-view movie rentals, and non-OCFA business related phone calls. Itemized receipts must accompany claims for lodging reimbursements.

Meals: Meal expenses and associated gratuities should be moderate, taking into account community standards and the prevailing restaurant costs of the area. OCFA will pay the actual cost of the meals, but will not pay for alcohol/personal bar expenses.

Telephone/Fax/ Cellular: Board Members will be reimbursed for actual telephone and fax expenses incurred on OCFA business. Telephone bills should identify which calls were made on OCFA business. For cellular calls when the Board Member has a particular number of minutes included in the Board Member's plan, the Board Member can identify the percentage of calls made on OCFA business.

Airport Parking: Long-term parking should be used for travel exceeding 24-hours. OCFA will pay the actual cost of long-term parking.

Other: Baggage handling at then current airport baggage rates per bag and gratuities of up to 15 percent will be reimbursed.

Miscellaneous: Actual expenses for registration, tuition, and parking are reimbursable for OCFA authorized business. Miscellaneous expenses must be supported with itemized receipts.

Expenses for which Board Members receive reimbursement from another agency are not reimbursable.

- (d) Expense Report Content and Submission Deadline: Expense reports must document that the expense in question meet the requirements of the policy. For example, if the meeting is with a legislator, the Board Member should explain whose meals were purchased, what issues were discussed and how those relate to the Authority's adopted legislative positions and priorities.

Board Members must submit their expense reports within 30 days of an expense being incurred, accompanied by receipts documenting each expense. Restaurant receipts, in addition to any credit card receipts, are also part of the necessary documentation. Receipts for gratuities and tolls under \$5 are not required.

- (e) Audits of Expense Reports: All expenses are subject to verification of compliance with this policy.
- (f) Reports to Governing Board: At the following Board of Directors' meeting, each Board Member shall briefly report on meetings attended at OCFA expense. If multiple Board Members attended, a joint report may be made.
- (g) Compliance with Laws: Board Members should keep in mind that some expenditures may be subject to reporting under the Political Reform Act and other laws. All documents related to reimbursable agency expenditures are public records subject to disclosure under the California Public Records Act.
- (h) Violation of this Policy: Misuse of public resources or falsifying expense reports in violation of this policy may result in any or all of the following: 1) loss of reimbursement privileges, 2) a demand for restitution to OCFA, 3) OCFA's

reporting the expenses as income to the elected official to state and federal tax authorities, and 4) prosecution for misuse of public resources.

RULE 14. AMENDMENT OF RULES OF PROCEDURE

No rule of the Board shall be adopted or amended except by resolution adopted by the Board.

HISTORY

Board Rules of Procedure adopted 01/28/99, Resolution 99-004

- Rule 1 Meeting schedule adopted by Board of Directors 03/30/95
Revised meeting schedule 03/01/97
Revised meeting schedule 08/28/97
Sections (a), (b), (c), and (f) revised to reflect change in meeting location 11/2/10,
Resolution 2002-20
Sections (a), (b), (c), and (f) revised, to reflect change in meeting location 01/22/04
Resolution 2004-01
Section (b) reflect meeting going dark in December 09/23/10 Resolution 2010-14
Section (c) and (f) includes prior practice of posting agendas outside main entry gate
09/23/10 Resolution 2010-14
Section (a) define acronym RFOTC and remove June Board meeting dedicated for the
purpose of approving the budget Resolution No. 2011-02.*
- Rule 2 Title to include “Minutes”
Section (b) adopted 06/22/96
Section (b) reflects prior practice of identifying Board “Member” Comments and
Discussion “Calendar” on agenda 09/23/10 Resolution 2010-14
Section (2) corrects missing hyphen typo “two-thirds” 09/23/10 Resolution 2010-14
Section (d) adopted 09/27/12 Resolution 2012 05*
- Rule 3 Includes current practice in listing the order of business to include: Committee Reports,
Minutes, Public Comments, and Closed Session Report 09/23/10 Resolution 2010-14 (b)
and (c) added by Resolution 2013-07*
- Rule 4 Section (a) revised 01/22/04 Resolution 2004-01*
- Rule 5 Adopted 10/23/97 Resolution 97-024*
- Rule 6 Election date specified in the Joint Powers Agreement Creating the Authority, Article II,
Section 7
Section (c) adopted 09/27/12 Resolution 2012-05*
- Rule 9 Formation specified in the JPA Agreement, Article II, Section 6
Membership revised to include standing committee chairs 06/22/96
Number of members to be set by Board of Directors 10/24/96
Powers delegated to Executive Committee 03/01/97
Standing Committee Chair alternate and At-large member 03/01/97
City Manager TAC as ex officio member 06/26/97
Membership revised to include immediate past Chair of the Board 10/23/97
Section (b) revised to define membership, 03/23/00 Resolution 2000-06
Section (b) revised and Section (c) added to clarify alternate member of the Executive
Committee 09/27/01 Resolution 2001-13
Section (b) revised number of members and ratio 01/22/04 Resolution 2004-01
Section (c) includes designation of voting alternate of the Budget and Finance Chair and
filling vacancy of Immediate Past Chair position 09/23/10 Resolution 2010-14
Section (c) inclusion of clause should no prior Board of Directors be available to sit on
Executive Committee as Immediate Past Chair Resolution No. 2011-02.*

HISTORY

*Rule 10 Committees established by Board 06/22/96
Section (g) adopted by the Executive Committee on 05/22/97
Committee chair elections set by Board 10/23/97
Section (c) amended to achieve balance on Budget and Finance Committee between the number of members representing Structural Fire Fund and Cash Contract cities, 07/22/99 Resolution 99-23
Sections (a) through (g) revised to reflect disbanding of Administration & Personnel and Planning & Operations Committees 03/23/00 Resolution 2000-06
Section (a) designates that alternate directors shall not stand in for directors on standing committees 09/23/10 Resolution 2010-14
Section (b) designates regular Budget and Finance Committees meetings date, time, and location 09/23/10 Resolution 2010-14
Section numbers (c-f) rennumbers to subsections (b1-b4) 09/23/10
Section (c) changed to (c1-c3) reflecting the new Claims Settlement Committee 09/23/10 Resolution 2010-14
Section (c) changed Claims Settlement Committee meeting time from 5:00 p.m. to 5:30 p.m
Section (d) added reflecting the new Human Resources Committee 11/21/13 Resolution 2013-*

*Rule 11 Adopted 03/24/05, Resolution 2005-05
Changed Rule 11 subject to Designated Labor Negotiations renumbered former Rule 11 to Rule 12 09/23/10 Resolution 2010-14
Amended Rule 11(a) to include reorganization of Board/BFC Committee prior to completion of Fire Chief's Evaluation process 09/27/12 Resolution 2012-05*

*Rule 12 Policy set forth in the JPA Agreement, Article II, Section 2.
Revised 07/27/95 Resolution 95-13
Revised to allow compensation 03/23/00 Resolution 2000-08
Rule Number changed from 11 to 12, 03/24/05 Resolution 2005-05
Revised to add Travel Reimbursement Policies 11/17/05 Resolution 2005-30
Former Rule 11 changed to Rule 12, due to renumbering of former Rule 11 to Rule 12 and reflect that alternate directors will stand in for directors on the Executive Committee 09/23/10 Resolution 2010-14*

*Rule 13 Rule Number changed from 12 to 13, 03/24/05 Resolution 2005-05
Former Rule 12 changed to Rule 13, due to renumbering of Rule 11 09/23/10 Resolution 2010-14
Section (c)Other: changes baggage handling fee to current airport baggage rates 09/23/10 Resolution 2010-14
Rule 13 (a) amended to clarify "publicly noticed (Brown Act compliant)meeting are stipend eligible meetings 09/27/12 Resolution 2012-05*

*Rule 14 Rule Number changed from 12 to 13, 03/24/05, Resolution 2005-05
Former Rule 13 changed to Rule 14, due to renumbering of Rule 11 09/23/10 Resolution 2010-14*

DISCUSSION CALENDAR - AGENDA ITEM NO. 9
BOARD OF DIRECTORS MEETING
November 21, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Audited Financial Reports for the Fiscal Year Ended June 30, 2013**

Summary:

This agenda item is submitted to present the OCFA's audited Comprehensive Annual Financial Report (CAFR) and other audited financial reports for the fiscal year ended June 30, 2013, in compliance with the provisions of Section 6505 of the California Government Code and the Amended Joint Powers Agreement.

Committee Action:

At its November 6, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

Recommended Action:

Receive and approve the reports.

Background:

Annual Financial Audit

Lance, Soll & Lunghard, LLP, Certified Public Accountants, performed the OCFA's annual financial audit for Fiscal Year 2012/13. Their audit included the following components:

- An audit of the OCFA's Financial Statements in accordance with generally accepted auditing standards (GAAS), which require that the audit be planned and performed to obtain reasonable assurance that the Financial Statements are free of material misstatements.
- A review of the OCFA's internal control in order to determine the depth of planned audit procedures.
- A Single Audit, which is required for agencies expending federal funds in excess of \$500,000 during the fiscal year.

While conducting the audit, the auditors provided positive compliments on the proficiency of and support from the OCFA's staff, as well as the completeness of the audit documents prepared by staff before their arrival.

Prior Period Adjustment

During Fiscal Year 2012/13, OCFA completed an internal review of its inspection records for the Fiscal Years 2005/06 through 2011/12. Upon completion of that review, it was determined that certain businesses were billed a hazardous materials verification fee, but the performance of a corresponding inspection by OCFA personnel could not be verified in the inspection records. Because revenues relating to these unperformed inspections were overstated in prior fiscal years, beginning fund balance of the General Fund has been restated (reduced) in the amount of

\$1,751,044. This is the total estimated amount of potential refunds due to hazardous materials services business and authorized for refund by the Board of Directors in June 2013.

Audited Financial Reports

Single Audit Report

The Single Audit Report (Attachment 1) included a review of federal funds expended by the OCFA during the fiscal year, which totaled \$3,841,006. The major programs selected by the auditors for more in-depth review and testing were the Assistance to Firefighters Grant, Urban Areas Security Initiative (UASI), and the Homeland Security Grant (HSG) program.

The Single Audit Report includes two reports which assess the OCFA's overall internal control over financial reporting and compliance, as well as internal control and compliance matters specific to its major federal programs. The OCFA has complied, in all material respects, with the United States Office of Management and Budget Circular A-133 Compliance Supplement requirements applicable to its major federal programs for Fiscal Year 2012/13. However, the Single Audit Report did identify one material weakness in OCFA's overall internal control over financial reporting. The material weakness related to the \$1,751,044 prior period adjustment for refunds to hazardous materials businesses, since revenues were unearned and overstated during previous fiscal years. The material weakness, along with management's response and corrective actions taken, is summarized in the Single Audit Report (Attachment 1, Page 8).

Financial Statements

The auditors have provided an unqualified or "clean" opinion on the OCFA's Financial Statements for the year ended June 30, 2013, stating that the OCFA's Financial Statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP) (Attachment 2, Page 1). In addition, the audit opinion includes a reference to the material weakness in internal control over financial reporting that is identified in the Single Audit Report.

Comprehensive Annual Financial Report

Staff has prepared the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013 (Attachment 3). The CAFR is comprised of three main sections and six sub-sections within the Financial Section.

Introductory Section This section is unaudited and includes the letter of transmittal, an organization chart, a list of the OCFA's management staff and appointed officials, a description of the organization of the Board of Directors and the GFOA Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2012.

Financial Section This portion of the report consists of OCFA's audited Financial Statements, which are also published separately as a stand-alone financial report. Although some formatting has been enhanced in the following sub-sections, the information presented in the Financial

Section of the CAFR is the same as the separately published Financial Statements:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements (including *Required Supplementary Information*)
- Supplementary Schedules

Statistical Section This section is unaudited and includes selected financial and demographic information relating to the County of Orange, California, where the OCFA provides fire protection and emergency response services to 23 member cities and the unincorporated areas of Orange County.

Distribution of Audited Financial Reports

The CAFR will be sent to each OCFA member agency. The Financial Statements and other financial reports will be filed with the County Auditor-Controller as required by Government Code, the State Controller's Office and the Federal Audit Clearinghouse, as applicable. Copies for public review are available at the office of the Clerk of the Authority. The CAFR will also be published electronically on OCFA's website.

