



# ORANGE COUNTY FIRE AUTHORITY AGENDA

## Budget and Finance Committee Meeting

Wednesday, February 13, 2013

12:00 Noon

### Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Al Murray, Chair

Elizabeth Swift, Vice Chair

Trish Kelley Steven Weinberg

Bruce Channing - Ex Officio

*Unless legally privileged, all supporting documentation and any writings or documents provided to a majority of the Budget and Finance Committee 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 2<sup>nd</sup> 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. Supporting documents, including staff reports, are available for review at the Orange County Fire Authority Regional Fire Operations and 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 8:00 a.m. to 5:00 p.m.

If you wish to speak before the Budget and Finance Committee, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority. Speaker Forms are available on the counter noted in the meeting room.



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Clerk of the Authority at (714) 573-6040. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

## PUBLIC COMMENTS

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

## MINUTES

- Minutes for the January 9, 2013, Budget and Finance Committee Meeting**  
Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:  
Approve as submitted.

## CONSENT CALENDAR

No items.

## DISCUSSION CALENDAR

- Monthly Investment Report**  
Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:  
Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of February 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

- Second Quarter Financial Newsletter – October to December 2012**  
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:  
Review the proposed agenda item and direct staff to place this item on the agenda for the Executive Committee meeting of February 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

- 4. Establish a Standard Staff Report Format for the Recommended Award of Contracts Resulting from Request for Proposal Processes**  
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Actions:

Review the proposed agenda item and direct staff to place this item on the agenda for the Executive Committee meeting of February 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee approve the submitted standard staff report format for the recommended award of contracts resulting from a Request for Proposal process.

- 5. Proposed Scope for Year One of the Comprehensive Review of OCFA's Financial Internal Controls**  
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Actions:

Approve the following two areas to be included in the first year of the comprehensive internal control review:

1. Revenue Recognition - Fire Prevention Fees
2. Procurement/Disbursements Practices Relating to Cal Cards (credit cards), Travel-Related Activities, and Fuel Usage

## REPORTS

No items.

## COMMITTEE MEMBER COMMENTS

**ADJOURNMENT** – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, March 13, 2013, at 12:00 noon.

## AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Fire Operations and Training Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 7<sup>th</sup> day of February 2013.

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

**UPCOMING MEETINGS:**

Claims Settlement Committee Meeting	Thursday, February 28, 2013, 5:30 p.m.
Executive Committee Meeting	Thursday, February 28, 2013, 6:00 p.m.
Board of Directors Special Meeting	Thursday, February 28, 2013, 6:30 p.m.
Budget and Finance Committee Meeting	Wednesday, March 13, 2013, 12:00 noon

# MINUTES ORANGE COUNTY FIRE AUTHORITY

**Budget and Finance Committee Meeting**  
**Wednesday, January 9, 2013**  
**12:00 Noon**

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

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## **CALL TO ORDER**

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on January 9, 2013, at 12:03 p.m. by Director Steven Weinberg.

## **PLEDGE OF ALLEGIANCE**

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

## **ROLL CALL**

**Present:** Trish Kelley, Mission Viejo  
Al Murray, Tustin  
Elizabeth Swift, Buena Park  
Steven Weinberg, Dana Point

**Absent:** None

### **Also present were:**

Deputy Fire Chief Ron Blaul  
Assistant Chief Laura Blaul  
Assistant Chief Brian Stephens  
Clerk of the Authority Sherry Wentz

General Counsel David Kendig  
Assistant Chief Craig Kinoshita  
Assistant Chief Lori Zeller  
Lydia Slivkoff, Assistant Clerk

## **ELECTION OF CHAIR AND VICE CHAIR (F: 12.02B1)**

On motion of Director Kelley and second by Director Weinberg, the Committee voted unanimously to elect Al Murray as Chair of the Orange County Fire Authority Budget and Finance Committee for the remaining 2012/13 term.

On motion of Director Kelley and second by Director Weinberg, the Committee voted unanimously to elect Beth Swift as Vice Chair of the Orange County Fire Authority Budget and Finance Committee for the remaining 2012/13 term.

## **PUBLIC COMMENTS (F: 12.02B3)**

Chairman Murray opened the Public Comments portion of the meeting. Chairman Murray closed the Public Comments portion of the meeting without any comments.

## **MINUTES**

### **1. Minutes for the November 7, 2012, Budget and Finance Committee Meeting (F: 12.02B2)**

On motion of Director Kelley and second by Director Weinberg, the Committee voted unanimously to approve the Minutes for the November 7, 2012, Budget and Finance Committee Meeting, as submitted.

## **CONSENT CALENDAR**

Director Kelley pulled Agenda Item No.3 for comments.

### **2. Quarterly Status Update – Orange County Employees’ Retirement System (F: 17.06B)**

On motion of Director Kelley and second by Director Weinberg, the Committee voted unanimously to receive and file the report.

### **3. OCFA 2013 Grants Status and Priorities (F: 11.10G)**

Director Kelley pulled this item to commend staff for being proactive in seeking increases in grant funding, but shared her concern that OCFA is being forced to subsidize a federally mandated grant program.

On motion of Director Kelley and second by Chairman Murray, the Committee voted unanimously to direct staff to place the item on the agenda for the Board of Directors meeting of January 24, 2013, with the Budget and Finance Committee’s recommendation that the Board of Directors approve OCFA’s grant priorities for 2013.

## **DISCUSSION CALENDAR**

### **4. Mid-Year Financial Report (F: 15.04)**

Treasurer Tricia Jakubiak provided a PowerPoint presentation on the Mid-Year Financial Report

On motion of Director Weinberg and second by Vice Chair Swift, the Committee voted unanimously to direct staff to place the item on the agenda for the Board of Directors meeting of January 24, 2013, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Receive and file report.
2. Direct staff to transfer the \$5.24 million of available unencumbered funds identified in the 2011/12 annual financial audit to the Self Insurance Fund (Fund 190) to meet workers' compensation funding needs and include this transfer in the mid-year budget adjustment that will be submitted to the Board in March 2013.

### **5. Monthly Investment Reports (F: 11.10D2)**

Treasurer Tricia Jakubiak provided a brief overview of the investment reports.

On motion of Director Weinberg and second by Director Kelley, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of January 24, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

### **6. Updated Broker/Dealer List (F: 11.10D4)**

Treasurer Tricia Jakubiak provided an overview of the Update Broker/Dealer List.

Stephen Wontrobski, Mission Viejo resident, opposed approval of this item noting his continued concern with OCFA's process for selecting Broker/Dealers.

On motion of Director Weinberg and second by Vice Chair Swift, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee Meeting of January 24, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee approve the proposed Broker/Dealer List to include the following three firms:

- FTN Financial
- UBS Financial Services
- Raymond James/Morgan Keegan

**7. Annual Fraud Hotline Summary Report – Calendar Year 2012 (F: 18.10H)**

Human Resources Director Zenovy Jakymiw provided an overview of the Fraud Hotline process and summary report.

Stephen Wontrobski, Mission Viejo resident, opposed approval of this item noting his concern with internal staff conducting the investigation process.

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

**REPORTS (F: 12.02B5)**

Deputy Chief Ron Blaul indicated the 38<sup>th</sup> OCFA Firefighter Academy begins on Monday, January 14, 2013, with 37 candidates participating in the 16-week academy.

**COMMITTEE MEMBER COMMENTS (F: 12.02B4)**

Vice Chair Swift thanked Assistant Chief Zeller and Division Chief Boyle for attending the January 8, 2013, Buena Park City Council meeting.

Director Weinberg thanked staff for allowing him to participate in the Reserve Firefighter Graduation Ceremony.

Chairman Murray congratulated Vice Chair Swift for her election on the Budget and Finance Committee and thanked Director Kelley her nomination for his chairmanship.

**ADJOURNMENT**

Chairman Murray adjourned the meeting at 1:12 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, February 13, 2013 at 12:00 noon.

