



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, August 14, 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

Sam Allevato Trish Kelley Randal Bressette Jerry McCloskey 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 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. 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 by Director Weinberg

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

- 1. Minutes for the July 10, 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

- 2. 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 August 22, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

- 3. Annual 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 August 22, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

- 4. Monthly Status Update – Orange County Employees' Retirement System**
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:
Receive and file the report.

5. Internal Control Review on Procurement/Disbursement Practices related to Cal Cards, Travel-related activities, and Fuel Usage

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

Recommended Actions:

1. Receive and file the attached Independent Auditors' Report of Internal Controls on Procurement/Disbursement Practices related to Cal Cards, Travel-related activities, and Fuel Usage.
2. Direct staff to implement the corrective actions as stated in the attached report.

6. Board Member Request for Salary and Benefit Survey

Submitted by Craig Kinoshita, Deputy Fire Chief

Recommended Action:

Review the proposed agenda item and provide direction to staff regarding any recommendations that the Budget and Finance Committee would like forwarded to the Board of Directors at its September 26, 2013, meeting regarding the proposed salary and benefit survey.

7. Equity Working Group Status Report

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

Recommended Action:

Review the proposed equity mitigation option referred to as the Hybrid Model and provide input to staff for further discussion with the Equity Working Group Ad Hoc Committee.

REPORTS

No items.

ELECTION OF CHAIR AND VICE CHAIR

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, September 11, 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 8th day of August 2013.

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

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, August 22, 2013, 5:30 p.m.
Executive Committee Meeting	Thursday, August 22, 2013, 6:00 p.m.
Budget and Finance Committee Meeting	Wednesday, September 11, 2013, 12:00 noon

MINUTES

ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Meeting
Wednesday, July 10, 2013
12:00 Noon

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

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on July 10, 2013, at 12:00 noon by Chair Murray.

PLEDGE OF ALLEGIANCE

Chair Murray led the assembly in the Pledge of Allegiance to our Flag.

ROLL CALL

Present: Sam Allevato, San Juan Capistrano
Randal Bressette, Laguna Hills
Trish Kelley, Mission Viejo
Jerry McCloskey, Laguna Niguel
Al Murray, Tustin
Steven Weinberg, Dana Point

Absent: Elizabeth Swift, Buena Park

Also present were:

Fire Chief Keith Richter	General Counsel David 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	

PUBLIC COMMENTS (F: 12.02B3)

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

MINUTES

1. **Minutes for the June 12, 2013, Budget and Finance Committee Meeting** (F: 12.02B2)

On motion of Director Weinberg and second by Chair Murray, the Committee voted to approve the minutes of the June 12, 2013, Budget and Finance Committee Meeting. Directors Bressette and Kelley abstained.

CONSENT CALENDAR

No items.

DISCUSSION CALENDAR

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

2. **Monthly Investment Report** (F: 11.10D2)

Treasurer Tricia Jakubiak provided an overview of the investment report and current global market activity.

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

3. **Status Update – Orange County Employees’ Retirement System** (F: 17.06)

Treasurer Tricia Jakubiak provided a report on the Orange County Employees’ Retirement System (OCERS), and indicated OCERS scheduled a special meeting for September 4, 2013.

On motion of Director Bressette and second by Chair Murray, the Committee voted unanimously to receive and file the report.

4. **Internal Control Review on Billing and Revenue Recognition of Fire Prevention Fees** (F: 15.02A1)

Assistant Chief Lori Zeller introduced Finance Manager/Auditor Jim Ruane who provided a report on the internal control review on billing and revenue recognition of Fire Prevention fees. Finance Manager/Auditor Jim Ruane introduced Bryan Gruber, CPA of Lance, Soll & Lunghard, LLC. who provided a report on the audit of Fire Prevention billing and revenue recognition findings.

A lengthy discussion ensued.

Minutes

OCFA Budget and Finance Committee Meeting

July 10, 2013 Page - 2

On motion of Director Kelley and second by Director Bressette, the Committee voted unanimously to:

1. Direct staff to implement the recommendations as stated in the attached report.
2. Authorize staff to obtain the professional services of a Finance Manager to assist with the implementation of the recommended actions and to assist in strengthening the overall internal control environment surrounding fee-funded programs.
3. Direct staff to increase General Fund (121) appropriations in the FY 2013/14 Adopted Budget by \$100,000 to cover the cost of a temporary and part-time Finance Manager.

REPORTS (F: 12.02B6)

No items.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

Director Allevato commended Bay Fireworks and the OCFA Fire Marshal for identifying safety issues and pulling defective pyrotechnics prior to the City of San Juan Capistrano's fireworks display.

Director McCloskey thanked OCFA staff for assisting with the City of Laguna Niguel's fireworks display, and indicated everything went well.

Director Weinberg indicated the City of Dana Point's fireworks display went well, as their pyrotechnic company used old reliable computer software.

Director Bressette commended Senior Fire Prevention Specialist Dave Montgomery for ending the City of Laguna Hills' firework display early due to safety concerns with problem shells.

Director Kelley requested a Board update on the John Wayne Airport (JWA) contract, and information on the San Francisco Asiana incident response, as it relates to JWA responses.

Chair Murray commended Assistant Chief/Fire Marshal Laura Blaul and staff for assisting with the City of Tustin's fireworks display. He also commended Division Chief Kris Concepcion for notifying appropriate city staff and Board members during a major incident in the City of Tustin.

ADJOURNMENT – Chair Murray adjourned the meeting at 12:50 p.m. in memory of former Westminster City Manager/Chief of Police Mitch Waller. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, August 14, 2013, at 12:00 noon.

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

DISCUSSION CALENDAR - AGENDA ITEM NO. 2
BUDGET AND FINANCE COMMITTEE MEETING
August 14, 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 August 22, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Background:

Attached is the final monthly investment report for the month ended June 30, 2013. A preliminary investment report as of July 26, 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

(714) 573-6301

Attachment:

Final Investment Report – June 2013/Preliminary Report – July 2013

Orange County Fire Authority Monthly Investment Report



Final Report – June 2013

Preliminary Report – July 2013



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Orange County Fire Authority

Final Investment Report

June 30, 2013



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of June 2013, the size of the portfolio decreased from \$157.5 million to \$154.6 million. Major receipts for the month included the fourth quarterly cash contract payments, various apportionments of property taxes, and intergovernmental contract and grant payments for a total of \$15.9 million. Significant disbursements for the month included primarily biweekly payrolls. The portfolio's balance is expected to decrease in the following month as there are no major receipts scheduled for July.

In June, the portfolio's yield to maturity (365-day equivalent) edged up slightly by 1 basis point to 0.29%. The effective rate of return also increased by 1 basis point to 0.30% for the month, but declined by 1 basis point to 0.31% for the fiscal year to date. The average maturity of the portfolio shortened by 9 days to 283 days to maturity. As the fiscal year 2012/13 ended, the portfolio's interest earnings met budgeted expectations for the year.

Economic News

The U.S. economy continued its modest growth pace in June 2013, and overall activity remained mixed. Employment conditions continued to improve in June. There were a total of 195,000 new jobs created for the month, a better jobs increase than expected. Unemployment conditions, on the other hand, stayed unchanged at an elevated level. The Conference Board Consumer Confidence Index surged in June while the University of Michigan Consumer Sentiment Index dropped slightly for the month. Durable goods orders came in stronger than expected, but retail sales increased disappointingly less than expected. Housing activity continued improving, but overall activity continued to be mixed. The NFIB (National Federation of Independent Business) small business optimism index declined slightly in June. While the non-manufacturing activity decreased slightly in June, the manufacturing activity grew modestly, but sufficiently to put the sector back into an expansion territory. Industrial production increased slightly, in line with expectations. Energy prices continued to rise in June; however, longer-term inflation expectations remained stable. On July 31, 2013, at the second day of its scheduled meeting, the FOMC (Federal Open Market Committee) voted to keep the federal funds rate unchanged at a target range of 0-0.25%. The Committee slightly downgraded its outlook on the economy and continued to reiterate its commitment to keep rates low "as long as the unemployment rate stays above 6.5%..." and to remain "flexible" with respect to the QE (Quantitative Easing) asset purchasing program.



BENCHMARK COMPARISON AS OF JUNE 30, 2013

3 Month T-Bill: 0.05%	1 Year T-Bill: 0.14%
6 Month T-Bill: 0.09%	LAIF: 0.24%
	OCFA Portfolio: 0.30%

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value-	\$154,571,085	\$157,466,893	\$141,951,700
Yield to Maturity (365 day)	0.29%	0.28%	0.54%
Effective Rate of Return	0.30%	0.29%	0.47%
Days to Maturity	283	292	571



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
June 30, 2013

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	8,073,101.74	8,073,101.74	8,073,101.74	5.24	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	9,000,000.00	8,997,030.00	8,997,450.00	5.84	127	60	0.170	0.172
Federal Agency Coupon Securities	51,000,000.00	50,508,290.00	51,004,759.76	33.10	1,269	809	0.557	0.565
Federal Agency Disc. -Amortizing	36,000,000.00	35,997,930.00	35,996,400.00	23.36	116	49	0.060	0.061
Local Agency Investment Funds	50,000,000.00	50,013,660.35	50,000,000.00	32.45	1	1	0.241	0.244
Investments	154,073,101.74	153,591,012.09	154,071,711.50	100.00%	455	283	0.286	0.290
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	978,519.10	978,519.10	978,519.10		1	1	0.000	0.000
Accrued Interest at Purchase		1,553.33	1,553.33					
Subtotal		980,072.43	980,072.43					
Total Cash and Investments	155,051,620.84	154,571,084.52	155,051,783.93		455	283	0.286	0.290

	June 30 Month Ending	Fiscal Year To Date	Fiscal Year Ending
Total Earnings			
Current Year	38,320.21	389,865.14	389,865.14
Average Daily Balance	154,352,419.41	124,519,455.12	
Effective Rate of Return	0.30%	0.31%	

"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 7/5/13
 Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 155,051,783.93
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ (480,699.41)
Total	\$ 154,571,084.52

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
June 30, 2013

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SY5528	528	High Mark 100% US Treasury MMF	8,555,294.47		8,073,101.74	8,073,101.74	8,073,101.74	0.001	0.001	1	
		Subtotal and Average	8,555,294.47		8,073,101.74	8,073,101.74	8,073,101.74	0.001	0.001	1	
Commercial Paper Disc. - Amortizing											
36959HVW4	806	GEN ELEC CAP CRP	8,996,833.75	04/25/2013	9,000,000.00	8,997,030.00	8,997,450.00	0.170	0.172	60	08/30/2013
		Subtotal and Average	8,996,833.75		9,000,000.00	8,997,030.00	8,997,450.00	0.170	0.172	60	
Federal Agency Coupon Securities											
3133ECBT0	799	Federal Farm Credit Bank (Callable anytime)		12/26/2012	9,000,000.00	8,979,570.00	9,000,000.00	0.375	0.375	725	06/26/2015
3133ECM76	809	Federal Farm Credit Bank (Callable 7-22-13)		04/25/2013	9,000,000.00	8,915,040.00	8,994,066.07	0.400	0.424	1,028	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,848,320.00	6,000,000.00	1.000	0.981	1,500	08/09/2017
313380B22	788	Fed Home Loan Bank (Callable anytime)		08/20/2012	6,000,000.00	5,996,820.00	6,000,000.00	0.450	0.440	780	08/20/2015
3133813R4	800	Fed Home Loan Bank (Callable 7-9-13)		12/20/2012	9,000,000.00	8,833,140.00	9,012,836.38	1.000	0.818	8	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	12,000,000.00	11,936,400.00	11,997,837.31	0.470	0.477	980	03/07/2016
		Subtotal and Average	51,004,761.19		51,000,000.00	50,509,280.00	51,004,759.76	0.470	0.565	809	
Federal Agency Disc. - Amortizing											
313589MV2	808	Fed Natl Mortg Assoc		04/25/2013	9,000,000.00	8,998,740.00	8,997,960.00	0.080	0.081	102	10/11/2013
313397LR0	807	Freddie Mac		04/25/2013	9,000,000.00	8,999,280.00	8,998,705.00	0.070	0.071	74	09/13/2013
313385HT6	804	Fed Home Loan Bank		04/25/2013	9,000,000.00	9,000,000.00	8,999,960.00	0.040	0.041	4	07/05/2013
313385JH0	805	Fed Home Loan Bank		04/25/2013	9,000,000.00	8,999,910.00	8,999,775.00	0.050	0.051	18	07/19/2013
		Subtotal and Average	35,995,530.00		36,000,000.00	35,997,930.00	35,996,400.00	0.050	0.061	49	
Local Agency Investment Funds											
SY5336	336	Local Agency Investmt Fund	49,800,000.00		50,000,000.00	50,013,660.35	50,000,000.00	0.244	0.244	1	
		Subtotal and Average	49,800,000.00		50,000,000.00	50,013,660.35	50,000,000.00	0.244	0.244	1	
		Total and Average	154,352,418.41		154,073,101.74	153,591,012.09	154,071,711.50	0.290	0.290	283	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
June 30, 2013

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365 Maturity	
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2012	15,000.00	15,000.00	15,000.00		0.000	
SYS10033	10033	Revolving Fund		07/01/2012	20,000.00	20,000.00	20,000.00		0.000	
SYS4	4	Union Bank of California		07/01/2012	693,519.10	693,519.10	693,519.10		0.000	
SYS361	361	YORK		07/01/2012	250,000.00	250,000.00	250,000.00		0.000	
		Average Balance	0.00	Accrued Interest at Purchase		1,553.33	1,553.33		1	
		Subtotal				980,072.43	980,072.43			
Total Cash and Investments					155,051,620.84	154,571,084.52	155,051,783.93		0.290	283

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

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

Aging Interval:				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
0 days	(07/01/2013 - 07/01/2013)	6 Maturities	0 Payments	59,051,620.84	38.09%	59,051,620.84	59,065,281.19
1 - 30 days	(07/02/2013 - 07/31/2013)	2 Maturities	0 Payments	18,000,000.00	11.61%	17,999,735.00	17,999,910.00
31 - 60 days	(08/01/2013 - 08/30/2013)	1 Maturities	0 Payments	9,000,000.00	5.80%	8,997,450.00	8,997,030.00
61 - 91 days	(08/31/2013 - 09/30/2013)	1 Maturities	0 Payments	9,000,000.00	5.80%	8,998,705.00	8,999,280.00
92 - 121 days	(10/01/2013 - 10/30/2013)	1 Maturities	0 Payments	9,000,000.00	5.80%	8,997,960.00	8,998,740.00
122 - 152 days	(10/31/2013 - 11/30/2013)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
153 - 183 days	(12/01/2013 - 12/31/2013)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
184 - 274 days	(01/01/2014 - 04/01/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
275 - 365 days	(04/02/2014 - 07/01/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
366 - 1095 days	(07/02/2014 - 06/30/2016)	4 Maturities	0 Payments	36,000,000.00	23.22%	35,991,923.38	35,827,830.00
1096 - 1825 days	(07/01/2016 - 06/30/2018)	2 Maturities	0 Payments	15,000,000.00	9.67%	15,012,836.38	14,681,460.00
1826 days and after	(07/01/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
		Total for	17 Investments		100.00	155,050,230.60	154,569,531.19



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the L.AIF investment is calculated using a fair value factor provided by L.AIF. 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, 2013 includes an increase of \$13,660 to the L.AIF investment and a decrease of \$(494,359) 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 June 30, 2013, 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 June 30, 2013 is 1.000273207. When applied to OCFA's LAIF investment, the fair value is \$50,013,660 or \$13,660 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 June 30, 2013 is included on the following page.