Auditors' Communications with Those Charged with Governance

Professional standards require the auditors to communicate certain information pertaining to the audit directly to those charged with the OCFA's governance. The Audit Communication Letter (Attachment 4) includes information about the auditors' responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards, information related to the planned scope and timing of the audit, and required communication in the following areas:

- Qualitative Aspects of Accounting Practices
- Difficulties Encountered in Performing the Audit
- Corrected and Uncorrected Misstatements
- Disagreements with Management
- Management Representations
- Management Consultations with Other Independent Accountants
- Other Audit Findings or Issues

GASB 54 Assigned Fund Balance

During Fiscal Year 2010/11, OCFA implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was intended to enhance the usefulness of fund balance information, clarify governmental fund type definitions, and promote greater comparability and consistency among municipal financial statements. GASB Statement No. 54 created five new categories of governmental fund balance – nonspendable, restricted, committed, assigned, and unassigned. Assigned balance

includes resources that are set aside for an intended use and represents current intentions (subject to change) as to how the resources will be expended.

On April 28, 2011, the Board of Directors adopted a new *Assigned Fund Balance Policy* (Attachment 5) at the recommendation of staff and the Budget and Finance Committee, in order to delegate its authority to assign fund balance amounts for the capital improvement program and workers' compensation to the Assistant Chief of Business Services, or her designee, with a final review of the calculation by the Budget and Finance Committee. The Budget and Finance Committee's review of the calculation occurs each year at the time the audited financial statements are approved, and confirms the calculation's consistency with the *Assigned Fund Balance Policy*.

OCFA's fund balance as of June 30, 2013, includes assignments for the capital improvement program and workers' compensation as follows, with detailed calculations included as Attachments 6A and 6B:

Fund	Fund Balance Assigned To	
	Capital Improvement Program	Workers' Compensation
General Fund	\$ -	\$53,230,384
Facilities Maintenance & Improvements (122)	2,577,414	-
Communications & Information Systems (124)	17,181,281	-
Vehicle Replacement (133)	28,588,494	-
Facilities Replacement (123)	15,130,349	-
Total	\$63,477,538	\$53,230,384

Current Year Changes in Financial Statement Reporting

During Fiscal Year 2012/13, OCFA implemented Governmental Accounting Standards Board (GASB) Statements No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65 *Items Previously Reported as Assets and Liabilities*. OCFA was required to implement Statement No. 63 during Fiscal Year 2012/13, and opted to early-implement Statement No. 65 one year prior to the Fiscal Year 2013/14 deadline.

- Significant impacts of GASB Statement No. 63 included changing the title of the Statement of Net Assets to the Statement of Net Position, and reformatting the Statement of Net Position to add separate sections for *deferred inflows of resources* and *deferred outflows of resources*.
- Significant impacts of GASB Statement No. 65 included reclassifying as *deferred inflows of resources* and *deferred outflows of resources* certain balances that were previously reported as assets and liabilities. GASB Statement No. 65 also required that certain debt issuance costs be reported as expense when incurred. The retroactive effect of implementing this change in reporting debt issuance costs resulted in a restatement to the beginning net position of OCFA's governmental activities.

Upcoming Changes in Financial Statement Reporting

On June 25, 2012, the GASB approved two new accounting and reporting standards for pension plans provided by state and local governments:

- Statement No. 67, *Financial Reporting for Pension Plans* (applies to state and local pension plans established as trust or similar arrangements)
- Statement No. 68, *Accounting and Financial Reporting for Pensions* (applies to governmental employers that sponsor or contribute to pension plans)

These new standards make significant changes to pension accounting and financial reporting, because they disconnect pension *accounting* from pension *funding*. One of the most significant changes will impact how pension liabilities are presented in the Financial Statements. Currently, the Financial Statements report a pension liability only for the cumulative difference between required and actual contributions made over time (typically zero). Under the new standards, a government's proportionate share of the entire pension plan's net pension liability will be reported in the Financial Statements. Other differences between the new pension accounting standards and plan funding practices will include the discount rate, asset valuation method, amortization period, and calculation of annual pension expense.

The OCFA will be required to implement GASB Statements No. 67 and 68 during Fiscal Year 2013/14 (for the part-time employee plan reported as a pension trust fund) and Fiscal Year 2014/15 (for the full-time employee plan with the Orange County Employees' Retirement System). Staff will continue to research the new standards and will return to the Board with a full analysis of their impact to OCFA at a later date.

Structural Fire Fund

The Amended Joint Powers Agreement gives the Board of Directors the sole discretion to determine if sufficient unencumbered funds from the prior fiscal year are available for OCFA-related services or resource enhancements to over-funded Structural Fire Fund (SFF) members. This determination is made after consideration of the audited Financial Statements and after consideration of the OCFA's financial needs. Based on the audited Financial Statements for the fiscal year ended June 30, 2013, the unencumbered fund balance is \$6,134,590 (Attachment 7), which is 2.09% of the General Fund budget for Fiscal Year 2013/14. Staff will make recommendations regarding the use and/or distribution of the unencumbered fund balance when the mid-year budget update is provided to the Board of Directors in January 2014.

Impact on Cities/County:

Not Applicable

Fiscal Impact:

Not Applicable

Independent Auditor Contact for Further Information:

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Lance, Soll & Lunghard, LLP
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(714) 672-0022

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(714) 573-6304

Gina Cheung, Accounting Manager
Business Services
ginacheung@ocfa.org
(714) 573-6303

Attachments:

1. Single Audit Report for the year ended June 30, 2013
2. Audited Financial Statements for the year ended June 30, 2013 (on file in the Office of the Clerk)
3. Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013 (on file in the Office of the Clerk)
4. Audit Communication Letter for the year ended June 30, 2013
5. Assigned Fund Balance Policy
6. Assigned Fund Balance Calculations as of June 30, 2013 for:
 - A. Capital Improvement Program
 - B. Workers Compensation
7. Structural Fire Fund Calculation of Unencumbered General Operating Fund for FY 2012/13

ORANGE COUNTY FIRE AUTHORITY
Irvine, California

SINGLE AUDIT REPORT ON FEDERAL AWARDS

JUNE 30, 2013

ORANGE COUNTY FIRE AUTHORITY
Irvine, California

SINGLE AUDIT REPORT ON FEDERAL AWARDS

Year Ended June 30, 2013

ORANGE COUNTY FIRE AUTHORITY

Single Audit Report on Federal Awards

Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Orange County Fire Authority
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority (the OCFA) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the OCFA's basic financial statements and have issued our report thereon dated October 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OCFA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OCFA's internal control. Accordingly, we do not express an opinion on the effectiveness of the OCFA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, 2013-01, described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Board of Directors
Orange County Fire Authority
Irvine, California

OCFA's Response to Findings

OCFA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. OCFA response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Loll & Lughard, LLP

Brea, California
October 9, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Orange County Fire Authority
Irvine, California

Report on Compliance for Each Major Federal Program

We have audited the Orange County Fire Authority (OCFA)'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of OCFA's major federal programs for the year ended June 30, 2013. OCFA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for the Financial Statements

Management is responsible for compliance with the requirements of law, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express opinions on compliance for each of OCFA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, and OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about OCFA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of OCFA's compliance.

Opinion on Each Major Federal Program

In our opinion, OCFA complied, in all material respects, with the types of compliance requirements referred to above that could have a material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of OCFA is responsible for establishing and maintain effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our



To the Board of Directors
Orange County Fire Authority
Irvine, California

audit of compliance, we considered the OCFA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of OCFA's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or, significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB A-133

We have audited the financial statements of OCFA's as of and for the year ended June 30, 2013, and have issued our report thereon dated October 9, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Brea, California
October 9, 2013

ORANGE COUNTY FIRE AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Program / Project Identification Number</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security:</u>			
Direct assistance via Federal Emergency Management Agency:			
National Urban Search and Rescue (US&R) Response System:			
2011 Cooperative Agreement	97.025	EMW-2011-CA-00065	\$ 224,025
2012 Cooperative Agreement	97.025	EMW-2012-CA-K00007	959,589
Subtotal			<u>1,183,614</u>
Assistance to Firefighters Grant*:			
2010 - Smoke Alarms	97.044	EMW-2010-FP-01751	19,433
2011 - Self Contained Breathing Apparatus	97.044	EMW-2011-FO-03278	1,393,854
Subtotal			<u>1,413,287</u>
Passed through the City of Santa Ana:			
Urban Areas Security Initiative (UASI)*:			
2011 UASI - Regional and TLO Training	97.067	DHS 2011-SS-0077	111,583
Passed through the City of Anaheim:			
Urban Areas Security Initiative (UASI)*:			
2010 UASI - TLO Training	97.067	DHS 2010-GPD-0067	54,850
Passed through the Orange County Sheriff's Department:			
Homeland Security Grant (HSG) Program*:			
2010 HSGP - TLO Program	97.067	DHS-2010-0085	44,813
2011 HSGP - TLO Program	97.067	DHS 2011-SS-0077	90,186
2010 HSGP - Command Vehicles	97.067	DHS-2010-0085	813,940
2010 HSGP - Metropolitan Medical Response System (MMRS)	97.067	DHS-2010-0085	101,156
2010 HSGP - Hot Sticks	97.067	DHS-2010-0085	27,577
Subtotal			<u>1,244,105</u>
Total U.S. Department of Homeland Security			<u>3,841,006</u>
Total Federal Expenditures			<u>\$ 3,841,006</u>

* Major Program

Note a: Refer to Note 1 to the Schedule of Expenditures of Federal Awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

ORANGE COUNTY FIRE AUTHORITY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Orange County Fire Authority, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

ORANGE COUNTY FIRE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-01: Fund Balance Restatement:

As a result of our audit procedures, we noted an item requiring a fund balance restatement in the General Fund related to hazardous materials verification fees. During fiscal year ended June 30, 2013, Orange County Fire Authority completed an internal review of its inspection records from all seventy-one (71) fire stations and the Fire Prevention Department for fiscal years June 30, 2006 through 2012. Upon completion of that review, it was determined that Orange County Fire Authority's inspection records (via paper or electronic) could not verify that the performance of such inspections were conducted for certain businesses that were billed a hazardous material verification fee.

In June 2013, Orange County Fire Authority's Board of Directors authorized refunds to those businesses, underlining the accounting position that revenues from hazardous material verification fees were unearned and overstated in the prior before-mentioned fiscal years. As a result, Orange County Fire Authority restated its beginning fund balances and net position to establish an accrued liability for \$1,751,044, which is the total estimated amount of potential refunds due to hazardous materials service businesses and authorized for refund by the Board of Directors.

Management's Response:

We concur with this finding, and a fund balance restatement in the amount of \$1,751,044 has been recorded in OCFA's General Fund and Governmental Activities for Fiscal Year 2012/13. The following corrective actions have been taken:

- Prior to Fiscal Year 2012/13, the hazardous materials verification fees were billed to customers by the Orange County Health Care Agency (HCA), on behalf of OCFA, at the beginning of each fiscal year before the inspections were completed. Beginning in Fiscal Year 2012/13, those fees were billed in arrears and were based on actual inspections completed by OCFA personnel during the year.
- In February 2013, OCFA's Board of Directors approved the transition of the California Accidental Release Plans (CalARP) program and the Hazardous Materials Disclosure (HMD) program to the HCA, effective July 1, 2013. OCFA will continue to provide first responders with hazardous materials information from its ongoing inspection program and will continue to have access to information collected by HCA; however, OCFA will no longer recognize revenues associated with these discontinued programs beginning in Fiscal Year 2013/14.
- OCFA contracts with Lance, Soll & Lunghard, LLP, (LSL) a firm of certified public accountants, to conduct periodic reviews of its processes and internal controls. In March 2013, OCFA's Budget and Finance Committee approved a review of the billing and revenue recognition for all Fire Prevention fees. That report was finalized in July 2013, and included recommendations to implement various changes to OCFA's workflows and business practices. In August 2013, OCFA hired a Finance Manager to help implement the proposed recommended actions in the Fire Prevention Department.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

ORANGE COUNTY FIRE AUTHORITY

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA
- Gary A. Cates, CPA
- Michael D. Mangold, CPA
- David S. Myers, CPA

October 9, 2013

To the Board of Directors
Orange County Fire Authority
Irvine, California

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority (the OCFA) for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 2, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the OCFA are described in the notes to the financial statements. As described in Note 3 to the financial statements, the OCFA changed its accounting policies related to debt issuance cost by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ended June 30, 2013. Accordingly, the cumulative effect of the accounting change as of the beginning of the fiscal year is reported in the Statement of Activities and the Statement of Changes in Net Position. We noted no transactions entered into by the OCFA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.