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

**DISCUSSION CALENDAR - AGENDA ITEM NO. 2**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**February 13, 2013**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer

SUBJECT: **Monthly Investment Report**

Summary:

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of February 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Background:

Attached is the final monthly investment report for the month ended December 31, 2012. A preliminary investment report as of January 25, 2013, is also provided as the most complete report that was available at the time this agenda item was prepared.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Patricia Jakubiak, Treasurer

[Triciajakubiak@ocfa.org](mailto:Triciajakubiak@ocfa.org)

(714) 573-6301

Attachment:

Final Investment Report – December 2012 / Preliminary Report – January 2013

# *Orange County Fire Authority Monthly Investment Report*



*Final Report – December 2012*

*Preliminary Report – January 2013*



## ***Monthly Investment Report Table of Contents***

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***Orange County Fire Authority***

***Final Investment Report***

***December 31, 2012***



**EXECUTIVE SUMMARY**

***Portfolio Activity & Earnings***

During the month of December 2012, the size of the portfolio increased significantly to \$163.6 million from \$102.4 million. Major receipts for the month included the third apportionment of secured property taxes in the amount of \$64.1 million and the second quarterly cash contract payments totaling \$13.8 million. Significant disbursements for the month included primarily biweekly payrolls. The portfolio's balance is expected to decrease significantly in the following month as there are no major receipts scheduled for January.

In December, the portfolio's yield to maturity (365-day equivalent) dropped by 2 basis points to 0.25%. The effective rate of return decreased by 4 basis points to 0.25% for the month and declined by 2 basis points to 0.32% for the fiscal year to date. The average maturity of the portfolio lengthened by 95 days to 266 days to maturity.

***Economic News***

In December 2012, the U.S. economy continued a mixed and slow growth pattern. Overall employment conditions remained weak, despite a positive gain in December. There were a total of 155,000 new jobs created for the month, slightly better than expected; however, a much higher number of new jobs would still be needed in order to achieve a "maximum employment" environment. As a result, unemployment remained high at 7.8% in December. Consumer confidence measures dropped in the December. However, retail sales and durable goods orders increased for the month. Manufacturing activity increased slightly, edging into an expansion territory, while the non-manufacturing sector continued improving in December. Gasoline prices continued to drop keeping inflation down, which remained unchanged for the month. Housing activity stayed mixed, despite recent improvements, and remained at low levels. Real GDP (Gross Domestic Product) for the fourth quarter of 2012 unexpectedly dropped 0.1% at an annualized rate while a much higher growth rate had been expected. On January 30, 2013, at the second day of its first scheduled meeting for 2013, the Federal Open Market Committee voted to keep the federal funds rate unchanged at a target range of 0 – 0.25%. In addition, the Committee maintained its commitment to purchase mortgage-backed securities and longer-term Treasury securities at a pace of \$40 billion and \$45 billion per month, respectively, as the economic recovery remained stubbornly weak.



**BENCHMARK COMPARISON AS OF DECEMBER 31, 2012**

3 Month T-Bill: 0.07%	1 Year T-Bill: 0.16%
6 Month T-Bill: 0.12%	LAIF: 0.33%
OCFA Portfolio: 0.25%	

**PORTFOLIO SIZE, YIELD, & DURATION**

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value-	\$163,639,022	\$102,387,088	\$158,548,896
Yield to Maturity (365 day)	0.25%	0.27%	0.54%
Effective Rate of Return	0.25%	0.29%	0.36%
Days to Maturity	266	171	540



**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Summary**  
**December 31, 2012**

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

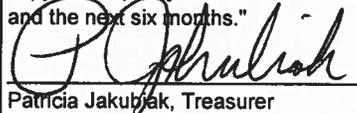
(See Note 1 on page 9)

(See Note 2 on page 9)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	27,436,014.34	27,436,014.34	27,436,014.34	16.89	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	10,000,000.00	9,999,400.00	9,999,602.78	6.16	46	13	0.110	0.112
Federal Agency Coupon Securities	30,000,000.00	30,017,850.00	30,016,007.87	18.48	1,393	1,332	0.677	0.687
Federal Agency Disc. -Amortizing	45,000,000.00	44,994,560.00	44,995,005.27	27.70	91	68	0.055	0.056
Local Agency Investment Funds	50,000,000.00	50,056,361.55	50,000,000.00	30.78	1	1	0.322	0.326
	<b>162,436,014.34</b>	<b>162,504,185.89</b>	<b>162,446,630.26</b>	<b>100.00%</b>	<b>286</b>	<b>266</b>	<b>0.246</b>	<b>0.250</b>
<b>Investments</b>								
<b>Cash and Accrued Interest</b>								
Passbook/Checking (not included in yield calculations)	1,098,056.12	1,098,056.12	1,098,056.12		1	1	0.000	0.000
Accrued Interest at Purchase		10,250.00	10,250.00					
Subtotal		1,108,306.12	1,108,306.12					
<b>Total Cash and Investments</b>	<b>163,534,070.46</b>	<b>163,612,492.01</b>	<b>163,554,936.38</b>		<b>286</b>	<b>266</b>	<b>0.246</b>	<b>0.250</b>

Total Earnings	December 31 Month Ending	Fiscal Year To Date
Current Year	25,833.55	185,505.53
Average Daily Balance	123,605,229.95	113,249,537.78
Effective Rate of Return	0.25%	0.32%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2012. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

 1/4/13  
 Patricia Jakubiak, Treasurer

**Cash and Investments with GASB 31 Adjustment:**

Book Value of Cash & Investments before GASB 31 (Above)	\$ 163,554,936.38
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ 84,085.98
<b>Total</b>	<b>\$ 163,639,022.36</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**December 31, 2012**

(See Note 1 on page 9)

(See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
<b>Money Mkt Mutual Funds/Cash</b>											
SYS528	528	High Mark 100% US Treasury MMF			27,436,014.34	27,436,014.34	27,436,014.34	0.001	0.001	1	
<b>Subtotal and Average</b>			<b>11,697,988.56</b>		<b>27,436,014.34</b>	<b>27,436,014.34</b>	<b>27,436,014.34</b>		<b>0.001</b>	<b>1</b>	
<b>Commercial Paper Disc. -Amortizing</b>											
36959HNE3	793	GEN ELEC CAP CRP		11/29/2012	10,000,000.00	9,999,400.00	9,999,602.78	0.110	0.112	13	01/14/2013
<b>Subtotal and Average</b>			<b>9,999,144.44</b>		<b>10,000,000.00</b>	<b>9,999,400.00</b>	<b>9,999,602.78</b>		<b>0.112</b>	<b>13</b>	
<b>Federal Agency Coupon Securities</b>											
3133ECBT0	799	Federal Farm Credit Bank		12/26/2012	9,000,000.00	8,997,930.00	9,000,000.00	0.375	0.375	906	06/26/2015
3133804V6	787	Fed Home Loan Bank		08/09/2012	6,000,000.00	6,000,480.00	6,001,187.50	1.000	0.981	1,681	08/09/2017
313380B22	788	Fed Home Loan Bank		08/20/2012	6,000,000.00	6,000,180.00	6,000,510.42	0.450	0.440	961	08/20/2015
3133813R4	800	Fed Home Loan Bank		12/20/2012	9,000,000.00	9,019,260.00	9,014,309.95	1.000	0.966	1,773	11/09/2017
<b>Subtotal and Average</b>			<b>17,233,642.91</b>		<b>30,000,000.00</b>	<b>30,017,850.00</b>	<b>30,016,007.87</b>		<b>0.687</b>	<b>1,332</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313589BH5	792	Fed Natl Mortg Assoc		11/29/2012	4,000,000.00	3,999,880.00	3,999,724.44	0.080	0.081	31	02/01/2013
313397FZ9	798	Freddie Mac		12/20/2012	9,000,000.00	8,996,760.00	8,996,782.50	0.090	0.091	143	05/24/2013
313385AT3	791	Fed Home Loan Bank		10/09/2012	6,000,000.00	5,999,940.00	5,999,688.33	0.110	0.112	17	01/18/2013
313385BX3	795	Fed Home Loan Bank		12/20/2012	8,000,000.00	7,999,600.00	7,999,800.00	0.020	0.020	45	02/15/2013
313385CM6	796	Fed Home Loan Bank		12/20/2012	9,000,000.00	8,999,280.00	8,999,557.50	0.030	0.030	59	03/01/2013
313385DB9	797	Fed Home Loan Bank		12/20/2012	9,000,000.00	8,999,100.00	8,999,452.50	0.030	0.030	73	03/15/2013
<b>Subtotal and Average</b>			<b>29,351,925.14</b>		<b>45,000,000.00</b>	<b>44,994,560.00</b>	<b>44,995,005.27</b>		<b>0.056</b>	<b>68</b>	
<b>Treasury Discounts -Amortizing</b>											
<b>Subtotal and Average</b>			<b>5,322,528.90</b>								
<b>Local Agency Investment Funds</b>											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,056,361.55	50,000,000.00	0.326	0.326	1	
<b>Subtotal and Average</b>			<b>50,000,000.00</b>		<b>50,000,000.00</b>	<b>50,056,361.55</b>	<b>50,000,000.00</b>		<b>0.326</b>	<b>1</b>	
<b>Total and Average</b>			<b>123,605,229.95</b>		<b>162,436,014.34</b>	<b>162,504,185.89</b>	<b>162,446,630.26</b>		<b>0.250</b>	<b>266</b>	