**State of California
Pooled Money Investment Account
Market Valuation
6/30/2013**

Description	Carrying Cost Plus		Fair Value	Accrued Interest				
	Accrued Interest	Purch.			Amortized Cost			
United States Treasury:								
Bills	\$	18,019,781,458.84	\$	18,031,788,345.99	\$	18,035,146,300.00	NA	
Notes	\$	17,866,551,757.96	\$	17,864,039,275.14	\$	17,866,601,500.00	\$	14,141,398.00
Federal Agency:								
SBA	\$	510,792,442.52	\$	510,792,442.52	\$	510,253,568.70	\$	517,567.05
MBS-REMICs	\$	192,640,776.24	\$	192,640,776.24	\$	208,753,614.81	\$	921,014.69
Debentures	\$	1,229,014,505.38	\$	1,227,601,588.70	\$	1,225,462,000.00	\$	4,859,598.00
Debentures FR	\$	-	\$	-	\$	-	\$	-
Discount Notes	\$	2,248,563,445.13	\$	2,248,994,695.02	\$	2,249,228,500.00	NA	
GNMA	\$	451.55	\$	451.55	\$	454.80	\$	4.70
IBRD Debenture	\$	450,053,540.85	\$	450,053,540.85	\$	450,282,500.00	\$	107,637.50
IBRD Deb FR	\$	-	\$	-	\$	-	\$	-
CDs and YCDs FR	\$	400,000,000.00	\$	400,000,000.00	\$	400,000,000.00	\$	252,251.67
Bank Notes	\$	-	\$	-	\$	-	\$	-
CDs and YCDs	\$	8,870,129,024.17	\$	8,870,011,579.74	\$	8,866,790,803.69	\$	2,820,216.67
Commercial Paper	\$	4,253,842,581.96	\$	4,254,541,430.57	\$	4,254,012,847.23	NA	
Corporate:								
Bonds FR	\$	-	\$	-	\$	-	\$	-
Bonds	\$	-	\$	-	\$	-	\$	-
Repurchase Agreements	\$	-	\$	-	\$	-	\$	-
Reverse Repurchase	\$	-	\$	-	\$	-	\$	-
Time Deposits	\$	4,474,640,000.00	\$	4,474,640,000.00	\$	4,474,640,000.00	NA	
AB 55 & GF Loans	\$	287,302,443.82	\$	287,302,443.82	\$	287,302,443.82	NA	
TOTAL	\$	58,803,312,428.42	\$	58,812,406,570.14	\$	58,828,474,533.05	\$	23,619,688.28

Fair Value Including Accrued Interest

\$ 58,852,094,221.33

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(1.000273207). 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 \$20,005,464.14 or \$20,000,000.00 x 1.000273207.



Orange County Fire Authority
Preliminary Investment Report
July 26, 2013



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
July 26, 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	13,208,117.61	13,208,117.61	13,208,117.61	9.35	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	9,000,000.00	8,998,470.00	8,998,555.00	6.37	127	34	0.170	0.172
Federal Agency Coupon Securities	51,000,000.00	50,542,230.00	51,004,757.22	36.12	1,269	788	0.557	0.565
Federal Agency Disc. -Amortizing	18,000,000.00	17,999,190.00	17,997,640.00	12.75	155	62	0.075	0.076
Local Agency Investment Funds	50,000,000.00	50,013,660.35	50,000,000.00	35.41	1	1	0.241	0.244
Investments	141,208,117.61	140,761,667.96	141,209,069.83	100.00%	487	295	0.307	0.311

Cash and Accrued Interest

Passbook/Checking (not included in yield calculations)	11,439.71	11,439.71	11,439.71		1	1	0.000	0.000
Accrued Interest at Purchase		1,553.33	1,553.33					
Subtotal		12,993.04	12,993.04					
Total Cash and Investments	141,219,557.32	140,774,661.00	141,222,062.87		487	295	0.307	0.311

	July 26 Month Ending	Fiscal Year To Date
Total Earnings		
Current Year	32,934.57	32,934.57
Average Daily Balance	147,920,185.23	147,920,185.23
Effective Rate of Return	0.31%	0.31%

"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 8/2/13
 Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:
 Book Value of Cash & Investments before GASB 31 (Above) \$ 141,222,062.87
 GASB 31 Adjustment to Books (See Note 3 on page 18) \$ (480,699.41)
 Total \$ 140,741,363.46

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
July 26, 2013

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
(See Note 1 on page 18) (See Note 2 on page 18)											
Money Mkt Mutual Funds/Cash											
SYSS28	528	High Mark 100% US Treasury MMF	12,303,770.09	(See Note 4 on page 18)	13,208,117.61	13,208,117.61	13,208,117.61	0.001	0.001	1	
		Subtotal and Average			13,208,117.61	13,208,117.61		0.001	0.001	1	
Commercial Paper Disc. -Amortizing											
36959HW4	806	GEN ELEC CAP CRP	8,998,023.75	04/25/2013	9,000,000.00	8,998,470.00	8,998,555.00	0.170	0.172	34	08/30/2013
		Subtotal and Average			9,000,000.00	8,998,470.00	8,998,555.00		0.172	34	
Federal Agency Coupon Securities											
3133ECBT0	799	Federal Farm Credit Bank (Callable anytime)		12/26/2012	9,000,000.00	9,000,180.00	9,000,000.00	0.375	0.375	699	06/26/2015
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,943,300.00	8,994,238.16	0.400	0.424	1,000	04/22/2018
3133804V6	767	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,887,080.00	6,000,000.00	1.000	0.981	1,474	08/09/2017
313380B22	768	Fed Home Loan Bank (Callable anytime)		08/20/2012	6,000,000.00	6,000,120.00	6,000,000.00	0.450	0.440	754	08/20/2015
3133813R4	800	Fed Home Loan Bank (Callable 8-9-13)		12/20/2012	9,000,000.00	8,755,830.00	9,012,623.54	1.000	0.818	13	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	12,000,000.00	11,955,720.00	11,997,895.52	0.470	0.477	954	03/07/2016
		Subtotal and Average	51,004,758.45		51,000,000.00	50,542,230.00	51,004,757.22		0.565	788	
Federal Agency Disc. -Amortizing											
313599MV2	808	Fed Natl Mortg Assoc		04/25/2013	9,000,000.00	8,999,480.00	8,998,480.00	0.080	0.081	76	10/11/2013
313397LR0	807	Freddie Mac		04/25/2013	9,000,000.00	8,999,730.00	8,999,160.00	0.070	0.071	48	09/13/2013
		Subtotal and Average	25,612,480.00		18,000,000.00	17,999,190.00	17,997,640.00		0.076	62	
Local Agency Investment Funds											
SYSS36	336	Local Agency Investmt Fund			50,000,000.00	50,013,660.35	50,000,000.00	0.244	0.244	1	
		Subtotal and Average	50,001,152.95		50,000,000.00	50,013,660.35	50,000,000.00		0.244	1	
		Total and Average	147,920,185.23		141,208,117.61	140,761,667.96	141,209,069.83		0.311	295	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
July 26, 2013

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2013	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2013	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2013	-273,560.29	-273,560.29	-273,560.29		(See Note 4 on page 18)	1
SYS361	361	YORK		07/01/2013	250,000.00	250,000.00	250,000.00		0.000	1
		Average Balance	0.00	Accrued Interest at Purchase		1,553.33	1,553.33			1
		Subtotal				12,993.04	12,993.04			
Total Cash and Investments					141,219,557.32	140,774,661.00	141,222,062.87		0.311	295

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of July 27, 2013

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

Aging Interval:				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
0 days	(07/27/2013 - 07/27/2013)	6 Maturities	0 Payments	63,219,557.32	44.77%	63,219,557.32	63,233,217.67
1 - 30 days	(07/28/2013 - 08/26/2013)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
31 - 60 days	(08/27/2013 - 09/25/2013)	2 Maturities	0 Payments	18,000,000.00	12.75%	17,997,715.00	17,998,200.00
61 - 91 days	(09/26/2013 - 10/26/2013)	1 Maturities	0 Payments	9,000,000.00	6.37%	8,998,480.00	8,999,460.00
92 - 121 days	(10/27/2013 - 11/25/2013)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
122 - 152 days	(11/26/2013 - 12/26/2013)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
153 - 183 days	(12/27/2013 - 01/26/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
184 - 274 days	(01/27/2014 - 04/27/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
275 - 365 days	(04/28/2014 - 07/27/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
366 - 1095 days	(07/28/2014 - 07/26/2016)	4 Maturities	0 Payments	36,000,000.00	25.49%	35,992,133.68	35,899,320.00
1096 - 1825 days	(07/27/2016 - 07/26/2018)	2 Maturities	0 Payments	15,000,000.00	10.62%	15,012,623.54	14,642,910.00
1826 days and after	(07/27/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for		15 Investments	0 Payments		100.00	141,220,509.54	140,773,107.67



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, 2013 includes an increase of \$13,660 to the LAIF investment and a decrease of \$(494,359) 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
August 14, 2013

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer

SUBJECT: **Annual Investment Report**

Summary:

This agenda item is submitted to the Budget and Finance Committee in compliance with Section 18.2 of the Orange County Fire Authority's Investment Policy.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of August 22, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Background:

Section 18.2 of OCFA's Investment Policy requires that the Treasurer submit an annual report to the Budget and Finance Committee and the Executive Committee following the close of the fiscal year. The attached report certifies that the Treasurer has complied with OCFA's investment policies and procedures and details the following:

- .. Portfolio performance and comparison to benchmarks
- .. A review of trends regarding the size of the portfolio
- .. Discussion of investment risk in the portfolio
- .. Analysis of the composition of the portfolio
- .. GASB 31 impacts
- .. Investment income
- .. A statement of anticipated investment fund activity in the next fiscal year

Impact on 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
jane Wong@ocfa.org
(714) 573-6305

Attachment:

Annual Investment Report for Fiscal Year 2012/13

Treasury and Financial Planning



Annual Investment Report – FY 2012/13

Orange County Fire Authority Annual Investment Report

Fiscal Year 2012/13

The Annual Investment Report for the fiscal year ended June 30, 2013 fulfills the requirements of Section 18.2 of the Authority's Investment Policy ("the Policy"). The annual report is intended as a review of the last twelve months of investment activity by the Treasurer.



Annual Investment Report

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<i>Portfolio Performance and Comparison to Benchmark.....</i>	<i>1-4</i>
<i>Review of Trends Regarding the Size of the Portfolio.....</i>	<i>5-6</i>
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**PORTFOLIO PERFORMANCE AND
COMPARISON TO BENCHMARK**

*OCFA’s portfolio performance
closely matched the benchmark comparisons
listed below.*

During the fiscal year 2012/13, the Federal Reserve Board continued to keep the federal funds rate, the overnight bank lending rate, at a target range of 0.0% to 0.25% where it has been since December 2008. The economic recovery during the year improved modestly. Employment conditions also improved, although the unemployment rate remained elevated. The housing market has recently shown some improvements, but activity stayed slow. OCFA’s portfolio started the fiscal year with a maturity of 606 days. As investments matured and were reinvested at significantly lower rates, the return on the portfolio was mostly lower throughout the year. OCFA’s portfolio began fiscal year 2012/13 with a monthly effective rate of return of 0.42% and ended the year with a return of 0.30% on a portfolio balance of \$155 million with 283 days to maturity. The portfolio performance was comparable to benchmarks, as shown below, and met the adopted revised budget projection.

<i>OCFA Portfolio</i>				<i>Benchmark Comparisons</i>			
	<i>Market Value</i>	<i>Days to Maturity</i>	<i>Effective Yield</i>	<i>3 Month Treasury</i>	<i>6 Month Treasury</i>	<i>1 Year Treasury</i>	<i>LAIF</i>
<i>July</i>	128,949,586	606	0.42%	0.10%	0.15%	0.19%	0.36%
<i>August</i>	109,200,305	570	0.28%	0.10%	0.14%	0.18%	0.38%
<i>September</i>	107,722,559	437	0.39%	0.11%	0.14%	0.18%	0.35%
<i>October</i>	92,966,857	193	0.34%	0.10%	0.15%	0.18%	0.34%
<i>November</i>	102,365,424	171	0.29%	0.09%	0.14%	0.18%	0.32%
<i>December</i>	163,612,492	266	0.25%	0.07%	0.12%	0.16%	0.33%
<i>January</i>	133,183,684	306	0.25%	0.07%	0.11%	0.15%	0.30%
<i>February</i>	115,542,024	146	0.31%	0.10%	0.12%	0.16%	0.29%
<i>March</i>	112,103,218	318	0.34%	0.09%	0.11%	0.15%	0.29%
<i>April</i>	161,578,392	307	0.36%	0.06%	0.09%	0.12%	0.26%
<i>May</i>	157,224,510	292	0.29%	0.04%	0.08%	0.12%	0.25%
<i>June</i>	154,571,085	283	0.30%	0.05%	0.09%	0.14%	0.24%
<i>Fiscal Year</i>	128,251,678	325	0.32%	0.08%	0.12%	0.16%	0.31%



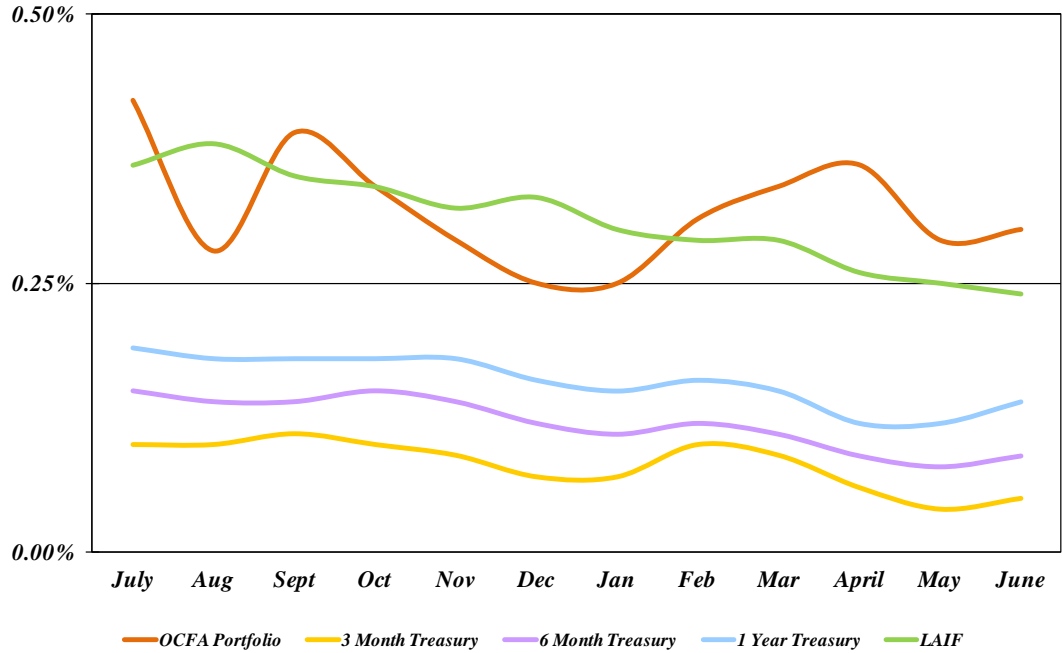
***PORTFOLIO PERFORMANCE AND
COMPARISON TO BENCHMARKS***

The following chart compares the Authority's monthly portfolio performance with monthly benchmarks including 3-month, 6-month, and 1-year Treasuries and LAIF. OCFA's portfolio yield tracked a similar pattern to LAIF and exceeded the Treasury benchmarks during FY 2012/13.

