ORANGE COUNTY FIRE AUTHORITY

AGENDA

BOARD OF DIRECTORS REGULAR MEETING

Thursday, September 26, 2013
6:30 P.M.

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

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

This Agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action or discussion shall be taken on any item not appearing on the following Agenda. Unless legally privileged, supporting documents, including staff reports, are available for review at the Orange County Fire Authority Regional Fire Operations & Training Center, 1 Fire Authority Road, Irvine, CA 92602 or you may contact Sherry A.F. Wentz, Clerk of the Authority, at (714) 573-6040 Monday through Friday from 8 A.M. to 5 P.M.

If you wish to speak before the Fire Authority Board, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority prior to being heard before the Board. Speaker Forms are available at the counters of both entryways of the Board Room.

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

CALL TO ORDER

INVOCATION by OCFA Chaplain Robert Benoun

PLEDGE OF ALLEGIANCE by Director Kusumoto

ROLL CALL

PRESENTATIONS

1. Requests for Commendations and Proclamations
Submitted by: Sherry Wentz, Clerk of the Authority

A. Recognition of former OCFA Board Chair Trish Kelley

B. Proclamation declaring October 6-12, 2013, as "Fire Prevention Week"

C. Presentation of City-County Communications & Marketing Association's Silver Circle Award for TV and Video/Regularly Scheduled Programming for the OCFA Monthly Briefing

D. Presentation of the International Association of Fire Chief's Billy Goldfeder Fire Service Organizational Safety Award

Recommended Action:
Approve requests as submitted and make presentations to those present.

PUBLIC COMMENTS

Resolution No. 97-024 established rules of decorum for public meetings held by the Orange County Fire Authority. Resolution No. 97-024 is available from the Clerk of the Authority.

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

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

CLOSED SESSION

CS1. CONFERENCE WITH LABOR NEGOTIATOR
Chief Negotiator: Craig Kinoshita, Deputy Fire Chief
Employee Organizations: Orange County Professional Firefighters' Association, Local 3631, Orange County Fire Authority Chief Officers' Association, and Orange County Employees' Association
Authority: Government Code Section 54957.6

CLOSED SESSION REPORT

REPORT FROM THE BUDGET AND FINANCE COMMITTEE CHAIR

MINUTES

2. Minutes from July 25, 2013, Regular Board of Directors Meeting
Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:
Approve as submitted.

CONSENT CALENDAR

3. Ratify Appointment to Executive Committee
Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:
Ratify the appointment of Eugene Hernandez to the Executive Committee.

4. Adoption of a Resolution of the Orange County Fire Authority Temporarily Expanding the Dates of the Regular Board of Directors Meetings for Calendar Year 2014
Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:
Adopt the proposed resolution establishing the 2014 Meeting Schedule for the Orange County Fire Authority Board of Directors.

5. Rebudget of FY 2012/13 Uncompleted Projects
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:
Authorize the following budget adjustments:

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

6. Reserve Firefighter Program Status Update
Submitted by Dave Thomas, Assistant Chief, Operations Department

Recommended Action:
Receive and file the report.

7. Grant Award Acceptance

Submitted by Brian Stephens, Assistant Chief, Support Services Department

Recommended Action:

Accept California Fire Safe Council grant and direct staff to increase the FY 2013/14 General Fund (Fund 121) budget by $158,064 in revenue and $33,000 in appropriations.

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

Submitted by Brian Stephens, Assistant Chief, Support Services Department

Recommended Actions:

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

9. Approval for Body Repair of Type I Fire Engine E61

Submitted by Brian Stephens, Assistant Chief, Support Services Department

Recommended Actions:

1. Approve and authorize the Purchasing Manager to issue a purchase order to A2Z Fire Apparatus for the repair of E61 in an amount not to exceed $241,114.04
2. Direct staff to increase revenue and appropriations in the General Fund (Fund 121) in the amount of $241,114.04

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

Submitted by Brian Stephens, Assistant Chief, Support Services Department

Recommended Actions:

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

11. Secured Fire Protection Agreement with Cal I Crown Valley, LLC, for Entitlements in the Crown Development, in the City of Laguna Niguel
Submitted by Brian Stephens, Assistant Chief, Support Services Department

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

12. Amended Secured Fire Protection Agreement with UCR/Pacific Los Alisos L.P., for Entitlements in the Los Alisos Apartments Development, in the City of Mission Viejo
Submitted by Brian Stephens, Assistant Chief, Support Services Department

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

DISCUSSION CALENDAR

13. Equity Working Group – Final Report
Submitted by: Lori Zeller, Assistant Chief/Business Services Department

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

14. 2013 Long Term Liability Study
Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Actions:

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

15. Paying Down OCFA’s Unfunded Pension Liability with Orange County Employees Retirement System
Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Actions:

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

16. Paramedic Assessment Unit ALS Escort Study
Submitted by: Dave Thomas, Assistant Chief, Operations Department

Recommended Actions:
Receive and file the report.

17. Board Member Request for Salary and Benefit Survey
Submitted by: Craig Kinoshita, Deputy Fire Chief

Recommended Action:
Receive and file the report.

PUBLIC HEARING(S)

No items.

REPORTS

18. Chief's Report

BOARD MEMBER COMMENTS

CLOSED SESSION

CS2. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION
Name of Claim: John Lawrence v. OCFA
Case No. WCAB: ADJ7888335
Authority: Government Code Section 54956.9(a)

CS3. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Authority: Exposure to Litigation pursuant to Government Code Section 54956.9(b) (1 case)

CS4. CONFERENCE WITH LEGAL COUNSEL–INITATION OF LITIGATION
Authority: Government Code Section 54956.9(c) – Initiation of Litigation (County Procurement for Airport Rescue and Firefighting Services for John Wayne Airport)

CLOSED SESSION REPORT

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

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 19th day of September 2013.

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

UPCOMING MEETINGS:

Budget and Finance Committee Meeting	Wednesday, October 9, 2013, 12 noon
Claims Settlement Committee Meeting	Thursday, October 24, 2013, 5:30 p.m.
Executive Committee Meeting	Thursday, October 24, 2013, 6:00 p.m.

There are no supportive materials
for Presentation Item Nos. 1A, 1C, and 1D

A PROCLAMATION OF THE GOVERNING BOARD OF THE ORANGE COUNTY FIRE AUTHORITY DECLARING THE WEEK OF OCTOBER 6-12, 2013, AS "FIRE PREVENTION WEEK"

WHEREAS, the Orange County Fire Authority is committed to ensuring the safety and security of all those living in and visiting our jurisdiction; and

WHEREAS, fire is a serious public safety concern both locally and nationally, and homes are the locations where people are at greatest risk from fire; and

WHEREAS, home fires killed more than 2,500 people in the United States in 2011, according to the latest research from the nonprofit National Fire Protection Association, and fire departments in the United States responded to more than 370,000 home fires; and

WHEREAS, cooking is the leading cause of home fires in the United States where fire departments responded to more than 156,000 calls annually between 2007 and 2011; and

WHEREAS, two of every five home fires start in the kitchen; and

WHEREAS, unattended equipment was a factor in one-third of the reported cooking fires; and

WHEREAS, 57% of reported non-fatal home cooking fire injuries occurred when the victims tried to fight the fire themselves; and

WHEREAS, working smoke alarms cut the risk of dying in reported home fires in half; and

WHEREAS, the Orange County Fire Authority is responsive to public education measures and is able to take steps to increase safety from fire, especially in its resident's homes; and

WHEREAS, the 2013 "Fire Prevention Week" theme, "Prevent Kitchen Fires!" effectively serves to remind us to stay alert and use caution when cooking to reduce the risk of kitchen fires.

THEREFORE, BE IT PROCLAIMED, that the governing Board of the Orange County Fire Authority does hereby declare October 6-12, 2013, as "Fire Prevention Week" throughout its jurisdiction, and urges everyone to check their kitchens for fire hazards and use safe cooking practices during "Fire Prevention Week," and to support the many public safety activities and efforts of the Orange County Fire Authority's fire and emergency services.

Orange County Fire Authority
Board of Directors

Approved: September 26, 2013

There are no supportive materials
for Presentation Item Nos. 1A, 1C, and 1D

There are no supportive materials
for Presentation Item Nos. 1A, 1C, and 1D

AGENDA ITEM NO. 2

MINUTES
ORANGE COUNTY FIRE AUTHORITY

Board of Directors Regular Meeting
Thursday, July 25, 2013
6:30 P.M.

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

CALL TO ORDER
A regular meeting of the Orange County Fire Authority Board of Directors was called to order on July 25, 2013, at 6:35 p.m. by Vice Chair Steven Weinberg.

INVOCATION
Chaplain Bob George offered the invocation.

PLEDGE OF ALLEGIANCE
Director McCullough led the assembly in the Pledge of Allegiance to our Flag.

ROLL CALL

Present:
Joseph Aguirre, Placentia
Bob Baker, San Clemente
Pat Bates, County of Orange
Carol Gamble, Rancho Santa Margarita
Gerri Graham-Mejia, Alternate, Los Alamitos
Robert Johnson, Cypress
Jerry McCloskey, Laguna Niguel
Al Murray, Tustin
Elizabeth Swift, Buena Park
Tri Ta, Westminster
Steven Weinberg, Dana Point
Sam Allevato, San Juan Capistrano
Rick Barnett, Villa Park
Randal Bressette, Laguna Hills
Gerard Goedhart, La Palma
Noel Hatch, Laguna Woods
Jeffrey Lalloway, Irvine
Kathryn McCullough, Lake Forest
David Shawver, Stanton
Janet Nguyen, Alternate, County of Orange
Phillip Tsunoda, Aliso Viejo

Absent:
Eugene Hernandez, Yorba Linda
Warren Kusumoto, Los Alamitos
Todd Spitzer, County of Orange
Trish Kelley, Mission Viejo
David Sloan, Seal Beach
Sal Tinajero, Santa Ana

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

PRESENTATIONS

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

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

A. Vice Chair Weinberg and Fire Chief Richter presented a Certificate of Heroism Chief's Award to City of Tustin resident Roger Costa for his heroic actions on November 2, 2012, when he attempted to save a burn victim from her balcony, and was also severely injured.

B. Vice Chair Weinberg and Fire Chief Richter presented a V.H. Blackinton & Co. Inc., 2012 Heroism & Community Service Medal of Award to Firefighter/Paramedic Robert Davidson for his heroic actions on Interstate 15 on January 17, 2012, when he assisted an accident victim whose vehicle was on fire and was trapped in the car. Firefighter Davidson used protective measures to keep the victim and himself from being burned.

C. Vice Chair Weinberg and Fire Chief Richter recognized Finance Manager/Auditor Jim Ruane and Senior Accountant Tammie Pickens of the Business Services Department Finance Division for receiving a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for OCFA's Comprehensive Annual Financial Report (CAFR).

PUBLIC COMMENTS (X: 11.11)

Director Baker arrived at this point (6:45 p.m.)

Vice Chair Weinberg opened the Public Comments portion of the meeting.

Doug Davert, Chairman of the Orange County Fire Authority Foundation (OCFAF), thanked the Board of Directors and community partners for their support in raising $33,000 for the Fire Explorer Academy. He indicated 45 Explorers completed the program, and Foundation scholarships were provided to 15 youths who would not have been able to participate without the donations. (F: 13.03F4)

Stephen Wontrobski, Mission Viejo resident, commented on his concern regarding OCFA bankruptcy and long-term unfunded liability. He provided a letter, which is on file in the Office of the Clerk. (F: 12.03E3)

Kenny Gabrielson, Vice-President, Orange County Professional Firefighters Association (OCPFA), Local 3631, provided public comments in support of a Worker's Compensation Alternative Dispute Resolution (ADR) program. (F: 17.04B)

Vice Chair Weinberg closed the Public Comments portion of the meeting.

CLOSED SESSION (F: 11.15)

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

Vice Chair Weinberg recessed the meeting to Closed Session at 7:00 p.m.

CS1. CONFERENCE WITH LABOR NEGOTIATOR
Chief Negotiator: Craig Kinoshita, Deputy Fire Chief
Employee Organizations: Orange County Professional Firefighters' Association, Local 3631, Orange County Fire Authority Chief Officers' Association, and Orange County Employees' Association
Authority: Government Code Section 54957.6

Vice Chair Weinberg reconvened the meeting at 7:42 p.m.