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**December 31, 2012**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
<b>Money Mkt Mutual Funds/Cash</b>										
SYS10104	10104	American Benefit Plan Admin		07/01/2012	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2012	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2012	813,056.12	813,056.12	813,056.12		0.000	1
SYS361	361	YORK		07/01/2012	250,000.00	250,000.00	250,000.00		0.000	1
		<b>Average Balance</b>	<b>0.00</b>	<b>Accrued Interest at Purchase</b>		<b>10,250.00</b>	<b>10,250.00</b>			<b>1</b>
				<b>Subtotal</b>		<b>1,108,306.12</b>	<b>1,108,306.12</b>			
		<b>Total Cash and Investmentss</b>	<b>123,605,229.95</b>		<b>163,534,070.46</b>	<b>163,612,492.01</b>	<b>163,554,936.38</b>		<b>0.250</b>	<b>266</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Aging Report**  
**By Maturity Date**  
**As of January 1, 2013**

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	( 01/01/2013 - 01/01/2013 )	6 Maturities	0 Payments	78,534,070.46	48.02%	78,534,070.46	78,590,432.01
Aging Interval:	1 - 30 days	( 01/02/2013 - 01/31/2013 )	2 Maturities	0 Payments	16,000,000.00	9.78%	15,999,291.11	15,999,340.00
Aging Interval:	31 - 60 days	( 02/01/2013 - 03/02/2013 )	3 Maturities	0 Payments	21,000,000.00	12.84%	20,999,081.94	20,998,760.00
Aging Interval:	61 - 91 days	( 03/03/2013 - 04/02/2013 )	1 Maturities	0 Payments	9,000,000.00	5.50%	8,999,452.50	8,999,100.00
Aging Interval:	92 - 121 days	( 04/03/2013 - 05/02/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	122 - 152 days	( 05/03/2013 - 06/02/2013 )	1 Maturities	0 Payments	9,000,000.00	5.50%	8,996,782.50	8,996,760.00
Aging Interval:	153 - 183 days	( 06/03/2013 - 07/03/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	( 07/04/2013 - 10/02/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	( 10/03/2013 - 01/01/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	( 01/02/2014 - 01/01/2016 )	2 Maturities	0 Payments	15,000,000.00	9.17%	15,000,510.42	14,998,110.00
Aging Interval:	1096 - 1825 days	( 01/02/2016 - 12/31/2017 )	2 Maturities	0 Payments	15,000,000.00	9.17%	15,015,497.45	15,019,740.00
Aging Interval:	1826 days and after	( 01/01/2018 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
<b>Total for</b>			<b>17 Investments</b>	<b>0 Payments</b>		<b>100.00</b>	<b>163,544,686.38</b>	<b>163,602,242.01</b>



**NOTES TO PORTFOLIO MANAGEMENT REPORT**

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2012 includes an increase of \$60,965 to the LAIF investment and an increase of \$23,121 to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



## *Local Agency Investment Fund (LAIF)*

As of December 31, 2012, OCFA has \$50,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of December 31, 2012 is 1.001127231. When applied to OCFA's LAIF investment, the fair value is \$50,056,362 or \$56,362 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at December 31, 2012 is included on the following page.

**State of California  
Pooled Money Investment Account  
Market Valuation  
12/31/2012**

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch. Amortized Cost		
<b>United States Treasury:</b>				
Bills	\$ 20,014,359,193.25	\$ 20,028,817,536.91	\$ 20,033,448,800.00	NA
Notes	\$ 14,732,478,642.74	\$ 14,732,478,642.74	\$ 14,775,668,500.00	\$ 12,869,927.00
<b>Federal Agency:</b>				
SBA	\$ 525,864,983.85	\$ 525,864,983.85	\$ 526,379,724.76	\$ 543,304.13
MBS-REMICs	\$ 256,334,642.80	\$ 256,334,642.80	\$ 278,039,972.37	\$ 1,226,041.18
Debentures	\$ 1,200,310,087.04	\$ 1,200,310,087.04	\$ 1,201,248,000.00	\$ 1,182,334.00
Debentures FR	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 3,194,940,722.24	\$ 3,197,374,444.44	\$ 3,198,546,000.00	NA
GNMA	\$ 4,952.66	\$ 4,952.66	\$ 4,986.48	\$ 49.61
IBRD Debenture	\$ 399,961,857.92	\$ 399,961,857.92	\$ 400,580,000.00	\$ 83,332.00
IBRD Deb FR	\$ -	\$ -	\$ -	\$ -
CDs and YCDs FR	\$ 400,000,000.00	\$ 400,000,000.00	\$ 400,000,000.00	\$ 272,747.22
Bank Notes	\$ -	\$ -	\$ -	\$ -
CDs and YCDs	\$ 4,800,000,000.00	\$ 4,800,000,000.00	\$ 4,799,224,554.94	\$ 618,736.09
Commercial Paper	\$ 1,599,600,611.08	\$ 1,599,644,083.29	\$ 1,598,907,347.22	NA
<b>Corporate:</b>				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 4,333,640,000.00	\$ 4,333,640,000.00	\$ 4,333,640,000.00	NA
AB 55 & GF Loans	\$ 11,739,482,016.23	\$ 11,739,482,016.23	\$ 11,739,482,016.23	NA
<b>TOTAL</b>	<b>\$ 63,196,977,709.81</b>	<b>\$ 63,213,913,247.88</b>	<b>\$ 63,285,169,902.00</b>	<b>\$ 16,796,471.23</b>

Fair Value Including Accrued Interest

\$ 63,301,966,373.23

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost ( 1.001127231). As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$20,022,544.61 or \$20,000,000.00 x 1.001127231.