- As the worldwide economic recovery continued, there was still a “flight to quality” as investors sought the safety of government debt. This caused Treasury yields, which move inversely to prices, to slip during the year.
- In a declining interest rate environment, LAIF tends to lag the market mainly because of their maturity structure. However, as higher yielding securities matured, LAIF also had to reinvest at lower yields which caused their return to gradually decline throughout the year.
- OCFA kept its investments mostly in Federal Agency securities, commercial paper and LAIF which yielded higher returns compared to Treasuries. However, OCFA remains somewhat restrained due to the timing of cashflow needs. If interest rates remain at their current low levels, then OCFA's portfolio rate of return could decline during FY 2013/14.



Comparison to Benchmarks - FY 2012/13

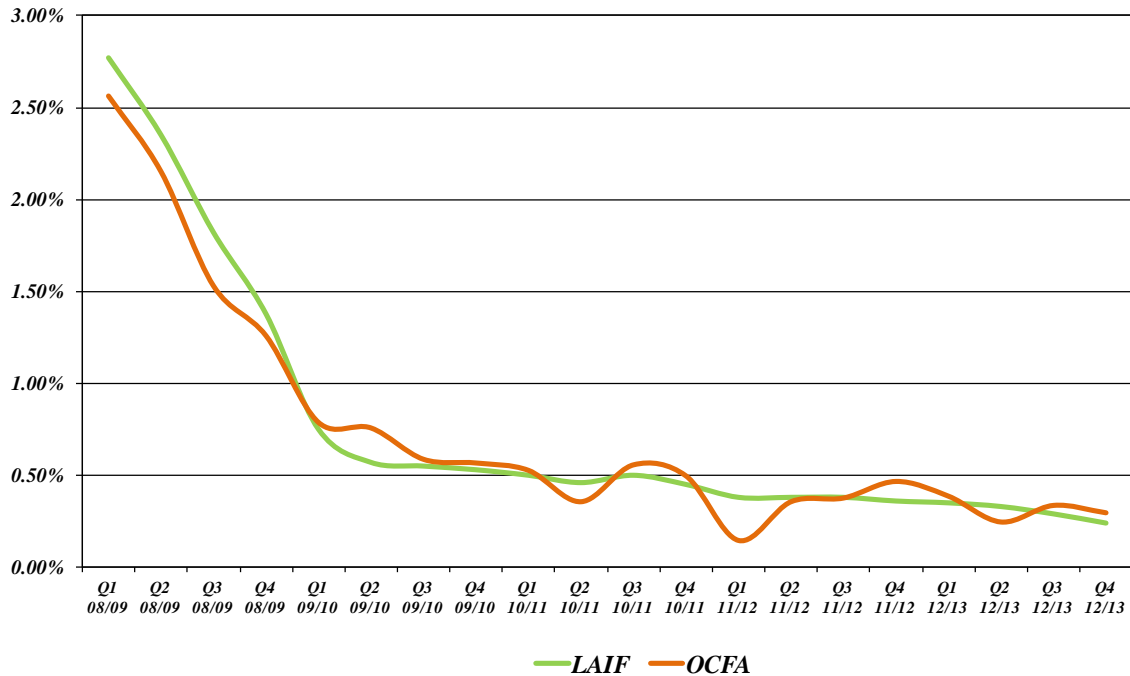




**PORTFOLIO PERFORMANCE AND
COMPARISON TO BENCHMARKS**

The following chart provides a 5-year history of the Authority’s portfolio yield from fiscal year 2008/09 through fiscal year 2012/13 compared to a 5-year history of the Local Agency Investment Fund’s yield. As demonstrated with this historical view, OCFA’s portfolio yield consistently performs very similarly to LAIF.

OCFA & LAIF Portfolio Yields - 5 Year History





**REVIEW OF TRENDS REGARDING THE SIZE OF
THE PORTFOLIO**

Portfolio balances during 2012/13 were slightly higher than 2011/12.

The size of the Authority's portfolio fluctuates over the course of a fiscal year due to timing differences between cash receipts and disbursements. Excluding financing proceeds, OCFA's largest cash receipts are from secured property taxes received in December and April and from cash contract payments received quarterly. Cash disbursements occur more evenly with biweekly payroll expenditures representing the largest component. These timing differences cause the General Fund to experience temporary cash shortages from August through mid-December.

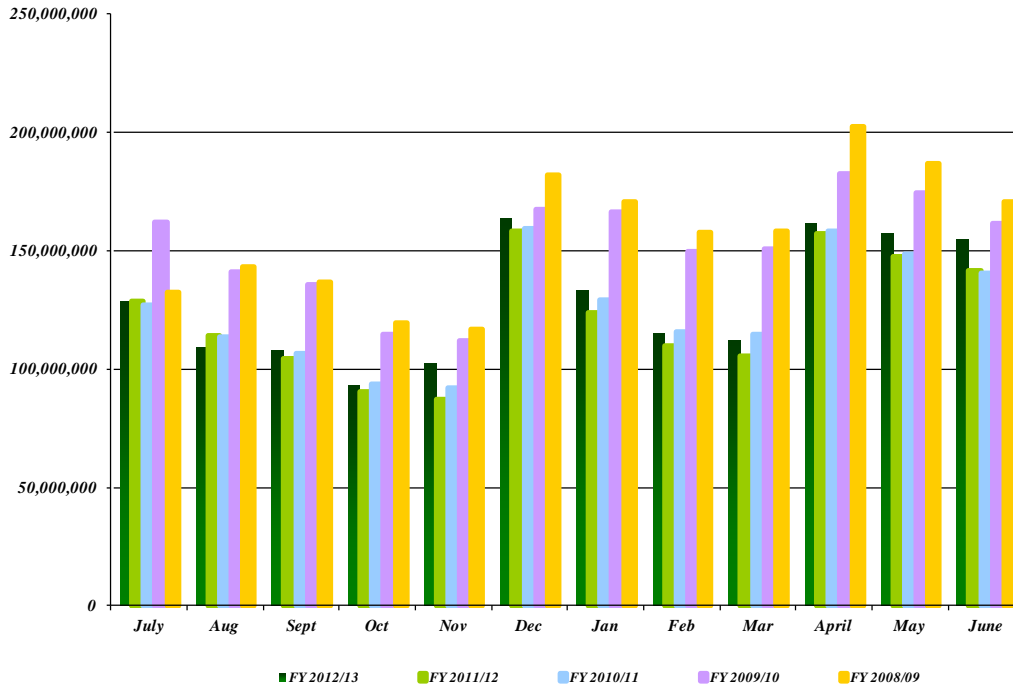
To resolve the temporary cash shortages in the General Fund, OCFA has in the past issued Tax and Revenue Anticipation Notes (TRANs). When issued, TRAN proceeds are received in July and are repaid annually in June; therefore, the ending portfolio balance at June 30th excludes TRAN proceeds. In the past few years, OCFA did not need to issue TRANs since it was able to meet its temporary cash shortages through a combination of use of a General Fund cashflow reserve and interfund borrowing. OCFA has also used lease purchase financing to fund certain capital expenditures including helicopters, vehicles, communication equipment, and information systems.



REVIEW OF TRENDS REGARDING THE SIZE OF THE PORTFOLIO

The following chart provides a 5-year history of the size of the Authority’s portfolio. During FY 2008/09, portfolio balances increased overall due to the increase in property taxes and the addition of lease purchase proceeds. Thereafter, the portfolio balance decreased due to a combination of lower revenues and significant expenditures and slightly reversed the declining trend in the FY 2012/13 due to the steady increase of the General Fund cashflow reserve. It should be noted that the balances shown below represent total portfolio balance as opposed to fund balance available. Portfolio balance is always higher than fund balance because the portfolio includes cash and investments that are already committed to various contracts and purchase orders or that are reserved for future obligations.

Size of the Portfolio - 5 Year Historical Trend





INVESTMENT RISK IN THE PORTFOLIO

Although all investments contain an element of risk, OCFA's Investment Policy, procedures, and investment strategies are designed to limit exposure to risk. The different types of risk are discussed below, as they pertain to the portfolio.

Credit (Default) Risk

Credit risk is defined as the risk to an investor that an issuer will default in the payment of interest and/or principal on a security. OCFA's investment policies and practices limit credit risk by:

- Limiting investments to the safest types of securities and highest quality issuers.
- Specifically excluding investments in equities, corporate bonds, derivatives, reverse repurchase agreements and financial futures or options.
- Avoiding investment in issuers placed on negative credit watch or with current events that involve negative financial implications.
- Pre-qualifying financial institutions and broker/dealers for competitive bidding of individual investment transactions.
- Diversifying investments so that potential losses on individual securities will be minimized.
- Reviewing monthly reports from the State Treasurer's Office regarding the Local Agency Investment Fund.
- Requiring collateralization of demand deposits, certificates of deposit and repurchase agreements. Union Bank, as OCFA's bank, complies with all collateralization requirements for demand deposits.
- Safekeeping investments by separate agreement with Union Bank's Trust Department.



**INVESTMENT RISK IN
THE PORTFOLIO**

Market Risk

Market risk is defined as the risk that the value of a security may fall as a result of changes in the financial markets, such as increases in interest rates. In periods of rising interest rates, the market value of a security can fall below the amount of principal invested. If an investor sells the security before maturity, part of the principal will be lost. OCFA reduces market risk by matching investment maturities with cash flow needs to minimize investments that may need to be sold prematurely.

Interest Rate Risk

Interest rate risk is defined as the risk that an investor will under-perform the market, as a result of holding an investment with a lower yield than the current market rate. For example, if an investor holds a one-year certificate of deposit earning 2%, and interest rates rise to 4%, the investor would incur an opportunity cost of 2%. Investors can avoid interest rate risk by keeping maturities fairly short if interest rates are expected to rise.

OCFA's portfolio reflected an average maturity slightly under one year throughout 2012/13 due to continued low yields offered for longer-term maturities, many callable securities, and based on the market's uncertainty as to the future direction of interest rates.

Liquidity Risk

Liquidity risk involves the ability to sell an investment before maturity. Some short-term investments are fairly illiquid. For example, a non-negotiable certificate of deposit is an illiquid asset that carries an interest penalty for early redemption. OCFA minimizes liquidity risk by maintaining a significant portion of its portfolio in very liquid instruments, such as LAIF where funds are immediately available, or Treasury and Agency securities, which have active secondary markets.



**COMPOSITION OF THE
PORTFOLIO**

Authorized Investments

Section 10 of OCFA’s Investment Policy lists the types of securities allowable for investment. Subject to stipulated restrictions, these include Treasury and Federal Agency securities, collateralized or insured passbook savings accounts and demand deposits, collateralized or insured certificates of deposit, bankers’ acceptances, money market funds of short-term treasury securities, repurchase agreements, the Local Agency Investment Fund (LAIF), and commercial paper (rated A1/ P1/F1) by the credit rating agencies Moody’s Investors Service, Standard & Poor’s Ratings Services and Fitch Ratings, respectively.

***OCFA’s portfolio only included those investments authorized in
Section 10 of the Policy in FY 2012/13.***

Portfolio Diversification

Section 15.1 of the Policy sets parameters for portfolio diversification. OCFA’s portfolio shall not be invested in a single security type or in a single financial institution/pool in excess of 15% of the total investment portfolio, with the exception of the following:

- | | |
|--------------------------------|------|
| ➤ US Treasury Securities | 100% |
| ➤ Local Agency Investment Fund | 75% |
| ➤ Federal Agency Securities | 75% |
| ➤ Bankers’ Acceptances | 25% |
| ➤ Negotiable CD’s | 25% |

OCFA’s portfolio complied with the diversification requirements in Section 15.1 of the Policy during FY 2012/13 as shown in the following schedule, except for the month of December due to a large investment maturity that took place on the last day of the calendar year and the proceeds were reinvested on the first business day of the new calendar year.



**COMPOSITION OF THE
PORTFOLIO**

Portfolio Diversification

	<i>US Treasury Securities</i>	<i>LAIF</i>	<i>Federal Agencies</i>	<i>Commercial Paper</i>	<i>Money Market Mutual Funds</i>	<i>Total Portfolio</i>
<i>Maximum</i>	100%	75%	75%	15%	15%	100%
<i>FY Average</i>	0.00%	40.31 %	46.47 %	5.46%	7.76%	100%
<i>July</i>	0.00%	38.79%	50.46%	6.98%	3.77%	100%
<i>August</i>	0.00%	45.53%	46.46%	0.00%	8.01%	100%
<i>September</i>	0.00%	46.13%	38.75%	3.69%	11.43%	100%
<i>October</i>	0.00%	54.56%	29.46%	4.36%	11.62%	100%
<i>November</i>	0.00%	49.14%	30.46%	9.83%	10.57%	100%
<i>December</i>	0.00%	30.78%	46.18%	6.15%	16.89%	100%
<i>January</i>	0.00%	37.05%	51.14%	5.19%	6.62%	100%
<i>February</i>	0.00%	42.25%	48.18%	5.92%	3.65%	100%
<i>March</i>	0.00%	44.24%	45.14%	6.19%	4.43%	100%
<i>April</i>	0.00%	31.27%	60.03%	5.62%	3.08%	100%
<i>May</i>	0.00%	31.57%	54.92%	5.68%	7.83%	100%
<i>June</i>	0.00%	32.45%	56.47%	5.84%	5.24%	100%



**COMPOSITION OF THE
PORTFOLIO**

Maturity Diversification

In order to ensure sufficient liquidity and reduce market risk, Section 15.3 of the Policy requires that at least half of the portfolio be invested for a period of one year or less. An additional 25% of the portfolio is restricted to maturities of three years or less and the remaining 25% to five years or less. The Executive Committee and Board of Directors must approve investments with maturities of greater than five years from the date of investment.

OCFA's portfolio complied with maturity diversification requirements as stated in Section 15.3 of the Policy throughout FY 2012/13, except for the months of July through September. During these months, the portfolio was in compliance using the call date; however, it was slightly out of compliance using the final maturity date. As a result, staff shortened the maturities of new investments to ensure compliance.

Market Value

Section 18.1.3 of OCFA's Investment Policy requires monthly reporting of the current market value of the securities in the portfolio. The Treasurer reports current market values of the portfolio in both the Portfolio Summary and the Portfolio Detail sections of the Monthly Investment Report. Market values are provided monthly by Union Bank and quarterly by the State Treasurer's Office for the LAIF investment.



GASB 31 IMPACTS

What is GASB 31?

The Governmental Accounting Standards Board’s Statement 31, titled “Accounting and Financial Reporting for Certain Investments and for External Investment Pools,” establishes rules for reporting investment valuation. The Statement generally requires governmental entities to report investments at fair value in the financial statements and to reflect the related unrealized gains and losses as a component of investment income. Different rules apply to an *internal investment pool* (consisting *only* of the governmental entity’s own funds) versus an *external investment pool* (consisting of combined funds from other legally separate entities, such as a state or county investment pool).