To the Board of Directors
Orange County Fire Authority
Irvine, California

During fiscal year 2013, Management identified an error in revenues recognized in years prior related to hazardous material verification fees. As a result, a restatement in the amount of \$1,751,044 was made by management in the fiscal year ended June 30, 2013, which is the total estimated amount of potential refunds due to businesses. This restatement has been identified in our report dated October 9, 2013 in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2012-2013 audit:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. *The OCFA was not affected by this pronouncement at this time.*



To the Board of Directors
Orange County Fire Authority
Irvine, California

GASB Statement No. 61, The Financial Reporting Entity: Omnibus-an amendment of GASB Statement 14 and 34. The OCFA properly implemented this pronouncement.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The OCFA properly implemented this pronouncement.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The OCFA properly implemented this pronouncement.

The OCFA elected to early implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in your next fiscal year 2013-2014 audit and should be reviewed for proper implementation by management:

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees

This information is intended solely for the use of the members of the Board of Directors or individuals charged with governance and management of the OCFA and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads 'Lance, Solt & Lughard, LLP'. The signature is written in a cursive, flowing style.

Brea, California

<p style="text-align: center;">ASSIGNED FUND BALANCE POLICY</p>
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1. PURPOSE

The purpose of the Assigned Fund Balance Policy is to establish the authority by which OCFA may set aside cumulative resources in fund balance for an intended future use.

2. ADOPTION AND REVIEW

- 2.1. This policy shall be reviewed periodically for recommended revisions in order to maintain the policy in a manner that reflects the ongoing financial goals of the OCFA. Staff shall revise the policy upon approval by the Board of Directors.
- 2.2. Each year at the time the audited financial statements are approved, the Budget and Finance Committee shall review the calculations used to determine the amounts assigned to workers' compensation and the capital improvement program, and shall confirm the calculations' consistency with the Assigned Fund Balance Policy.

3. POLICY

- 3.1. In accordance with Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance amounts intended to be used by a government for a specific purpose should be presented in the financial statements as "assigned" fund balance. Assigned balance includes resources that are set aside for an intended use and represents current intentions (subject to change) as to how the resources will be expended.
- 3.2. The Board of Directors has the authority to assign fund balance. The Board of Directors shall delegate its authority to assign amounts for *workers' compensation* and the *capital improvement program* to the Assistant Chief of Business Services, or her designee.
- 3.3. The Assistant Chief of Business Services, or her designee, shall assign and un-assign fund balance for the specific purposes of *workers' compensation* and the *capital improvement program*, in accordance with the guidelines described in this policy. The authority to assign and un-assign fund balance for any other specific purposes shall be retained by the Board of Directors.

- 3.4. The assignment for *workers' compensation* will reflect the cumulative difference between actual workers' compensation expenditures incurred (cash-flow basis) and budgeted costs, which are based on an annual actuarial valuation prepared by an external actuary and a confidence level set by the Board of Directors.
- 3.4.1 The amount of the assignment will be calculated annually in conjunction with the fiscal year-end closing process.
- 3.5. The assignment for the *capital improvement program* will reflect cumulative amounts transferred from the General Fund to the OCFA's capital improvement funds in accordance with the *Financial Stability Budget Policy*, net of actual cumulative project expenditures and other revenue sources accounted for in those funds.
- 3.5.1 The amount of the assignment will be calculated annually in conjunction with the fiscal year-end closing process.
- 3.5.2 The amount of the assignment will not exceed projects currently identified in the OCFA's five-year capital improvement program, including projects that have been identified as deferred pending improved financial conditions.
- 3.6. Assigned funds must be expended in conjunction with the spending authority provided by the annual budget and any subsequent amendments.

ORANGE COUNTY FIRE AUTHORITY
Fund Balance Assigned for Capital Improvement Program
Final Calculation
As of June 30, 2013

	Source	Maintenance & Improvements Fund 122	Comm. & Info. Systems Fund 124	Vehicle Replacement Fund 133	Facilities Replacement Fund 123	Total
<u>Actual Fund Balance Available for CIP Assignment</u>						
Total actual fund balance @ 6/30/2013	FYE 6/30/2013 CAFR, pages 26-27	2,584,684	19,079,126	30,875,249	16,683,531	69,222,590
Less nonspendable fund balance (prepaid items)	FYE 6/30/2013 CAFR, pages 26-27,57	-	(124,314)	(228,004)	-	(352,318)
Less restricted fund balance:						
Station 56 (Ortega Valley)	FYE 6/30/2013 CAFR, pages 26-27,58	-	-	-	(1,019,950)	(1,019,950)
CALFIRE station(s)	FYE 6/30/2013 CAFR, pages 26-27,58	-	-	-	(533,232)	(533,232)
Less outstanding encumbrances:						
Pertaining to assigned resources	FYE 6/30/2013 CAFR, pages 26-27,59	(7,270)	(1,773,531)	(2,058,751)	-	(3,839,552)
Actual fund balance available for CIP assignment @ 6/30/2013 (A)		2,577,414	17,181,281	28,588,494	15,130,349	63,477,538
<u>Possible CIP Expenditures, Net of Offsetting Revenues and Funding Sources</u>						
<u>Possible CIP Expenditures</u>						
Re-budgeted appropriations	Board of Directors approval 9/26/2013, Item #5	-	2,347,400	3,963,049	2,206,900	8,517,349
Subtotal		-	2,347,400	3,963,049	2,206,900	8,517,349
Planned project expenditures:						
Projects in five-year CIP plan	FY 2013/14 Adopted Budget, pages 160-163	6,514,408	25,175,370	36,772,726	5,250,000	73,712,504
Projects beyond five-year plan - helicopter lease debt service	FYE 6/30/2013 CAFR, page 55	-	-	1,265,862	-	1,265,862
Subtotal		6,514,408	25,175,370	38,038,588	5,250,000	74,978,366
Deferred project expenditures:						
Deferred five-year CIP plan	FY 2013/14 Adopted Budget, page 164	-	1,527,500	4,527,004	15,750,000	21,804,504
Subtotal		-	1,527,500	4,527,004	15,750,000	21,804,504
Possible CIP expenditures		6,514,408	29,050,270	46,528,641	23,206,900	105,300,219
<u>Offsetting Revenues and Funding Sources</u>						
Restricted fund balance for projects in 5-year CIP and deferred plans:						
Station 56 (Ortega Valley)	FYE 6/30/2013 CAFR, pages 26-27,58	-	-	-	(1,019,950)	(1,019,950)
CALFIRE station(s)	FYE 6/30/2013 CAFR, pages 26-27,58	-	-	-	(533,232)	(533,232)
Subtotal		-	-	-	(1,553,182)	(1,553,182)
Cash Contract City revenues:						
Station maintenance charges (5 years)	Maximum annual fee per JPA, capped at planned exp.	(1,950,000)	-	-	-	(1,950,000)
Vehicle replacement charges (5 years)	CCC annual vehicle charge, as prepared by GA Unit	-	-	(7,495,168)	-	(7,495,168)
Subtotal		(1,950,000)	-	(7,495,168)	-	(9,445,168)
Other budgeted developer/grant/CALFIRE funding:						
Station 56 - additional budgeted developer contributions	Project costs, net of amount already received	-	-	-	(4,230,050)	(4,230,050)
Station 56 - developer funded vehicle	Budgeted developer revenue FY 13/14 (Type 1)	-	-	(643,106)	-	(643,106)
Station 18 - CALFIRE	FY 2013/14 budgeted revenue * 5 years (\$0)	-	-	-	-	-
Subtotal		-	-	(643,106)	(4,230,050)	(4,873,156)
Possible offsetting revenues		(1,950,000)	-	(8,138,274)	(5,783,232)	(15,871,506)
Possible CIP expenditures, net of offsetting revenues (B)		4,564,408	29,050,270	38,390,367	17,423,668	89,428,713
Over (under) funded as of 6/30/2013 (A-B)		(1,986,994)	(11,868,989)	(9,801,873)	(2,293,319)	(25,951,175)
<u>Final Fund Balance Assignment</u>						
Actual fund balance available for CIP assignment @ 6/30/2013		2,577,414	17,181,281	28,588,494	15,130,349	63,477,538
Less: Over funded amount to be transferred back to the General Fund		-	-	-	-	-
Final fund balance assignment @ 6/30/2013		2,577,414	17,181,281	28,588,494	15,130,349	63,477,538

ORANGE COUNTY FIRE AUTHORITY
Fund Balance Assigned for Workers Compensation
Final Calculation
As of June 30, 2013

Attachment 6B

Description	Source	Self Insurance Fund		
		Final Budget	Positive (Negative) Variance	Actual
Revenues:				
Interest	FYE 6/30/2013 CAFR, pages 85,87	\$ 128,552	(170,729)	\$ (42,177)
Workers' compensation charges	FYE 6/30/2013 CAFR, pages 85,87	9,892,711	-	9,892,711
Subtotal - revenues		10,021,263	(170,729)	9,850,534
Expenditures:				
Workers' compensation claims paid	FYE 6/30/2013 CAFR, pages 85,87	(9,569,235)	3,558,023	(6,011,212)
Subtotal - expenditures		(9,569,235)	3,558,023	(6,011,212)
Transfers In:				
Transfers in from General Fund 121	FYE 6/30/2013 CAFR, pages 85,87	15,244,794	-	15,244,794
Subtotal - transfers in		15,244,794	-	15,244,794
Total change in fund balance		\$ 15,696,822	\$ 3,387,294	\$ 19,084,116
		(A)	(B)	
Assignment for Workers' Compensation:				
Actual assignment @ 6/30/2012	FYE 6/30/2012 CAFR, page 25		\$ 34,146,268	
Budgeted change in fund balance	(A)		15,696,822	
Budgeted assignment @ 6/30/2013			49,843,090	
Variance between final budget and actual amounts	(B)		3,387,294	
Actual assignment @ 6/30/2013	FYE 6/30/2013 CAFR, page 25		\$ 53,230,384	

**Orange County Fire Authority
Calculation of Unencumbered Fund Balance
Fund 121 General Operating Fund*
Fiscal Year 2012/13**

	Final Budget	Actual	Difference
Property tax revenue (Structural Fire Fund - SFF)	\$ 181,204,709	\$ 181,720,253	\$ 515,544
Other revenues	126,491,759	127,262,672	770,913
Transfers in	-	-	-
Subtotal revenues and transfers in	<u>307,696,468</u>	<u>308,982,925</u>	<u>1,286,457</u>
Expenditures	294,755,016	289,296,018	5,458,998
Transfers out	15,626,016	15,626,016	-
Subtotal expenditures and transfers out	310,381,032	304,922,034	5,458,998
Less: Prior year encumbrances	<u>(2,202,659)</u>	<u>(2,162,964)</u>	<u>(39,695)</u>
Subtotal	308,178,373	302,759,070	5,419,303
Plus: Current year encumbrances	-	560,761	(560,761)
Subtotal budgetary expenditures	<u>308,178,373</u>	<u>303,319,831</u>	<u>4,858,542</u>
Total unencumbered fund balance before adjustments			<u>6,144,999</u>
Reconciling items:			
GASB 31 interest adjustment			<u>120,864</u>
Rebudget of FY 2012/13 uncompleted projects:			
Increase budgeted FY 2013/14 revenues			\$1,089,231
Increase budgeted FY 2013/14 appropriations			<u>(1,220,504)</u>
			<u>(131,273)</u>
Total reconciling items			<u>(10,409)</u>
<i>Total unencumbered fund balance with adjustments</i>			<u>\$ 6,134,590</u>
FY 2013/14 General Fund Budget - expenditures, other uses and transfers out			<u>\$ 293,457,707</u>
Unencumbered fund balance as a percentage of the General Fund's budget			<u>2.09%</u>

* In the 2012/13 Financial Statements, the Combined General Fund includes the Structural Fire Entitlement Fund (Fund 171) and the Workers' Compensation Fund (Fund 190), which should not be included in the calculations of unencumbered fund balance. Therefore, all Fund 171 and 190 activities have been eliminated in the calculations.