***Orange County Fire Authority***  
***Preliminary Investment Report***  
***January 25, 2013***



**ORANGE COUNTY FIRE AUTHORITY  
Portfolio Management  
Portfolio Summary  
January 25, 2013**

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

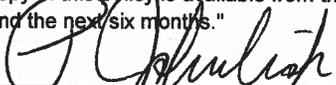
(See Note 1 on page 18)

(See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	6,103,034.48	6,103,034.48	6,103,034.48	4.62	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	7,000,000.00	6,996,290.00	6,998,965.55	5.30	79	76	0.070	0.071
Federal Agency Coupon Securities	30,000,000.00	30,001,590.00	30,014,761.54	22.72	1,393	1,307	0.677	0.687
Federal Agency Disc. -Amortizing	39,000,000.00	38,996,960.00	38,996,587.78	29.52	90	51	0.047	0.048
Local Agency Investment Funds	50,000,000.00	50,056,361.55	50,000,000.00	37.85	1	1	0.322	0.326
<b>Investments</b>	<b>132,103,034.48</b>	<b>132,154,236.03</b>	<b>132,113,349.35</b>	<b>100.00%</b>	<b>348</b>	<b>316</b>	<b>0.293</b>	<b>0.297</b>
<b>Cash and Accrued Interest</b>								
Passbook/Checking (not included in yield calculations)	776,964.66	776,964.66	776,964.66		1	1	0.000	0.000
Accrued Interest at Purchase		10,250.00	10,250.00					
Subtotal		787,214.66	787,214.66					
<b>Total Cash and Investments</b>	<b>132,879,999.14</b>	<b>132,941,450.69</b>	<b>132,900,564.01</b>		<b>348</b>	<b>316</b>	<b>0.293</b>	<b>0.297</b>

Total Earnings	January 25 Month Ending	Fiscal Year To Date
Current Year	26,692.99	212,198.52
Average Daily Balance	148,176,634.52	117,427,420.16
Effective Rate of Return	0.26%	0.32%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2013. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

  
Patricia Jakubiak, Treasurer 2/1/13

**Cash and Investments with GASB 31 Adjustment:**

Book Value of Cash & Investments before GASB 31 (Above)	\$ 132,900,564.01
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ 84,085.98
<b>Total</b>	<b>\$ 132,984,649.99</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**January 25, 2013**

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

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
<b>Money Mkt Mutual Funds/Cash</b>											
SYS528	528	High Mark 100% US Treasury MMF			6,103,034.48	6,103,034.48	6,103,034.48	0.001	0.001	1	
<b>Subtotal and Average</b>			<b>15,192,650.79</b>		<b>6,103,034.48</b>	<b>6,103,034.48</b>	<b>6,103,034.48</b>		<b>0.001</b>	<b>1</b>	
<b>Commercial Paper Disc. -Amortizing</b>											
36959HRC3	802	GEN ELEC CAP CRP		01/23/2013	7,000,000.00	6,996,290.00	6,998,965.55	0.070	0.071	76	04/12/2013
<b>Subtotal and Average</b>			<b>6,039,778.90</b>		<b>7,000,000.00</b>	<b>6,996,290.00</b>	<b>6,998,965.55</b>		<b>0.071</b>	<b>76</b>	
<b>Federal Agency Coupon Securities</b>											
3133ECBT0	799	Federal Farm Credit Bank		12/26/2012	9,000,000.00	8,994,060.00	9,000,000.00	0.375	0.375	881	06/26/2015
3133804V6	787	Fed Home Loan Bank		08/09/2012	6,000,000.00	6,000,300.00	6,000,406.25	1.000	0.981	1,656	08/09/2017
313380B22	788	Fed Home Loan Bank		08/20/2012	6,000,000.00	6,000,120.00	6,000,250.00	0.450	0.440	936	08/20/2015
3133813R4	800	Fed Home Loan Bank		12/20/2012	9,000,000.00	9,007,110.00	9,014,105.29	1.000	0.966	1,748	11/09/2017
<b>Subtotal and Average</b>			<b>30,015,359.77</b>		<b>30,000,000.00</b>	<b>30,001,590.00</b>	<b>30,014,761.54</b>		<b>0.687</b>	<b>1,307</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313589BH5	792	Fed Natl Mortg Assoc		11/29/2012	4,000,000.00	4,000,000.00	3,999,946.67	0.080	0.081	6	02/01/2013
313397FZ9	798	Freddie Mac		12/20/2012	9,000,000.00	8,997,930.00	8,997,345.00	0.090	0.091	118	05/24/2013
313385BX3	795	Fed Home Loan Bank		12/20/2012	8,000,000.00	7,999,840.00	7,999,911.11	0.020	0.020	20	02/15/2013
313385CM6	796	Fed Home Loan Bank		12/20/2012	9,000,000.00	8,999,640.00	8,999,745.00	0.030	0.030	34	03/01/2013
313385DB9	797	Fed Home Loan Bank		12/20/2012	9,000,000.00	8,999,550.00	8,999,640.00	0.030	0.030	48	03/15/2013
<b>Subtotal and Average</b>			<b>43,075,878.05</b>		<b>39,000,000.00</b>	<b>38,996,960.00</b>	<b>38,996,587.78</b>		<b>0.048</b>	<b>51</b>	
<b>Treasury Discounts -Amortizing</b>											
<b>Subtotal and Average</b>			<b>3,839,985.07</b>								
<b>Local Agency Investment Funds</b>											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,056,361.55	50,000,000.00	0.326	0.326	1	
<b>Subtotal and Average</b>			<b>50,012,981.94</b>		<b>50,000,000.00</b>	<b>50,056,361.55</b>	<b>50,000,000.00</b>		<b>0.326</b>	<b>1</b>	
<b>Total and Average</b>			<b>148,176,634.52</b>		<b>132,103,034.48</b>	<b>132,154,236.03</b>	<b>132,113,349.35</b>		<b>0.297</b>	<b>316</b>	

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**January 25, 2013**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
<b>Money Mkt Mutual Funds/Cash</b>										
SYS10104	10104	American Benefit Plan Admin		07/01/2012	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2012	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2012	491,964.66	491,964.66	491,964.66		0.000	1
SYS361	361	YORK		07/01/2012	250,000.00	250,000.00	250,000.00		0.000	1
<b>Average Balance</b>			<b>0.00</b>	<b>Accrued Interest at Purchase</b>		<b>10,250.00</b>	<b>10,250.00</b>			<b>1</b>
				<b>Subtotal</b>		<b>787,214.66</b>	<b>787,214.66</b>			
<b>Total Cash and Investments</b>			<b>148,176,634.52</b>		<b>132,879,999.14</b>	<b>132,941,450.69</b>	<b>132,900,564.01</b>		<b>0.297</b>	<b>316</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Aging Report**  
**By Maturity Date**  
**As of January 26, 2013**

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	( 01/26/2013 - 01/26/2013 )	6 Maturities	0 Payments	56,879,999.14	42.81%	56,879,999.14	56,936,360.69
Aging Interval:	1 - 30 days	( 01/27/2013 - 02/25/2013 )	2 Maturities	0 Payments	12,000,000.00	9.03%	11,999,857.78	11,999,840.00
Aging Interval:	31 - 60 days	( 02/26/2013 - 03/27/2013 )	2 Maturities	0 Payments	18,000,000.00	13.55%	17,999,385.00	17,999,190.00
Aging Interval:	61 - 91 days	( 03/28/2013 - 04/27/2013 )	1 Maturities	0 Payments	7,000,000.00	5.27%	6,998,965.55	6,996,290.00
Aging Interval:	92 - 121 days	( 04/28/2013 - 05/27/2013 )	1 Maturities	0 Payments	9,000,000.00	6.77%	8,997,345.00	8,997,930.00
Aging Interval:	122 - 152 days	( 05/28/2013 - 06/27/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	( 06/28/2013 - 07/28/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	( 07/29/2013 - 10/27/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	( 10/28/2013 - 01/26/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	( 01/27/2014 - 01/26/2016 )	2 Maturities	0 Payments	15,000,000.00	11.29%	15,000,250.00	14,994,180.00
Aging Interval:	1096 - 1825 days	( 01/27/2016 - 01/25/2018 )	2 Maturities	0 Payments	15,000,000.00	11.29%	15,014,511.54	15,007,410.00
Aging Interval:	1826 days and after	( 01/26/2018 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
<b>Total for</b>			<b>16 Investments</b>	<b>0 Payments</b>		<b>100.00</b>	<b>132,890,314.01</b>	<b>132,931,200.69</b>



**NOTES TO PORTFOLIO MANAGEMENT REPORT**

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2012 includes an increase of \$60,965 to the LAIF investment and an increase of \$23,121 to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

**DISCUSSION CALENDAR - AGENDA ITEM NO. 3  
BUDGET AND FINANCE COMMITTEE MEETING  
February 13, 2013**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Second Quarter Financial Newsletter – *October to December 2012***

Summary:

This agenda item is submitted to provide information regarding FY 2012/13 second quarter revenue and expenditures in the General Fund and the Capital Improvement Program Funds.