How Does GASB 31 Impact OCFA’s Portfolio?

At June 30, 2013, all of the Authority’s investments were reported at fair value in compliance with GASB 31 guidelines. The fair value reporting of OCFA’s investments resulted in a decrease of \$(480,699) to book value. This fair value adjustment is for financial statement reporting only.

Under GASB 31 guidelines, investment income is similarly increased/decreased for financial statement purposes. Investment income is impacted by the change in fair value of the investments from the beginning to the end of the reporting period. OCFA previously reported an increase to investment valuation at June 2012 of \$84,086; therefore, a loss of \$(564,785) was recorded to investment earnings at June 2013 to reflect the change in fair value.

<i>GASB 31 Adjustment to Books – Beginning of year</i>	\$ 84,086.00
<i>Net Change in Fair Value (decrease to earnings)</i>	\$ (564,785.00)
<i>GASB 31 Adjustment to Books – End of year gain</i>	\$ (480,699.00)



INVESTMENT INCOME

Portfolio investment income in FY 2012/13 amounted to \$389,865 (pre-GASB 31 adjustment) compared to \$477,223 in FY 2011/12. The decrease in investment income was due to the lower interest rate environment resulting from the low federal funds rate set by the Fed. As a result, the effective yield for the portfolio was 0.31% in FY 2012/13 compared to 0.39% in FY 2011/12. This decrease in yield was consistent with the overall bond market performance.

***ANTICIPATED INVESTMENT ACTIVITY
IN THE NEXT FISCAL YEAR***

Cash forecasts for FY 2013/14 are based primarily on the 2013/14 Adopted Budget. OCFA's Adopted Budget reflects revenues which are in balance with expenditures for the year, and the Budget will enable OCFA to sustain its reserves at the Board-mandated policy level. It is anticipated that the CIP Reserves will continue to be spent down this year on planned projects which will likely result in a decline in overall portfolio balances.

In addition, interest rates are expected to remain low for the fiscal year 2013/14 which may result in a further decrease in investment income over last year.



TREASURER'S CERTIFICATION

"As Treasurer of the Orange County Fire Authority, I certify that I have complied with the annual Investment Policies adopted by the Board of Directors and effective January 1, 2012 and January 1, 2013."

Patricia Jakubiak

Patricia Jakubiak
Treasurer

7/30/13

Date

DISCUSSION CALENDAR – AGENDA ITEM NO. 4
BUDGET AND FINANCE COMMITTEE MEETING
August 14, 2013

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Monthly Status Update - Orange County Employees' Retirement System**

Summary:

This agenda item is submitted to provide a status update regarding steps taken during July 2013, to improve the Orange County Employees' Retirement System's (OCERS) financial policies, procedures, and practices.

Recommended Action:

Receive and file the report.

Background:

In 2010 and 2011, accounting issues were identified at OCERS impacting actuarial calculations of the value of assets and liabilities attributable to the various plan sponsors. The total accounting values at OCERS were correct, but the attribution of values to individual plan sponsors required adjustment. A large amount of work was performed by OCERS and plan sponsor staff members to correct the issues, and ongoing improvement plans were established by OCERS. Following these events, the OCFA's Budget and Finance Committee directed OCFA staff to provide routine updates to the Committee regarding financial activities occurring at OCERS.

Actions Taken/Financial Policies & Practices – July 2013

OCERS BOARD OF RETIREMENT – July 15, 2013:

Actuarial Funding Policy (Amortization)

During the July 15, 2013, meeting of the OCERS Board of Retirement, Treasurer Freidenrich requested that the Actuarial Funding Policy be returned to a future Board meeting for discussion. There were questions from some as to why Ms. Freidenrich would want that topic to return, and she provided a letter to the full Board that outlines her reasons. (Attachment 1) OCERS staff stated in a meeting of Plan Sponsors on July 17, 2013, that the Amortization Policy issue would be on the agenda in November, due to issues regarding the availability of certain OCERS' Board members in months prior to November.

Early Payment Program

The '37 Act allows county pension plans to provide a discount for early payment of a plan sponsors annual pension contribution obligation. OCERS allows for a discount equal to the assumed earnings rate (presently at 7.25%). Eleven out of fifteen plan sponsors currently take

advantage of OCERS' discount program. Mr. Girard Miller and Ms. Brenda Shott discussed whether some other discount rate might be more appropriate. Their staff recommendation was to reduce the discount rate to 80% of the assumed rate for 14/15, and then to 70% of the rate in 15/16. Board member Hilton made a motion to leave it as is for one year and directed staff to conduct more research on what other systems do and what impact a change would have on plan sponsors. This motion passed unanimously. (Attachment 2)

Staff will continue to monitor actions taken by OCERS to improve its financial policies and practices, and will report back in September regarding progress made during the next month.

Impact to Cities/County:

Any increase or decrease in OCFA's retirement costs will impact the OCFA's overall budget, which can potentially impact the funds available for services provided to the communities we serve. In addition, annual changes to OCFA's salary and benefit costs impact the charges passed on to OCFA's contract members.

Fiscal Impact:

OCFA realizes approximately \$2 million in savings by taking advantage of OCERS' Early Payment Program.

Staff Contacts for Further Information:

Lori Zeller, Assistant Chief/Business Services Department
LoriZeller@ocfa.org
(714) 573-6020

Tricia Jakubiak, Treasurer
TriciaJakubiak@ocfa.org
(714) 573-6301

Attachments:

1. Letter from OCERS' Board Member, Orange County Treasurer Shari Freidenrich
2. OCERS Memo on Early Payment of Contributions for FY 2014/15



**OFFICE OF THE
TREASURER-TAX COLLECTOR**
SHARI L. FREIDENRICH, CPA

HALL OF FINANCE AND RECORDS
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July 23, 2013

Dear Chair Flanigan and OCERS board members:

I am writing to apologize to you for not fully hearing the complete discussion of the Orange County Employees Retirement System funding policy agenda item on June 16, 2013. I have learned an important lesson about the pitfalls of participating in board meetings by conference call and will try my best not to do so in the future.

As President of the Association of Public Treasurers of the United States and Canada, I was honored to represent this association at an annual conference hosted by a state affiliate, the Treasurers Association of Virginia, on Sunday, June 15 and Monday, June 16.

I believed I could actively participate in the June 16 OCERS meeting by conference call in between my conference presentations and meetings. I was wrong. Despite having previously arranged a conference room for the call, I was informed that I would need to leave the conference room at 5 p.m. EST when the building closed, during the discussion on the funding policy.

After moving outside the building to continue the call on my cell phone, I did my best to try to follow the board discussion. Unfortunately, when the actuary and board members discussed various slides, I was not able to see them to follow along. The discussion was difficult to hear due to traffic and street noise. These led to my mistakes when voting on the two motions.

Immediately after returning to my office on Tuesday, June 17, I reviewed my notes and the Board packet. Realizing my error, I contacted Board Chair Flanigan by phone that afternoon to request to have this agenda item re-agendized since I was on the prevailing side of the vote.

I am deeply sorry for the difficulties that my mistakes have caused. I assure you that I am committed to requesting input from appropriate parties on this item, reviewing the June 16 meeting tape, and coming to a conclusion that reflects my responsibilities as a trustee. I take my responsibilities to manage the fund "solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, and minimizing employer contributions thereto" very seriously. I look forward to working with the board on this and future items that come before us for our consideration and action.

Sincerely,

Shari L. Freidenrich, CPA
Orange County Treasurer-Tax Collector

cc: Distribution List

Distribution List:

County of Orange
Department of Education
LAFCO
Orange County Cemetery District
Orange County Children & Families Commission
Orange County Fire Authority
Orange County Sanitation District
Orange County Sheriff's Department
Orange County Transportation Authority
Public Authority (IHHS)
Public Law Library
Superior Courts
Transportation Corridor Agency
Orange County Vector Control
ACLEM
AOCDS
AOCW
OCEA
OCMA
OCPFA
OCTA Employees
REAOC
UDWA
City of San Juan Capistrano
City of Santa Ana
City of Stanton
City of Westminster
City of Yorba Linda

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

MEMORANDUM

DATE: June 27, 2013

TO: Members, Board of Retirement

FROM: Brenda Shott, Assistant CEO Finance and Internal Operations

SUBJECT: Early Payment of Contributions for Fiscal Year 2014-2015

Recommendation:

Approve the terms of a prepayment discount program for the advance payment of employer contributions, including the discount rate to be used, for contribution year July 1, 2014-June 30, 2015

Background:

Pursuant to Government Code Section 31582 (b) (the Code) OCERS has annually offered plan sponsors the opportunity to receive a discount on their employer contributions if they paid their contributions early with a lump sum payment. The program dates back to Fiscal Year 2005-2006, and is brought back to the Board annually for consideration on whether to offer the program for the next year. Timely consideration of the program is appropriate now in order to give plan sponsors adequate time to plan funding for a lump sum payment in January, should the plan be approved for the upcoming contribution year.

Plan sponsor interest in such a program remains high as eleven of the fifteen active plan sponsors elected to prepay contributions of over \$353M for Fiscal Year 2013-2014. An early payment program is primarily a tool for plan sponsor budget management, rather than a long-term funding technique. Prepaid contributions allow OCERS to deploy cash on a more concentrated basis; however, they also increase OCERS' internal cash flow and short-term cash overlay portfolio risk, and challenge the efficiency of dollar cost averaging during periods of volatile markets. While presenting this program to the Board in 2012, the question was raised as to whether a lower discount rate should be used in the future that would reduce the short term investment risk being assumed by the plan when accepting early lump sum payments of contributions. Further discussion of the results of that research and analysis is presented below.

Discussion

Employer contributions rates are set by the System's actuary and incorporate an interest charge in recognition that contributions are collected in installments throughout the fiscal year. If instead, an employer pays all contributions at the beginning of the year, an interest adjustment or discount is appropriate.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

The proxy used for applying a prepayment discount has been the annual assumed rate of return used in the applicable actuarial valuation for the system. This practice is consistent across most 37 Act Systems, however, there are a few systems (Kern and Tulare) that use half the assumed rate. The applicable discount provided to the plan sponsor is calculated as a function of when OCERS receives payment of the contributions (discounted cash flows). For example, payments received in July would be discounted using one-half the earnings assumption rate in the discounted cash flow calculation because from an actuarial perspective OCERS would have been assumed to earn one-half the earnings assumption rate on contributions received during the period, or on the converse side there would have been "interest charges" included in the contribution rate equal to one-half the earnings assumption rate. Prepayments of contributions made in January, six months prior to the beginning of the contribution year, would be calculated using the full assumed rate of return because the prepaid contributions would be on deposit for an additional six months and there would have been a full year of "interest charges" included in the contribution rate calculation.

However, based on the Board's discussion in August 2012 regarding using a lower discount rate to reduce short term volatility risk, staff is introducing a new concept for the Board to consider. From an investment perspective, the relative volatility of returns from equity/stock markets and other risky assets is much higher over short periods than it is over extended time periods. Thus using the long-term actuarial discount rate would not account for the additional risk.

From a multi-employer plan prospective, offering a discount for prepaying contributions can create inequities between those employers who choose to participate and those that do not. This occurs because a system that accepts a year's worth of contributions in a lump sum prior to the beginning of the fiscal year, burdens all employers with additional short term investment risks, and the prepayments create uneven cash flows into the system which can impact portfolio efficiency. Any incremental gains or losses within the portfolio during the prepayment period (compared to the assumed rate of return) get incorporated into the annual actuarial valuation, which is then allocated to all the rate groups and amortized over fifteen years. For single-employer plans, any incremental gains or losses incurred as a result of the prepayment discount policy "comes out in the wash" of the actuarial report, because the employer ultimately pays the cost one way or the other. However, due to the fact that OCERS is a cost sharing plan, the employers who choose not to participate are involuntarily subjected to the short term volatility and any portfolio inefficiencies created by uneven collection of contributions. The new concept staff is asking the Board to consider is a means to reduce the inequity created between participants and non-participants of the prepayment program.

A primary factor that employers consider when deciding whether or not to participate in the prepayment program is the difference between the discount they would receive by prepaying the contributions and either their borrowing costs or their short term investment returns (if they have cash on hand to fund the prepayment). In order to reduce the short term investment risk, a discount rate that lies between the "opportunity cost" of the employers and the assumed rate of return could be considered. A suggested proxy for the opportunity cost can be the B of A Merrill Lynch U.S. Corporate/Government 1-3 year bond index, which closely resembles short term local government borrowing rates as well as the effective yields on employers' treasury

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

operating cash portfolios. Incorporating this additional concept into the prepayment discount program is not mandatory, but rather a policy decision to be made by the Board of Retirement.

Should the Board decide to use a discount rate for the prepayment program that is between the actuarial assumed rate of return and the employer "opportunity cost", staff would recommend a phased approach. To implement a policy change, it is recommended that OCERS incrementally move toward a lower discount rate *over three years* in order to provide current plan sponsor participants with adequate time to incorporate the change into their budget planning. A phased approach would also allow our staff to monitor and evaluate plan sponsor behavior and the level at which sponsors might discontinue participation in this program. Staff definitely does not recommend moving to the long-term midpoint level suggested here, immediately.

The long-term strategy could be to utilize a prepayment discount rate that is the lower of the actuarial assumed rate of return and the approximate midpoint between the actuarial rate of return and the B of A Merrill Lynch US Corporate/Government 1-3 year bond index (stating the "lower of" prevents the discount rate from being higher than the assumed rate of return should the index ever rise above the actuarial assumed rate of return).

As of June 27, 2013 the suggested index was priced at 1.027%. The midpoint between the index and the current actuarial assumed rate of return of 7.25% is 4.139%. An incremental approach of implementing this lower rate over time could be to utilize the point that is at 75% of the difference between the two rates in the first year, then in the second year set the discount rate to be at 62.5% of the difference between the two rates, and then in the third year set the discount rate to be at the midpoint or 50% of the difference between the two rates. With this approach, the discount rate for FY2014-2015 prepayments could be 5.69%, calculated as follows:

$$7.25\% \text{ (assumed rate of return)} - 1.027\% \text{ (Merrill Lynch US Corp/Gov 1-3 index)} = 6.223\%$$

$$6.223\% \text{ (difference between rates from above)} * 75\% \text{ (1}^{\text{st}} \text{ year \% of difference used to set discount)} = 4.667\% \text{ (portion of the difference between rates used to set discount rate in the 1}^{\text{st}} \text{ year)}$$

$$1.027\% \text{ (Merrill Lynch index)} + 4.667\% \text{ (portion of difference between rates used to set discount rate in the 1}^{\text{st}} \text{ year)} = 5.69\% \text{ (discount rate to be used in calculating prepayment of contributions)}$$

There are several factors needed to calculate the discounted prepayment amount when contributions are paid early. Projected payroll amounts are the starting point for calculating the prepayment amount and are provided by plan sponsors for each rate group or plan they participate in and are prepaying contributions. The projected payroll amount is multiplied by the employer's contribution rate for the applicable rate group. Per the Code, only employer contributions paid by the employer and credited to the employer's account (not the employee's account) are eligible for the discount. More specifically, reverse pick up arrangements whereby employees pay a portion of the employer's required contribution and employer pick up arrangements whereby employers pay a portion of employee's required contribution are

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

excluded from the prepayment discount program. The resulting product is then divided by one plus the discount rate.