CLOSED SESSION REPORT (F: 11.15)

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

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

Budget and Finance Committee Chair Al Murray reported at the July 10, 2013, meeting of the Budget and Finance Committee, the Committee discussed and voted unanimously to send the Monthly Investment Report and the Internal Control Review on Billing and Revenue Recognition of Fire Prevention Fees to the Board of Directors with the recommendation that the Board approve the items. He also reported the Committee received a monthly status update on the Orange County Employees' Retirement System.

MINUTES

2. Minutes from May 23, 2013, Regular Board of Directors Meeting (A) and June 27, 2013, Special Board of Directors Meeting (B) (F: 11.06)

On motion of Director McCullough and second by Director Ta, the Board voted to approve the Minutes from the May 23, 2013, Regular Board of Directors and June 27, 2013, Special Board of Directors meetings. Directors Bates, Bressette, Gamble, Graham-Mejia, and Lalloway noted abstentions for the May 23, 2013, Regular Board of Directors meeting. Directors Bates and Lalloway noted abstentions for the June 27, 2013, Special Board of Directors meeting.

CONSENT CALENDAR

Vice Chair Weinberg pulled Consent Calendar Agenda Items No. 3-7 for Board Member and/or public comments.

3. Monthly Investment Report (F: 11.10D2)

Director Baker pulled this item for questions on the use of an outsourced portfolio manager.

Treasurer Tricia Jakubiak indicated the OCFA Investment Policy allows us to use an Investment Advisor, and to date, OCFA has not used an advisor due to low interest rates and the coverage of their costs, and OCFA's restrictive investment policy.

Stephen Wontrobski, Mission Viejo resident, provided public comments on his opposition to the use of UBS Financial Services as a broker/dealer. He provided a letter, which is on file in the Office of the Clerk.

On motion of Director Baker and second by Director Ta, the Board voted unanimously to receive and file the report.

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

Director Goedhart pulled this item for questions on software, training, and supervision of the billing and revenue recognition of Fire Prevention Fees.

Stephen Wontrobski, Mission Viejo resident, commented on the internal control review on billing and revenue recognition of Fire Prevention Fees.

On motion of Director Murray and second by Director Bressette, the Board voted to:
1. Direct staff to implement the recommendations as stated in the attached report.
2. Authorize staff to amend the Master Position Control to add a limited term 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.

Directors Bates, Barnett, and Gamble registered in opposition to this item.

5. Information Management Technologies Sole Source Purchase Order (F: 19.08A7)

Director Goedhart pulled this item for questions on a method for limiting overtime. Chief Richter indicated IT staff is making changes to the system, which will allow a maximum of 180 hours overtime per month.

On motion of Director Bressette and second by Director Allevato, the Board voted unanimously to authorize the Purchasing Manager to issue a sole source Purchase Order to Information Management Technologies for an amount not-to-exceed $16,700 for a single-scope programming project relating to implementation of an overtime cap for suppression personnel.

6. Contract for Aircraft Rescue Fire Fighting Services at John Wayne Airport (F: 10.08 JWA)

Director Shawver pulled this item for questions on competitive pricing.

Assistant Chief Zeller provided clarification on the contract that allows us to keep the existing service levels, and includes a 3% cap on annual contract increases.

On motion of Director Shawver and second by Director Ta, the Board voted to approve and authorize the Fire Chief to execute the proposed contract for Aircraft Rescue Fire Fighting Services at John Wayne Airport. Directors Bates and Nguyen abstained.

7. Status Update – Refunds for Unverified Hazardous Materials Disclosure Inspections (F: 18.11A1)

Stephen Wontrobski, Mission Viejo resident, commented on the Hazardous Materials Inspection Fee audit. He provided a letter, which is on file in the Office of the Clerk.

On motion of Director Ta and second by Director McCullough, the Board voted unanimously to receive and file report.

8. FY 12/13 Annual Progress Report on Planning and Development Activity (F: 18.03A)

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

9. Authorization to Negotiate and Execute Lease Amendments and/or New Leases for Current and Future Tenants of the Newly Acquired Hangars at Fire Station 41 (Fullerton Airport), Air Operations Maintenance Facility (F: 19.07C41a)

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

1. Approve and authorize the Fire Chief to negotiate and execute lease amendments for Hangars 1, 3, and 4 respectively, in substantial compliance with the proposed amendments.
2. Approve and authorize the Fire Chief to negotiate, approve and execute any future leases and/or lease amendments for FS 41 Hangers.
3. Amend the Orange County Fire Authority Roles/Responsibilities/Authorities Matrix to authorize the Fire Chief to negotiate, approve and execute leases and/or amendments for FS 41 Hangers.

10. Annual Update: Santiago and Freeway Complex Fire After Action Reports (F: 18.08A3) (F: 18.08A5)

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

DISCUSSION CALENDAR

Directors Nguyen and Tsunoda left at this point (8:43 p.m.)

11. Annual Workers' Compensation Update and Actuarial Report for CY 2012 (F: 18.10A2a)

Deputy Chief Craig Kinoshita introduced OCFA Risk Manager Jonathan Wilby and Risk Management Analyst Rhonda Haynes who provided a PowerPoint presentation on the Annual Workers' Compensation Update and Actuarial Report for CY 2012.

On motion of Director Murray and second by Director McCullough, the Board voted unanimously to receive and file report. Directors Nguyen and Tsunoda were absent.

PUBLIC HEARING(S)

No items.

REPORTS

Director Bates left at this point (9:10 p.m.)

12. Orange County Employees' Retirement System Status Report (F: 17.06)

Assistant Chief Lori Zeller provided an update on the Orange County Employees' Retirement System (OCERS).

Stephen Wontrobski, Mission Viejo resident, commented on information in the OCERS report. He provided a letter, which is on file in the Office of the Clerk.

13. Chief's Report (F: 11.14)

Chief Richter reported the OCFA is the recipient of the 2013 Departmental Fire Safety Award from the International Association of Firefighters, because of its various safety programs provided for firefighters and the community. He indicated Kidde, Inc., a smoke alarm manufacturer, and ABC 7 teamed up to donate 5,000 smoke alarms to OCFA. Chief Richter indicated OCFA firefighters would be installing alarms in homes that don't have them. Chief Richter also noted there was a Fire Command multi-purpose vehicle in the RFOTC parking area for Board members to look at. He indicated two fifth wheel vehicles were acquired through Federal grant funds, and the vehicles were typically used as mobile communication command vehicles, but could also be converted to other types of command use.

ELECTION OF BOARD CHAIR/VICE CHAIR (F: 11.02B)

Vice Chair Weinberg opened the nominations for Chair and Vice Chair of the OCFA Board of Directors.

Director Allevato nominated Steven Weinberg for Chair and Al Murray for Vice Chair, with second by Director Bressette. Director Lalloway nominated Al Murray for Chair and Steven Weinberg for Vice Chair, with second by Director Gerri-Mejia. There were no additional nominations.

By consensus of the Board, the Board opted to take separate votes for Chair and Vice Chair, starting with the vote for Steven Weinberg as Chair of the OCFA Board of Directors.

The Board, by roll call vote, voted to elect Steven Weinberg as Chair of the OCFA Board of Directors for the ensuing term.

SUPPORT (12)

Joseph Aguirre, Placentia	Sam Allevato, San Juan Capistrano
Bob Baker, San Clemente	Gerard Goedhart, La Palma
Gerri Graham-Mejia, Alternate, Los Alamitos	Noel Hatch, Laguna Woods
Robert Johnson, Cypress	Jerry McCloskey, Laguna Niguel
Kathryn McCullough, Lake Forest	David Shawver, Stanton
Tri Ta, Westminster	Steven Weinberg, Dana Point

OPPOSED (6)

Rick Barnett, Villa Park	Randal Bressette, Laguna Hills
Carol Gamble, Rancho Santa Margarita	Jeffrey Lalloway, Irvine
Al Murray, Tustin	Elizabeth Swift, Buena Park

ABSTAINED (0)

None

ABSENT (7)

Pat Bates, County of Orange	Sal Tinajero, Santa Ana
Janet Nguyen, Alternate, County of Orange	David Sloan, Seal Beach
Phillip Tsunoda, Aliso Viejo	Eugene Hernandez, Yorba Linda
Trish Kelley, Mission Viejo	

The Board of Directors voted, by unanimous acclaim, to elect Al Murray as Vice Chair for the ensuing term.

BOARD MEMBER COMMENTS (F: 11.13)

Director Lalloway thanked Assistant Chief Zeller and OCFA staff for meeting with the City of Irvine in their efforts to resolve equity issues. He indicated the Equity Working Group continues to meet, and will soon bring possible solutions to the OCFA Board of Directors.

Director Barnett requested staff agendize an item for the level of compensation necessary to hire firefighters, along with retaining a consultant to do a survey.

Director Swift thanked Assistant Chief Blaul for attending the City of Buena Park Council Meeting and providing a report on the 4th of July, and a fire in the city.

Vice Chair Murray thanked Division Chief Concepcion for attending the City of Tustin Council Meeting and providing a report on refund of Hazardous Materials inspection fees.

Director Bressette commended Battalion Chief Mike Contreras for his actions during a landslide in the City of Laguna Hills. He indicated Chief Contreras was a calming presence, and immediately evacuated 20 homes and handled public relations until Division Chief Concepcion arrived. He also thanked Chief Concepcion for working with the media and using helicopters to assist with the incident. Director Bressette also thanked Senior Fire Prevention Specialist Dave Montgomery for immediately stopping the 4th of July program in the City of Laguna Hills when he discovered a safety issue.

Director McCullough thanked OCFA staff for providing a presentation to the Senior Citizen Advisory Council Housing Transportation, specifically on the dangers of mobile home fires. She asked OCFA to target some of the free smoke alarms provided by Kidde, Inc. to the mobile homes without alarms in the City of Lake Forest. Director McCullough also asked we remember the 19 City of Prescott Hotshot Firefighters who lost their lives on June 30, 2013.
Chair Weinberg thanked the Board members for electing him Chair.

Director Barnett thanked Assistant Chief Blaul for providing information to the City of Villa Park regarding the 4th of July event.

CLOSED SESSION (F: 11.15)

General Counsel David Kendig reported the Board would be convening to Closed Session to consider the matters on the Agenda identified as CS3, Conference with Legal Counsel-Existing Litigation and CS4, Conference with Legal Counsel-Initiation of Litigation, and indicated the Board would not be discussing CS2, Conference with Legal Counsel-Existing Litigation.

Chair Weinberg recessed the meeting to Closed Session at 9:40 p.m.

CS2. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION
Name of Claim: John Lawrence v. OCFA
Case No. WCAB: ADJ7888335
Authority: Government Code Section 54956.9(a)

CS3. CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION
Name of Case: People of the State of California v. Nicolas Alejandro Cendoya
Case No.: Superior Court Case No. 13CF1410
Authority: Government Code Section 54956.9(d)(1) and (d)(4)

CS4. CONFERENCE WITH LEGAL COUNSEL – INITIATION OF LITIGATION
Authority: Government Code Section 54956.9(c) (1 case)

Chair Weinberg reconvened the meeting at 10:09 p.m.

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

ADJOURNMENT - Chair Weinberg adjourned the meeting at 10:10 p.m. in memory of the 19 Granite Mountain Hotshots from the Prescott Fire Department who lost their lives on June 30, 2013, while battling the Yarnell Hill Wildfire. The next regular meeting of the Orange County Fire Authority Board of Directors is scheduled for September 26, 2013, at 6:30 p.m. (F: 11.17)

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

CONSENT CALENDAR - AGENDA ITEM NO. 3
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Sherry Wentz, Clerk of the Authority

SUBJECT: **Ratify Appointment to Executive Committee**

Summary:
This agenda item is submitted to ratify the Executive Committee appointment.

Recommended Action:
Ratify the appointment of Eugene Hernandez to the Executive Committee.

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

The Chair of the Board may make at-large appointments to the Executive Committee to fill any vacancies, subject to approval by the Board of Directors. There is currently one at-large vacancy on the Executive Committee, due to the recent reorganization of the Board. Chair Weinberg has selected Eugene Hernandez (Yorba Linda) to fill the At-Large vacancy on the Executive Committee.