Recommended Action:

Review the proposed agenda item and direct staff to place this item on the agenda for the Executive Committee meeting of February 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Background:

The Quarterly Financial Newsletter provides information about the General Fund's top five revenue sources as well as expenditures by department and type. Revenues and expenditures for the Capital Improvement Program (CIP) Funds are also included. For the most part, revenues and expenditures for the General Fund and the CIP Funds are within budgetary expectations for this reporting period. Any notable items are detailed in the attached newsletter.

Impact to Cities/County:

Not Applicable

Fiscal Impact:

Not Applicable

Staff Contacts for Further Information:

Stephan Hamilton, Budget Manager  
[stephanhamilton@ocfa.org](mailto:stephanhamilton@ocfa.org)  
(714) 573-6302

Tricia Jakubiak, Treasurer  
[triciajakubiak@ocfa.org](mailto:triciajakubiak@ocfa.org)  
(714) 573-6301

Attachment:

Second Quarter Financial Newsletter – *October to December 2012*



### OVERVIEW

This report covers activities for the second quarter of FY 2012/13. There were no significant budget adjustments during the second quarter. However, noteworthy items not yet included in the budget are reimbursements and related backfill/overtime for emergency activity, the anticipated reduction in Fire Prevention fee revenue, the extension of the handcrew program and the service modifications made in the City of Stanton, all of which, among other items, will be included as part of the proposed mid-year budget adjustment.

### GENERAL FUND

With 50% of the fiscal year completed, General Fund revenues are 52.2% of budget and expenditures are at 49.8% as shown below:

General Fund	Budget	YTD Actual	Percent
Revenues	288,995,705	150,779,322	52.2%
Expenditures	284,505,605	141,743,398	49.8%

**Top Five Revenues.** Our top five revenue sources represent 95.8% of our total revenue this fiscal year, giving us an excellent picture of our revenue position. Overall, these key revenues are performing as anticipated for this point in the fiscal year based on billing/payment schedules and past trends. Highlights are noted as follows:

Top Five Revenues	Budget	YTD Actual	% Rec'd
Property Taxes	180,025,636	93,313,203	51.8%
Cash Contracts	82,869,384	44,024,705	53.1%
Ambulance Reimb.	4,570,574	881,280	19.3%
Fire Prevention Fees	5,346,949	2,368,430	44.3%
State Reimb.	4,122,852	3,680,773	89.3%
<b>Total</b>	<b>276,935,395</b>	<b>144,268,391</b>	<b>52.1%</b>

- **Property tax.** Second quarter activity includes three distributions of secured property taxes, the first distribution of homeowners' property tax relief and three distributions of supplemental taxes. Secured property tax, the largest component of our property tax, is coming in slightly better than last year and we are seeing a downward trend in refunds. Projections continue

to show a \$1.7 million increase in secured compared to budget. Staff will continue to monitor all property tax sources and will return to the Board with a mid-year budget adjustment, if necessary.

- **Cash Contracts.** Activities include billing to the cash contract cities and John Wayne Airport. The total percentage is greater than 50% due primarily to the City of Santa Ana being billed monthly in advance.
- **Fire Prevention Fees.** Inspection Services revenue is low at 26.5% of budget. This revenue source has been delayed due to the temporary stoppage of inspections related to the audit of inspection records and the current investigation by the District Attorney. Pending completion of the audit, duplicate inspection forms were generated, allowing inspection activity to restart in December 2012.
- **Ambulance Reimbursement.** The percentage received for this revenue category is typically lower than budget until year-end closing, due to the timing of payments. Current ambulance contracts require ambulance companies to remit reimbursements to OCFA 90-days following the close of each month.
- **State Reimbursement.** Assistance-by-hire reimbursements for out-of-county fire activities have exceeded budget causing the percentage received for this category of revenue to be higher than 50%. This revenue category will be considered for a mid-year adjustment.

**Expenditures.** Expenditures for the second quarter of the fiscal year as summarized by department.

Expenditures By Department	Budget	YTD Actual	% Expended
Executive Mgt.	5,260,989	2,385,538	45.3%
HR Division	5,757,668	2,945,861	51.2%
Operations	228,422,706	115,382,326	50.5%
Fire Prevention	12,096,575	5,690,249	47.0%
Business Services	11,214,223	4,388,744	39.1%
Support Services	21,753,444	10,950,680	50.3%
<b>Total Expenditures</b>	<b>284,505,605</b>	<b>141,743,398</b>	<b>49.8%</b>

Key variances by department include: (see next page)

- **Human Resources Division.** Expenditures include the annual insurance premiums, which are paid in full each July.
- **Operations Department.** Expenditures exceed 50% due primarily to extraordinary backfill/overtime related to emergency out-of-county assistance-by-hire activities for which reimbursement is anticipated. This item will be considered for a mid-year budget adjustment.

- The expenditure budget includes \$2.2 million for the purchase of the second half of the hangar at Station 41 (Fullerton Airport). Although there have been delays it is anticipated that the project will be completed before the end of June. The noted construction delay is related to the new facility where the tenants currently housed in the second half of the hangar will be relocated.

Expenditures as summarized by type:

Expenditures by Type	Budget	YTD Actual	% Expended
S&EB	261,635,980	132,478,936	50.6%
S&S	22,781,447	9,197,170	40.4%
Equipment	88,178	67,292	76.3%
<b>Total</b>	<b>284,505,605</b>	<b>141,743,398</b>	<b>49.8%</b>

Key variances by type include:

- Total S&EB is exceeding 50% due primarily to the emergency backfill/overtime as noted above under the Operations Department.

### CIP FUNDS

The following summarizes year-to-date revenues and expenditures for the Capital Improvement Program funds. Overall, revenues and expenditures are on target for the first quarter of the fiscal year. Any variances are noted as follows.

#### Facilities Maintenance & Improvement

Fund 122	Budget	YTD Actual	Percent
Revenue	157,484	124,964	79.4%
Expenditures	1,691,449	325,392	19.2%

- Revenue from cash contract cities for facilities maintenance is higher than originally estimated. This revenue source results from reimbursement of expenditures that occurred in the prior year. Final reimbursement amounts are not known when the budget is developed; therefore estimates are used and then supplemented with a mid-year adjustment, as appropriate.
- Cost containment measures continue with projects being deferred whenever possible.

#### Capital Projects

Fund 123	Budget	YTD Actual	Percent
Revenue	102,518	142,966	139.5%
Expenditures	2,201,900	63,863	2.9%

#### Communications & Info. Systems Replacement

Fund 124	Budget	YTD Actual	Percent
Revenue	939,555	176,344	18.8%
Expenditures	15,324,465	3,835,863	25.0%

- The expenditure budget includes \$10 million for the Public Safety System project. The contract for the CAD portion of the system has been signed and the purchase order for \$2.8 million was issued in October. Negotiations for the other two parts of the system (fire prevention and incident reporting) are still to be completed.
- The revenue budget includes state reimbursements of \$828,000 for replacement of the 911 telephone system. Negotiations with the vendor are continuing.

#### Vehicle Replacement

Fund 133	Budget	YTD Actual	Percent
Revenue	2,530,993	820,789	32.4%
Expenditures	9,720,267	1,965,120	20.2%

- Year-to-date expenditure activity includes the lease-purchase financing agreement payments for the helicopters.
- Both the revenue and expenditure budgets include \$960,000 for vehicle purchases under US&R and State Homeland Security grant programs.
- Cost containment measures continue with vehicle purchases being deferred whenever possible.

### SUMMARY

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

**DISCUSSION CALENDAR - AGENDA ITEM NO. 4**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**February 13, 2013**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Establish a Standard Staff Report Format for the Recommended Award of Contracts Resulting from Request for Proposal Processes**

Summary:

This agenda item is submitted to the Committee to review a proposed standard staff report format for the recommended award of contracts resulting from Request for Proposal (RFP) processes.

Recommended Action:

Review the proposed agenda item and direct staff to place this item on the agenda for the Executive Committee meeting of February 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee approve the submitted standard staff report format for the recommended award of contracts resulting from a Request for Proposal process.