OCERS' staff compares the projected contribution amount to actual contributions throughout the period in order to ensure that the annual required contribution is collected.

Any investment variation caused by the timing of the contributions becomes a part of the normal actuarial valuation process – i.e., rates for the future will rise and fall based on the assets in the system. Therefore, no adjustment of the early contribution payment is made on the basis of actual returns during the year.

In addition to identifying an appropriate discount factor the Board has also adopted plan provisions that define the minimum prepayment amounts and established contribution payment time frames. The previously adopted policies required that employers prepay at least 50% of the estimated annual contribution in order to be eligible for the discount and established that prepaid contributions be received prior to either January 15th or July 15th.

Conclusion:

Staff recommends that the Board approve an early payment discount on employer contributions paid by the employer for contribution year July 1, 2014 through June 30, 2015 with the following terms:

- Payment must be received by January 15, 2014 to use a prepayment discount rate of either 7.25% or 5.69% (with the Board deciding whether to incorporate the new method discussed above to set the discount rate) when calculating the present value of discounted cash flows
- Payments received after January 15, 2014 but before July 15, 2014 will use a discount rate 3.625% or 2.845% (one half of the rate chosen above) when calculating the present value of discounted cash flows
- At least 50% of projected employer contributions for the year must be paid in order to participate in the program
- Contributions not paid early must be paid pro rata over the year with no discount being credited
- OCERS' staff will compare the payroll estimates used to calculate the prepayment amount for each participating plan sponsor to actual payroll each pay period. Should actual payroll be 5% greater than estimated payroll for four consecutive pay periods, the plan sponsor will be required to pay additional contributions each pay period for the additional salary above the projected salary used to calculate the prepayment (no discount would be applied to the additional amount)
- Plan sponsors that have more than one plan or rate group are required to provide the estimated pensionable salary separately for each plan or group
- Only employer contributions paid by the employer are eligible for the prepaid discount program (employee pick-ups and reverse pick-ups are ineligible)
- The application of the prepayment of contributions will be applied to pay periods 2014-15 through 2015-14

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

- OCERS will reconcile the prepaid contributions to the actual contributions at the end of the contribution year

Attached is a previous analysis from the Segal Company on this topic.

Prepared by:

A handwritten signature in black ink that reads "Brenda M Shott". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Brenda Shott
Assistant CEO, Finance and Internal Operations

DISCUSSION CALENDAR - AGENDA ITEM NO. 5
BUDGET AND FINANCE COMMITTEE MEETING
August 14, 2013

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Internal Control Review on Procurement/Disbursement Practices related to Cal Cards, Travel-related activities, and Fuel Usage**

Summary:

This agenda item is submitted to present the independent accountants' Agreed-Upon Procedures report of OCFA's internal control review on Procurement/Disbursement Practices related to Cal Cards, Travel-related activities and Fuel Usage.

Recommended Actions:

1. Receive and file the attached Independent Auditors' Report of Internal Controls on Procurement/Disbursement Practices related to Cal Cards, Travel-related activities, and Fuel Usage.
2. Direct staff to implement the corrective actions as stated in the attached report.

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. At the February 13, 2013, and March 13, 2013, Budget and Finance Committee meetings, the Committee approved the scope of work for the first year of the comprehensive internal control review. The scope included the following areas:

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

Review of Internal Controls on Procurement/Disbursement Practices related to Cal Cards, Travel-related activities, and Fuel Usage:

LSL conducted test work for the review on Procurement/Disbursement Practices related to Cal Cards, Travel-related activities and Fuel Usage in April 2013. Upon completion of its test work, LSL compiled a report of findings and submitted it to the OCFA for preparation of management responses. A copy of the report along with OCFA's management responses is included as an attachment.

All corrective actions stated in the Management’s Responses of the Independent Auditors’ Report of Internal Controls over Procurement/Disbursement Practices related to Cal Cards, Travel-related activities, and Fuel Usage have been implemented or are in the process of being implemented by staff.

Status on the Purchasing/Procurement Review:

The audit fieldwork is still being conducted and the report will be prepared following completion of the fieldwork.

Impact to Cities/County:

Not applicable.

Fiscal Impact:

None

Independent Auditor (Lance, Soll & Lunghard, LLP) Contact for Further Information:

Bryan Gruber, CPA

bryan.gruber@lslcpas.com

(714) 672-0022

Staff Contact for Further Information:

Jim Ruane, Finance Manager/Auditor

Finance Division

jimruane@ocfa.org

(714) 573-6304

Attachment:

Agreed-Upon Procedures Review on Procurement/Disbursement Practices related to Cal Cards, Travel-related activities, and Fuel Usage with OCFA responses



ORANGE COUNTY FIRE AUTHORITY

**Independent Accountant's Report on Applying
Agreed-Upon Procedures on
Procurement/Disbursement Practices related to
Cal Cards, Travel-related activities and Fuel
Usage**

May 9, 2013

Lance Soll & Lunghard, LLP

Orange County
Silicon Valley
Temecula Valley

www.lslcpas.com

- 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

Brandon W. Burrows, CPA, Retired

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Jim Ruane, Finance Manager / Auditor
Orange County Fire Authority
Irvine, California

We have performed the procedures enumerated in the sections below, which were agreed to by the Orange County Fire Authority (the Authority), solely to assist you with respect to the Procurement/Disbursement Practices related to Cal Cards, Travel-related activities and Fuel Usage. The agreed-upon period, in which was examined, was from July 1, 2012 to April 22, 2013. The Authority's management is responsible for the policies and procedures of the Procurement/Disbursement Practices related to Cal Cards, Travel-related activities and Fuel Usage. We have also performed a review of the control structure for the procurement/disbursement practices related to Cal Cards, Travel-related activities and Fuel Usage as outlined in the Internal Control section below; which was agreed to by the Authority, solely to assist the organization in evaluating its internal control structure applicable to the *Committee of Sponsoring Organizations (COSO)* internal control framework.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Authority. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

FUEL

Access to Fuel Tank Procedures

1. We obtained copies of policies and procedures and conducted interviews of personnel responsible for maintaining control over access to the fuel tanks to gain an understanding of responsibilities and processes surrounding the access to the fuel tanks, and to ensure that there is no unauthorized usage of fuel for vehicles other than those used for official Authority business.

Observation 1: We noted that there are 17 different locations that have fuel tanks throughout Orange County, and each tank is secured with a pad-lock that can only be opened by a 300 Series Key. We noted that certain policies did not exist to address a proper segregation of duties and certain individuals responsible for procuring fuel had access to keys.

Evaluation: Providing keys to individuals with the ability to order, receive, approve, or reconcile fuel creates a potential risk over unauthorized use.

Recommendation: A documented policy should be created which clearly establishes a segregation of these duties.



Jim Ruane, Finance Manager / Auditor
 Orange County Fire Authority
 Page 2

OCFA Management's Response:

OCFA agrees with the recommendation. Management will develop a new policy to define the roles and responsibilities of assigned key holders. Employees assigned with official keys will be required to sign a disclaimer form accepting the responsibilities as a key holder. The disclaimer form will be filed in the employee's personnel file.

Observation 2:

We noted certain policies did not exist over the assignment and maintenance of the key inventory including assignment of keys, updating employee status/position, determining whether continued access to a key is required, and terminations. It was also unclear whether duplication of keys was allowed to ensure inventory list is complete.

Evaluation:

For the use of a key to be effective, the control over who is granted access is crucial but considerations should also be made for who maintains access and whether continued access is required. Duplication of keys should not be allowed.

Recommendation:

A documented policy should be created which clearly identifies controls over key assignment, maintenance/changes, and terminations. Records should be continually updated for key access and there should be communication on staffing changes from human resources.

OCFA Management's Response:

OCFA agrees with the recommendation. Management will develop a new policy to define the roles and responsibilities of assigned key holders. Employees assigned with official keys will be required to sign a disclaimer form accepting the responsibilities as a key holder. The disclaimer form will be filed in the employee's personnel file.

Observation 3:

We noted there was not a formal "on-boarding" process by which an employee is instructed on policies and procedures and the employee acknowledges receipt of policies and agrees to follow. Important policies should address non-business use, safekeeping of keys, duplication of keys, reporting a lost/stolen key, and proper return of key when terminated or no longer needed.

Evaluation:

For the use of a key to be effective, the control over who has access is crucial and formal policies must be communicated

Recommendation:

A documented policy should be created which clearly identifies controls over key assignment, maintenance/changes, and terminations.



Jim Ruane, Finance Manager / Auditor
 Orange County Fire Authority
 Page 3

**OCFA Management's
 Response:**

OCFA agrees with the recommendation. Management will develop a new policy to define the roles and responsibilities of assigned key holders. Employees assigned with official keys will be required to sign a disclaimer form accepting the responsibilities as a key holder. The disclaimer form will be filed in the employee's personnel file.

Monitoring Fuel Tank Usage

2. We obtained copies of policies and procedures and conducted interviews of personnel responsible for monitoring fuel tank usage to gain an understanding of responsibilities and processes surrounding how usage was monitored and recorded, and to ensure that there is no unauthorized usage of fuel for vehicles other than those used for official Authority business.

Observation: We noted that the Authority's policy is for employees to sign a fuel usage log each time diesel or unleaded fuel is used from any of the 17 locations, however these logs are incomplete, not reconciled, and an inaccurate means to properly maintain controls over the usage of fuel. The logs do not contain enough data to allow for any meaningful review, and there is no way to determine if the logs are being completed every time fuel is used, or if fuel use is for an unauthorized purpose.

Evaluation 1: To properly safeguard fuel inventory and ensure proper business use there should be controls in place to confirm fuel is being appropriately used. A fuel usage log can provide a certain level of control over unauthorized use but to be useful there must be a mechanism to ensure completeness of the log and there must be sufficient information in the log to provide meaningful information in which to reconcile.

Recommendation: We recommend each tank maintain a separate log and that the logs be updated to include the following rows that employees are required to fill out each time fuel is dispensed:

Date
 Time
 Station ID#
 Vehicle License #
 Vehicle Mileage #
 Amount of fuel dispensed
 Total fuel remaining in tank (unconverted)
 Name of employee and signature
 Areas to indicate fuel level at beginning and end of the month
 Entries for the receipt of fuel



Jim Ruane, Finance Manager / Auditor
Orange County Fire Authority
Page 4

OCFA Management's Response:

OCFA agrees with the recommendation. Management will incorporate the recommended fields into our current station fuel log and make sure it is filled out properly after each use.

Evaluation 2:

To provide an accurate basis for reconciliation, there should be a monthly verification for the fuel tank level to confirm the beginning and ending levels of fuel reported on the log. The tank level should be verified using a dual count method prior to submitting to headquarters.

Recommendation:

We recommend a dual count be performed to record the beginning and ending balances of each month for each fuel tank owned by the Authority, and that the logs be sent to the Authority headquarters more timely to facilitate timely reconciliation.

OCFA Management's Response:

OCFA agrees with the recommendation. Monthly station fuel logs will be verified and reconciled against fuel ordered.

Evaluation 3:

If an employee were trying to conceal inappropriate fuel usage, they could falsify vehicle mileage in the fuel usage logs.

Recommendation:

We recommend a spot check of vehicle mileage be performed for vehicles at times designated by the Authority. This will allow the Authority to verify the accuracy of mileage reported in fuel usage logs.

OCFA Management's Response:

OCFA agrees with the recommendation. Mileage spot checks are conducted during routine maintenance and repair. Vehicle maintenance procedures include capturing current mileage for entry into the Fleet Services data base.

Evaluation 4

The Authority has various types of vehicles that vary with the average miles per gallon (mpg) usage. A listing should be maintained to know the license plate that corresponds to the type of vehicle and the average mpg usage. There is currently no way to verify the amounts used per vehicle is reasonable based on the mileage driven. The Authority should implement procedures to allow the usage per vehicle to be reconciled to the amounts dispensed per vehicle.

Recommendation:

We recommend vehicles be selected at random from each station and agree vehicles usage versus the amount reported as total mileage be reconciled. We also recommend that the Authority designate an individual at each station to obtain the starting mileage for each vehicle on the first day of the month, and to record this in a listing that can be provided to the Authority headquarters to facilitate reconciliation.



Jim Ruane, Finance Manager / Auditor
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**OCFA Management's
Response:**

OCFA agrees with the recommendation. Vehicle mileage should be updated each Monday by designated staff. "Mileage Mondays" is also used as a tool for our quarterly preventative maintenance calendar. Newer vehicles have a computer enabling access to mileage information but older vehicles do not have this feature available.

3. We selected a sample of fuel logs and compared to receiving reports maintained to ensure that the logs were complete, accurate, and were being reconciled in a timely manner.

Observation:

It was noted that although logs are being kept, there were many instances where only a portion of the line items had been properly filled out, and that there was no way to accurately reconcile the data in the way it was being managed and recorded. Logs for station #58 for the period of January 1, 2013 – March 31, 2013 indicated that 3,741.20 gallons of diesel fuel had been received while only 2,246.0 gallons had been reported dispensed per the logs. The tank at Station #58 holds a maximum of 1,500 gallons. The logs are only kept for 3 months at a time, and once the next quarter ends the previous 3 months' worth of data is destroyed.

Evaluation:

With the available data, we were not able to identify if the logs were complete, or if the amount reported as received was actually received by the Authority in the correct amount. We also noted that the tanks vary in size from 2,000 gallons to up to 4,000 gallon tanks. In that three month period, the variance of 1,495.20 gallons indicated that the tank may have been low on December 31, 2012, or low on April 1, 2013, or that the amount used was under reported for that period. Because the older data is shredded, there is no reliable means to know what the level of the tank was prior to January 1, 2013. Station #58 could have reported a variance in over receiving fuel in the previous quarter as well, indicating the logs were incomplete, but there is no way to know. The data is incomplete and the scope of the data is ineffective.

Recommendation:

See Recommendation to procedure 2 under Evaluation 1 for the appropriate method of completing fuel logs above. We also recommend that the person responsible for reconciling fuel usage use the improved data on the logs to reconcile the amount received to the amount reported used and that the Authority establish an acceptable tolerable variance for the fuel. If the variance is higher than the tolerable amount then it needs to be investigated further for incomplete entries or theft. We also recommend that the logs be scanned into the Authority information network prior to being destroyed and the scanned versions are stored according to the document retention policies established by the Board of Directors.



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**OCFA Management's
 Response:**

OCFA agrees with the recommendation. Management will incorporate the recommended fields stated in Procedure 2 under Evaluation 1 into our current station fuel log and make sure it is filled out properly after each use. We will incorporate procedures to reconcile the fuel logs on a regular basis and scan and retain the Fire Station Fuel Logs for 2 years.

Monitoring Fuel Tank Deliveries and Orders

4. We obtained copies of policies and procedures and conducted interviews of personnel responsible for monitoring fuel tank deliveries and orders to gain an understanding of responsibilities and processes surrounding how deliveries and orders are monitored and recorded, and to ensure that the amounts paid for by the Authority were properly received and that unauthorized purchases are not made.

Observation:

The vendors that provide fuel to the Authority come at random intervals based on the needs of each station, but there are no controls in place to verify the amounts reported dispersed by the vendor was actually received by the Authority.