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

Steven Weinberg, Chair – Dana Point
Al Murray, Vice Chair – Tustin*
Trish Kelley, Immediate Past Chair– Mission Viejo
Elizabeth Swift, Budget and Finance Committee Chair– Buena Park*
Patricia Bates, County Board of Supervisors
Randy Bressette, At-Large Member – Laguna Hills
Eugene Hernandez, At-Large Member – Yorba Linda
Jeffrey Lalloway, At-Large Member – Irvine
David John Shawver, At-Large Member – Stanton*

Structural Fire Fund Alternates:	Gerard Goedhart – La Palma Noel Hatch – Laguna Woods Vacancy
Cash Contract Alternates:	Tri Ta – Westminster* Vacancy Vacancy

* = Cash Contract City

Impact to Cities/County
Not Applicable.

Fiscal Impact
Not Applicable.

Staff Contact for Further Information
Sherry Wentz, Clerk of the Authority
sherrywentz@ocfa.org
(714) 573-6041

Attachments:
None.

CONSENT CALENDAR - AGENDA ITEM NO. 4
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Sherry Wentz
Clerk of the Authority

SUBJECT: **Adoption of a Resolution of the Orange County Fire Authority Temporarily Expanding the Dates of the Regular Board of Directors Meetings for Calendar Year 2014**

Summary:
This item is submitted for approval of the expanded regular meeting schedule for the Board of Directors for calendar year 2014.

Recommended Action:
Adopt the proposed resolution establishing the 2014 Meeting Schedule for the Orange County Fire Authority Board of Directors.

Background:
At the March 30, 1995, Board of Directors meeting, the Board set its meeting schedule generally as the fourth Thursday of each month at 6:30 p.m. Subsequently, the Board established standing committees and delegated authority to the Executive Committee to conduct all business of the Authority with the exception of policy issues, including labor relations, budget issues, and other matters expressly retained by the Board. With the unanimous approval of the Board, regular meetings were set on a bi-monthly basis, with the exception of June for consideration of the budget.

With upcoming labor contract negotiations, OCFA staff is requesting that the Board temporarily expand its regular meeting schedule to hold monthly Board of Directors' meetings in the calendar year 2014 (see Exhibit to Attachment for specific meeting dates). These additional meetings would enable the Authority's labor negotiators to obtain direction from the Board regarding desired objectives for negotiations and to report progress during on-going negotiations.

The proposed resolution adheres to the established meeting schedule of meeting on the fourth Thursday of the month with the exception of the November meeting. The meeting for the month of November has been scheduled for the third Thursday, due to the Thanksgiving holiday. The temporary schedule will continue the Board's tradition of going dark in the month of December.

Impact to Cities/County:
Not Applicable.

Fiscal Impact:
Not Applicable.

Staff Contact for Further Information:
Sherry Wentz, Clerk of the Authority
sherrywentz@ocfa.org
(714) 573-6041

Attachment:
Proposed Resolution

Attachment

RESOLUTION NO. 2013-XX

A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS AUTHORIZING TO TEMPORARILY EXPAND THE REGULAR MEETING DATES OF THE BOARD OF DIRECTORS FOR CALENDAR YEAR 2014

WHEREAS, the Orange County Fire Authority was established on March 1, 1995; and

WHEREAS, a Board of Directors was established; and

WHEREAS, as such, a schedule of the dates, times, and location of the Regular meetings of the Board is required, and

WHEREAS, due to upcoming labor negotiations it has been determined that it would be in the Board's interest to temporarily meet on a monthly basis during the 2014 calendar year and utilize these additional meetings for staff to obtain direction from the Board regarding its desired objectives and to report on progress during the on-going labor negotiations.

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of the Orange County Fire Authority does hereby adopt the attached exhibit establishing meeting dates for calendar year 2014.

PASSED, APPROVED and ADOPTED this 26th day of September 2013.

STEVEN WEINBERG, CHAIR
Board of Directors

ATTEST:

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

2014 MEETING SCHEDULE

ORANGE COUNTY FIRE AUTHORITY
Board of Directors

MEETING DATES

January 23

February 27

March 27

April 24

May 22

June 26

July 24

August 28

September 25

October 23

November 20

December – Dark

MEETING TIME - 6:30 p.m.
LOCATION OF MEETINGS:
RFOTC – Board Room
1 Fire Authority Road
Irvine, California 92602
(714) 573-6000

CONSENT CALENDAR - AGENDA ITEM NO. 5
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Rebudget of FY 2012/13 Uncompleted Projects**

Summary:
This item is submitted for approval to rebudget various projects that were not completed in FY 2012/13 and require rebudget to FY 2013/14.

Committee Action:
At its September 11, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

Recommended Action:
Authorize the following budget adjustments:

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

Background:
The FY 2012/13 adopted CIP budget included $26.1 million for over 40 projects. Due to the complexity of some of the projects and the time required to complete others, not all projects were completed in FY 2012/13. Therefore, staff is recommending at this time that appropriations for these projects be rebudgeted to FY 2013/14 so the projects can be completed. This is simply a timing change of planned expenditures, and does not reflect an overall increase. Rebudgets for grants and donated funds are also included in the General Fund. The attachment provides a detailed listing of the rebudgeted projects for each fund.

Revenue for grant-funded projects is also being rebudgeted and is reflected on the attachment. Staff is recommending the release of fund balance for funds where there is not a revenue offset. When the FY 2012/13 year-end audit is completed and the Board approves the mid-year budget adjustment, the released fund balance will be restored.

Impact to Cities/County:
Approval of the proposed rebudgets will enable completion of projects originally planned and approved by the Board of Directors in the FY 2012/13 Adopted Budget.

Fiscal Impact:
The proposed rebudgets reflect a timing change only; therefore, there is no additional fiscal impact.

Staff Contacts for Further Information:
Tricia Jakubiak, Treasurer
triciajakubiak@ocfa.org
(714) 573-6301

Lisa Shoemaker, Budget Analyst
lisashoemaker@ocfa.org
(714) 573-6310

Attachment:
List of Rebudgets from FY 2012/13 to FY 2013/14

ORANGE COUNTY FIRE AUTHORITY
Rebudgets from FY 2012/13 to FY 2013/14

Attachment

Fund#	Description	Revenue Rebudgets	Expenditure Rebudgets
Fund 121 - General Fund			
121	USAR Grant	$301,520	$279,864
121	UASI Grant	302,509	302,509
121	DHS Liaison Officer	69,814	69,814
121	2011 MMRS Grant	277,468	277,468
12130	Thermal Imaging Camera grant 80/20	137,920	172,400
121	CR&E Corp Sponsor (donations)		7,599
121	Disaster Preparedness Academy (Battalion 7)		4,571
121	Canine Program		86
121	Fire F.R.I.E.N.D.S. Program		2,575
121	Smoke Alarm Program		267
121	Maruchan donation - bi-directional amplifiers		103,351
Total: Fund 121		**$1,089,231**	**$1,220,504**
Fund 123 - Facilities Replacement Fund			
123	FS 41 - Hangar Purchase Phase II		2,206,900
Total: Fund 123		**-**	**$2,206,900**
Fund 124 - Communications/Info Systems Replacement Fund			
124	PC, Laptop, Printer Replacement		30,800
124	Field Data Collection Devices		83,200
124	Comm Installs/Vehicle Replacement		53,000
124	800 MHz Radios		26,700
124	VHF Radios		13,700
124	Business Systems Server Replacement		37,000
124	Wireless Network to Apparatus		214,000
124	CAD System Planning/Design		1,701,000
124	Internet/SharePoint & Organizational Calendaring		188,000
Total: Fund 124		**-**	**$2,347,400**
Fund 133 - Vehicle Replacement Fund			
133	Mid-Size 4x4 4-Door (two)		80,045
133	Full-Size 4-Door (three)		151,945
133	Type I Engine (one)		543,106
133	Truck - 75' Quint (three)		3,187,953
Total: Fund 133		**-**	**$3,963,049**
Fund 171 - Structural Fire Fund Entitlement Fund			
171	Dana Point		48,405
171	Irvine		300,000
171	Laguna Niguel		52,232
171	San Juan Capistrano		5,916
171	Villa Park		8,191
171	County Unincorporated		75,752
171	Aliso Viejo		28,804
171	Rancho Santa Margarita		17,458
Total: Fund 171		**-**	**$536,758**

CONSENT CALENDAR – AGENDA ITEM NO. 6
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Dave Thomas, Assistant Chief
Operations Department

SUBJECT: **Reserve Firefighter Program Status Update**

Summary:
This item is submitted to provide a six month status report on the OCFA Reserve Firefighter Program.

Recommended Action:
Receive and file the report.

Background:
This report on the Reserve Firefighter Program activities covers the period of January 1, 2013, to June 30, 2013. During the September 23, 2010, Board of Directors' meeting, staff was directed to implement the adopted recommendations to the Reserve Firefighter Program, as adopted in the Reserve Firefighter Program Report to the Board of Directors. These modifications were implemented on October 8, 2010.

Implemented Modifications
On October 8, 2010, the modifications to the Reserve Program were implemented as follows:

1. Reserve Firefighter Program is continued in the following stations:
   - Station #7, San Juan Capistrano
   - Station #11, Emerald Bay
   - Station #14, Silverado Canyon
   - Station #16, Modjeska Canyon
   - Station #18, Trabuco Canyon
   - Station #26, Irvine
   - Station #30, Dana Point
   - Station #32, Yorba Linda
   - Station #41, Fullerton Airport
   - Reserve Hand Crew #18, Trabuco Canyon
2. Development of a volunteer OCFA Fire Corps Program. This program is intended to provide opportunities for community volunteers to assist the OCFA in a non-emergency role. The Board of Directors approved the implementation of this program at its January 2012 meeting. The OCFA Fire Corps Program is fully operational, since October 10, 2012. We have 23 Fire Corps volunteers on staff and anticipate an additional recruitment in the fall of 2013.

3. Evaluation of the Reserve Firefighter Program is progressing on a continual basis. All current reserve stations, units, and personnel are operating as directed. No program changes are recommended, at this time.
4. Recruitment is ongoing through the on-line Neo Gov employment application system, managed by Human Resources.
5. Reports are scheduled to be provided to the Board of Directors at six-month intervals.

Current Reserve Program Status
Monthly senior reserve officer conference calls and quarterly senior reserve officer meetings continue to be held in order to provide opportunities for discussion and dissemination of information.

Roster Size/Strength
Current reserve company rosters continue to be a concern for some companies. Most notably, Station #14 in Silverado Canyon and Station #11 in Emerald Bay remain geographically challenging areas for recruitment. Area demographics and long term cultural changes defy robust recruitment efforts. Current roster information is presented for review in the attachments.

Accountability
The accountability of the Reserve Firefighter Program performance was identified within the May 29, 2009, and September 23, 2010, reserve firefighter (RFF) reports and was utilized in the analysis of the program and subsequent recommendations for action.

Individual reserve performance continues to be evaluated which requires that each reserve firefighter respond to a minimum of 30% of all calls for their station/unit. This means that each reserve is expected to respond to their station for 3 out of 10 calls for service, within the allotted response time.

The ability to track individual performance has been greatly improved by the programming and implementation of the Reserve Staffing Program. This program is a proprietary software program that is used to enter and track the individual activities of each reserve. The reserves are required to enter their incident response records into the system, as well as entering their drills, training, and community activity information. This system is now directly tied into the OCFA's Payroll System, which minimizes any manual entries by payroll staff, reducing the possibility of entry errors. Additionally, this system can be utilized to determine individual performance frequency, as well as the ability to determine whether or not a response-ready crew was able to respond to the station within the approved timeframes. This is an important factor in the measurement of individual and unit performance.

Unit performance standards are defined as:

a. Engines and Patrols: *"The appropriate number of properly trained personnel needed for the most resource dependent unit to arrive at the station within 10 minutes 80% of the time"*

b. Water Tenders and Air Utilities: *"The appropriate number of properly trained personnel to arrive at the station within 20 minutes 80% of the time"*

a. Helicopter Support and Reserve Handcrew: *"The appropriate number of properly trained personnel to arrive at the station within 45 minutes 80% of the time"*

As noted in the September 23, 2010, report, the need to measure the ability for reserve personnel to respond and arrive at the station in a timely manner is important; the need to measure the ability to place the unit enroute to an incident and arrive on scene is also an important analysis factor. The combination of these factors helps to define the *effective utilization* of a unit, in order to measure whether the unit was effective, ineffective, or not necessary. During this evaluation period, all of the current reserve units would appear to have been utilized effectively.