Background:

There are a few different competitive methods used by public agencies for obtaining goods and services, such as an Invitation for Bids (IFB) and the Request for Proposal (RFP). Many of the procurements made today are more complex in nature. As a result, there has been a growth in the use of the RFP as a procurement process to achieve best value.

The differences between the RFP and IFB process are an RFP allows an agency to consider predetermined factors such as qualifications, experience, method of approach and price when making an award and an IFB is awarded based on lowest price from a responsive responsible bidder. An RFP also allows the pricing and other elements of the proposal to be negotiated before finalizing the contract.

The RFP solicitation allows OCFA to describe needs and the key criteria which will be used in evaluating proposals while outlining the terms and conditions under which the respondent will operate or supply their goods and services. The point value defined in the RFP cannot be changed once the RFP is issued. The selection and subsequent award must be made as described in the solicitation.

There has been recent discussion involving contract award agenda items placed before the Executive Committee of the Board, focused on the quality and depth of information being provided in the associated staff reports, and focusing on the duration of proposed contracts. Therefore, to ensure that the information provided will match the Board's expectations in a

consistent matter, staff is proposing the submitted standard staff report format for consideration and approval. While the specific details of each RFP process will vary, should this standard format be approved, staff will ensure that the elements included in the attached staff report will always be included in future staff reports, at a minimum.

***Recap of Past Purchasing Policies Adopted***

In addition to providing the proposed standard staff report format (Attachment 1), we have also included the staff reports and attachments associated with two policy issues which the OCFA Board of Directors previously adopted.

One prior policy adopted by the Board pertained to the duration of contracts (Attachment 2). This policy was presented to the Board pursuant to Board-member direction and intent that longer-duration contracts would allow for better pricing from vendors, and result in less repetitive work effort associated with repeated bidding of the same services.

The other prior policy adopted by the Board pertained to the weight that would be applied to pricing in RFP processes (Attachment 3). This policy recognized that pricing is important, and therefore deserving of significant weight in the grading criteria, but it also recognized that pricing would not be the sole grading criteria when evaluating RFPs.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Debbie Casper, C.P.M., CPPB, Purchasing & Materials Manager  
[debbiecasper@ocfa.org](mailto:debbiecasper@ocfa.org)  
(714) 573-6641

Attachments:

1. Proposed Standard Staff Report Format for Award of Contracts Resulting from RFPs
2. Contract Duration Policy – November 15, 2007
3. Purchasing Policy for Consideration of Price in the RFP Process – September 27, 2012

***Standard Staff Report Format for Award of Contracts Resulting from RFP***  
*(Includes Hypothetical Project, RFP Process, Bidders, and Award Recommendation)*

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**CONSENT CALENDAR - AGENDA ITEM NO. XX**  
**EXECUTIVE COMMITTEE MEETING**  
**February 28, 2013**

TO: Executive Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Request for Proposal No. 123456 - Professional Consulting Services**

Summary:

This agenda item is submitted for approval of an agreement for professional consulting services with ABC Services, Inc. to perform actuarial valuation studies of various programs.

Recommended Action:

Approve and authorize the Fire Chief to execute the proposed agreement for professional consulting services with ABC Services, Inc. to perform actuarial valuation studies of various programs for an initial term of three years at \$50,000 per year plus two optional one-year renewal periods at \$55,000 per year.

Background:

***RFP Facts & Figures***

Department/Section:	Business Svcs./Treasury & Financial Planning
Date RFP Issued:	January 1, 2013
Pre-Proposal Date:	January 15, 2013
Proposal Due Date:	January 30, 2013
Number Vendors Notified via Planet Bids:	150
Additional Vendors Notified via Email / Phone:	15
Number Vendors Attending Pre-Proposal Mtg:	10
Number of Proposals Received:	8
Number of Vendors Invited for Interview:	3

***Project Description***

The Treasury & Financial Planning Section has historically contracted for professional consulting services to perform actuarial valuation studies of various programs. In an effort to assess our current services and cost competitiveness, staff issued a Request for Proposals (RFP) for these Professional Consulting Services, as outlined above.

***Standard Staff Report Format for Award of Contracts Resulting from RFP***  
*(Includes Hypothetical Project, RFP Process, Bidders, and Award Recommendation)*

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***Proposal Evaluations***

A committee was formed to evaluate the proposals based upon the grading/selection criteria set forth in the RFP. The committee was comprised of the following members, and signed Committee Member Statements were received from all.

Treasurer, Treasury & Financial Planning, OCFA  
Senior HR Analyst, Human Resources Department, OCFA  
Finance Manager, Finance Division, Specified External Agency

On January 30, 2013, proposals were received from the following vendors:

*(Note: if the list of bid submittals is lengthy, this information may be provided in a supplemental attachment, rather than the body of the staff report.)*

123 Consulting Services	Financial Services Corp.
ABC Services, Inc.	Professional Actuaries, Inc.
Actuarial Services Plus	Retirement Consulting Professionals
Benefit Cost Studies, Inc.	XYZ Professionals

The criteria and weighting used in evaluating the proposals were: method of approach (30 points), technical requirements (20 points), qualification and experience (20 points), initial proposed cost (30 points) as stated in the RFP. Prior to releasing the proposals to the evaluation committee, the OCFA's purchasing staff conducted a review of the proposals to ensure that all requested information had been submitted. As a result, seven of the eight proposals were deemed eligible for the committee's review. The committee is charged with reviewing the proposals and rating them based on the criteria established in the RFP (Attachment 1).

*(Note: Additional dates and details relative to the chronology of the evaluation process may be inserted here or as a supplemental attachment, as applicable for any particular RFP process.)*

On February 7, 2013, the committee members completed their individual scoring of the seven proposals, and submitted their evaluations to Purchasing staff. Purchasing staff summarized the evaluations to arrive at an overall ranking. As a result, the committee recommended short-listing the top three ranked firms, including:

ABC Services, Inc.  
123 Consulting Services  
XYZ Professionals

*(Note: The number of firms that are short-listed can vary from each RFP, typically there is a natural break between the rankings.)*

On February 14, 2013, the committee conducted interviews with the above three top ranked firms. Following the interviews, the committee members individually scored and ranked the

***Standard Staff Report Format for Award of Contracts Resulting from RFP***  
*(Includes Hypothetical Project, RFP Process, Bidders, and Award Recommendation)*

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interviews of the three short-listed firms. The committee members' scores were compiled to arrive at an overall final ranking. As a result, the committee recommended entering into exclusive negotiations with intent to recommend award to the top ranked firm: ABC Services, Inc.

The raw score of each evaluator is converted to a ranking between one and three (*number corresponds to the number of firms short listed*). This method of evaluation is known as the Heisman Method and it is used to prevent one evaluation member from skewing the scores in favor or not in favor of a particular firm (Attachment 2). Final rankings were as follows (*in an actual staff report, detailed scores by criteria, and per raters, will be provided as an attachment*):

<b>Short-Listed Firms</b>	<b>Evaluator 1</b>	<b>Evaluator 2</b>	<b>Evaluator 3</b>	<b>Total</b>
ABC Services, Inc.	1	1	1	3
123 Consulting Services	2	2	3	7
XYZ Professionals	3	3	2	8

\*Grading criteria and points will differ in various RFPs for professional services, depending upon the nature of the services being requested. Grading criteria and the associated maximum point scale for each grading element will always be detailed within the RFP documents.

***Negotiations & Results***

On February 16, 2013, purchasing staff conducted exclusive negotiations with ABC Services, Inc. which included additional clarification of the firm's role in providing the required services, and pricing negotiations. Purchasing staff requested ABC Services, Inc. to provide its best and final offer (BAFO) in pricing and other contract terms that had been discussed.

Through exclusive negotiations, final pricing terms and conditions were negotiated for recommendation to the OCFA Executive Committee, as reflected in the proposed Agreement and summarized in staff's recommended action.