Evaluation:

If the logs are updated according to recommendation from procedure 2 under Evaluation 1 then it would be reasonably easy to determine when a delivery was received because the ending level of the tank would go from a lower number (3,4, or 5) to a higher number(7,8,9,10,etc.). If the logs had a date and time associated with each usage, then the delivery date and time frame would be known by the Authority, and invoices could be reconciled to the change in the levels of the tank. For example, assume a station had a log with a line item that listed the read of the tank was at 3.15 at 2 pm on the 5th. Then the next line item on the log stated the ending balance was 10.5 at 4 pm and they dispensed 10 gallons of fuel. In this case, it would be clear that fuel was received, and that the amount received could be reasonably estimated. That number at 3.15 might represent 500 gallons and the number at 10.5 might represent 1,250 gallons. This would mean the Authority received roughly 760 gallons of fuel (750 gallon difference on line items plus the 10 gallons of fuel used for the vehicle). The person performing the reconciliations could then compare the fuel invoice that stated the Authority was said to receive 760 gallons of fuel at 3:30 pm for \$xxx. The Authority could be reasonably confident they actually received the amount they are paying for because the logs clearly show the time and amount of fuel received.

Recommendation:

We recommend that the logs be completed properly according to the recommendation from procedure 2 under Evaluation 1, and that the logs be reconciled to the invoices. The person reconciling the invoices to the usage should have a chart of the conversion rates per station in order to facilitate this process.



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**OCFA Management's
 Response:**

OCFA agrees with the recommendation. Each fuel delivery receipt will be reconciled to the corresponding invoice and order log by the Administrative Assistant and reviewed by the Fleet Services Manager. When a high variance is detected the Fleet Coordinator will conduct an inventory review.

Reconciling Fuel Tank Activities

5. We obtained copies of policies and procedures and conducted interviews of personnel responsible for reconciling fuel tank activities to gain an understanding of responsibilities and processes surrounding reconciliations monitored and recorded, and to ensure the reconciliations are properly reviewed.

Observation:

Reconciliations of fuel activities are not performed for each station. An excel spreadsheet is kept on an employee computer that reconciles the invoices to the amounts ordered, but no one else is reviewing this schedule. There are no reconciliations performed for individual engines, stations, or amounts received to what was invoiced.

Evaluation 1:

Because the employee has the authority to purchase new fuel and reconcile the fuel activities, someone independent of the ordering function should perform a review of her reconciliations on a monthly basis, and investigate any discrepancies.

Recommendation:

We recommend a supervisor review the reconciliations performed by the employee each month and investigate any discrepancies noted.

**OCFA Management's
 Response:**

OCFA agrees with the recommendation. Each fuel delivery receipt will be reconciled to the corresponding invoice by the Administrative Assistant and reviewed by the Fleet Services Manager. When a high variance is detected the Fleet Coordinator will conduct an inventory review.

Evaluation 2:

Reconciliations have not been performed each month or quarter for fire stations and documentation has only been retained for 3 months at a time. These procedures make it very difficult to verify the fuel is being used properly, properly safeguarded, and the amounts paid for have actually been received. With the proper documentation, the Authority should be able to determine the amount of fuel used each month, the remaining fuel balance left at the beginning and end of the month, and the total amount of additional fuel received during the month. With these figures known and timely submitted to the Authority headquarters, reconciliations could be performed for each station in a short amount of time. If a station is not properly filling out the logs or the reconciliations result in a variance above the tolerable limit there should be inquiries made. These reconciliations should also be reviewed by a supervisor.



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Recommendation: We recommend monthly reconciliations be performed for each station that dispenses fuel, and that the logs be submitted to Fleet Services no later than the 5th day of the following month to facilitate timely reconciliations. We also recommend a supervisor review the reconciliations and investigate any discrepancies or variances above the tolerable limit. We also recommend that the fuel logs and other items used in the reconciliation process be scanned and stored on the Authority network according to the Authority's document retention policy.

OCFA Management's Response: OCFA agrees with the recommendation. We will incorporate procedures to reconcile the fuel logs on a regular basis and scan the fuel logs along with other supporting documents and retain them for 2 years.

Voyager Fuel Cards

6. We obtained copies of policies and procedures and conducted interviews of personnel responsible for the handling of transactions related to the voyager fuel cards to gain an understanding of responsibilities and processes surrounding usage, monitoring and reconciling the activities related to the voyager cards.

Observation 1: Each vehicle owned by the Authority has a fuel card associated with it in the glove compartment that is only meant to be used in emergencies. Statements are sent monthly to the Authority and reviewed. Employees are told to keep their receipts for 90 days in case any questions. No reconciliations are performed and only general inquiries are made regarding the majority of the transactions. The statements are stored in a file cabinet for one year at a time. Only one employee reviews these statements. During our observations, LSL selected a random sample of 10 transactions from the period ending April 24, 2013 and of those 10, only 7 employees had receipts supporting the charges to the cards.

Evaluation: Each of the Voyager card statements need to be reviewed and reconciled. The lack of controls makes it difficult to verify there has not been any fraudulent activity related to the voyager cards. Employees that use Voyager cards need to submit the receipts to the Authority Headquarters on a monthly basis to facilitate the reconciliation process. The receipts should be matched to the statements and any unusual transactions should be investigated. A supervisor or the Finance Department should review the reconciliations and verify the activities had a proper business purpose.

Recommendation: We recommend receipts be sent to employee handling on a monthly basis and that the employee reconciles all receipts to Voyager card statements. We also recommend that a Supervisor review the reconciliations performed by the employee. Statements should be scanned and stored on the Authority network according to the document retention policy established by the Board of Directors.



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**OCFA Management's
 Response:**

OCFA agrees with the recommendation. Receipts can be obtained through Voyager and be used as part of the reconciliation process by the Administrative Assistant and reviewed by the Fleet Services Manager. Monthly statements will be filed with the original invoice in the Finance Department.

OVERALL RECOMMENDATION FOR FUEL USAGE

The comments and recommendations above attempt to reflect some suggestions for improvement with existing infrastructure and technologies in place. Because the Authority is using an antiquated system and process, there are limitations in the control structure and controls are not necessarily all preventive but rather detective controls that may detect issues after the incident occurred rather than prevent from occurring. We recommend that the Authority investigate the options of installing modern technologies that will allow for electronic verification and controls to be put into place that will alleviate many of the observations noted above.

We also strongly recommend that the Authority establish documented new policies and procedures as it relates to fuel usage and that those policies be adopted by the Board of Directors and strictly adhered to.

CAL CARDS

Documentation

1. We obtained copies of policies and procedures and conducted interviews of personnel responsible for documentation related to Cal Cards to gain an understanding of responsibilities and processes surrounding the controls over Cal Cards and who has access to this information.

Observation: We noted that employees are assigned to sign a "Request for Procurement Card" to initially receive a Cal Card and a "Procurement Card Receipt" form once the card is actually received. For any changes to credit card limits a "Request for Change to Existing Procurement Card" form must be filled out. It was noted that these procedures had been implemented after Cal Cards had been issued and there are multiple cases in which forms were not stored in the employees file.

We selected a sample of 15 card holders with transactions occurring throughout the period and noted documentation in the employee file was incomplete for 3 of those 15 card holders.

Evaluation: These controls are in place to verify the employee has been sufficiently trained on the proper use of Cal Cards and what is acceptable. The agreements also act as a form of protection for the Authority as it states the Cal Cards will only be used for proper business purposes. Without this signed agreement, it opens the Authority up to fraud and misuse.

Recommendation: We recommend that each employees file have at a minimum the "Request for Procurement Card" form and the "Procurement Card Receipt" form.



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OCFA Management's Response:

OCFA agrees with the recommendation. Purchasing staff will contact the cardholders to request the missing paperwork. If it is not received within the allowable time, the cards will be suspended until paperwork is received. It is estimated this will be completed by September 30, 2013.

Use of Cal Card

2. We obtained copies of policies and procedures and conducted interviews of personnel who use Cal Cards to gain an understanding of the various ways Cal Cards are being utilized and the controls over purchases made with the Cal Cards.

Observation:

We noted that there are a total of 389 outstanding Cal Cards that employees of the Authority carry with them and 43.2% of those employees use them between zero to one time per year. The Authority has stated these Cal Cards are needed for emergency purchases or for small, frequently routine transactions for which purchase orders are not accepted or not useful.

Evaluation:

With a number of cards outstanding, many of which are not being used based on our review, there are additional risks in managing the additional cards. We noted that a number of cards had to be closed due to fraudulent activity reported on the card. Additional cards that appear to be not necessary may increase risk of loss exposure for fraudulent reporting.

Recommendation:

We recommend that the Authority reconsider its current policy for distributing Cal Cards to determine if the number of outstanding cards can be decreased.

OCFA Management's Response:

OCFA agrees with the recommendation. There will be a review of the current Cal Card holders and determine the need. As of this time, all Captains that are issued Cal Cards will remain regardless of frequency of use. Each Captain should have access to purchase goods when needed in unforeseen emergency situations.

Approval of Purchases

3. We obtained copies of policies and procedures and conducted interviews of personnel responsible for approval of purchases related to Cal Cards to gain an understanding of responsibilities and processes surrounding the controls over Cal Cards and who approves the purchases.

Observation:

We noted that employees are required to sign the US Bank Statements stating they have reviewed the charges and all charges are for appropriate business purposes. A Battalion Chief or a Supervisor is also supposed to sign the US Bank statement stating they have reviewed the charges and have approved the amounts listed on the statement. We noted there were instances where statements have not been signed by one or both of the employees that are required to sign the statements.



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According to page 6 of the Standard Operating Procedures document for Cal Cards dated March 30, 2009, the Statements are also due into the Accounts Payable Department within 10 working days of receipt of the statement. This has been difficult to monitor because of the vast amount of Cal Cards outstanding and because the Authority doesn't have a way to verify when or if the statements have been received by individual card holders.

We selected a sample of 15 different US Bank Statements throughout the period and noted only two statements were submitted to the Accounts Payable Department within 8 days of the statement date. Without the proper procedures and documentation in place, it is not possible to determine when the individual card holder received the statement. Therefore the requirement of submitting bank statements to the Accounts Payable Department within 10 working days cannot adequately be enforced.

Evaluation: Accounts Payable personnel spend time contacting card holders and battalion chiefs to make sure the charges are appropriate due to a lack of approving signatures. The Authority should also monitor the distribution of US Bank Statements. This would ensure deliveries are made timely and help to verify statements were received and ample time was given to card holders to get the appropriate signatures and support.

Recommendation: We recommend that the Authority keep track of card holders that continually submit improper documentation and support and issue appropriate corrective action. We also recommend that an electronic delivery system or online retrieval system be implemented that would ensure card holders have access to the statements on a specific date. The Authority can then have a set date by which all statements should be received and can enforce that policy and ensure compliance with the Procurement card policies and procedures.

OCFA Management's Response: OCFA agrees with the recommendation. Accounts Payable and Information Technology are working on Cal Card automation that will address all recommendations above: Read receipt, electronic delivery system, and update SOP to include new Cal Card design.

Monitoring of Purchases

4. We obtained copies of policies and procedures and conducted interviews of personnel responsible for monitoring and purchases related to Cal Cards to gain an understanding of responsibilities and processes surrounding the controls over Cal Cards and who verifies the purchased items were actually received.

Observation: There are no policies and procedures in place or documented in the Standard Operating Procedures document that specify how to verify the purchased items were actually received. Some vendors will issue gift cards for returned items instead of issuing credits to the card holder's cards and it opens up the Authority to the misuse of Cal Cards.



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Evaluation: If there are no policies in place to inventory items purchased with Cal Cards then there are no controls in place to verify items are not stolen, taken back, or never received. If an employee has to check items into the service center or their supervisor then the item can be logged and verified it actually exists. If that item needs to be returned the employee should let the supervisor or service center know prior to returning the item.

Recommendation: We recommend that the Authority include written procedures for verifying items have been received and that card holders must follow certain steps before returning items to vendors.

OCFA Management's Response:

OCFA agrees with the recommendation. An update to the SOP can describe the steps an employee should take when returning goods/services purchased. In addition, the new CALCard process will include a statement for the employee to certify that reads:

"I certify that the items purchased have been received and are for official OCFA business use only. I understand that all business expenses incurred are available to the public upon request."

The approving official will certify:

"I have reviewed the items purchased have been received and are for official OCFA business use only. I understand that all business expenses incurred are available to the public upon request."

TRAVEL

Documentation

1. We obtained copies of policies and procedures and conducted interviews of personnel responsible for documentation related to travel related expenses to gain an understanding of responsibilities and processes surrounding the controls over travel reimbursements and who has access to this information.

Observation: During our interviews and test work we noted that various forms and checklists are required to be filled out for Overnight and Same Day Travel, but there are no forms or check lists required for In County Travel.

Evaluation: The Checklists and forms that are filled out prior to an event serves as support that this event was properly approved by a Supervisor.

Recommendation: We recommend a checklist or form to be filled out by any employee requesting In County travel, and that this form is filled out prior to the event.



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OCFA Management's Response:

OCFA agrees with recommendation. The Same Day Travel Expense Checklist will be updated to read:

"Same Day (In/Out of-County) Travel Expense Checklist."

Reporting Travel expenses

2. We obtained copies of policies and procedures and conducted interviews of personnel responsible for reporting travel related expenses to gain an understanding of responsibilities and processes surrounding the controls over reporting travel expenses and how this information is processed by the Authority.

Observation: We noted that the Authority uses one general ledger account to record all travel related expenses, including but not limited to external and in-house training, Board stipends, and many other miscellaneous and incidental expenses. We also selected a sample of travel related expenses for the period and although all travel related expenses were reconciled, the process was difficult and required detailed research by Authority staff.

Evaluation: Without segregating the different charges between general ledger accounts or sub-accounts it can make reconciling the travel expenses more difficult.

Recommendation: We recommend the Authority establish sub-accounts of the 2701 account grouping so that the Authority can distinguish between various travel related expenses, which would allow for easier reconciliation of account groups.

OCFA Management's Response:

OCFA does not agree with the recommendation. The travel spreadsheet is not meant to match the general ledger expenses. The reconciliation is detailed and challenging due to the various components and volume of OCFA personnel. At this time, OCFA will not be adding any additional sub-accounts.

Standard Operating Procedures

3. We obtained copies of policies and procedures and conducted interviews of personnel responsible for reviewing policies and procedures to gain an understanding of responsibilities and processes surrounding the controls over the standard operating procedures.

Observation: We noted the standard operating procedures document does not indicate that an audit of the reimbursement forms and receipts will be conducted, nor how to handle travel expenses incurred in excess of those described in the operating procedures.

Evaluation: These items should be included in the standard operating procedures because this document is used as a set of guidelines and controls over travel reimbursements.



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Recommendation: We recommend that the Authority update the standard operating procedures to include a section that mentions an audit/reconciliation will be performed for all travel reimbursement requests and how excess travel expenses will be handled.

OCFA Management's Response: OCFA agrees with the recommendation. An update to the SOP will clarify that the reconciliation is performed by Accounts Payable and emailed to the employee to review.

We were not engaged to, and did not; conduct an audit, the objective of which would be the expression of an opinion on the internal controls of Orange County Fire Authority Procurement/Disbursement Practices related to Cal Cards, Travel-related activities and Fuel Usage. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Orange County Fire Authority and is not intended to be, and should not be, used by anyone other than the specified party.