DISCUSSION CALENDAR - AGENDA ITEM NO. 10
BOARD OF DIRECTORS MEETING
November 21, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **FY 2012/13 Backfill/Overtime and Total Earnings/Compensation Analysis**

Summary:

This agenda item is submitted to provide an overview and analysis of Fiscal Year 2012/13 Backfill and Overtime earnings.

Committee Action:

At its November 6, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

Recommended Action:

Receive and file the report.

Background:

The Orange County Fire Authority's annual General Fund budget consists primarily of labor costs with approximately 92% of the final FY 2012/13 budget allocated to salaries and employee benefits. The 2012/13 budget for backfill/overtime costs was \$34,893,229 and final backfill/overtime expenditures were \$38,157,263. The overtime costs in excess of the overtime budget were 100% offset by savings in the base salary budget, as further explained in this report. The primary factors driving OCFA's backfill/overtime costs are:

- s OCFA's Constant Staffing Policy
- s Major Emergency Incident Response
- s Training Requirements
- s Frozen Positions

Further discussion regarding each of these driving factors is provided below, along with a review of the methods used to budget for annual backfill/overtime and to monitor backfill/overtime spending, both discretionary and non-discretionary.

OCFA's Constant Staffing Policy (Non-Discretionary)

The OCFA maintains a Constant Staffing Policy that requires suppression personnel to backfill (i.e., work overtime) for any suppression post-position¹ that is vacant. Listed below are situations that result in a backfill requirement to maintain constant staffing:

- s Positions temporarily vacant due to personnel on leave (sick, vacation, jury duty, military leave, bereavement, workers' compensation, etc.)

¹ A suppression post-position is a seat on a fire or EMS response unit (including engines, trucks and paramedic vans) that must be filled to meet the staffing requirement of that unit.

- S Positions vacant due to cost control measures (open positions per MOU side agreement)
- S Positions vacant as a result of retirements, promotions, or the opening of a new station (open positions pending recruitment)
- S Positions temporarily vacant due to personnel responding to major in/out of county incidents

Whether to hold a position open or hire/promote to fill the position is a discretionary decision of management or, at times it can be a term that is negotiated with labor. Once management decides to hold the position open, then that overtime is deemed to be non-discretionary.

All backfill/overtime costs associated with the Constant Staffing Policy are considered non-discretionary. For FY 2012/13, \$31.8M (83%) of the total backfill/overtime expenditures was attributable to the Constant Staffing Policy.

Major Emergency Incident Response (Non-Discretionary)

Another form of non-discretionary backfill/overtime costs that are incurred by OCFA is for major emergency incident response. OCFA responds to emergency incidents at the request of surrounding fire agencies (Mutual Aid), California Department of Forestry (CAL FIRE), Cleveland National Forest Service (CNF), and the California Office of Emergency Services (OES).

Backfill/overtime costs for responding to major emergency incidents in FY 2012/13 totaled \$2.6M and represented approximately 7% of total backfill/overtime expenditures. Approximately 90-100% of these emergency related incident response costs (except Mutual Aid) are reimbursable.

All backfill/overtime costs associated with the Constant Staffing Policy and Major Emergency Incident responses as stated above are considered non-discretionary. For FY 2012/13, the sum of these two expenditures represents \$34.4M (90%) of the total backfill / overtime expenditures for the fiscal year.

Training Requirements (Discretionary & Non-Discretionary)

OCFA incurs additional backfill/overtime costs related to various training requirements for suppression personnel. Examples include mandatory training requirements for federal, state, and local programs including Urban Search and Rescue (US&R), Airport Rescue Firefighting (ARFF), Weapons of Mass Destruction (WMD), and Incident Command. Additionally, OCFA historically incurs overtime and backfill costs to provide training academies for new and/or promoted Dispatchers, Firefighters, Engineers, Captains, Battalion Chiefs, and Reserve Firefighters.

Backfill/overtime costs as a result of training activities in FY 2012/13 totaled \$2.4M and represented 6% of the total backfill/overtime expenditures. Approximately \$780,000 or 1/3 of the training costs incurred resulted from promotional and new recruit academies.

Discretionary Backfill/Overtime

For FY2012/13, total discretionary backfill/overtime was \$1.3M or 3.4%, including the following types of expenditures:

- S Employees staffing special events, participating on project teams, and Fire Explorer program activities
- S Information systems, GIS, automotive, communications services, and fire prevention personnel requested to work outside their normal work schedule

Method for Budgeting Annual Backfill/Overtime

When building the budget for OCFA’s salary and employee benefits (S&EB), a budget is established for each authorized position, regardless of whether that position is currently filled or vacant (with the exception of vacant-frozen positions). Positions that remain vacant for a portion of the year (due to retirements, promotions, etc.) generate savings in the budget categories for employee salaries and benefits. Therefore, it is typical for OCFA to end each fiscal year showing budget savings in these budget categories.

In the case of constantly-staffed suppression positions, when the budgeted positions remain vacant for a portion of the fiscal year, other employees are required to backfill, or work overtime to fill them. This backfill/overtime activity generates overtime expenses beyond the level that was anticipated in the overtime budget; therefore, it is typical for OCFA to end each fiscal year showing expenses in excess of budget for this backfill/overtime category. The savings noted in the paragraph above offset the expenditure discussed herein, and as a result, bottom-line S&EB expenditures do not exceed the bottom-line S&EB budget.

The backfill/overtime budget that is developed annually as part of OCFA’s budget process anticipates the level needed to fill behind employees who will be off for typical leave earned during a fiscal year, including sick and vacation leave. The backfill/overtime budget also anticipates a base level of funding for open positions created by promotions and retirements, as well as activity for responding to emergency incidents, but not for major incidents. Funding for a major emergency incident is requested at mid-year, if and when an actual event occurs.

Backfill/Overtime Monitoring & Analysis

OCFA financial staff prepares quarterly reports to track and monitor backfill/overtime activity. Reports are provided internally to management to show expenditures by section and by cause (reason) so that they can monitor and, if required, adjust activities as needed in their respective area. As discussed in this report, the majority of backfill/overtime incurred by OCFA is non-discretionary. Staff is bringing this FY 2012/13 Backfill/Overtime Analysis forward to the Budget and Finance Committee and the Board of Directors to expand upon the routine internal analysis that has been conducted. Staff will continue to provide this report annually following each fiscal year-end.

Compensation Cost Transparency

On September 27, 2012 the OCFA Board approved staffs response to the Grand Jury Report on Compensation Cost Transparency. One of the Grand Jury recommendations, that OCFA concurred with, is total employee compensation costs be posted and readily available on the OCFA website. Prior to the Grand Jury Report, the State Controllers employee compensation data, which defines compensation differently than the Grand Jury requirement, was posted on the OCFA website. While the State Controller again made significant changes to the employee compensation reporting requirements this year, it still varies from the Grand Jury reporting requirements.

The Grand Jury Report includes all earnings, regardless of pretax deductions, segregated by base salary, overtime, payouts, special pay, and other. Additionally, OCFA paid retirement and benefits are also included in the employee compensation report posted on the website. The Grand jury report was posted to the OCFA website on September 26, 2013 and the State Controller report was submitted to the State on October 10, 2013 in compliance with the October 18, 2013 due date.

Attached to this staff report is a list of frequently asked questions (Attachment 1) and an analysis (Attachment 2) that provides a historical overview of backfill/overtime expenditures for FY 2012/13 along with an analysis of firefighter total earnings for Calendar Year 2012. Attachment 2 also provides a summary of Firefighter and all OCFA employee total compensation which includes both earnings and employer provided benefits. All the analysis included in the staff report and attachments utilizes the Grand Jury compensation data. The Grand Jury compensation is an accurate reflection of actual employee earnings.

OCFA Management is working with the Orange County Professional Firefighter’s Association to develop a “Cap” on the number of backfill/overtime hours a firefighter may work (with certain exceptions) within a six-month timeframe.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

None.

Staff Contact for Further Information:

Jim Ruane, Finance Manager/ Auditor

Orange County Fire Authority

jimruane@ocfa.org

(714) 573-6304

Attachments:

1. Frequently Asked Questions and Responses
2. FY 2012/13 OCFA Firefighter Backfill/Overtime and Total Earnings Compensation Analysis

**FY 2012/13 BACKFILL/OVERTIME ANALYSIS
FREQUENTLY ASKED QUESTIONS**

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

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

2. What is the difference between backfill and overtime?

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

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

OCFA's backfill/overtime budget is significant due to the reasons outlined in #2 above. Due to retirements, promotions, and the hiring freeze, there are positions that have gone unfilled. In addition, a labor agreement includes provisions to hold 15 positions open for each rank in the firefighter labor group. As of June 2013, there were 64 positions being filled and required constant staffing on an Overtime/Backfill basis. Recent academies, promotional exams, and the transition of Santa Ana Fire to OCFA significantly reduced the number of vacancies and open positions.

4. How many continuous hours may a firefighter work?

The maximum number of continuous hours (regular and backfill/overtime) an employee may work is 96. Employees enter their availability to work into the OCFA's Staffing System. The staffing system hires employees based upon the premise of an equal distribution of overtime and agreed upon hiring list procedures. The Assistant Chief of Operations may suspend the 96-hour rule to ensure sufficient incident response capability and adequate station coverage. Personnel assigned to out of county strike teams or to overhead positions are often deployed for periods of 14 days. When assigned to these extended incidents, employees work within established work/rest cycles.

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

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

6. Is a portion of administrative overtime driven by fire prevention activities?

The OCFA has begun to experience increases in demands for planning and development services, although staffing levels in this section are still low following the economic recession. If activity levels remain consistently high, OCFA will fill vacant positions. In the interim, some work is being performed on overtime.