After intensive discussion and data collection, it was determined by staff that to minimize response discrepancies and staffing pressure, patrols would be dispatched to medical and remote rescue responses only (in lieu of dispatching both the RFF engine AND patrol). All other dispatch modalities remain the same. This change took place on December 13, 2012, and has been reviewed accordingly in 2013 for effectiveness.

Recruitment/Hiring

Due to roster vacancies, the Community Volunteer Service (CVS) Office has recently been focused on the three level 1 reserve stations for targeted recruitment efforts. Outreach efforts are being reviewed to improve the recruiting and hiring of reserve firefighters at the following reserve stations:

Station 11	Emerald Bay
Station 14	Silverado Canyon
Station 16	Modjeska Canyon

Applicant interest remains high for the helicopter support crew at Station #41, and for the reserve handcrew at Station #18. This can be attributed to the programs being able to draw applicants county-wide, based on the 45 minute response criteria and provides opportunities for individuals not within response range of the other reserve stations. Current roster information and applications can be reviewed in the attachment.

Efforts are underway for the planning, recruitment, and hiring of candidates for Reserve Academy #17, scheduled to begin in July 2014.

The CVS Office continues to evaluate the need for periodic tests to measure the physical fitness of new applicants to the Reserve Firefighter Program. The OCFA currently uses the Biddle Physical Agility for Level 1 (14, 16, and 11) station applicants and the Arduous Pack Test, developed by the United States Forestry Service, for Level 2 station applicants. Scheduling these tests on an as-needed basis ensures that the available applicants are processed in a timely fashion for the hiring and selection of new reserve firefighters.

Training

The Operations Training and Safety Section continues to provide monthly and quarterly training to the reserve firefighters. This training consists of in-station, and centralized training, in order to provide skills maintenance, new training concepts, and implementation of mandatory training requirements.

Reserve Academy #16 began with 40 recruits on July 8, 2013, and will graduate on December 1, 2013.

A Reserve Driver-Operator and Water-Tender Driver Academy was conducted in March and April 2013. Twenty candidates applied; of these, 11 candidates[1] completed and graduated the course:

- 0 Reserves as Level 1 Driver-Operators (Type 1 Engines)
- 8 Reserves as Patrol/Water Tender Operators
- 3 Reserves as Air Utility Operators
- 0 Reserves as Helicopter-Tender Operators

Another Reserve Driver-Operator and Water-Tender Academy is scheduled for March 2014.

A “needs assessment” is being conducted to determine if a reserve officer training course is warranted. Seventeen candidates completed such training in December 2011, and were qualified for application as new reserve officers for the 2012-2013 terms.

Training continues to be provided to career firefighters for the operation of the patrol units with Compressed Air Foam Systems (CAFS).

The CVS Office and Emergency Medical Services (EMS) Office are continuing to ensure that all reserve firefighters complete mandatory Emergency Medical Technician (EMT) training and certification within 18 months of appointment and ensure re-certification every two years. To help facilitate this requirement, the EMS Section staff is helping to coordinate delivery of EMT courses through Santa Ana Community College and OCFA staff.

Reserve firefighters who allow their EMT certification to lapse are notified of this requirement by mail. This notification provides direction that if they do not complete EMT training by their final due date, that they will be separated from the Reserve Firefighter Program.

[1] Several Reserve Firefighters completed training on multiple units.

Residency Requirements

The CVS Office continues to periodically review data to evaluate that all reserves meet the residency and response requirements, as adopted by the Board. When a current RFF moves outside of their response area, they are released from the OCFA Reserve Firefighter Program.

Performance Measures/Threshold

Response performance is tracked by pay period in the Staffing System and is evaluated on a quarterly basis for compliance.

Resources

No changes to the allocation of resources have occurred since the October 2010 modifications to the Reserve Program.

Initial training has been completed for career firefighters and engineers in the operation of the Patrol/CAFS Units and Water Tenders and continues routinely for proficiency.

Reserve Program Cost Savings

Following the modifications of the Reserve Program, significant cost savings have been achieved in the direct costs of the program. This is attributed to:

- All units placed on Select Call
- Elimination of the All-Call System
- Reduction in Reserve personnel
- Reduction in stipend payments
- Reductions in insurance and benefit costs

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

$342,153 direct costs[2] for FY 2012/2013

Staff Contact for Further Information:

George Casario, Battalion Chief, Community Volunteer Services
georgecasario@ocfa.org
(714) 573-6055

Attachments:

1. Reserve Program Staffing Levels as of 08/21/2013
2. Summary of Reserve Unit Activity 01/01/13 to 6/30/13

[2] Direct costs represented reflect only the costs of stipends, benefits, and insurance paid to, or on behalf of the Reserves. Cost figures do not represent other indirect costs such as: overtime paid to staff for training and meetings, costs of stations and equipment, costs of services and supplies, and equivalent values of staff personnel time expended for the Reserve Program during their normal work schedule

Reserve Firefighter Program
STAFFING LEVELS

Reserve Program staffing levels, vacancies, applications, and new recruits as of August 21, 2013

Station		Equipment	Total Roster Positions	# Qualified	# Vacancies	# in Academy	% of Total Roster	Apps in NeoGov
7	San Juan Capo	Patrol, WT	25	21	2	2	84%	19
11	Emerald Bay	Engine, Patrol	25	12	10	3	48%	2
14	Silverado Cyn	Engine, Patrol	25	7	18	0	28%	1
16	Modjeska Cyn	Engine, Patrol, WT	25	16	5	4	68%	2
18	Trabuco Cyn	Patrol	20	10	5	5	50%	7
26	Irvine	Patrol	20	16	2	2	80%	39
30	Dana Point	Patrol, Air Unit	25	16	9	0	64%	17
32	Yorba Linda	Patrol, WT	25	21	2	2	84%	28
C18	Trabuco Cyn	Reserve Hand Crew	35	17	3	15	48%	110
C41	Fullerton Airport	Heli-Support, WT, Air Unit	35	28	2	5	80%	238
Totals			260	164	58	38	65%	463

Orange County Fire Authority
Reserve Program Summary* of Unit Activity
January 1, 2013 to June 30, 2013

		(A) # Dispatched Responses	(B) # Responses Enroute	(C) % Dispatched Enroute[i]	(D) # Responses On Scene	(E) % Dispatched On Scene
San Juan Capistrano	*Patrol 7*	196	69	35%	34	17%
	Water Tender 7	9	4	44%	6	67%
	Sta. 7 Totals	**205**	**73**	**36%**	**40**	**20%**
Emerald Bay	*Engine 11*	16	11	69%	11	69%
	Patrol 11	48	32	67%	25	52%
	Sta. 11 Totals	**64**	**43**	**67%**	**36**	**56%**
Silverado	*Engine 14*	4	0	0%	0	0%
	Patrol 14	72	54	75%	42	58%
	Sta. 14 Totals	**76**	**54**	**71%**	**42**	**55%**
Modjeska	*Engine 16*	22	18	82%	13	59%
	Patrol 16	57	52	91%	30	53%
	Water Tender 16	6	5	83%	2	33%
	Sta. 16 Totals	**85**	**75**	**88%**	**45**	**53%**
Irvine	*Patrol 26*	243	217	89%	152	63%
	Sta. 26 Totals	**243**	**217**	**89%**	**152**	**63%**
Trabuco Canyon	*Patrol 18*	63	39	62%	17	27%
	Crew 18	8	4	50%	4	50%
	Sta. 18 Totals	**71**	**43**	**58%**	**21**	**30%**
Dana Point	*Patrol 30*	149	60	40%	41	28%
	Air Utility 30	16	7	44%	3	19%
	Sta. 30 Totals	**165**	**67**	**41%**	**44**	**27%**

Orange County Fire Authority
Reserve Program Summary* of Unit Activity
January 1, 2013 to June 30, 2013

		(A) # Dispatched Responses	(B) # Responses Enroute	(C) % Dispatched Enroute[i]	(D) # Responses On Scene	(E) % Dispatched On Scene
Yorba Linda	*Patrol 32*	78	53	68%	31	40%
	Water Tender 32	3	3	100%	1	33%
	Sta. 32 Totals	**81**	**56**	**69%**	**32**	**40%**
Fullerton Airport	*Heli-Support 41*	5	2	40%	1	20%
	Heli-Tender 41	17	10	59%	5	29%
	Air Utility 41	3	2	67%	1	33%
	Sta. 41 Totals	**25**	**14**	**56%**	**7**	**28%**

**Summary includes all dispatched calls for Reserve units.*

[i] Reserve Engines and Patrols are required to respond within 10 minutes
[i] Air Utilities and Water Tenders are required to respond within 20 minutes; Helicopter Support Crew 41 and Crew 18 have a 45 minute response time to station and are frequently cancelled. This may account for low enroute statistics.

CONSENT CALENDAR - AGENDA ITEM NO. 7
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Brian Stephens, Assistant Chief
Support Services Department

SUBJECT: **Grant Award Acceptance**

Summary:
This item is submitted to approve acceptance of a California Fire Safe Council (CFSC) grant award for an amount of $158,064 in federal grant funds for the Cowan Heights Peter Canyon Fuel Reduction and Education project.

Committee Action:
At its May 8, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

Recommended Action:
Accept California Fire Safe Council grant and direct staff to increase the FY 2013/14 General Fund (Fund 121) budget by $158,064 in revenue and $33,000 in appropriations.

Background:
The CFSC acts as a clearinghouse for grant funds from its partner federal agency members such as the United States Department of Agriculture (USDA) and the United States Department of the Interior. In the case of the funds the OCFA is set to receive, they have been provided from the Forest Service under USDA.

The Cowan Heights project is a multi-faceted project with components such as fuel reduction, education, evacuation, and preparedness is continually considered for potential grant opportunities. This CFSC grant program prioritizes fuel removal projects that aid communities to invest in efforts that make it fire safe. Specifically, communities that have or are seeking to establish a local Fire Safe Council and a Community Wildfire Protection Plan (CWPP) are prioritized. The community of Cowan Heights has recently established a local council and is developing a CWPP.

This grant project is focused on removing hazardous fuel in a 20 acre portion of Peters Canyon Park that is adjacent and posing a risk to homes in Cowan Heights (Attachment 1- Aerial Map). The grant application proposes to use grant funds for OCFA’s handcrew to conduct fuel reduction in the amount of $125,064. OCFA will provide an equal amount to meet the 50% match commitment required by this grant by charging the Board’s approved reimbursement rate for fuel removal work conducted by the handcrew. In addition, OCFA staff time for project management and supervision will provide additional match fund commitments. In total OCFA’s match provided by budgeted personnel costs will provide $267,544 in match funds, exceeding the 50% grant requirement. The grant will provide $33,000 for equipment rental and environmental review, as needed.

The grant's scope of work period runs until February 2015, and OCFA expects to perform the bulk of fuel removal work between September 2013 and February 2014.

Impact to Cities/County:
Increase of reimbursable project work to handcrew of $125,064.

Fiscal Impact:
Increase in FY 2013/14 revenue in the General Fund (Fund 121) in the amount of $158,064 and appropriations in the amount of $33,000.

Staff Contacts for Further Information:
Jay Barkman, Legislative Analyst
Support Services Department
jaybarkman@ocfa.org
(714) 573-6048

Laura Blaul, Assistant Chief/Fire Marshal
Fire Prevention Department
laurablaul@ocfa.org
(714) 573-6018

Attachments:
1. Aerial Map of Project Area
2. CFSC Award Letter (On file in the Office of the Clerk)

California Fire Safe Council Grantee Project - Boundary Map

Organization Name: Orange County Fire Authority
Project Name: Cowan Heights Peters Canyon Fuel Reduction
Grant Number: 13USFS - SFA0017

USGS Quad: Orange
Scale: 1:5,000
Date: 11/16/2012

Project Area

N

0 0.05 0.1
Miles

CONSENT CALENDAR - AGENDA ITEM NO. 8
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Brian Stephens, Assistant Chief
Support Services Department

SUBJECT: **Proposed Capital Improvement Program Projects – FY 2013/14**

Summary:
This item is submitted for Committee approval to add two projects to the Capital Improvement Program (CIP) funds and adjust the adopted CIP Budget for FY 2013/14. The proposed additional projects include the purchase of a warehouse storage facility in support of California Task Force 5 (CA-TF5) and the purchase of a Compressed Air Foam Patrol (CAFS).