***Purchasing Manager Recommendation:***

I attest that the proposal and evaluation process was conducted in accordance with the OCFA's Purchasing Ordinance and all applicable rules and regulations. Based upon the evaluation committee's recommendation, it is recommended that this contract be awarded to ABC Services, Inc.

Concurrence:

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Debbie Casper, Purchasing Manager

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Date

***Standard Staff Report Format for Award of Contracts Resulting from RFP***  
*(Includes Hypothetical Project, RFP Process, Bidders, and Award Recommendation)*

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Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Contract costs are included in the Treasury & Financial Planning Section's FY 2012/13 budget for services and supplies.

Staff Contact for Further Information:

Debbie Casper, Purchasing Manager

[debbiecasper@ocfa.org](mailto:debbiecasper@ocfa.org)

(714) 573-6641

Attachments:

1. Request for Proposal (on file in the office of the Clerk)
2. Proposal Costs, Ratings, and Ranking Summary Sheet

**ORANGE COUNTY FIRE AUTHORITY  
Professional Consulting Services**

	ABC Services Inc			123 Consulting Services			XYZ Professionals			Financial Services Corp			Actuarial Services Plus			Professional Actuaries Inc			Retirement Consulting Professionals		
Cost Proposal	\$50,000			\$55,000			\$45,000			\$60,000			\$57,000			\$62,000			\$49,500		
Evaluators	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
A. Method of Approach (30)	30	29	30	29	28	27	27	25	27	26	25	23	27	24	23	24	22	20	23	22	25
B. Technical Requirements (20)	20	19	18	19	19	17	16	16	17	18	16	17	19	20	20	17	17	16	15	15	17
C. Qualifications & Experience (20)	20	19	17	18	17	16	16	15	15	15	15	16	16	15	16	15	15	16	17	17	17
D. Proposed Costs (30)	27	27	27	24.5	24.5	24.5	30	30	30	22.5	22.5	22.5	23.7	23.7	23.7	21.8	21.8	21.8	27.3	27.3	27.3
Sum of Proposal Ratings	97.00	94.00	92.00	90.55	88.55	84.55	89.00	86.00	89.00	81.50	78.50	78.50	85.68	82.68	82.68	77.77	75.77	73.77	82.27	81.27	86.27
Ranking	1	1	1	2	2	4	3	3	2	6	6	6	4	4	5	7	7	7	5	5	3
Sum of Ranking	3			8			8			18			13			21			13		
Presentation (20)	20	20	20	18	15	15	16	14	15												
Interview/Questions (15)	15	15	14	14	10	12	13	9	12												
Sum of Interview Ratings	35	35	34	32	25	27	29	23	27												
Total of both	132.00	129.00	126.00	122.55	113.55	111.55	118.00	109.00	116.00												
Ranking with Presentation	1	1	1	2	2	3	3	3	2												
Sum of Ranking	3			7			8														

**CONSENT CALENDAR - AGENDA ITEM NO. 12**  
**BOARD OF DIRECTORS MEETING**  
**November 15, 2007**

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Establish a Purchasing Policy for Contract Duration**

Summary:

This agenda item is submitted at the direction of a request made at the Executive Committee meeting on April 26, 2007 to review and develop a standard duration for the length of contracts approved by the Board.

Committee Action:

Staff reviewed an initial draft contract duration policy with the Budget and Finance Committee at their meeting on August 8, 2007 and received direction to further refine the policy. A revised policy was submitted, and at their September 12, 2007 meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item. Additionally, at their September 27, 2007 meeting, the Executive Committee reviewed and unanimously recommended approval of this item.

Recommended Action:

Approve the submitted Contract Duration Policy for Board-approved multi-year agreements.

Background:

The Department of Defense is credited with initiating the first public sector multi-year contracts in the 1960's. Five-year agreements were established to ensure a consistent supply of weapons systems. This contracting technique has been expanded in the public sector over the years to cover procurement of both supplies and services.

Public sector contracts are typically issued for an initial period of coverage with one or more optional renewal periods. As a probable carryover from the original Department of Defense contracts, the maximum length of most public sector supplies and services contracts is five years.

There is no formal policy at the Orange County Fire Authority governing contract length. Concurrently, there are no restrictions in the Public Contract Code limiting the period of time for which a contract may be issued. Contracts are issued at OCFA for a duration that is deemed most advantageous for the specific supplies or services being purchased. Optional renewal periods are included and approved on a case-by-case basis depending on circumstances.

Factors affecting a contract's duration include:

1. Market Conditions
2. Leverage (Volume & Economy of Scale)
3. Bid Costs
4. Competitiveness of Request (i.e. Number of Suppliers)
5. Comprehensiveness & Cost of Evaluation
6. Start-Up & Transition Costs (Capital Equipment, Technology, Staffing, etc.)
7. Learning Curve
8. Standardization & Consistency
9. Continuity of Service
10. Current & Past Performance

Multi-year contracts can legally bind public agencies to purchase the stated goods or services over the life of the contract as long as the need for goods or services continues to exist and funding is available. These contracts are used to entice suppliers to reduce their costs because they have some assurance of a long-term agreement.

From a public procurement standpoint, varying contract lengths on a case-by-case basis are beneficial for operational purposes. For instance, it may be advantageous to limit an audit services contract to an initial term of three years. Having a “fresh set of eyes” review the books periodically might be considered sound fiscal practice.

Conversely, it would be desirable to issue a long-term agreement (i.e. greater than five years) for a commodity such as turnout clothing. For this type of commodity, an agency-specific standard is established, extensive evaluation and fit testing is conducted, and assembly line adjustments are made at the manufacturer's plant. Consistency of product over time is also important to front line staff.

Adequate controls are in place for Board-approved contracts to minimize risk and protect the Authority from liability. Several of these controls include termination for convenience, termination for cause, non-appropriation of funds, and price escalation clauses. In addition, insurance, indemnification, payment retention, and performance and payment bonds may be required.

A contract duration policy will provide consistency in the way we structure multi-year contracts. Whereas, the ability to deviate from the standard duration will provide flexibility in circumstances warranting longer periods of coverage. As such, we recommend a varying contract duration policy depending on contract type, as reflected in the attached Contract Duration Policy. Any contract which requires approval by the Executive Committee or Board of Directors would adhere to the duration policy unless otherwise justified in the agenda report.

Impact on Cities/County:

Not applicable

Fiscal Impact:

Not Applicable

Staff Contact for Further Information:

John P. Coggins, Purchasing & Materials Manager

[johncoggins@ocfa.org](mailto:johncoggins@ocfa.org)

(714) 573-6641

Attachment

Contract Duration Policy

**Orange County Fire Authority  
Purchasing Policy  
Contract Duration Standards**

<b>Contract Type</b>	<b>Initial Duration</b>	<b>Board Approved Option Renewal Periods</b>	<b>Total Maximum Contract Duration</b>	<b>Contract Examples</b>
Equipment & Facility Maintenance	5 years	None	5 Years	Janitorial Services
Contract Labor Services	3 Years	Two, 1-Year Option Periods	5 Years	Staff Augmentation, Outsourcing
Professional Services	3 Years	Two, 1-Year Option Periods	5 Years	Financial Audits, Actuarial Services
Software License & Maintenance	5 Years	Board Review at 5-Year Intervals	N/A	Microsoft License Agreements (i.e. Windows XP)
Project-Specific Agreements	Equivalent to Duration of Project	N/A	N/A	Public Works Projects
Intergovernmental Agreements	5 Years	Board Review at 5-Year Intervals	N/A	County Island Agreements

Contracts which require approval by the Executive Committee or Board of Directors that extend beyond the above established standard would be submitted with an explanation justifying the extension. Contracts for a period of time equal to or less than the established standard would require no explanation.

**CONSENT CALENDAR - AGENDA ITEM NO. 6**  
**BOARD OF DIRECTORS MEETING**  
**September 27, 2012**

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Establish a Purchasing Policy for the Consideration of Price in the Request for Proposal Process**

Summary:

This agenda item is submitted to the Board to review the Request for Proposal (RFP) process used for acquiring goods and services and to specifically establish a minimum weighting policy for the pricing component in the RFP evaluation criteria.