ORANGE COUNTY FIRE AUTHORITY

FY 2012/13

Backfill/Overtime & Total Earnings/Compensation Analysis



Board of Directors Meeting
November 21, 2013

Presented by:
Jim Ruane, Finance Manager/Auditor

Overview

Definitions & Background

- Backfill, Overtime, Discretionary, Non-Discretionary, Policy

Regular Vs. Overtime Analysis Fiscal Year 2012/13

- Estimated Cost Savings

Backfill/Overtime Historical Review Fiscal Year 2012/13

- Summary Charts

Firefighter Earnings for Calendar Year 2012

- Earning Analysis & Top 10

Firefighter/Employee Total Compensation Calendar Year 2012

- Grand Jury Version

Definitions & Background

Non-Discretionary

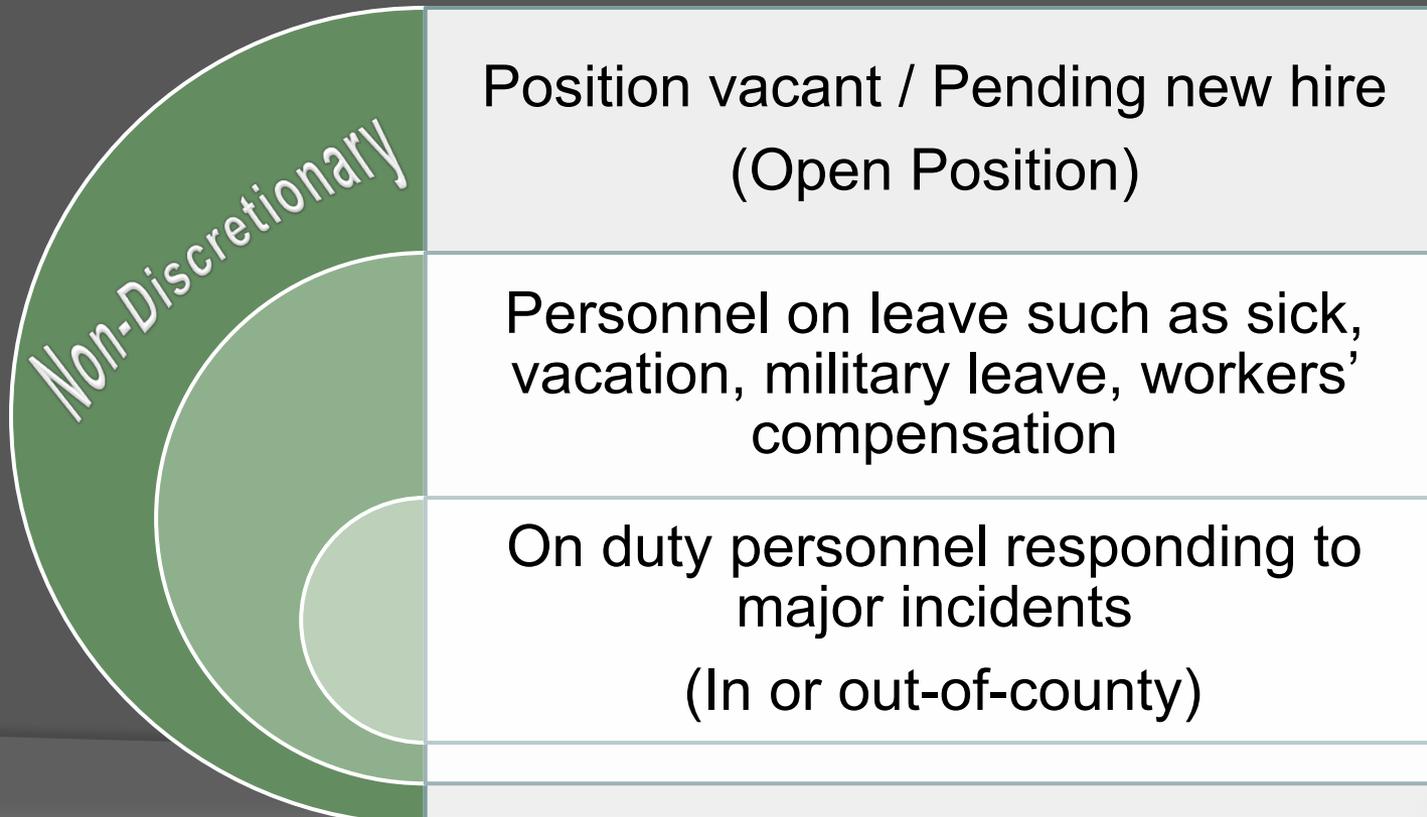
Constant Staffing Policy

- Maintains the minimum staffing level required to keep a suppression unit operational
 - Required by Memorandum of Understanding
 - Alternatives
 - Units out of service
 - Station Closures
 - Impact
 - Longer response times
 - Decreased resources available for response to incidents
- 

Definitions & Background

Backfill

Requires suppression personnel, in addition to the normal work schedule, to backfill a position primarily due to the following reasons:

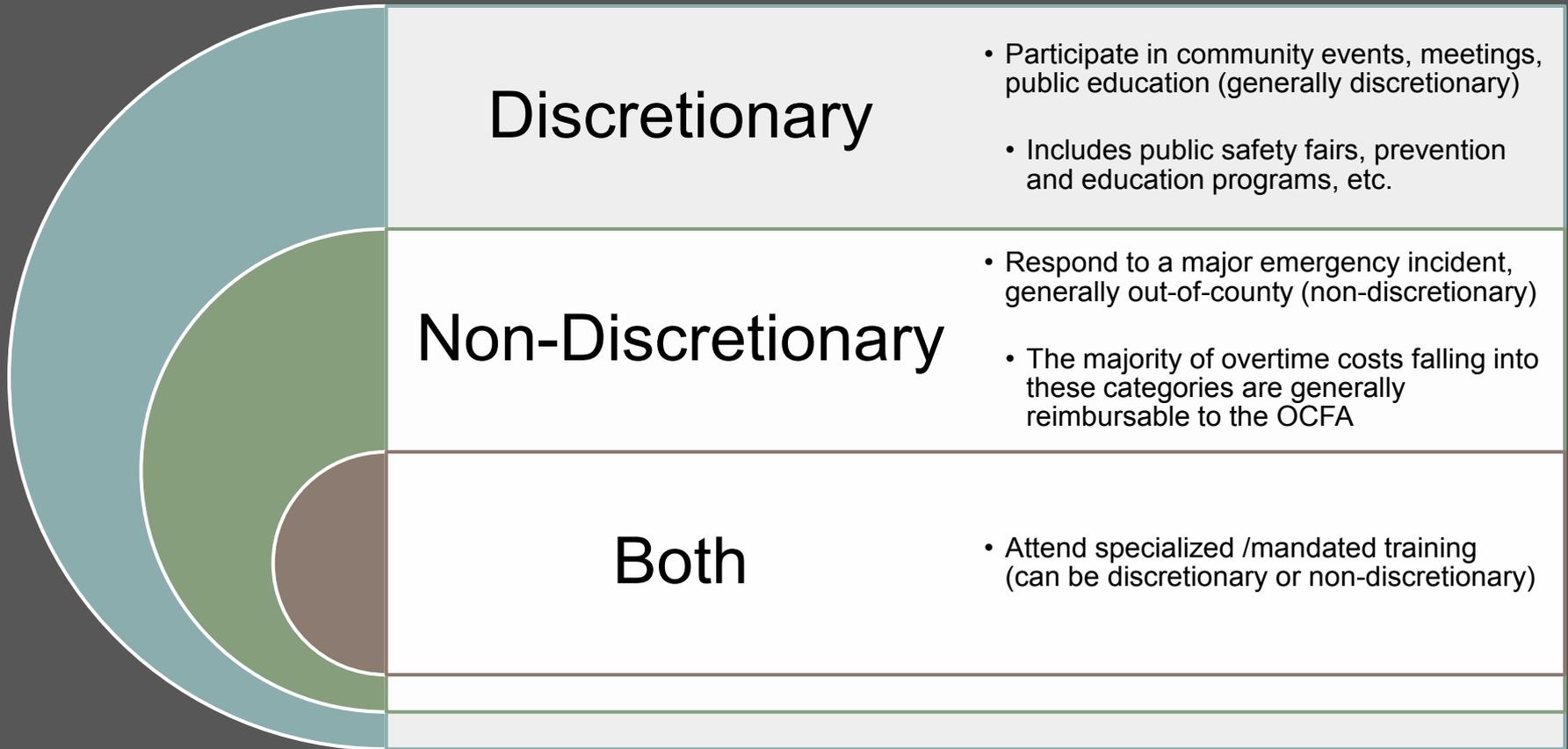


Definitions & Background

Discretionary Vs. Non-Discretionary

Overtime Definition:

Requires suppression personnel to work outside the normal work schedule due primarily to the following reasons:

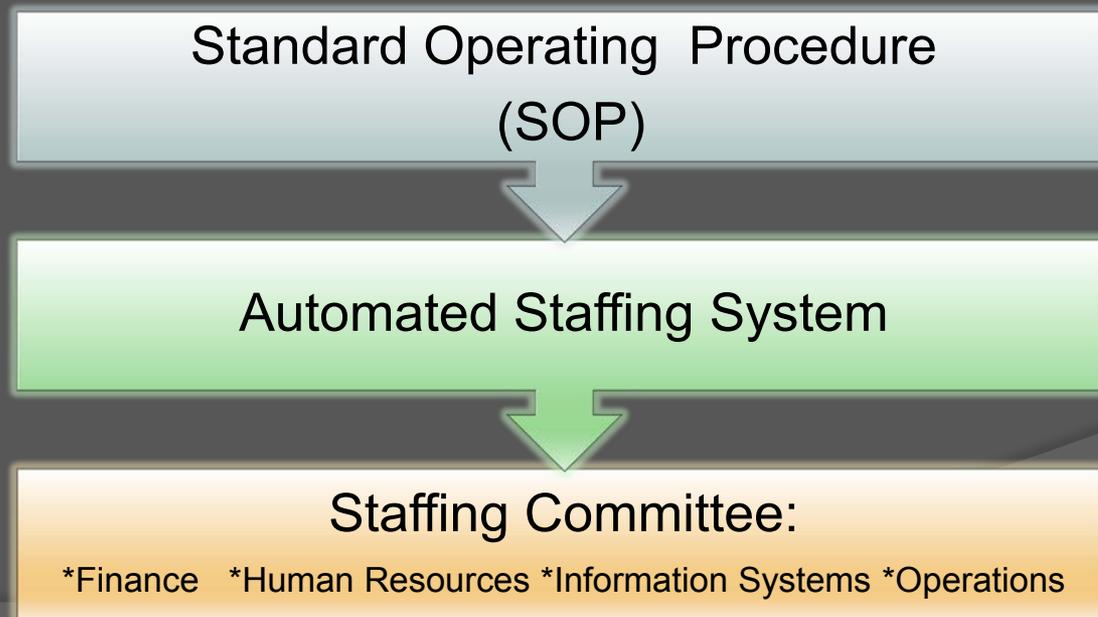


Definitions & Background

Backfill/Overtime Distribution

Backfill/Overtime Distribution

- ***Memorandum of Understanding (MOU)*** requires distribution be “fair and equitable”
- Staffing requirements are managed by:



Definitions & Background

Backfill/Overtime Distribution

Equitable
Distribution
of Backfill/
Overtime is
based on:

Employee availability

Special qualifications
required of the position
(Paramedic, Hazmat, etc.)

Backfill/Overtime hours
previously worked

FY 2012/13 Regular vs. Overtime Analysis

RANK*	HOURS	(A)	(B)	(C)	(D)	TOTAL HOURLY S&EB	FY 2012/13	
		BASE HOURLY RATE	OTHER PAYS	BENEFITS	OT PREMIUM		\$ DIFFERENCE	% DIFFERENCE FROM FTE
Fire Captain (FC)	REGULAR OVERTIME	\$ 37.30 37.30	\$ 6.01	\$ 31.60 2.64	\$ \$18.65	74.91 58.59	16.32	21.79%
Fire Apparatus Engineer (FAE)	REGULAR OVERTIME	\$ 31.86 31.86	\$ 5.33	\$ 27.96 2.25	\$ 15.93	65.15 50.04	15.11	23.19%
Firefighter (FF)	REGULAR OVERTIME	\$ 28.41 28.41	\$ 4.92	\$ 25.65 2.01	\$ 14.21	58.98 44.63	14.35	24.33%

NOTES:

(A) Salaries based on top step for each rank (at 56 hour equivalent) per Salary Schedule effective January 2013

(B) Other Pays include Holiday Pay, Education Incentive, EMT, FLSA (10 Hrs.)

(C) Benefits include Retirement, Health Insurance, Medicare, and Worker's Compensation

(D) OT premium calculated at 50% of base hourly rate

REGULAR HOURS	FC	FAE	FF	Avg. % of Pay
Retirement	\$23.03	\$19.78	\$17.72	53%
Workers Comp	2.12	1.82	1.63	5%
Unemployment	0.01	0.01	0.01	0%
Health Insurance	5.81	5.81	5.81	16%
Medicare	0.63	0.54	0.48	0%
Total Benefits	\$31.60	\$27.96	\$25.65	74%

OVERTIME HOURS	FC	FAE	FF	Avg. % of Pay
Retirement	\$0.00	\$0.00	\$0.00	0%
Workers Comp	1.83	1.56	1.39	4%
Unemployment	0.00	0.00	0.00	0%
Health Insurance	0.00	0.00	0.00	0%
Medicare	0.81	0.69	0.62	2%
Total Benefits	\$2.64	\$2.25	\$2.01	6%

Regular vs. Overtime Analysis

Fiscal Year 12/13 Firefighter Estimated Cost Savings:

Classification	Actual Overtime Hours Worked FY 12/13	<u>FTE Equivalent*</u>	Estimated** FTE Cost	Estimated ** Overtime Cost	Estimated** Cost Saving by Utilizing Overtime/Backfill
Fire Captain	179,559	61.7	\$ 13,450,765	\$ 10,520,362	\$ 2,930,403
Engineer	187,704	64.5	\$ 12,230,793	\$ 9,392,708	\$ 2,838,084
Firefighter	313,540	<u>107.7</u>	<u>\$ 18,492,589</u>	<u>\$ 13,993,290</u>	<u>\$ 4,499,299</u>
		233.8	\$ 44,174,147	\$ 33,906,360	\$ 10,267,786

* Assumes 2,912 hours worked per year.
 ** Utilizes estimated hourly rates for top step within a classification.