Committee Action:
At its September 11, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

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

Background:
OCFA's Secured Fire Protection Agreement (SFPA) with Heritage Fields El Toro, LLC, defines the "fair share" contribution needed to adequately serve the intended development and current communities adjacent to this area. The funds from this SFPA ensure that the necessary resources will be available for OCFA to provide infrastructure and capital improvements to support the regional service delivery system. Depending on the number of dwelling units that are built under the SFPA, total development contributions over the next several years are anticipated at $10 million.

Central Warehouse for Urban Search and Rescue (US&R)

The OCFA's Urban Search and Rescue (US&R) team, identified as California Task Force Five (CA-TF5), is sponsored by the Orange County Fire Authority and is one of 28 National US&R Task Forces. CA-TF5 uses grant funds and activation reimbursements to equip and train task force members for the mission of rescuing victims in collapsed structures and for weapons of mass destruction/terrorist responses. The needed rescue equipment referred to as "cache," is stored loaded on vehicles purchased by the Federal grant and is comprised of five tractor-trailer trucks, six light duty vehicles (pickup trucks/SUV), and eight cargo trailers. This fleet of vehicles is used to transport and support $8 million dollars of equipment utilized in multi-hazard task force deployments including earthquakes, hurricanes, typhoons, storms, tornadoes, floods, dam failures, technological accidents, terrorist activities, and hazardous materials releases throughout the United States, the State of California, and in support of local emergencies.

Under the Cooperative Agreement with the Federal Emergency Management Agency (FEMA), OCFA is required to maintain the vehicle fleet and cache items in a secured, climate controlled environment. The storage requirement is currently accomplished by housing vehicles among seven OCFA fire stations (40, 42, 45, 51, 54, 57, and 58) throughout Orange County. The current storage arrangement strains OCFA's ability to store other OCFA purchased equipment/apparatus. It also creates accountability and efficiency issues for both the FEMA vehicle and equipment cache and OCFA apparatus and equipment.

During a 2013 Administrative Readiness Review (ARE) conducted by FEMA, OCFA was graded down in storage compliance for not possessing a central warehouse. CA-TF5 is the only Federal Team without a central warehouse and creates several operational inefficiencies, liabilities, and challenges, such as:

1. Diminished accountability of cache items.
2. Cost, delay, and inefficiency to continuously relocate vehicles for maintenance, inventory (unpacking/repacking), operations, and regular training.
3. Inefficient mobilization processing for the immediate activation, equipment issue, and dispatch of up to 210 personnel.

A US&R warehouse has been an identified priority for OCFA and received prior Board support as identified in the Santiago Fire After-Action Report. The warehouse will allow OCFA to meet the requirements of the FEMA Cooperative Agreement grant for the storage of federally purchased equipment and vehicles. It corrects the operational inefficiencies, challenges, and liabilities mentioned above. It moves CA-TF5 equipment and vehicles from the seven fire stations creating capacity at the stations for OCFA owned equipment and apparatus.

The ideal central storage facility would include:

1. A facility of at least 25,000 – 30,000 square feet
2. Office space to manage operations, maintenance, and mobilization
3. Multiple large vehicle drive in doors and dock loading
4. A secured, fenced, gated site of 3 acres
5. Located in central Orange County.

Preliminary investigation of possible locations identified suitable facilities that meet requirements. Preliminary market analysis revealed that similar facilities depending on condition and features range from about $150 to about $200 dollar per square foot. Acquisition of the facility described will provide the capability to acquire, store, and maintain other equipment/vehicle and cache as the US&R program may develop and change. Space not used by CA-TF5 also provides flexibility to store back-up reserve OCFA apparatus and vehicles currently store outside.

An expenditure of up to $5.5 million dollars would be offset by revenue received from the SFPA. Staff is requesting that appropriations for the purchase of a central warehouse, estimated at $5.5 million, be added to the CIP for FY 2013/14.

Compressed Air Foam System Patrol Vehicle
The OCFA uses patrol vehicles equipped with Compressed Air Foam Systems (CAFS) for initial attack and structure protection assignments on wildland and urban interface fires. These types of units have proven their capabilities and are being used and requested more frequently due to their versatility and availability during drawdown of more conventional resources.

OCFA currently has 12 CAFS Patrol vehicles located at Fire Stations (7,10,11,14,16,18,21,26,30,32,48,57). Eight of these units are staffed by Reserve Firefighters and four units are currently cross staffed by career personnel. The four career cross-staffed Patrols are now frequently used in strike team configuration which requires five units by definition. This requires the uncovering of a Community based Reserve Firefighter staffed unit for the duration of the strike team deployment; leaving potentially available Reserve Firefighters without a unit to respond with while their unit is borrowed to be part of a career staffed strike team.

The addition of another CAFS Patrol vehicle would enable the OCFA to staff a Strike Team of Type VI Engine Companies (aka Patrols) without uncovering a dedicated Community based Reserve Firefighter staffed unit. The ability to career cross staff a five engine strike team of these units without borrowing a Reserve Firefighter staffed unit would greatly enhance the OCFA's ability to provide a needed regional asset while maintaining reserve staffed station coverage.

Staff is requesting that appropriations for the purchase of a CAFS Patrol Vehicle, estimated at $208,000, be added to the CIP for FY 2013/14.

<u>Impact to Cities/County:</u>
The acquisition of a central US&R warehouse facility would enhance management, operations, training and deployment both regionally and nationally of a vital disaster response capability.

The acquisition of an additional CAFS Patrol vehicle will help to alleviate gaps in local station coverage during major regional events.

Fiscal Impact:
Approval of the proposed projects will require an increase in appropriations in the FY 2013/14 CIP budget, estimated at $5.5 million for Fund 123 and $208,000 for Fund 133. Developer contributions from an existing SFPA will offset the cost of the proposed US&R central warehouse.

Staff Contacts for Further Information:
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brianstephens@ocfa.org
(714) 573-6008

Bryan Brice, Division Chief/Division 5
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(949) 389-0055

Jeff Adams, Battalion Chief/CA-TF5 Program Manager
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(949) 837-7468

Attachments:
None

CONSENT CALENDAR - AGENDA ITEM NO. 9
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Brian Stephens, Assistant Chief
Support Services Department

SUBJECT: **Approval for Body Repair of Type I Fire Engine E61**

Summary:
This item is submitted for approval to repair engine (E61) Unit #5226 a 2007 Emergency One Type I Fire Engine.

Recommended Actions:

1. Approve and authorize the Purchasing Manager to issue a purchase order to A2Z Fire Apparatus for the repair of E61 in an amount not to exceed $241,114.04
2. Direct staff to increase revenue and appropriations in the General Fund (Fund 121) in the amount of $241,114.04

Background:
On Wednesday March 13, 2013, E61 was involved in an accident that caused major damage when the apparatus struck a tree. The injuries were very minor in nature and limited to OCFA personnel.

The damage that resulted in the accident involved everything behind the cab requiring the following items to be replaced: the pump, pump house, pump transmission, water tank, body, paint, and four wheel alignment.

OCFA conducted a very comprehensive investigation of this accident involving the City of Buena Park Police Department, California Highway Patrol, Emergency One Fire Apparatus Manufacturing, OCFA personnel, Fleet Services, and representatives from Orange County Professional Firefighters Association, Local 3631. It was determined that there were no mechanical deficiencies at the time of the accident, so repair costs will not be covered by the manufacturer.

OCFA Risk Management and Fleet Services have been working with Glatfelter Claims Management regarding the viability of the apparatus and an accurate repair cost estimate using a qualified Emergency One repair facility. A2Z Fire Apparatus is a local vendor and has been endorsed by the manufacturer.

On Monday September 9, 2013, after months of negotiation, OCFA received a check from Glatfelter Claims Management in the amount of $238,114.04 to cover the cost of the repairs minus the $3,000 deductible. The estimated time for the total repair is sixteen weeks upon receipt of the purchase order.

Impact to Cities/County:
Not Applicable.

Fiscal Impact:
$3,000 deductible, funds are available in the current budget.

Staff Contact for Futher Information:
Rick Oborny, Fleet Services Manager
Support Services Department
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(714) 573-6651

Attachments:
None.

CONSENT CALENDAR - AGENDA ITEM NO. 10
BOARD OF DIRECTORS
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Brian Stephens, Assistant Chief
Support Services Department

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

Summary
This report seeks approval and authorization for the Fire Chief to enter into an agreement with the City of Santa Ana to allow OCFA to obtain U.S. Department of Housing and Urban Development Community Block Grant Funds (CDBG) to improve nine (9) fire stations located within the City of Santa Ana.

Recommended Actions:

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

Background
The City of Santa Ana has historically received Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development to be used for community development related purposes, including use to improve fire safety services within specific communities. With the transfer of Santa Ana fire services to the OCFA, CDBG funds in the amount of about $890,000 are available for OCFA to conduct improvement projects to nine of the ten fire stations in Santa Ana. One station, Fire Station 70 is not within the zone authorized for CDBG funds. In June 2013, OCFA submitted a request for use of the CDBG to the City of Santa Ana. The request included projects for nine stations along with preliminary budgets. The projects were approved and in order to use the funds as a sub-recipient, Santa Ana has provided an agreement, (Attachment) that is required to secure HUD/CDBG funds.

The improvement projects and estimated budgets for Fire Stations 71 through 79 are described in Exhibit A to the proposed agreement. The average age of the nine stations is over 40 years, with four over 50 years. The projects address improvements of kitchens, dormitories, bathrooms, machinery, and roofs. Projects are planned to extend the service life of each station for 25 years. Projects would be undertaken simultaneously, with all planned for completion in one year. If approved, projects are anticipated to begin during December 2013.

The use of CDBG funds represents an outstanding opportunity to effect significant station improvements that could otherwise not be afforded. In addition to substantially extending station service life, the improvements will reduce operations and maintenance costs, while enhancing the quality of station life.

Impact to Cities/County:
The improvement will extend the service life of nine stations for up to 25 years.

Fiscal Impact:
$890,000 would be reimbursed by the City of Santa Ana from CDBG funds.

Staff Contacts for Further Information:
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scottbrown@ocfa.org
(714) 567-3234

Steve Chambers, Property Manager
Stevechambers@ocfa.org
(714) 573-6471

Attachment: (On file in the Office of the Clerk)
Agreement between the City of Santa Ana and the Orange County Fire Authority for the use of Community Development Block Grant Funds

- Exhibit A: Capital Improvement Plan City Owned Fire Facilities of June 17, 2013

CONSENT CALENDAR - AGENDA ITEM NO. 11
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Brian Stephens, Assistant Chief
Support Services Department

SUBJECT: **Secured Fire Protection Agreement with Cal I Crown Valley, LLC, for Entitlements in the Crown Development, in the City of Laguna Niguel**

Summary:
This item is submitted to authorize the Fire Chief to enter into a Secured Fire Protection Agreement (SFPA) with Cal I Crown Valley, LLC, for entitlements in the Crown Development, in the City of Laguna Niguel. This agreement defines the “fair share” contribution needed to adequately serve the intended development and current communities adjacent to this area.

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

Background:
Cal I Crown Valley LLC will be developing 270 multi-family dwelling units. Under mitigation measures approved by the City of Laguna Niguel for the project, a Secured Fire Protection Agreement is required. Payments will be made to OCFA after the agreement is signed and recorded, prior to the building permit issuance.

The proposed agreement will provide OCFA and Cal I Crown Valley LLC with the ability to make long-range plans and decisions with respect to both infrastructure costs and operational costs associated with this development. The agreement provides OCFA with the necessary assurances needed to complete work/review on enhancement to the regional emergency fire services delivery system.

Impact to Cities/County:
This agreement has no negative impacts to any of our member cities or the County.

Fiscal Impact:
Revenue produced by full entitlements would be $162,000.

Staff Contact for Further Information:

Michele Hernandez, Management Analyst, Strategic Services
michelehernandez@ocfa.org
(714) 573-6199

Attachment: (On file in the Office of the Clerk)
Secured Fire Protection Agreement

CONSENT CALENDAR - AGENDA ITEM NO. 12
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Brian Stephens, Assistant Chief
Support Services Department

SUBJECT: **Amended Secured Fire Protection Agreement with UCR/Pacific Los Alisos L.P., for Entitlements in the Los Alisos Apartments Development, in the City of Mission Viejo**

Summary:

This item is submitted to authorize the Fire Chief to amend the existing 2007 Secured Fire Protection Agreement (SFPA) with UCR/Pacific Los Alisos L.P., for entitlements in the Los Alisos Apartments Development, in the City of Mission Viejo. This agreement defines the "fair share" contribution needed to adequately serve the intended development and current communities adjacent to this area. The amendment reflects the original entitlements of 250 units increase to 320 units.