Lance, Soll & Lingham, LLP

Brea, California
May 9, 2013

DISCUSSION CALENDAR - AGENDA ITEM NO. 6
BUDGET AND FINANCE COMMITTEE MEETING
August 14, 2013

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Craig Kinoshita, Deputy Fire Chief

SUBJECT: **Board Member Request for Salary and Benefit Survey**

Summary:

This agenda item is submitted to the Budget and Finance Committee for consideration of a request from Director Barnett, Villa Park, that the Board of Directors consider conducting a salary and benefit survey for entry level firefighters.

Recommended Action:

Review the proposed agenda item and provide direction to staff regarding any recommendations that the Budget and Finance Committee would like forwarded to the Board of Directors at its September 26, 2013, meeting regarding the proposed salary and benefit survey.

Background:

This agenda item is submitted to the Budget and Finance Committee in response to a request made by Director Barnett (Villa Park) at the Board meeting of July 25, 2013, that a salary and benefit survey be conducted by an independent third-party consultant to determine the salary and employee benefit (S&EB) levels that would be required by prospective candidates interested in becoming entry level firefighters with OCFA. Director Barnett indicated a desire to have independent information about these S&EB requirements from the pool of prospective candidates, rather than relying on a survey of comparable fire departments.

Identification of Prospective Candidates

In order to perform the requested survey, an independent consultant would first need to identify the target audience which is perceived to represent the pool of prospective candidates. The most recent OCFA recruitment for entry level firefighters produced a total of 1,175 applicants. Of those applicants, 675 or 57% of the applicants passed the written test. In addition to the minimum requirements, qualifying applicants possessed the following qualifications:

- 21% held Paramedic certifications
- 78% held Emergency Medical Technician certifications
- 23% held Firefighter 1 certifications
- 62% had completed a Fire Academy
- 7% had military experience

The current labor market yields more candidates for OCFA's entry level firefighter position than the number of positions that the OCFA typically has available; therefore, some may conclude that a lower compensation package could be offered without compromising our ability to fill vacancies. However, based on a 57% pass rate on the written exam, a reduction in the

compensation package may result in fewer qualified candidates. In addition, as demonstrated by the above profile of our recent recruits, OCFA is attracting highly qualified individuals, from a variety of education and career backgrounds, which provides for a high success rate of entry level candidates who graduate from the OCFA's Fire Academy (approximately 90-95%). If a survey were to be conducted, properly identifying the appropriate pool of prospective candidates could be relatively challenging.

Potential Recruitment or Retention Impacts

Should the OCFA choose to utilize entry level salaries and/or benefit packages that are materially less than other Orange County/Southern California Fire Departments, the OCFA could see a reduction in the skill-sets of future candidates who apply for our vacancies. This could result in the need for additional training for newly hired firefighters, and/or a lower success rate in graduating candidates from the Academy. Further, the OCFA could potentially suffer a delayed negative impact in which our newer trained firefighters might be recruited away to other higher-paying agencies, *after* we have invested time and taxpayer funds in the hiring and training process for these recruits. The cost of training and trainee-pay provided during the Academy is estimated at \$40,000 per employee.

Potential Use of Survey Results

If the Board of Directors desires to make changes in S&EB levels for entry-level firefighters (or other classifications) as a result of this proposed survey, the change would need to be accomplished through labor negotiations, amendments would need to be made to OCFA's Memorandum of Understanding with the applicable labor group(s), and OCFA's salary table would require amendments. Amendments to the salary table would need to take into consideration the impact of the salary change on the complete career ladder for the firefighter ranks and Chief Officers.

Impact to Cities/County:

Not applicable.

Fiscal Impact:

Not applicable.

Staff Contact for Further Information:

Craig Kinoshita, Deputy Fire Chief

Craigkinoshita@ocfa.org

(714) 573-6014

Attachments:

None

DISCUSSION CALENDAR - AGENDA ITEM NO. 7
BUDGET AND FINANCE COMMITTEE MEETING
August 14, 2013

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Equity Working Group Status Report**

Summary:

This item is submitted to provide a status update regarding the work that has been underway with the Equity Working Group.

Committee Action:

At its July 17, 2013, meeting, the Equity Working Group Ad Hoc Committee directed staff to provide an update to the Budget & Finance Committee regarding a potential equity mitigation option under consideration.

Recommended Action:

Review the proposed equity mitigation option referred to as the Hybrid Model and provide input to staff for further discussion with the Equity Working Group Ad Hoc Committee.

Background:

In March 2012, the Board of Directors took action to form an Ad Hoc Committee for the purposes of studying equity issues, and evaluating the merits of performing an updated Equity Study. Following that action, the Ad Hoc Committee (otherwise known as the Equity Working Group) was formed and work has been underway, as directed. The Equity Working Group (EWG) is comprised of the following Committee members:

1. Steve Weinberg, Board Member, Dana Point, Structural Fire Fund (SFF) – Committee Chair
2. Al Murray, Board Member, Tustin, Cash Contract City (CCC) – Committee Vice Chair
3. Larry Agran replaced by Jeff Lalloway, Board Members, Irvine, SFF
4. Trish Kelley, Board Member, Mission Viejo, SFF
5. Troy Butzlaff, City Manager, Placentia, CCC
6. Bruce Channing, City Manager, Laguna Hills, SFF
7. Bob Dunek, City Manager, Lake Forest, SFF
8. Sean Joyce, City Manager, Irvine, SFF
9. Steve Franks, County CEO Delegate, SFF

Initial recommendations developed by the EWG included:

- The EWG recommended that an updated Equity Study *not be performed*, as this topic had already been studied extensively in the past.

- The EWG recommended that discussions continue regarding potential options for mitigating the equity concerns.

As the EWG engaged in discussions for mitigating equity concerns, personnel from the City of Irvine expressed an interest to retain the services of Emergency Services Consulting, Inc. (ESCi) for performance of an Irvine Fire Department Feasibility Study. Since ESCi had already been retained by OCFA for performance of a Standards of Cover analysis (i.e., a study to review OCFA's service deployment and response time standards), ESCi indicated that its existing contract with OCFA presented a potential conflict of interest unless the OCFA Board granted a waiver. As a result, Irvine personnel requested that OCFA waive the conflict of interest, which the OCFA Board approved at its meeting on May 23, 2013. The City of Irvine will be working with ESCi for performance of this study over the next six months.

Meanwhile, OCFA staff, Irvine staff, and the EWG have continued dialogue to identify potential options for mitigating equity concerns. The following are some statistics regarding the work that has been underway during the past year:

- 5 formal meetings have been held with the EWG
- 12 informal meetings have been held with OCFA staff and Irvine staff
- 22 outreach/education meetings have been held with individual OCFA Board Members and/or City Managers
- 17 proposals have been exchanged for options to mitigate the equity concerns
- 9 of the 17 options were proposed by staff from the City of Irvine
- 8 of the 17 options were proposed by OCFA staff

In exchange for the equity mitigation measures proposed on behalf of Irvine, OCFA staff has discussed the inclusion of a provision which would commit the City of Irvine to remain with OCFA through the end of the current Joint Powers Agreement term, which is June 30, 2030.

At the last EWG meeting on July 17, 2013, OCFA staff recommended that the Committee move forward with pursuit of the option referred to as the Hybrid Model, identified as item 15 on Attachment 1. Staff has evaluated all of the options listed on Attachment 1 against OCFA's long-term financial forecast to assess feasibility and concluded that the Hybrid Model with the 3.5% cap on Irvine's annual SFF property tax growth is the greatest-valued formula that should be offered in the form of a solution to mitigate Irvine's equity concerns. Formulas producing greater-valued rebates to Irvine begin to approach and/or exceed the net values OCFA might lose should Irvine exercise its option to withdraw from OCFA in 2020, and potentially compromise OCFA's financial stability. A detailed calculation to demonstrate the Hybrid Model, applied for the City of Irvine, is provided as Attachment 2. A summary identifying the application of the Average Structural Fire Fund Tax Rate Rebate model (a portion of the Hybrid Model) on behalf of all eligible members is provided as Attachment 3. Finally, a long-term financial forecast reflecting the entire equity impact is provided as Attachment 4.

In discussing the Hybrid Model, at its July 17, 2013, meeting, the EWG took the following actions:

- City of Irvine representatives agreed to review the Hybrid Model with the Irvine City Council to obtain preliminary feedback regarding the proposal
- OCFA staff was directed to:
 - Obtain an independent, third-party review of the long-term financial forecast to assess the feasibility of the forecast assumptions and verify the accuracy of the mathematical formulas
 - Schedule meetings with OCFA City Manager groups and labor/management groups for further review and input to the Hybrid Model
 - Provide an update to the Budget and Finance Committee and seek additional input
 - Develop a task list and timeline for potential actions that need to be completed to pursue approval of the Hybrid Model, aiming to request approval from the Board of Directors at its meeting of September 26, 2013.

The OCFA has several important financial matters to focus on, including but not limited to expedited payment of our unfunded pension liability, standards of cover/deployment study, and upcoming labor negotiations. Staff intends to begin presenting options for addressing these issues in September; therefore, timing is of the essence in gaining closure to the equity issues. Staff believes the window of opportunity for resolving equity may begin to close should we fail to approve a concept for solution by September.

Impact to Cities/County:

Resolution of the equity concerns expressed by the City of Irvine in a manner that would gain its commitment to remain with OCFA through June 30, 2030, would provide significant long-term organizational stability for OCFA and all member agencies. Further, it is important to note that the proposed Hybrid Model will have no impact on Cash Contract Cities' annual charges.

Fiscal Impact:

The proposed Hybrid Model is estimated to provide the City of Irvine with funding of approximately \$123.6 million over the next 17 years, through June 30, 2030. Total funding provided to all other eligible agencies under the Hybrid Model is estimated at \$50.1 million over the next 17 years, for a combined total of \$173.7 million.

The 5-year phase-in factor associated with the Hybrid Model on behalf of the City of Irvine remains under discussion, with OCFA staff assessing the financial feasibility of eliminating the phase-in for the City of Irvine only. This amendment would increase the value of the Hybrid Model for Irvine by \$11 million over the first five years.

Staff Contacts for Further Information:

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Attachments:

1. Equity Mitigation Options Explored
2. Hybrid Model – Detailed Calculation for the City of Irvine
3. Hybrid Model – Summary w/Average SFF Tax Rate Rebate Model for all Eligible Agencies
4. Long-Term Financial Forecast

**Orange County Fire Authority Equity Working Group
Mitigation Ideas Explored on Behalf of Irvine**

Equity Mitigation Ideas Explored	Date Proposal Submitted	Proposal Submitted By	Allowed Uses of Revenue	Stakeholder Concerns or Support
1. Increased Frequency / Mandatory Allocations to SFF Entitlement Fund	August 15, 2012	OCFA	Restricted use for Fire & Emergency Services only	Lacked support from Irvine personnel
2. Modified Factors / Formula for Allocations to SFF Entitlement Fund	August 15, 2012	OCFA	Restricted use for Fire & Emergency Services only	Lacked support from Irvine personnel
3. Irvine Withdrawal from OCFA & Formation of Irvine Fire Department	October 17, 2012	Irvine	n/a	Option remains under consideration by Irvine
4. True Library Model - Freeze Revenue to OCFA @ Base Year + 2% Growth (Set-Aside Prop Tax Trust Fund)	October 17, 2012	Irvine	Restricted use for Fire & Emergency Services only	Lacked support from Equity Group due to high dollars produced <i>and</i> restricted use; deemed unfeasible
5. Modified Library Model - Cap Revenue to OCFA @ Prior Year SFF + 2% Growth, no Base Year (Set-Aside Prop Tax Trust Fund)	October 17, 2012	OCFA	Restricted use for Fire & Emergency Services only	Lacked support from Irvine personnel
6. Modified No-Growth Library Model - Freeze Revenue to OCFA @ Base Year + 0% Growth (Set-Aside Prop Tax Trust Fund)	January 29, 2013	Irvine	Restricted use for Fire & Emergency Services only	Lacked support from Equity Group due to high dollars produced <i>and</i> restricted use; deemed unfeasible
7. Ease Legislative Restriction on Use of SFF Dollars	February 4, 2013	Irvine	n/a	Lacked support from some Equity members and labor groups; support essential to achieve the legislation
8. Construction of Joint IPD Headquarters & Fire Facility (OCFA Bond Financing or Cash Contributions)	February 20, 2013	OCFA	Dedicated use for Joint Facility Construction Costs	Requires issuance of bonds; potentially requires legislation to allow SFF dollars to fund discrete project
9. Pass-Through of Unrestricted Cash Contract Dollars	February 20, 2013	Irvine	Unrestricted	Deemed potentially feasible option, pending further development of formula
10. Irvine Conversion from SFF to Cash Contract City	February 20, 2013	Irvine	n/a	Requires City to withdraw from SFF & negotiate property tax exchange with County – 2018-2020
11. RDA Residual Model – Carve-Off Future Tax Increment Flowing to OCFA from RDA Residual (Set-Aside Prop Tax Trust Fund)	March 20, 2013	OCFA	Restricted use for Fire & Emergency Services only	Lacked support from Irvine personnel

**Orange County Fire Authority Equity Working Group
Mitigation Ideas Explored on Behalf of Irvine**

12. Average SFF Rate Rebate Model (Applicable to Eligible SFF Members via Formula)	April 18, 2013	OCFA	Unrestricted	Lacked support from Irvine personnel
13. Modified Library Model - Freeze Revenue to OCFA @ Base Year + 2% Growth (Rebate to City)	June 12, 2013	Irvine	Unrestricted	Lacked support from OCFA personnel; deemed unfeasible with OCFA finances
14. Modified Library Model - Freeze Revenue to OCFA @ Base Year + 3% Growth (Rebate to City)	June 12, 2013	Irvine	Unrestricted	Lacked support from OCFA personnel; deemed unfeasible with OCFA finances
15. Hybrid Model - Average SFF Rate Rebate & Modified Library Model of 3.5% Cap on Net SFF Revenue (Rebate to City)	June 26, 2013	OCFA	Unrestricted	Option remains under consideration by all parties
16. Hybrid Model - Average SFF Rate Rebate & Modified Library Model of 2.5% Cap on Net SFF Revenue (Rebate to City)	July 10, 2013	Irvine	Unrestricted	Lacked support from OCFA personnel; deemed unfeasible with OCFA finances
17. Discontinue Equity Discussions & Remain Status Quo	July 17, 2013	OCFA	n/a	Option remains under consideration by the Equity Working Group

Orange County Fire Authority
Equity Discussions - City of Irvine
Option 1 - Hybrid Model