Backfill / Overtime Historical Review

Final Approved Fiscal Year Budget	2008/09	2009/10	2010/11	2011/12*	2012/13*
Salaries (excluding Backfill / Overtime)	\$113,352,938	\$112,566,785	\$113,878,158	\$122,191,222	\$137,426,689
Backfill / Overtime	\$29,697,983	\$28,686,805	\$29,502,168	\$31,732,530	\$34,893,229
Employee Benefits	\$69,428,298	\$72,303,089	\$73,512,947	\$83,099,775	\$95,452,132
Total Salaries & Employee Benefits (S&EB)	\$212,479,219	\$213,556,679	\$216,893,273	\$237,023,527	\$267,772,050
Services and Supplies / Fixed Assets	\$24,331,253	\$21,363,544	\$20,174,283	\$24,305,378	\$24,448,510
Total General Fund Budget	\$236,810,472	\$234,920,223	\$237,067,556	\$261,328,905	\$292,220,560
S&EB as a Percentage of Total General Fund	89.7%	90.9%	91.5%	90.7%	91.6%
Actual Backfill/Overtime Expenditures	\$31,957,554	\$28,327,471	\$29,651,858	\$34,917,079	\$38,157,263
Actual Total S&EB Expenditures	\$208,674,813	\$211,783,330	\$215,354,060	\$233,571,264	\$265,194,626
Backfill/Overtime as a % of Total Budget	13.5%	12.1%	12.5%	13.4%	13.1%

*Includes Santa Ana effective April 20, 2012.

Backfill/Overtime

Categories of Backfill/Overtime	FY 2011/12		FY 2012/13		Change from	
	Expenditures**	% of Total	Expenditures**	% of Total	Prior Year	
<i>Non-Discretionary</i>						
Backfill:						
Vacation	3,737,464	10.7%	4,612,948	12.1%	875,484	
Sick Leave	4,464,273	12.8%	5,973,224	15.7%	1,508,951	
Workers' Comp.	3,533,247	10.1%	3,432,663	9.0%	(100,584)	
Open Positions	14,761,183	42.3%			(19,706)	
Open Position-Pending Recruitments			10,210,772	26.8%		
Open Position-Side Agreement (Up to 15 FF, FAE, FC)			4,530,705	11.9%		
Other Leaves (Military, Bereavement, Jury Duty, etc.)	678,461	1.9%	803,877	2.1%	125,416	
Other Non-Discretionary (Holdover, Modified Duty, HC, etc.)	308,071	0.9%	286,848	0.8%	(21,223)	
Other Non-Discretionary (Emergency Communications)	1,097,536	3.1%	555,083	1.5%	(542,453)	
Other Non-Discretionary (FLSA adj.)	1,123,833	3.2%	1,398,163	3.7%	274,330	
<i>Subtotal of Non-Discretionary</i>	29,704,068	85.1%	31,804,283	83.4%	2,100,215	-1.7%
Overtime:						
Emergency (primarily out of county incidents)	1,614,769	4.6% *	2,640,732	6.9% *	1,025,963	2.3%
<i>Total Non-Discretionary</i>	31,318,837	89.7%	34,445,015	90.3%	3,126,178	0.6%
<i>Training</i>						
Academy-New Recruit/Promotional/Reserve	738,897	2.1%	783,919	2.1%	45,022	
Emergency Preparedness (ICS, US&R, WMD)	743,177	2.1%	913,614	2.4%	170,437	
Specialty Training (Paramedic, ARFF)	584,723	1.7%	627,559	1.6%	42,836	
Reserve Program (On-going)	90,593	0.3%	77,080	0.2%	(13,513)	
<i>Total Training</i>	2,157,390	6.2%	2,402,172	6.3%	244,782	0.1%
<i>Discretionary</i>						
Special Activity (Comm. events, Explorer Program, Project Teams, etc.)	372,977	1.1%	423,160	1.1%	50,183	
Other Discretionary (Comm. Services, Special Ops, Auto)	1,007,139	2.9%	800,331	2.1%	(206,808)	
Administrative	60,737	0.2%	86,585	0.2%	25,848	
<i>Total Discretionary</i>	1,440,853	4.1%	1,310,076	3.4%	(130,777)	-0.7%
Total	34,917,080	100.0%	38,157,263	100.0%	3,240,183	0.0%

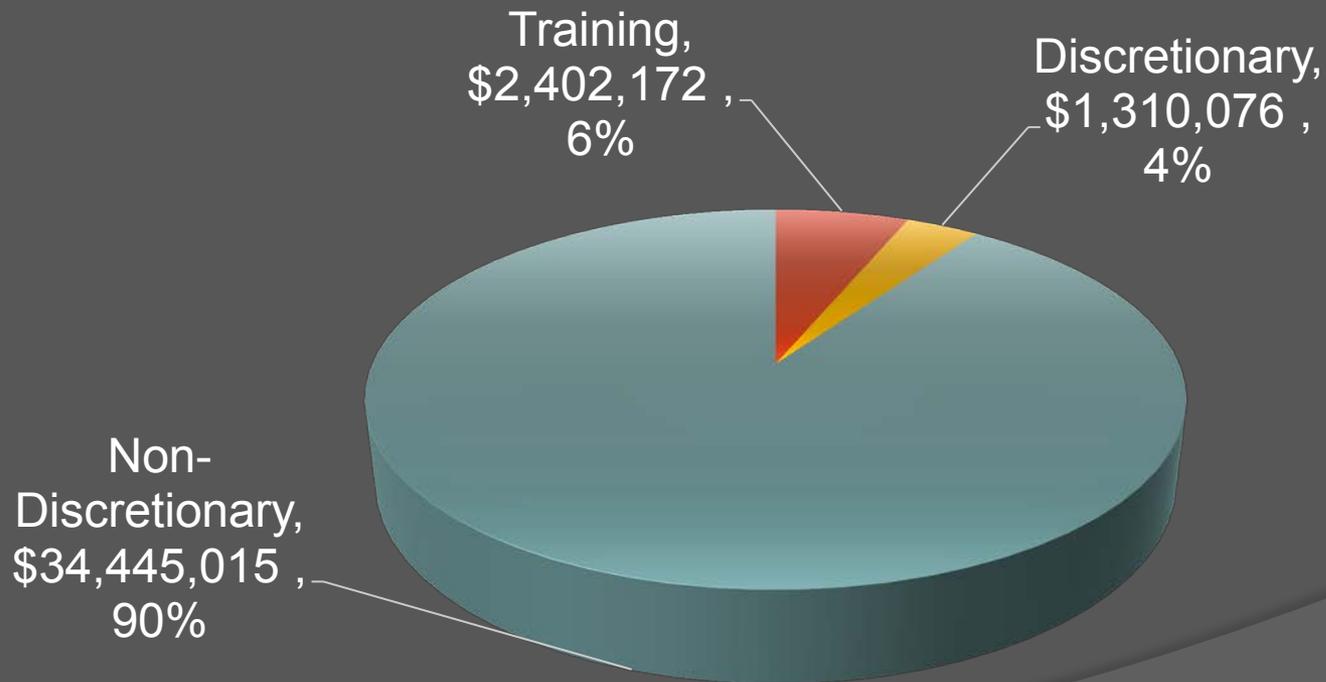
* Emergency overtime is generally 90%-100% reimbursable.