Recommended Actions:

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

Background:

UCR/Pacific Los Alisos L.P. entered into a SFPA with OCFA Sept. 27, 2007, for entitlements on 250 units and changed the project to 320 multi-family dwelling units. This amended SFPA is the same SFPA as adopted in 2007 updated with the change in entitlement and new contact/mailing addresses. Under mitigation measures approved by the City of Mission Viejo for the project, a Secured Fire Protection Agreement is required.

The proposed agreement should provide OCFA and UCR/Pacific Los Alisos L.P. with the ability to make long-range plans and decisions with respect to both infrastructure costs and operational costs associated with this development. The agreement provides OCFA with the necessary assurances needed to complete work/review on enhancement to the regional emergency fire services delivery system, specifically the replacement facility for Fire Station 9.

Impact to Cities/County:

This agreement has no negative impacts to any of our member cities or the County.

Fiscal Impact:
Revenue produced by full entitlements would be $192,000.

Staff Contact for Further Information:
Michele Hernandez, Management Analyst, Strategic Services
michelehernandez@ocfa.org
(714) 573-6199

Attachment: (On file in the Office of the Clerk)
Secured Fire Protection Agreement

DISCUSSION CALENDAR - AGENDA ITEM NO. 13
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Equity Working Group – Final Report**

Summary:
This item is submitted to provide a final report regarding the work that has been completed by the Equity Working Group and to seek approval to move forward with an amendment to the Joint Powers Authority (JPA) agreement.

Committee and Council Actions:
At its August 13, 2013, meeting, the Irvine City Council received a report regarding the proposed equity mitigation option, and voted 4-0 (with Mayor Pro Tem Lalloway absent) to:

1. Accept in concept the OCFA's enhanced Hybrid Model that eliminates the phasing of equity payments during the first five years of payments to the City of Irvine.
2. Direct the City of Irvine's appointed delegates to the OCFA Equity Working Group (EWG) to convey the City Council's conceptual support of the enhanced Hybrid Model and ensure the City's participation in the development of an amendment to the JPA agreement that guarantees equity payments to the City of Irvine.

At its August 14, 2013, meeting, the Budget and Finance Committee received a status update regarding the proposed equity mitigation option, and provided unanimous support of the proposal.

At its August 21, 2013, meeting, the Equity Working Group Ad Hoc Committee received a report regarding the proposed equity mitigation option, and voted 8-1 (with Director Lalloway voting in opposition) to direct staff to:

1. Provide a final report to the OCFA Board of Directors at its September 26, 2013, meeting summarizing the work performed by the EWG.
2. Forward the EWG's recommendation that the Board of Directors approve the proposed equity mitigation option referred to as the Enhanced Hybrid Model.
3. Work closely with OCFA's General Counsel and Irvine representatives to draft the proposed Second Amendment to the Amended Joint Powers Authority (JPA) agreement for consideration by the Board of Directors at its September 26, 2013 meeting.

Recommended Actions:

1. Approve the form of the Second Amendment to the Amended JPA.
2. Direct staff to submit the Second Amendment to the Amended JPA Agreement to the OCFA's member agencies for consideration by each member agency's governing body.
3. Upon approval by 2/3 of the member agencies' governing bodies (16 agencies):
   a. Authorize staff and General Counsel to commence a validation in the Orange County Superior Court to obtain a judicial declaration of the validity of the Second Amendment to the Amended JPA Agreement.
   b. Direct staff to include an adjustment in the mid-year budget adjustments to provide for payment of the required equity payment for FY 2013/14 pursuant to the Second Amendment to the Amended JPA Agreement.
4. Direct staff to provide a status update to the Board of Directors at its meeting in November 2013.

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 Member, 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:

- That an updated Equity Study ***not be performed***, as this topic had already been studied extensively in the past
- To continue discussions regarding potential options for mitigating the equity concerns.

As the EWG engaged in discussions for mitigating equity concerns, City of Irvine representatives expressed an interest to retain the services of Emergency Services Consulting, Inc. (ESCi) for performance of an Irvine Fire Department Feasibility Study. Since ESCi has 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 their existing contract with OCFA presents a potential conflict of interest for them unless the OCFA

Board grants a waiver, which was approved by the Board 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 continued dialogue to identify potential options for mitigating equity concerns. Following are statistics regarding the work that was completed during the past year:

- 6 formal meetings were held with the EWG
- 14 informal meetings were held with OCFA staff and Irvine staff
- 46 outreach/education meetings were held with individual Board Members & City Managers
- 10 meetings were held with OCFA's labor groups and/or unrepresented management group
- 17 proposals were exchanged for options to mitigate the equity concerns (Attachment 1)
- 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 discussed the inclusion of a provision that would commit the City of Irvine to remain with OCFA through the end of the current JPA agreement term, which is June 30, 2030. This term is a key component in the proposed Second Amendment to the Amended JPA Agreement (Attachment 2).

At the last EWG meeting on August 21, 2013, OCFA staff recommended that the Committee move forward with pursuit of the option referred to as the Enhanced Hybrid Model. Staff evaluated this option against OCFA's long-term financial forecast to assess feasibility and concluded that the Enhanced Hybrid Model is the greatest-valued formula that should be offered in the form of a solution to mitigate equity concerns.

The Enhanced Hybrid Model combines two distinct calculations into one solution (thus the term "hybrid model"). The first portion of the solution is referred to as the Average Structural Fire Fund Payment Model. This model is applicable to all Structural Fire Fund (SFF) members based on the proposed formula, which uses the OCFA's Average Structural Fire Fund Tax Rate for determining eligibility for equity payments. Payments can be provided to the eligible agencies using unrestricted revenue sources in the OCFA's budget (i.e., non-property tax sources of revenue). A detailed calculation of the Average SFF Payment Model is provided as Attachment 3.

The second portion of the solution is applicable only to the City of Irvine, recognizing Irvine as a "super-donor" within OCFA's financing structure. This portion of the solution applies a 3.5% cap on annual growth of revenue that OCFA will receive from Irvine SFF property taxes, net of the equity payments issued under the Average SFF Payment Model. A detailed calculation to demonstrate the Hybrid Model, applied for the City of Irvine, is provided as Attachment 4.

The last element of the proposal involves a five-year phase-in for cities eligible to receive equity payments, with the exception of the City of Irvine. This element was included to ease the impact on OCFA's annual budget within the first few years of application of the Enhanced Hybrid Model. A summary identifying the combination of all elements of the proposal is provided as Attachment 5. Finally, a long-term financial forecast reflecting the full impact of equity payments is provided as Attachment 6 (Attachment 6A is a 10-year forecast focused on the General Fund only, and Attachment 6B is a 17-year forecast, including all OCFA funds and reserves).

In addition to receiving support of the proposed equity solution from the Irvine City Council, the OCFA's Budget and Finance Committee, and the EWG, we have also received support from our represented and unrepresented labor groups and the OCFA's Cash Contract City Managers. In providing their support, the Cash Contract City Managers recommended that the OCFA consider submitting the proposed equity solution for judicial review in order to seek court validation of the JPA amendment. The court validation process would determine the validity of using unrestricted revenue sources in the OCFA's budget for issuance of equity payments back to member agencies; and if the JPA amendment is determined to be valid, future challenges to the legality of the amendment would be precluded. OCFA staff is supportive of this recommendation, and upon Board approval, will work closely with General Counsel to pursue the judicial review at the appropriate time. General Counsel has advised that the appropriate time for submittal of this request to the court is after the Second Amendment to the Amended JPA becomes an enforceable contract, which is upon approval by 2/3 of OCFA's individual member agencies.

Staff is seeking approval from the Board of Directors of the proposed Second Amendment to the Amended JPA Agreement, and related actions as listed on page 2 of this report. Staff believes that timing is of the essence in achieving an equity solution. The OCFA has several other 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 believes the window of opportunity for resolving equity may begin to close should we fail to approve a concept for solution of the equity concerns in 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.

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

Staff Contacts for Further Information:

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Lori Zeller, Assistant Chief/Business Services Department
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(714) 573-6020

Attachments:

1. Equity Mitigation Options Explored
2. Second Amendment to the Amended JPA
3. Average Structural Fire Fund Payment Model (applicable to all SFF Members)
4. Detailed Calculation for the City of Irvine – Enhanced Hybrid Model
5. Summary Enhanced Hybrid Model for all Eligible Agencies
6. Long-Term Financial Forecasts
    a. 10-Year Forecast – General Fund
    b. 17-Year Forecast – All Funds (on file in the Office of the Clerk)

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 *and* 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 *and* 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

Attachment 1

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

12. Average SFF Rate 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 (Equity Payments 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 (Equity Payments to City)	June 12, 2013	Irvine	Unrestricted	Lacked support from OCFA personnel; deemed unfeasible with OCFA finances
15. Hybrid Model - Average SFF Rate Model & Modified Library Model of 3.5% Cap on Net SFF Revenue (Equity Payments to City)	**June 26, 2013**	**OCFA**	**Unrestricted**	**Option is recommended as the proposed solution for mitigating equity concerns**
16. Hybrid Model - Average SFF Rate Model & Modified Library Model of 2.5% Cap on Net SFF Revenue (Equity Payments 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 will not be necessary if the recommended solution is approved

SECOND AMENDMENT TO AMENDED ORANGE COUNTY FIRE AUTHORITY JOINT POWERS AGREEMENT

This Second Amendment ("Second Amendment") to the Amended Joint Powers Authority Agreement is made and entered into by and between the following public entities (collectively referred to as "members"): Aliso Viejo, Buena Park, Cypress, Dana Point, Irvine, La Palma, Laguna Hills, Laguna Niguel, Laguna Woods, Lake Forest, Los Alamitos, Mission Viejo, Placentia, Rancho Santa Margarita, San Clemente, San Juan Capistrano, Santa Ana, Seal Beach, Stanton, Tustin, Villa Park, Westminster, and Yorba Linda (collectively referred to as "Cities" and individually as "City") and the County of Orange (referred to as the "County"), each of whom is a member of the Joint Powers Authority, Orange County Fire Authority ("the Authority"). This Second Amendment requires the approval of two thirds of the members to go into effect, and it shall be effective when executed by a sixteenth member; provided that if a sixteenth member has not executed this Second Amendment by June 30, 2014, then it shall be void and shall not go into effect.

RECITALS

WHEREAS, the Authority presently provides fire protection, prevention and suppression services and related and incidental services (collectively, "Fire Services") to Cities as well as to the unincorporated area of the County and State Responsibility Areas ("SRA"); and

WHEREAS, the County and several of the Cities entered into a Joint Powers Authority Agreement to form the Authority as of February 3, 1995 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title I (commencing with Section 6500) of the Government Code of the State of California ("Joint Powers Statutes"); and

WHEREAS, pursuant to the Joint Powers Statutes the members are authorized to jointly provide for the methods of the provision of Fire Services, including the method of financing the provision of Fire Services; and

WHEREAS, on September 23, 1999, the members entered into an amended Joint Powers Authority Agreement ("1999 Amended Agreement") which superseded all prior agreements between the members and is incorporated herein by reference; and

WHEREAS, pursuant to the 1999 Amended Agreement the members provided for the provision of Fire Services and the joint financing of Fire Services; and

WHEREAS, on July 1, 2010, the members entered into the First Amendment to the Amended Joint Powers Agreement ("First Amendment") which amended several provisions of the 1999 Amended Agreement; and

WHEREAS, on April 20, 2012, the City of Santa Ana joined the Authority and became a party to the 1999 Amended Agreement and the First Amendment; and

WHEREAS, the members wish to amend the 1999 Amended Agreement and the First Amendment as set forth below to modify their joint financing of the Fire Services to promote financing equity among the members, to preserve the existing membership, to better assure future revenues that will continue to support the provision of high quality of Fire Services throughout the Authority's service area, and retain all other unamended terms of the 1999 Amended Agreement and First Amendment.