Committee Action:

At its September 12, 2012, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

Recommended Action:

Approve the recommended purchasing policy to establish minimum weighting criteria for the consideration of price in the RFP evaluation process.

Background:

There are a few different competitive methods used by public agencies for obtaining goods and services, such as an Invitation for Bids (IFB) and the Request for Proposal (RFP). Many of the procurements made today are more complex in nature. As a result, there has been a growth in the use of the RFP as a procurement process to achieve best value.

The differences between the RFP and IFB process are an RFP allows an agency to consider predetermined factors such as qualifications, experience, method of approach and price when making an award and an IFB is awarded based on lowest price from a responsive responsible bidder. An RFP also allows the pricing and other elements of the proposal to be negotiated before finalizing the contract.

The RFP solicitation allows OCFA to describe a need and the key criteria which will be used in evaluating proposals while outlining the terms and conditions under which the respondent will operate or supply their goods and services. Pricing is one of the criteria evaluated. The point value given to pricing should be as high as possible without undermining the intent to achieve best value. The actual point value could vary between a professional service and a commodity.

The point value defined in the RFP cannot be changed unless a new RFP is issued. The selection and subsequent award must be made as described in the solicitation.

There has been recent discussion involving contract award agenda items placed before the Board, or the Executive Committee of the Board, focused on the weighting of price as a criteria when evaluating RFP submittals for contract award. Therefore, to ensure that criteria regarding the weight of pricing will match the Board's expectations in a consistent matter, staff is proposing the following policy statement for Board consideration:

Recommended Purchasing Policy – Minimum Weighting Criteria for Price:

The point value given to pricing when evaluating RFP submittals shall be as high as possible without undermining the intent to achieve best value. In no case should the point value of price be less than 25 percent of the total points available, unless otherwise approved by the Executive Committee or Board of Directors for individual RFPs. The actual point value may vary between a service RFP and a commodity RFP.

For your reference, we have attached a sample Proposal Evaluation Worksheet used by OCFA's Purchasing Section in the evaluation of RFP submittals (Attachment 1). In addition, staff has attached a booklet entitled "*A Guide to Public Procurement*" which may provide useful information regarding the public procurement process for the Board of Directors, vendors doing business with OCFA, and members of the public (Attachment 2).

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Debbie Casper, C.P.M., CPPB, Purchasing & Materials Manager  
[debbiecasper@ocfa.org](mailto:debbiecasper@ocfa.org)  
(714) 573-6641

Attachments:

1. Proposal Evaluation Worksheet
2. A Guide to Public Procurement (On file with the Office of the Clerk)

**Proposal Evaluation Worksheet for RFP xxx**

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Company: \_\_\_\_\_

Total A+B+C: \_\_\_\_\_

Evaluator: \_\_\_\_\_

Pricing Score D: \_\_\_\_\_

Date: \_\_\_\_\_

Total Score: \_\_\_\_\_

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**A) Method of Approach – Maximum 30 Points**

**Score:** \_\_\_\_\_

- 1) Overall responsiveness of the proposal
- 2) Thoroughness of responses and demonstrated understanding of requirements
- 3) Creativity of proposal and overall proposal content
- 4) Estimated time for completion

**Comments:**

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**B) Technical Requirements – Maximum 20 Points**

**Score:** \_\_\_\_\_

- 1) Proven capability to provide the required services
- 2) Implementation plan
- 3) Responses to proposal questionnaire
- 4) Demonstrated knowledge of the Orange County Fire Authority operations

**Comments:**

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**C) Qualifications and Experience – Maximum 20 Points**

**Score:** \_\_\_\_\_

- 1) Offeror's experience on similar projects
- 2) Qualifications and experience of the firm
- 3) Skills and experience of personnel named in the proposal
- 4) Past performance based on references and other verifiable information
- 5) Soundness and relevance of references

**Comments:**

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## Proposal Evaluation Worksheet for RFP xxx

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Company: \_\_\_\_\_

***This calculation will be done by Purchasing Staff***

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### D) Pricing – Maximum 30 Points

Score: \_\_\_\_\_

Here is the explanation on how the points will be distributed for pricing.

The lowest responsive price proposal will receive the full 30 points. The next lowest responsive price proposal will receive a deduction from the full 30 points equivalent to the percentage between the lowest and next lowest price proposal.

*If X submits lowest price proposal of \$80.00 and Y submits the next lowest price proposal of \$100, X would receive 30 points and the points for Y would be calculated by the following formula:*

$$30 \times (80/100) = 24 \text{ points for Y.}$$

Calculation below:

Lowest price submitted: \$

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**DISCUSSION CALENDAR - AGENDA ITEM NO. 5**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**February 13, 2013**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Proposed Scope for Year One of the Comprehensive Review of OCFA's Financial Internal Controls**

Summary:

This agenda item is submitted for discussion and approval of the two internal control areas to be included in the first year of the comprehensive review of OCFA's financial internal controls, conducted as recommended by Lance, Soll & Lunghard, LLP.

Recommended Actions:

Approve the following two areas to be included in the first year of the comprehensive internal control review:

1. Revenue Recognition - Fire Prevention Fees
2. Procurement/Disbursements Practices Relating to Cal Cards (credit cards), Travel-Related Activities, and Fuel Usage

Background:

At the March 14, 2012, Budget and Finance Committee meeting, the Committee approved the selection of Lance, Soll & Lunghard, LLP (LSL) as the auditing firm to complete a comprehensive review of OCFA's financial internal controls over the next three years. The Committee also directed LSL to work with staff to develop a list of recommended audit areas for the first year of the contract and return to the Committee for review and approval of the proposed scope.

Six specific areas to be included in the scope of the auditor's testwork over the next three years are identified below:

- Procurement / Disbursements Practices Relating to Cal Cards (credit cards), Travel-Related Activities and Fuel Usage
- Capital Assets and Inventory Control
- Payroll and Employee Benefits
- Suppression Timekeeping System (Staffing System)
- Workers' Compensation
- Grant Management Process

***Proposed Scope:***

Based on discussion between the auditors and staff, the auditors recommend testing two areas during the first year of the comprehensive internal control review. Those two areas are listed below, including tentative dates for audit testwork and presentation of the results to the Budget and Finance Committee.

	<u>Internal Control Area</u>	<u>Begin Audit Testwork</u>	<u>Anticipated Date for Presentation of Results</u>
(1)	Revenue Recognition - Fire Prevention Fees	March 2013	August 2013
(2)	Procurement / Disbursements Practices Relating to Cal Cards (credit cards), Travel-Related Activities and Fuel Usage	April 2013	August 2013

Although Revenue Recognition for Fire Prevention fees was not originally included as one of the comprehensive internal control review areas, financial staff and the auditors recommend reviewing this area due to recent findings surrounding billing for Fire Prevention fees.

***Audit Approach:***

The following is a summary of LSL’s planned audit approach for each internal control area:

- Review and gain an understanding of OCFA’s existing written policies and procedures.
- Interview staff involved in initiating, authorizing, processing and reporting transactions.
- Interview management to obtain their understanding of OCFA’s internal control policies and procedures.
- Interview information system management to gain an understanding of the various applications.
- Test online authorization and approval levels and other system-generated transactions and reports.
- Test internal controls on a sample basis.
- Prepare a report describing the work performed, the results of tests and recommendations for modifying existing policies or implementing new procedures.

**Impact to Cities/County:**

Ongoing reviews of our internal control system will serve to strengthen security over OCFA’s resources, which is beneficial to OCFA’s member agencies and the citizens we serve.

**Fiscal Impact:**

Funding for the comprehensive reviews is already included in the FY 2012/13 budget.

**Staff Contact for Further Information:**

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

**Lance, Soll & Lunghard, LLP. Contact for Further Information:**

Bryan Gruber, CPA  
[bryan.gruber@lslcpas.com](mailto:bryan.gruber@lslcpas.com)  
(714) 672-0022

**Attachments:**

None.