** Includes Santa Ana effective April 20, 2012.

Backfill/Overtime Overview Summary

Fiscal Year 2012/13 Overtime Summary by Type

Total = \$38,157,263

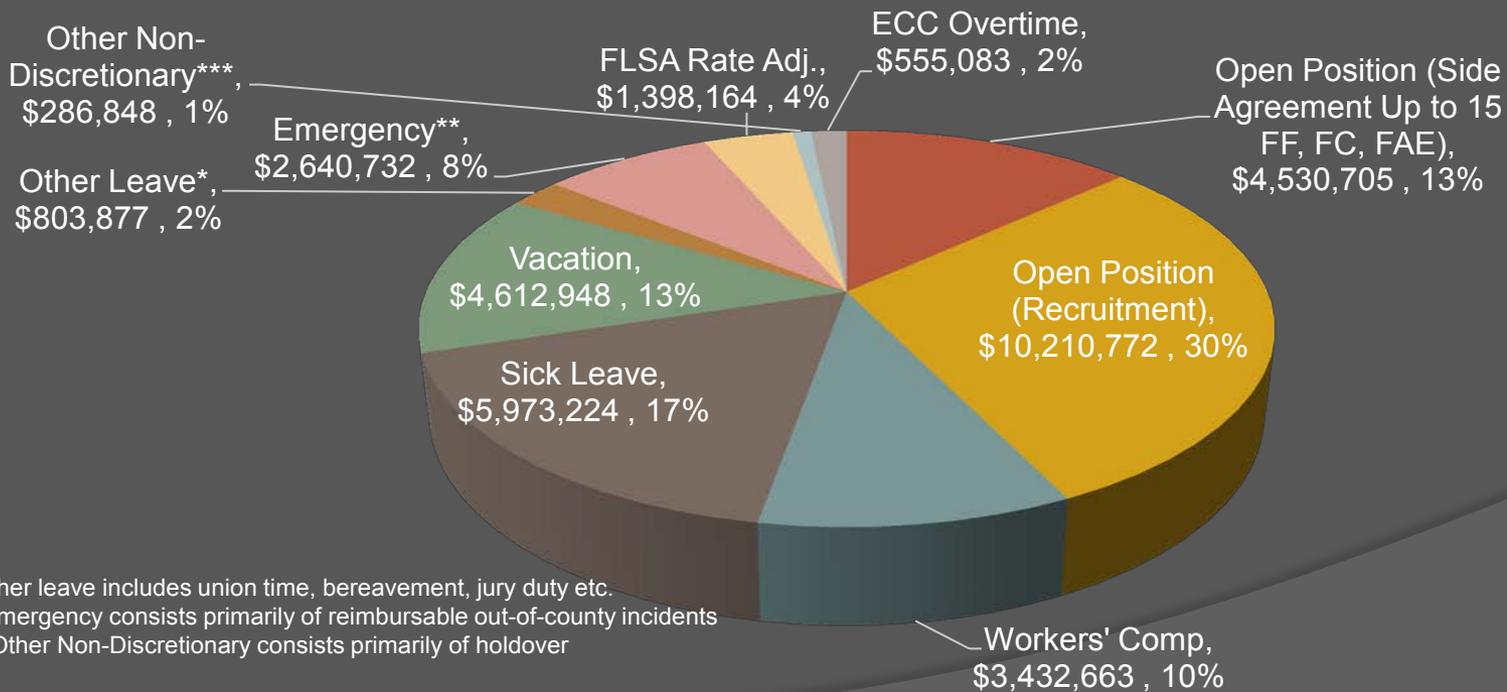


Backfill/Overtime Overview

Non-Discretionary

Fiscal Year 2012/13 Non-Discretionary Overtime by Category

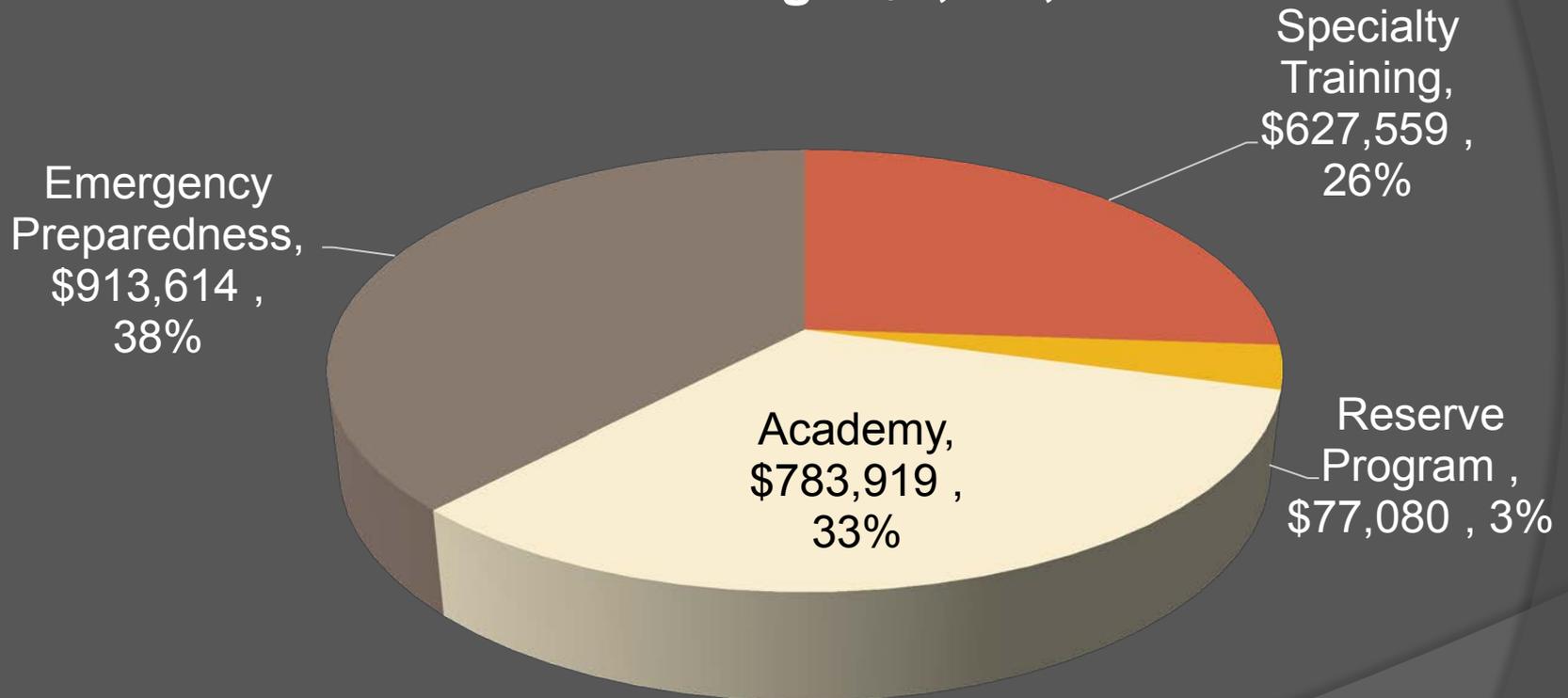
Total Non-Discretionary = \$34,445,015



Backfill/Overtime Overview

Fiscal Year 2012/13 Training Overtime

Total Training = \$2,402,172

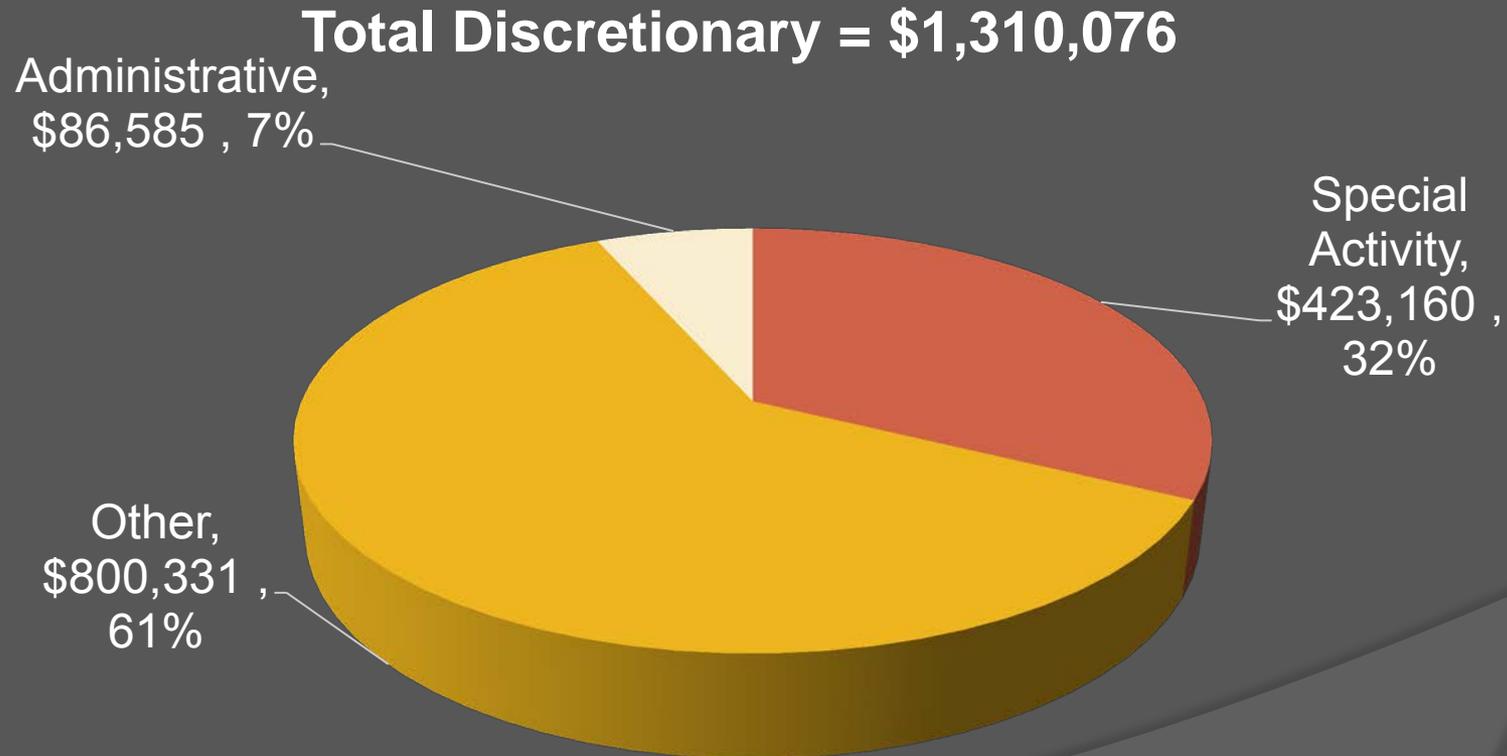


*Specialty Training includes: Hazmat, Air Operations, Training Activities Group, Wildland, Paramedic, ARFF, Swift Water, Investigator, and Other

**Emergency Training includes: Dispatch, Urban Search & Rescue, Incident Command, National Fire Academy, Weapons of Mass Destruction

Backfill/Overtime Historical Review Discretionary

Fiscal Year 2012/13 Discretionary Overtime by Category



*Other: Comm. Services, Special Operations, Auto

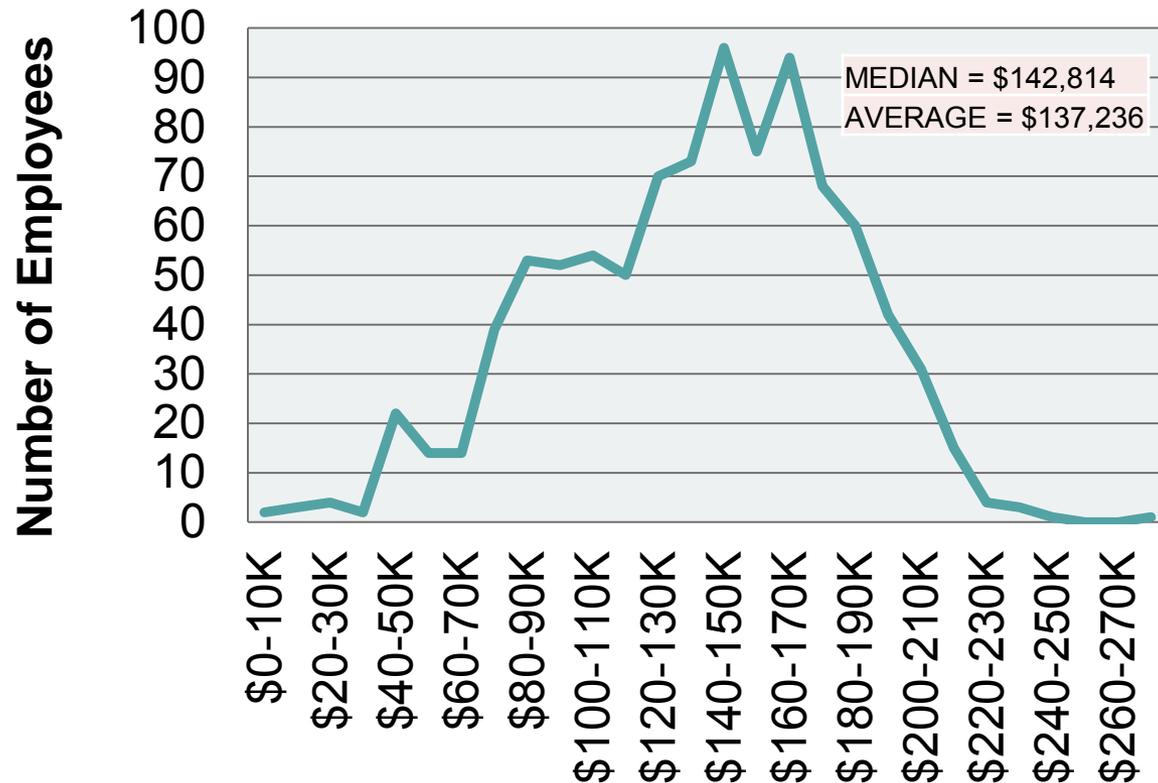
Firefighter Earnings Analysis

The following is an analysis of all firefighter earnings for Calendar Year 2012 (employee names excluded).

Firefighter Earnings Analysis

\$10,000 Increments	# of Employees
\$0-10K	2
\$10-20K	3
\$20-30K	4
\$30-40K	2
\$40-50K	22
\$50-60K	14
\$60-70K	14
\$70-80K	39
\$80-90K	53
\$90-100K	52
\$100-110K	54
\$110-120K	50
\$120-130K	70
\$130-140K	73
\$140-150K	96
\$150-160K	75
\$160-170K	94
\$170-180K	68
\$180-190K	60
\$190-200K	42
\$200-210K	31
\$210-220K	15
\$220-230K	4
\$230-240K	3
\$240-250K	1
\$250-260K	0
\$260-270K	0
\$270-280K	1
Total	942

Calendar Year 2012 Firefighter Earnings Summary



Median=50% of earnings fall below this amount and 50% of earnings fall above this amount.

Firefighter Earnings Analysis

Summary by Calendar Year

Calendar Year	# of Employees	Average Total Earnings	Annual Average Hours Worked	Weekly Average Hours Worked	Average Hourly Rate	Annual Hourly Rate Increase
2003	766	\$ 102,386.02	3,408	65.5	\$ 30.04	N/a
2004	761	\$ 110,792.42	3,530	67.8	\$ 31.38	4.46%
2005	797	\$ 109,957.67	3,347	64.3	\$ 32.85	4.68%
2006	812	\$ 113,424.38	3,299	63.4	\$ 34.85	6.09%
2007	825	\$ 121,409.67	3,372	64.8	\$ 36.01	3.33%
2008	814	\$ 129,675.89	3,516	67.6	\$ 36.88	2.42%
2009	806	\$ 131,537.84	3,467	66.7	\$ 37.94	2.79%
2010	797	\$ 132,363.40	3,340	64.0	\$ 40.54	6.41%
2011	782	\$ 142,952.77	3,458	66.3	\$ 41.34	1.94%
2012	942	\$ 137,236.03	3,299	63.4	\$ 41.60	0.64%

Note:

Firefighters assigned to a suppression position work 2,912 base hours a year (56 hours per week).

Firefighters assigned to a staff position work 2,080 base hours a year (40 hours per week).

Employees may work a combination of staff and suppression hours during a year.

2012 Firefighter Earnings Analysis

Summary by Classification

Classification	# of Employees (1)	Standard Work Week (2)	Average Base Earnings (3)	Average Total Earnings	Average Hourly Rate (4)	Annual Average Hours Worked (5)	Weekly Average Hours Worked
Fire Captain	254	56	\$99,179	\$164,212.41	\$49.41	3,323	63.92
Fire Apparatus Engineer	233	56	\$85,112	\$139,382.98	\$41.34	3,371	64.83
Firefighter	431	56	\$75,591	\$125,558.24	\$37.94	3,309	63.64
Hand Crew Firefighter	24	40	\$32,359	\$40,606.48	\$18.86	2,153	41.41
Total	942						

Notes:

- (1) Represents total Fire Captain, Engineer, Firefighter, & Hand Crew Firefighter paid during Calendar Year 2012.
- (2a) Firefighters assigned to a suppression position work 2,912 base hours a year (56 hours per week).
- (2b) Firefighters assigned to a staff position work 2,080 base hours a year (40 hours per week).
- (2c) Firefighters that transferred over from Santa Ana worked the standard 56 hour work week for the 8 months employed by OCFA
- (3) Base Earnings Includes: Regular, Sick, Vacation Hours, Workers Compensation and Leaves.
- (4) Average rate is calculated by dividing total earnings by hours worked.
- (5) Employees may work a combination of staff and suppression hours during a year.