NOW THEREFORE, the members agree to amend the 1999 Amended Agreement and First Amendment as follows:

AGREEMENT

1. Article IV, Section 3, Subdivision A shall be amended to read as follows:

A. Structural Fire Fund; Cash Contract Cities. County receives Structural Fire Fund property taxes ("SFF") from the unincorporated area and from properties located within the following member Cities: Irvine, Dana Point, Laguna Hills, Laguna Woods, Laguna Niguel, La Palma, Mission Viejo, San Juan Capistrano, Villa Park, Yorba Linda, Cypress, Los Alamitos, Lake Forest, Rancho Santa Margarita, and Aliso Viejo**.** These cities and the County together make up the "SFF Jurisdictions." On behalf of the cities from which the County receives SFF, and the unincorporated area, County shall pay all SFF it receives to the Authority to meet budget expenses and fund reserves in accordance with the County's normal tax apportionment procedures pursuant to the California Revenue and Taxation Code and the County's tax apportionment schedules. The member Cities which the County does not receive SFF are Santa Ana, Stanton, Tustin, Buena Park, Placentia, Westminster, Seal Beach, and San Clemente (collectively, "Cash Contract Cities").

2. Article IV, Section 4 shall be deleted in its entirety and replaced with the following new Section 4:

4. Equity. The following calculations and actions shall be performed by the Authority each fiscal year:

A. Over-Funded Structural Fire Fund (SFF) Jurisdictions.

(1) The total estimated property tax revenue levied and allocated to the Authority, prior to accounting for delinquencies, and including secured, unsecured, nonoperating utility (SBE), and homeowner's exemptions shall be determined ("Total SFF Revenue Figure"). For the FY 2012/13 this amount was stated as $179,768,901.52 in the Auditor-Controller Report titled

“AT68AD-73 Orange County Auditor Controller Accumulation of Combined Prior Year Levy and Current Year ATI” as the "Total SFF Revenue Figure."

(2) The total Assessed Value, net of successor agency former project area incremental value, for all SFF jurisdictions shall be determined (the "Total AV Figure"). For the FY 2012/13 this amount was stated as $155,506,390,761 in the Auditor-Controller report titled *“AT04VC-74 Orange County Auditor Controller District Values Used to Set Tax Rates”* and was identified as the “Total L&I (Land and Improvements), Total Secured and Unsecured Value for the Orange County Fire Authority Total Jurisdiction.”

(3) The Total AV Figure shall be multiplied by 1% (the basic levy tax rate) to determine the total value of the 1% basic levy for all SFF Jurisdictions for the fiscal year (the "SFF Basic Levy Figure"). For reference, in FY 2012/13, this calculated figure was $1,555,063,907.61.

(4) The Total SFF Revenue Figure shall be divided by the SFF Basic Levy Figure for the same fiscal year and expressed as a percentage. The resulting percentage shall be referred to as the "Average SFF Rate" for the fiscal year. For reference, in FY 2012/13 the Average SFF Rate was 11.56%. The 2012/13 calculation is as follows:

$179,768,901.52 / $1,555,063,907.61 = 0.115602

(5) A “Jurisdictional SFF Rate” shall be determined for each SFF Jurisdiction as follows:

a. The total property tax revenue allocated from all tax rate areas in the SFF Jurisdiction to the Authority, prior to accounting for delinquencies, and including secured, unsecured, utility (SBE), and homeowner’s exemptions, but excluding revenue on successor agency incremental value in tax rate areas assigned to former redevelopment agencies, shall be determined ("Jurisdictional SFF Revenue Figure"). By way of example, for FY 2012/13 this determination would be made by (1) taking, for each tax rate area in the SFF Jurisdiction, the total assessed value of the tax rate area as reported in the Auditor Controller TRA Summary Detail Reports for the secured, unsecured, SBE, and homeowner's exemptions, (2) multiplying the total assessed value by 1%, and (3) multiplying the product by the Authority's share of the general levy tax rate in the tax rate area as stated in the "*Auditor Controller Report AT68AH71 Section 99 Factor Report by TRA*," which would yield property tax revenue allocated from that tax rate area to the Authority. This calculation would be made for all tax rate areas within the SFF Jurisdiction, and the results would be added together to yield the Jurisdictional SFF Revenue Figure.

b. The total Assessed Value, net of successor agency former project area incremental value (AV), for the SFF Jurisdiction shall be determined (the "Jurisdictional AV Figure").

c. The Jurisdictional AV Figure shall be multiplied by 1% to determine the total value of the 1% basic levy of the SFF Jurisdiction for the fiscal year (the "Jurisdictional Basic Levy Figure").

d. The Jurisdictional SFF Revenue Figure shall be divided by the Jurisdictional Basic Levy Figure for the same fiscal year and expressed as a percentage. The resulting percentage shall be referred to as the "Jurisdictional SFF Rate" for the fiscal year.

(6) For those SFF Jurisdictions whose Jurisdictional SFF Rate is greater than the Average SFF Rate (“the Over-Funded SFF Jurisdictions”), a Jurisdictional Equity Adjustment Payment ("JEAP") shall be calculated using the data sources cited above and the following formula:

(Jurisdictional SFF Rate x Jurisdictional AV Figure x 0.01) – (Average SFF Rate x Jurisdictional AV Figure x 0.01)

(7) The JEAPs calculated in subdivision (6) shall be paid by the Authority in two equal payments in December and April each fiscal year, provided that the Authority has received its distribution of property tax revenues in or before such months.

(8) The JEAP payments in subdivision (6) shall be made according to the following phase-in schedule:

Fiscal Year	Irvine	Other Jurisdictions
FY 2013/14	100%	0%
FY 2014/15	100% (a)	25%
FY 2015/16	100% (b)	50%
FY 2016/17	100%	75%
FY 2017/18 and thereafter	100%	100%

a. The timing of payment for FY 2014/15 will be dependent on the Authority's Adopted Budget. If the General Fund is balanced in the Adopted Budget (Operating Revenues are equal to, or greater than, operating expenses), then 100% of the calculated JEAP will be paid to the City of Irvine as identified by the above schedule. (For purposes of this Agreement "Operating Revenues" includes Unrestricted General Fund Revenues and SFF revenues. If the General Fund is not balanced, as defined above, then 25% of the calculated JEAP will be paid to the City of Irvine in FY 2014/15, and the remaining 75% will be paid to the City of Irvine no later than FY 2016/17. This delayed payment, if any, will be paid in addition to calculated JEAPs due and payable in the subsequent fiscal year(s) and shall not include interest.

b. The timing of payment for FY 2015/16 will be dependent on the Authority's Adopted Budget. If the General Fund is balanced in the Adopted Budget (operating revenues are equal to, or greater than, operating expenses), then 100% of the calculated JEAP will be paid to the City of Irvine as identified by the above schedule. If the General Fund is not balanced, as defined above, then 50% of the calculated JEAP will be paid to the City of Irvine in FY 2015/16, and the remaining 50% will be paid to the City no later than FY 2017/18. This delayed payment, if any, will be paid in addition to calculated JEAPs due and payable in the subsequent fiscal year(s) and shall not include any interest.

(9) Neither Cash Contract Cities nor SFF jurisdictions that are not determined to be Over-Funded SFF Jurisdictions by these calculations shall receive any JEAP, nor will they be required to make additional payments to the Authority due to these calculations. Annual service charges for Cash Contract Cities shall not be increased as a result of the JEAPs paid pursuant to this Section 4.

B. Additional Equity Adjustment for SFF Revenue from the City of Irvine. The following calculations and actions shall be performed by the Authority each fiscal year:

(1) Beginning with Fiscal Year 2013/14, the City of Irvine shall receive an additional JEAP equal to the amount, if any, that the

Jurisdictional SFF Revenue Figure for the City of Irvine, net of the JEAP payment calculated in Section 4.A(6), exceeds that year's corresponding annual Not-To-Exceed amount ("NTE") as set forth in Section 4.B(2) below.

(2) The NTE for Fiscal Year 2013/14 shall be the amount of base SFF revenue that the Authority received from properties located within the City of Irvine jurisdiction in the Fiscal Year 2012/13, which was $59,635,863, plus 3.5%. The NTE shall increase each fiscal year by 3.5%. The NTE for each fiscal year from 2013/14 to 2029/30 for the City of Irvine is therefore as follows:

FY 2013/14 SFF Revenue NTE:	**$59,635,863 X 1.035 = $61,723,118**
FY 2014/15 SFF Revenue NTE:	**$61,723,118 X 1.035 = $63,883,427**
FY 2015/16 SFF Revenue NTE:	**$63,883,427 X 1.035 = $66,119,347**
FY 2016/17 SFF Revenue NTE:	**$66,119,347 X 1.035 = $68,433,524**
FY 2017/18 SFF Revenue NTE:	**$68,433,524 X 1.035 = $70,828,697**
FY 2018/19 SFF Revenue NTE:	**$70,828,697 X 1.035 = $73,307,701**
FY 2019/20 SFF Revenue NTE:	**$73,307,701 X 1.035 = $75,873,471**
FY 2020/21 SFF Revenue NTE:	**$75,873,471 X 1.035 = $78,529,042**
FY 2021/22 SFF Revenue NTE:	**$78,529,042 X 1.035 = $81,277,558**
FY 2022/23 SFF Revenue NTE:	**$81,277,558 X 1.035 = $84,122,273**
FY 2023/24 SFF Revenue NTE:	**$84,122,273 X 1.035 = $87,066,553**
FY 2024/25 SFF Revenue NTE:	**$87,066,553 X 1.035 = $90,113,882**
FY 2025/26 SFF Revenue NTE:	**$90,113,882 X 1.035 = $93,267,868**
FY 2026/27 SFF Revenue NTE:	**$93,267,868 X 1.035 = $96,532,243**
FY 2027/28 SFF Revenue NTE:	**$96,532,243 X 1.035 = $99,910,872**
FY 2028/29 SFF Revenue NTE:	**$99,910,872 X 1.035 = $103,407,753**
FY 2029/30 SFF Revenue NTE:	**$103,407,753 X 1.035 = $107,027,024**

(3) In any fiscal year in which the Jurisdictional SFF Revenue Figure for the City of Irvine, net of the JEAP calculated in Section 4.A(6), is greater than the NTE provided in Section 4.B.(2), the excess revenue shall be paid to the City of Irvine as an additional JEAP.

(4) Payment of this additional JEAP shall be made by the Authority to the City of Irvine in two equal payments in December and April of each fiscal year, provided that the Authority has received its distribution of the SFF in such months.

(5) Neither Cash Contract Cities nor SFF jurisdictions other than Irvine shall receive any additional JEAP as described in this Section 4.B., nor will they be required to make additional payments to the Authority due to these calculations or payments. Annual service charges for Cash Contract Cities shall not be increased as a result of the JEAPs or additional JEAPs paid pursuant to this Section 4.

C. Sources of JEAP Funds; Remedies; Amendment.

(1) Payments of JEAPs shall be made to the Over-Funded SFF jurisdictions from unrestricted revenues of the Authority (the "Unrestricted OCFA General Fund Revenues") provided that the use of said Unrestricted OCFA General Fund Revenues is not prohibited by any Federal or State law or regulation nor would the use violate the terms or restrictions contained in any grant or other agreement restricting the use of the designated revenue sources. For purposes of clarity, JEAPs shall be paid from the annual service charges paid by the Cash Contract Cities as well as from other non-property tax sources of unrestricted funds. SFF are restricted funds and shall not be used to pay JEAPs. No Cash Contract City annual service charges shall be increased to pay JEAPs.

(2) If a legal challenge is brought challenging this Second Amendment, the JEAPs shall continue to be calculated as provided in this Second Amendment. The Authority shall open a separate account into which the JEAPs shall be deposited, which shall bear interest at the same rate as the Authority's other authorized investments. The Authority shall provide an

accounting to the Over-Funded SFF Jurisdictions upon each JEAP deposit. The JEAPs so deposited into this account shall remain there until the resolution of the legal challenge. If this Second Amendment remains valid after the resolution of such legal challenge, all of the funds accumulated in such account shall be paid, with accrued interest, to the Over-Funded SFF Jurisdiction(s) and the Authority shall provide an accounting therefore.

(3) The City of Irvine may, notwithstanding Article VII, Section 1 of the 1999 Amended Agreement as amended by the First Amendment and this Second Amendment, withdraw from the Authority by transmitting written notice of its withdrawal to the Clerk of the Authority. Such notice shall provide at least two years' notice of the withdrawal, but the notice period may be more than two years, at the City of Irvine's discretion. The withdrawal shall be effective upon the expiration of the notice period in the notice of withdrawal, although in no case may the City of Irvine withdraw before June 30, 2020. This withdrawal provision applies to the following situations only: (1) a final judgment is entered declaring this Second Amendment to be void or otherwise affects a material term of this Second Amendment and the time in which to appeal such final judgment has passed; (2) the members approve any modification to this Second Amendment which the City of Irvine does not vote to approve; (3) there is a change in state legislation which prevents or reduces the payment of JEAPs to the City of Irvine as prescribed by this Second Amendment; or (4) the Authority materially breaches this Second Amendment. This provision shall not be interpreted to limit the remedies otherwise available to the City of Irvine if the Authority otherwise fails to make payment of the JEAPs when it is authorized to do so under this Second Amendment.