FY	1% of Total AV (1)	Average SFF Tax Rate for Irvine	SFF Revenue from Irvine	Average SFF Tax Rate for OCFA Jurisdiction	Revenue from Irvine Using Average SFF Tax Rate	Rebate Calculation	(a)			(b)		(a+b)
							Step 1	Step 2	Final Result	Rebates to Irvine w/5-Year Phase-In	SFF Revenue from Irvine Net of Rebates	Annual Growth for Net SFF Revenue
2012-13	480,404,001	12.41%	59,635,863									
2013-14	494,215,649	12.41%	61,350,399	11.56%	57,131,329	4,219,070	-	61,350,399	2.88%	61,723,119	-	-
2014-15	512,524,473	12.41%	63,623,199	11.56%	59,247,829	4,375,370	1,093,843	62,529,357	1.92%	63,883,428	-	1,093,843
2015-16	536,759,952	12.41%	66,631,717	11.56%	62,049,450	4,582,266	2,291,133	64,340,583	2.90%	66,119,348	-	2,291,133
2016-17	561,297,951	12.41%	69,677,788	11.56%	64,886,043	4,791,744	3,593,808	66,083,979	2.71%	68,433,525	-	3,593,808
2017-18	586,224,814	12.41%	72,772,131	11.56%	67,767,588	5,004,543	5,004,543	67,767,588	2.55%	70,828,698	-	5,004,543
2018-19	612,604,930	12.41%	76,046,877	11.56%	70,817,130	5,229,747	5,229,747	70,817,130	4.50%	73,307,703	-	5,229,747
2019-20	640,172,152	12.41%	79,468,986	11.56%	74,003,901	5,465,086	5,465,086	74,003,901	4.50%	75,873,472	-	5,465,086
2020-21	668,979,899	12.41%	83,045,091	11.56%	77,334,076	5,711,014	5,711,014	77,334,076	4.50%	78,529,044	-	5,711,014
2021-22	699,083,994	12.41%	86,782,120	11.56%	80,814,110	5,968,010	5,968,010	80,814,110	4.50%	81,277,560	-	5,968,010
2022-23	730,542,774	12.41%	90,687,315	11.56%	84,450,745	6,236,571	6,236,571	84,450,745	4.50%	84,122,275	328,470	6,565,040
2023-24	763,417,199	12.41%	94,768,244	11.56%	88,251,028	6,517,216	6,517,216	88,251,028	4.50%	87,066,555	1,184,474	7,701,690
2024-25	797,770,973	12.41%	99,032,815	11.56%	92,222,324	6,810,491	6,810,491	92,222,324	4.50%	90,113,884	2,108,440	8,918,931
2025-26	833,670,667	12.41%	103,489,292	11.56%	96,372,329	7,116,963	7,116,963	96,372,329	4.50%	93,267,870	3,104,459	10,221,422
2026-27	871,185,847	12.41%	108,146,310	11.56%	100,709,084	7,437,226	7,437,226	100,709,084	4.50%	96,532,245	4,176,838	11,614,065
2027-28	910,389,210	12.41%	113,012,894	11.56%	105,240,993	7,771,902	7,771,902	105,240,993	4.50%	99,910,874	5,330,119	13,102,020
2028-29	951,356,724	12.41%	118,098,475	11.56%	109,976,837	8,121,637	8,121,637	109,976,837	4.50%	103,407,755	6,569,083	14,690,720
2029-30	994,167,777	12.41%	123,412,906	11.56%	114,925,795	8,487,111	8,487,111	114,925,795	4.50%	107,027,026	7,898,769	16,385,880
			1,510,046,560		1,406,200,592	103,845,967	92,856,301	1,417,190,259		1,401,424,380	30,700,652	123,556,953

(1) Growth is as projected by RSG through 2017/18 (overall for secured and unsecured). Thereafter, growth is 4.50% based on an average of the prior three years.

(2) Rebates cannot exceed the amount of unrestricted revenue available from OCFA. In the event there is insufficient unrestricted revenue, Average SFF Rebates will be issued first, then Cap Rebates, NTE the amount available. It is highly unlikely that rebates will exceed unrestricted revenue.

Orange County Fire Authority
Summary of Hybrid Model, with Average SFF Tax Rate Rebate Model for all Eligible Agencies
FY 2013/14 through 2029/30

	Fiscal Year	Irvine	Laguna Woods	Rancho Santa Margarita	San Juan Capistrano	County Unincorporated	Total by Fiscal Year
1	2013/14 (*)	-	-	-	-	-	-
2	2014/15 (*)	1,093,843	6,518	127,231	38,743	464,686	1,731,022
3	2015/16 (*)	2,291,133	13,456	262,481	81,431	959,144	3,607,646
4	2016/17 (*)	3,593,808	20,908	407,570	128,087	1,495,578	5,645,951
5	2017/18 (*)	5,004,543	28,826	561,576	176,538	2,070,614	7,842,098
6	2018/19	5,229,747	29,807	580,311	184,374	2,146,474	8,170,712
7	2019/20	5,465,086	30,821	599,670	192,557	2,225,113	8,513,247
8	2020/21	5,711,014	31,870	619,675	201,104	2,306,633	8,870,296
9	2021/22	5,968,010	32,954	640,347	210,030	2,391,139	9,242,481
10	2022/23	6,565,040	34,075	661,709	219,352	2,478,742	9,958,919
11	2023/24	7,701,690	35,234	683,784	229,089	2,569,554	11,219,350
12	2024/25	8,918,931	36,433	706,595	239,257	2,663,693	12,564,909
13	2025/26	10,221,422	37,672	730,167	249,876	2,761,280	14,000,418
14	2026/27	11,614,065	38,954	754,525	260,967	2,862,444	15,530,955
15	2027/28	13,102,020	40,279	779,696	272,551	2,967,313	17,161,859
16	2028/29	14,690,720	41,649	805,707	284,648	3,076,024	18,898,749
17	2029/30	16,385,880	43,066	832,586	297,282	3,188,718	20,747,532
		123,556,953	502,524	9,753,631	3,265,886	36,627,150	173,706,144

* Represents a 5-year phase-in, with 0% of calculated rebates in 13/14, 25% in 14/15, 50% in 15/16, 75% in 16/17, and 100% in 17/18 and beyond. The 5-year phase-in remains under discussion with the City of Irvine, with OCFA assessing the financial feasibility of eliminating the phase-in on behalf of the City of Irvine only.

DRAFT PROPOSED FY 2013/14 BUDGET

Irvine Growth 4.58%
 Include Deferred CIP Projects in 2018/19
 Equity Rebates beginning 2014/15, w/3.5% Cap
 Extend Handcrew throughout Forecast

	Five-Year Forecast Period from Proposed Budget						End of First Ten-Year Interval		Second Ten-Year Interval										Growth Rates
	PROJECTED 2012/13	PROPOSED 2013/14	PROJECTED 2014/15	PROJECTED 2015/16	PROJECTED 2016/17	PROJECTED 2017/18	PROJECTED 2018/19	PROJECTED 2019/20	PROJECTED 2020/21	PROJECTED 2021/22	PROJECTED 2022/23	PROJECTED 2023/24	PROJECTED 2024/25	PROJECTED 2025/26	PROJECTED 2026/27	PROJECTED 2027/28	PROJECTED 2028/29	PROJECTED 2029/30	
A. BEGINNING FUND BALANCE	157,498,177	153,558,420	144,046,656	141,931,217	140,861,015	140,299,317	146,066,520	150,999,899	159,747,181	168,656,193	179,937,175	191,635,959	187,647,520	198,728,631	209,416,884	219,480,201	228,719,971	236,855,620	
GENERAL FUND REVENUES																			
Secured Property Tax	169,249,914	174,852,059	180,134,515	187,663,597	195,859,054	203,987,792	212,621,213	221,620,029	230,999,703	240,776,355	250,966,787	261,588,511	272,659,780	284,199,621	296,227,865	308,765,184	321,833,122	335,454,137	4.23%
Public Utility Tax	1,880,323	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	1,880,715	
Unsecured Property Tax	6,527,253	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	6,740,215	
Homeowners Property Tax Relief	1,432,458	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	1,410,971	
Supplemental/Delinquencies	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	2,114,761	
Property Taxes	181,204,709	186,998,721	192,281,177	199,810,259	208,005,716	216,134,454	224,767,875	233,766,691	243,146,365	252,923,017	263,113,449	273,735,173	284,806,442	296,346,283	308,374,527	320,911,846	333,979,784	347,600,799	3.00%
State Reimbursements	4,193,788	4,193,788	4,193,788	4,193,788	4,193,788	4,193,788	4,319,602	4,449,190	4,582,665	4,720,145	4,861,750	5,007,602	5,157,830	5,312,565	5,471,942	5,636,100	5,805,183	5,979,339	3.00%
Federal Reimbursements	100,000	100,000	100,000	100,000	100,000	100,000	103,000	106,000	109,000	112,551	115,927	119,405	122,987	126,677	130,477	134,323	138,243	142,576	3.00%
One-Time Grant/AB/RDA	20,526,058																		
Community Redevelopment Agency Pass-thru	5,889,217	7,149,498	7,326,880	7,511,172	7,706,470	8,248,676	8,413,650	8,581,923	8,753,561	8,928,632	9,107,205	9,289,349	9,475,136	9,664,639	9,857,931	10,055,090	10,256,192	10,461,316	2.00%
Cash Contracts	82,751,043	83,980,236	87,822,101	90,256,689	92,691,809	94,731,124	98,757,527	102,943,613	106,736,042	110,706,002	114,864,586	119,223,746	123,796,365	128,550,176	133,544,800	138,796,551	144,323,070	150,143,442	JPA
Haz Mat Services	243,466																		
Fire Prevention Fee	5,099,552	5,608,437	5,776,690	5,949,991	6,128,491	6,312,345	6,501,716	6,696,767	6,897,670	7,104,600	7,317,738	7,537,270	7,763,388	7,996,290	8,236,179	8,483,264	8,737,762	8,999,895	3.00%
Advanced Life Support Supplies & Transport Reimbursement	4,570,574	4,570,574	4,570,574	4,570,574	4,570,574	4,570,574	4,707,691	4,848,922	4,994,390	5,144,221	5,298,548	5,457,504	5,621,230	5,789,866	5,963,562	6,142,469	6,326,743	6,516,546	
Interest Earnings	188,658	221,379	578,218	761,481	765,738	765,738	774,130	791,322	813,006	831,889	855,529	876,320	898,116	920,980	944,985	970,205	996,724	1,024,630	F.B.
Other Revenue	1,169,403	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	
TOTAL REVENUES	305,936,468	293,821,217	303,648,012	314,152,538	325,161,169	336,055,283	349,343,774	363,183,098	377,031,556	391,469,642	406,533,316	422,244,954	438,640,078	455,706,060	473,522,988	492,128,501	511,562,465	531,867,126	
GENERAL FUND EXPENDITURES																			
New Positions for New Stations/Enhancements			1,091,834	2,201,862	2,231,538	4,489,004	4,581,288	7,013,204	7,157,381	9,739,361	9,939,581	10,143,918	10,352,455	10,565,279	10,782,478	11,004,143	11,230,364	11,461,236	
Employee Salaries	166,978,601	167,037,200	167,037,200	167,037,200	167,037,200	167,037,200	172,048,316	177,209,765	182,526,058	188,001,840	193,641,895	199,451,152	205,434,687	211,597,727	217,945,659	224,484,029	231,218,550	238,155,106	3.00%
Retirement	62,936,480	62,484,495	68,635,549	72,320,295	72,302,322	72,302,322	74,471,392	76,705,533	79,006,699	81,376,900	83,818,207	86,332,754	88,922,736	91,590,418	94,338,131	97,168,275	100,083,323	103,085,823	Segal
Workers' Comp Transfer out to Self-Ins. Fund	9,892,711	12,763,412	13,664,036	14,442,894	14,442,894	14,442,894	15,303,670	15,743,444	16,195,856	16,661,268	17,140,055	17,632,600	18,139,299	18,660,559	19,196,798	19,748,447	20,315,948	20,899,758	2.87%
Other Insurance	20,495,682	22,040,779	24,052,390	26,248,708	28,656,377	31,292,764	34,171,698	37,315,495	40,748,520	44,497,384	48,591,143	53,061,528	57,943,189	63,273,962	69,095,167	75,451,922	82,393,499	89,973,701	9.20%
Medicare	2,136,254	2,202,793	2,422,039	2,642,039	2,422,039	2,422,039	2,494,701	2,728,027	2,646,628	2,726,027	2,807,807	2,892,042	2,978,803	3,068,167	3,160,212	3,255,018	3,352,249	3,456,249	Salary
One-Time Grant/ABH Expenditures	3,758,322																		
Salaries & Employee Benefits	266,198,050	266,528,679	276,903,049	284,172,999	287,092,371	292,419,510	303,071,065	316,556,984	328,281,142	343,002,781	355,938,690	369,513,994	383,771,169	398,756,113	414,518,446	431,111,834	448,594,354	467,028,873	
Services & Supplies/Equipment	22,266,244	22,431,181	23,565,686	23,565,686	23,565,686	23,565,686	24,272,657	25,000,836	25,750,861	26,523,387	27,319,089	28,138,661	28,982,821	29,852,306	30,747,875	31,670,311	32,620,421	33,599,033	3.00%
New Station/Enhancements S&S Impacts			50,653	104,345	107,475	221,399	228,041	352,323	362,893	498,373	513,324	528,723	544,585	560,923	577,750	595,083	612,935	631,323	3.00%
One-Time Grant Expenditures	2,248,064																		
Capital Outlay	80,000																		
TOTAL EXPENDITURES	290,792,358	288,959,860	300,519,387	307,843,030	310,658,057	316,206,595	327,571,762	341,910,143	354,394,896	370,024,540	383,771,102	398,181,379	413,298,575	429,169,342	445,844,071	463,377,229	481,827,710	501,259,230	
NET GENERAL FUND REVENUE	15,144,110	4,861,357	3,128,625	6,309,508	14,503,112	19,848,688	21,772,012	21,272,955	22,636,659	21,445,102	22,762,214	24,063,575	25,341,503	26,536,718	27,678,916	28,751,272	29,734,755	30,607,896	
B. Incremental Increase in GF 10% Contingency	3,086,698	363,510	1,155,953	732,364	281,503	554,854	1,136,517	1,433,838	1,248,475	1,562,964	1,374,656	1,441,028	1,511,720	1,587,077	1,667,473	1,753,316	1,845,048	1,943,152	
Equity Rebates - Pass-thru of Unrestricted Revenue			1,731,022	3,607,646	5,645,951	7,842,098	8,170,712	8,513,247	8,870,296	9,242,481	9,958,919	11,219,350	12,564,909	14,000,418	15,530,955	17,161,889	18,898,749	20,747,532	
GENERAL FUND SURPLUS / (DEFICIT)	12,057,412	4,497,847	241,650	1,969,498	8,575,658	11,451,737	12,464,783	11,325,870	12,517,888	10,639,657	11,428,639	11,403,197	11,264,874	10,949,224	10,480,488	9,836,097	8,990,958	7,917,212	
C. GF Surplus/Deficit = Operating Transfers to/from GF Cashflow	12,057,412																		
GF Surplus = Operating Transfers Out to CIP		4,497,847	241,650	1,969,498	8,575,658	11,451,737	12,464,783	11,325,870	12,517,888	10,639,657	11,428,639	11,403,197	11,264,874	10,949,224	10,480,488	9,836,097	8,990,958	7,917,212	
Capital Improvement Program/Other Fund Revenues																			
Interest Earnings	337,279	486,293	956,639	1,448,045	2,014,478	1,824,359	1,930,404	2,007,651	2,156,442	2,312,295	2,510,007	2,720,050	2,609,588	2,804,277	2,989,439	3,160,252	3,312,563	3,440,545	F.B.
State/Federal Reimbursement	960,000	920,000																	
Cash Contracts	1,611,404	1,571,422	1,665,900	1,707,777	1,750,910	1,795,337	1,841,097	1,888,231	1,936,778	1,986,782	2,038,286	2,091,335	2,145,976	2,202,045	2,259,578	2,318,615	2,379,194	2,441,356	JPA
Developer Contributions	40,560	4,699,156																	
Workers' Comp Transfer in from GF	9,892,711	12,763,412																	