Top 10 2012 Firefighter Earnings Analysis

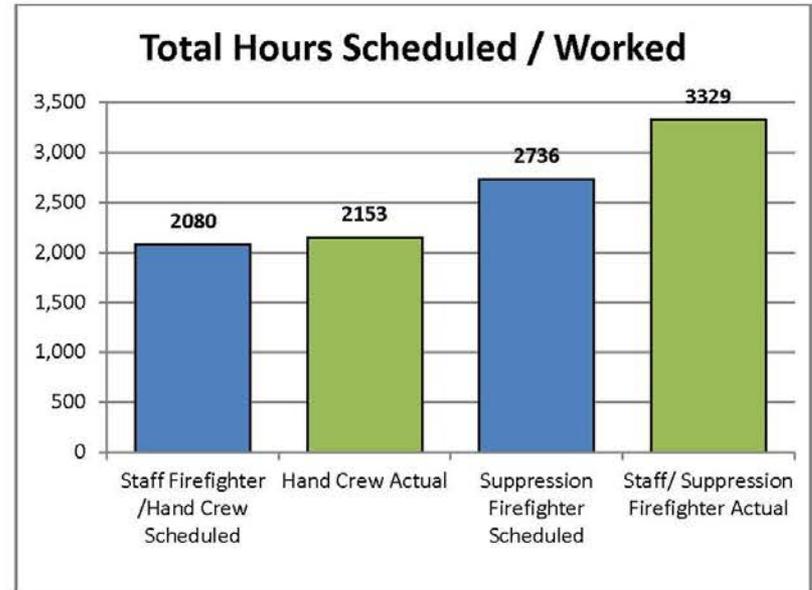
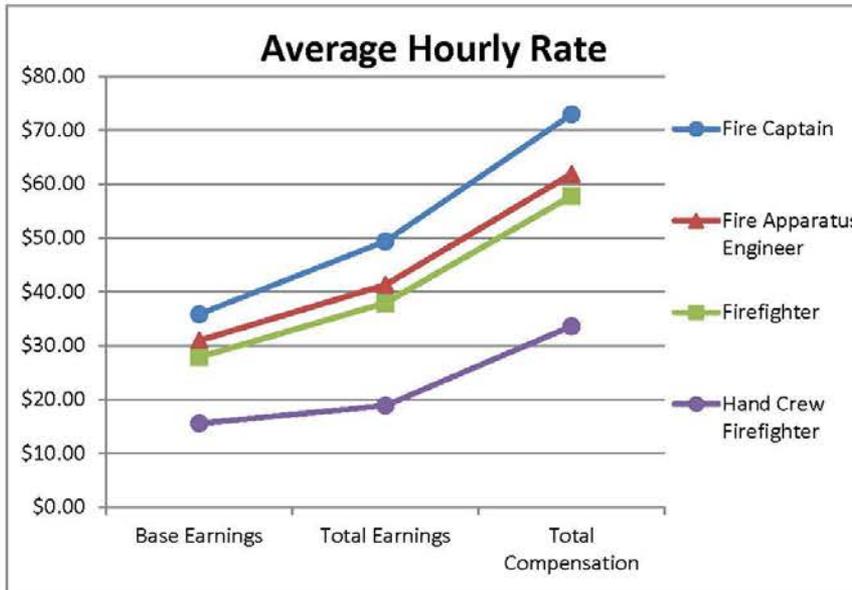
Title/ Assignment	Base Earnings	Total Earnings	Base Hours	Other Hours	Total Hours	Average Hourly Rate
1. Fire Captain	\$117,710	\$273,261	2,912	2,349	5,073	\$53.87
2. Fire Captain	\$111,512	\$244,210	2,912	1,944	4,856	\$50.29
3. Fire Captain	\$111,594	\$236,758	2,912	1,482	4,394	\$53.88
4. Fire Captain	\$111,612	\$231,306	2,912	1,377	4,289	\$53.93
5. Fire Captain	\$111,299	\$230,304	2,912	1,698	4,610	\$49.96
6. Fire Captain	\$108,304	\$226,241	2,080	1,388	3,468	\$65.24
7. Fire Captain	\$111,357	\$224,956	2,912	1,255	4,167	\$53.99
8. Fire Captain	\$112,178	\$223,984	2,922	1,208	4,130	\$54.23
9. Fire Captain	\$108,304	\$220,599	2,080	1,048	3,128	\$70.52
10. Fire Captain	\$111,627	\$219,763	2,912	1,150	4,062	\$54.10

Firefighter/Employee Total Compensation

Firefighter Total Compensation

Calendar Year 2012 Firefighter Hourly Rate Breakdown

Classification	BASE EARNINGS			TOTAL EARNINGS			TOTAL COMPENSATION		
	Average Base Earnings	Regularly Scheduled Hours*	Average Hourly Rate	Average Total Earnings	Average Actual Hours Worked	Average Hourly Rate	Average Total Compensation	Average Actual Hours Worked	Average Hourly Rate
Fire Captain	\$99,179	2766	\$35.86	\$164,212	3323	\$49.41	\$242,605	3323	\$72.99
Fire Apparatus Engineer	\$85,112	2748	\$30.97	\$139,383	3371	\$41.34	\$208,706	3371	\$61.91
Firefighter	\$75,591	2713	\$27.86	\$125,558	3309	\$37.94	\$191,393	3309	\$57.84
Hand Crew Firefighter	\$32,359	2080	\$15.56	\$40,606	2153	\$18.86	\$72,489	2153	\$33.66



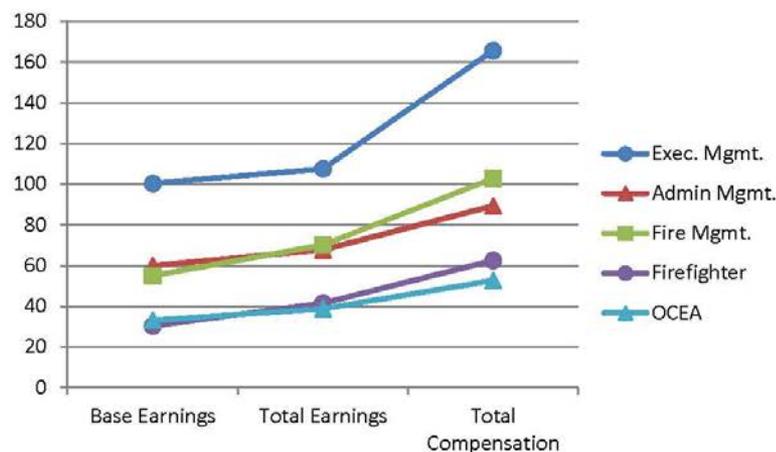
*Note: CY 2012 we used a blended rate to incorporate 8 months of Santa Ana transitioning employees when compared to the normal schedule of 2912 hours.

Total Employee Compensation

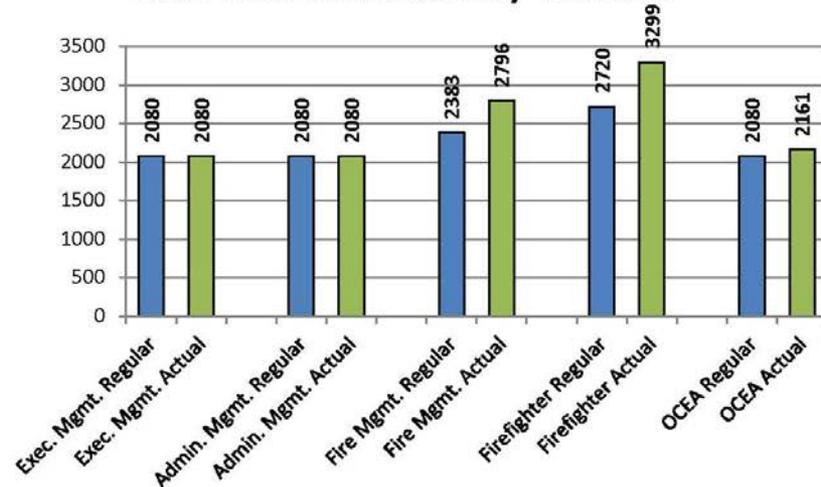
Calendar Year 2012 OCFA Hourly Rate Breakdown

Bargaining Group	BASE EARNINGS			TOTAL EARNINGS			TOTAL COMPENSATION		
	Average Base Earnings	Regularly Scheduled Hours*	Average Hourly Rate	Average Total Earnings	Average Actual Hours Worked	Average Hourly Rate	Average Total Compensation	Average Actual Hours Worked	Average Hourly Rate
Executive Management	\$208,816	2080	\$100.39	\$223,783	2080	\$107.59	\$344,652	2080	\$165.70
Administrative Management	\$124,857	2080	\$60.03	\$141,024	2080	\$67.80	\$185,910	2080	\$89.38
Chief Officers Association	\$131,194	2383	\$55.05	\$196,159	2796	\$70.16	\$287,722	2796	\$102.91
OC Professional Firefighters Assoc.	\$83,205	2720	\$30.59	\$137,236	3299	\$41.60	\$206,455	3299	\$62.58
Orange County Employee's Assoc.	\$68,961	2080	\$33.15	\$83,847	2161	\$38.81	\$113,886	2161	\$52.71

Average Hourly Rate



Total Hours Scheduled / Worked



*Note: CY 2012 for the Firefighter bargaining group, we used a blended rate to incorporate 8 months of Santa Ana transitioning employees when compared to the normal schedule of 2912 hours

QUESTIONS?

REPORTS – AGENDA ITEM NO. 11
BOARD OF DIRECTORS MEETING
November 21, 2013

CHIEF'S REPORT

1. Customer Satisfaction Survey Results by City - October 2013

CUSTOMER SATISFACTION SURVEY

Attachment 1

Data by City for October 1 - 31, 2013

CITY/AREA	FORMS SENT	FORMS RETURNED *	PERCENT RETURNED *	AVERAGE RATING
Aliso Viejo	119	20	16.81%	98.57%
Buena Park	260	37	14.23%	97.13%
Coto de Caza	8	2	25.00%	100.00%
Cypress	128	17	13.28%	95.68%
Dana Point	115	14	12.17%	99.74%
El Modena	0	0		
Emerald Bay	0	0		
Irvine	594	74	12.46%	97.48%
La Palma	34	10	29.41%	97.42%
Ladera Ranch	19	1	5.26%	100.00%
Laguna Hills	128	18	14.06%	98.71%
Laguna Niguel	202	37	18.32%	95.21%
Laguna Woods	221	51	23.08%	97.38%
Lake Forest	199	43	21.61%	98.46%
Los Alamitos	77	14	18.18%	100.00%
Las Flores	0	0		
Midway City	32	2	6.25%	94.64%
Mission Viejo	383	82	21.41%	98.84%
Modjeska Canyon	0	0		
Orange Park Acres	0	0		
Placentia	128	26	20.31%	98.39%
Portola Hills	0	0		
Rancho Santa Margarita	118	17	14.41%	96.43%
Rossmoor	9	1	11.11%	100.00%
San Clemente	193	30	15.54%	96.65%
San Juan Capistrano	180	24	13.33%	96.58%
Santa Ana	922	91	9.87%	97.21%
Santa Ana Heights	10	0		
Santiago Canyon	0	0		
Seal Beach	204	58	28.43%	97.89%
Silverado Canyon	3	1	33.33%	100.00%
Stanton	129	11	8.53%	100.00%
Trabuco Canyon	25	3	12.00%	85.71%
Tustin	288	56	19.44%	97.82%
Villa Park	24	6	25.00%	99.40%
Westminster	319	46	14.42%	96.86%
Yorba Linda	148	28	18.92%	94.20%
Non-OCFA cities	127	16	12.60%	96.88%
TOTALS/AVERAGE	5,346	836	15.64%	97.44%

* Forms Returned and Percent Returned include forms sent in prior months, received this month.