(4) This Second Amendment can only be amended if approved by two-thirds of the members of the Authority.

3. Article VII, Sections 1.A. and B. are deleted in their entirety and replaced with the following:

A. Term. Cities shall be members of the Authority for a 20-year term commencing July 1, 2010. For Structural Fire Fund cities, the initial 20-year term shall begin on July 1, 2010 and end on June 30, 2030. For a Cash Contract City, the first 20-year term shall begin on July 1, 2010, only upon the consent of such City. Cash contract Cities that do not give such approval by June 30, 2010 shall give notice of withdrawal to the Clerk of the Authority by June 30, 2010, to be effective July 1, 2010. Failure to provide such notice shall be deemed that City's consent to a 20-year term, beginning July 1, 2010 subject to the ability to withdraw after the first ten years as set forth in Section B. below.

B. Subsequent Terms. Twenty-year membership terms shall automatically renew, on the same terms and conditions as the prior term, and with the same cap in effect in the last year of the prior term, except under the following circumstances:

(1) Any City may give notice of withdrawal by transmitting written notice of such withdrawal to the Clerk of the Authority prior to July 1 of the second to last year of every ten-year interval of a twenty-year term (e.g., for the first ten-year interval, notice must be given by July 1, 2018 to withdraw by June 30, 2020).

(2) Notwithstanding the preceding subsection (B)(1), in exchange for the JEAPs described in Article IV, Section 4, the City of Irvine shall not have the option to withdraw in 2020, except as provided in Article IV, Section 4(C)(3), or if the number of withdrawing Cash Contract Cities in 2020 reduces the unrestricted general fund revenues of the Authority to the point that the JEAPs can no longer be made. In the event that the number of withdrawing Cash Contract Cities in 2020 reduces the unrestricted general fund revenues of the Authority to the point that the JEAPs can no longer be made, the City of Irvine will be notified in writing by the Authority of this

condition as soon after July 1, 2018 as practicable, and in no event later than January 1, 2019. In that event, the City of Irvine will be able to withdraw in 2020 by providing written notice of such withdrawal no later than July 1, 2019. For purposes of clarity, the City of Irvine shall have the option to withdraw in 2030 and every ten years thereafter by complying with the notice provisions in subsection (B)(1) above.

4. This Second Amendment amends, as set forth herein, the 1999 Amended Agreement and the First Amendment and except as specifically amended herein, the 1999 Amended Agreement and the First Amendment shall remain in full force and effect. To the extent there is any conflict between this Second Amendment and the 1999 Amended Agreement and First Amendment, the terms and conditions contained in this Second Amendment shall control.

Orange County Fire Authority
Equity Proposal Based on Average SFF Tax Rate
FY 2013/14

City	Assessed Value (net of RDA increment)	1% of Total AV	SFF Tax Rate by City	*(a)* SFF Revenue by City	OCFA Average SFF Tax Rate	*(b)* Revenue by City Using Average SFF Tax Rate	*(a) - (b)* (1) Proposed Annual Equity Payment - Tax Rate by City vs. Average SFF Tax Rate
Aliso Viejo	7,798,310,488	77,983,105	11.51%	8,973,992			n/a
Cypress	4,719,355,472	47,193,555	9.11%	4,297,539			n/a
Dana Point	9,146,354,340	91,463,543	11.30%	10,332,966			n/a
Irvine	49,421,564,866	494,215,649	12.41%	61,350,399	11.56%	57,131,329	4,219,070
Laguna Hills	5,613,572,880	56,135,729	10.35%	5,807,438			n/a
Laguna Niguel	12,446,688,131	124,466,881	10.47%	13,028,982			n/a
Laguna Woods	2,252,523,947	22,525,239	11.67%	2,629,389	11.56%	2,603,918	25,472
Lake Forest	10,277,443,711	102,774,437	11.49%	11,808,567			n/a
La Palma	1,335,934,489	13,359,345	10.25%	1,369,227			n/a
Los Alamitos	1,682,659,433	16,826,594	9.65%	1,622,999			n/a
Mission Viejo	12,632,098,906	126,320,989	11.21%	14,154,999			n/a
Rancho Santa Margarita	6,830,130,006	68,301,300	12.29%	8,393,328	11.56%	7,895,630	497,698
San Juan Capistrano	5,136,920,990	51,369,210	11.85%	6,087,051	11.56%	5,938,281	148,770
Villa Park	1,464,308,782	14,643,088	10.18%	1,490,675			n/a
Yorba Linda	9,625,205,330	96,252,053	9.45%	9,096,127			n/a
County Unincorporated	19,609,768,701	196,097,687	12.49%	24,485,816	11.56%	22,668,893	1,816,924
Total OCFA SFF	**159,992,840,472**	**1,599,928,405**	**11.56%**	**184,929,494**	**11.56%**		**6,707,933**

(1) Equity payment is to be processed by pass-through of unrestricted revenue from OCFA General Fund to City/County General Fund.

Attachment 3

Orange County Fire Authority
Equity Proposal - Enhanced Hybrid Model
Applicable to the City of Irvine only
FY 2013/14

Growth per RSG through 2017/18, then 4.50% thereafter

			(a)		*(b)*	*(a) - (b)*
Current Property Tax to OCFA				**Cap Calculation**	**Modified Property Tax Payments to OCFA & Equity Payments to Irvine**	
Fiscal Year	**Growth Assumption**	**1% Property Tax**	**Current Revenue to OCFA = 12.41 Cents per Property Tax Dollar**	**3.5% Cap - OCFA Revenue Cannot Exceed These Amounts**	**Modified Revenue to OCFA = 11.56 Cents per Property Tax Dollar, Not-to-Exceed 3.5% Annual Growth**	**Annual Equity Payments to Irvine**
2012-13		480,404,001	59,635,863	59,635,863		
2013-14	2.88%	494,215,649	61,350,399	61,723,118	57,131,329	4,219,070
2014-15	3.70%	512,524,473	63,623,199	63,883,427	59,247,829	4,375,370
2015-16	4.73%	536,759,952	66,631,716	66,119,347	62,049,450	4,582,266
2016-17	4.57%	561,297,951	69,677,788	68,433,524	64,886,043	4,791,744
2017-18	4.44%	586,224,814	72,772,131	70,828,698	67,767,588	5,004,543
2018-19	4.50%	612,604,931	76,046,877	73,307,702	70,817,130	5,229,747
2019-20	4.50%	640,172,153	79,468,986	75,873,472	74,003,901	5,465,086
2020-21	4.50%	668,979,899	83,045,091	78,529,043	77,334,076	5,711,015
2021-22	4.50%	699,083,995	86,782,120	81,277,560	80,814,110	5,968,010
2022-23	4.50%	730,542,775	90,687,315	84,122,274	84,122,274 (1)	6,565,041
2023-24	4.50%	763,417,199	94,768,245	87,066,554	87,066,554	7,701,691
2024-25	4.50%	797,770,973	99,032,816	90,113,883	90,113,883	8,918,932
2025-26	4.50%	833,670,667	103,489,292	93,267,869	93,267,869	10,221,423
2026-27	4.50%	871,185,847	108,146,310	96,532,245	96,532,245	11,614,066
2027-28	4.50%	910,389,210	113,012,894	99,910,873	99,910,873	13,102,021
2028-29	4.50%	951,356,725	118,098,475	103,407,754	103,407,754	14,690,721
2029-30	4.50%	994,167,777	123,412,906	107,027,025	107,027,025	16,385,881
			1,510,046,560	1,401,424,371	1,375,499,936	**134,546,625**

(1) The Average SFF Tax Rate equity payments which reduce the amount of revenue to OCFA from 12.41% to 11.56% effectively hold OCFA's annual revenue growth from Irvine under the 3.5% cap until FY 2022/23. The 3.5% revenue cap is quantified using a base year of 2012/13.

Attachment 4

Orange County Fire Authority
Summary of Average SFF Tax Rate and Hybrid Model
Projected Equity Payment Values - 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 (*)	4,219,070	-	-	-	-	4,219,070
2	2014/15 (*)	4,375,370	6,518	127,231	38,743	464,686	5,012,550
3	2015/16 (*)	4,582,266	13,456	262,481	81,431	959,144	5,898,779
4	2016/17 (*)	4,791,744	20,908	407,570	128,087	1,495,578	6,843,888
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	5,711,015	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	6,565,041	34,075	661,709	219,352	2,478,742	9,958,919
11	2023/24	7,701,691	35,234	683,784	229,089	2,569,554	11,219,351
12	2024/25	8,918,932	36,433	706,595	239,257	2,663,693	12,564,909
13	2025/26	10,221,423	37,672	730,167	249,876	2,761,280	14,000,419
14	2026/27	11,614,066	38,954	754,525	260,967	2,862,444	15,530,956
15	2027/28	13,102,021	40,279	779,696	272,551	2,967,313	17,161,859
16	2028/29	14,690,721	41,649	805,707	284,648	3,076,024	18,898,749
17	2029/30	16,385,881	43,066	832,586	297,282	3,188,718	20,747,533
		134,546,625	**502,524**	**9,753,631**	**3,265,886**	**36,627,150**	**184,695,817**

* For all agencies except Irvine, the amounts shown represent a 5-year phase-in, with 0% of calculated payments in 13/14, 25% in 14/15, 50% in 15/16, 75% in 16/17, and 100% in 17/18 and beyond.

Attachment 5

ADOPTED FY 2013/14 BUDGET

Includes Accelerated Payment of UAAL
Includes Deferred CIP Projects Beginning in 2018/19
Includes Equity Payments
Includes Handcrew throughout Forecast

	Traditional Five-Year Forecast Period					Extended Ten-Year Forecast				
	ADOPTED 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
BEGINNING FUND BALANCE	**153,558,420**	**140,447,654**	**138,789,479**	**138,171,942**	**132,576,351**	**134,863,592**	**137,881,930**	**144,042,024**	**149,649,037**	**157,673,897**
GENERAL FUND REVENUES										
Property Taxes	187,618,789	192,914,164	200,461,660	208,677,160	216,825,779	225,480,315	234,501,138	243,903,752	253,704,315	263,919,670
State Reimbursements	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
Federal Reimbursements	100,000	100,000	100,000	100,000	100,000	103,000	106,090	109,273	112,551	115,927
Community Redevelopment Agency Pass-thru	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
Cash Contracts	83,980,236	87,822,101	90,254,150	92,688,651	94,727,582	99,013,416	103,457,693	107,506,840	111,443,379	115,566,900
Fire Prevention Fee	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
ALS Supplies & Transport Reimbursement	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
Interest Earnings	221,379	429,249	626,816	814,907	1,186,005	1,198,358	1,217,241	1,236,945	1,257,598	1,279,177
Other Revenue	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584
TOTAL REVENUES	**294,441,285**	**304,132,030**	**314,666,735**	**325,878,625**	**337,163,333**	**350,736,331**	**364,857,548**	**378,983,680**	**393,414,026**	**408,465,499**
GENERAL FUND EXPENDITURES										
New Positions for New Stations		1,091,834	2,201,862	2,231,538	4,489,004	4,572,865	6,987,440	7,117,976	9,667,934	9,848,545
Employee Salaries	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
Retirement - Regular Annual Payments	59,984,495	68,635,549	71,028,235	70,649,208	70,415,902	71,303,995	75,056,876	76,637,840	78,097,620	79,030,991
Retirement - Paydown of UAAL (Rate Reductions)	2,500,000	0	1,292,059	1,653,114	1,886,420	3,167,397	1,648,658	2,368,859	3,279,280	4,787,217
Retirement - Paydown of UAAL ($1M per Year)				1,000,000	2,000,000	3,000,000	4,000,000	5,000,000	5,000,000	5,000,000
Workers' Comp Transfer out to Self-Ins. Fund	12,763,412	13,664,036	13,942,894	14,361,181	14,792,016	15,188,335	15,595,272	16,013,112	16,442,148	16,882,678
Other Insurance	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
Medicare	2,202,793	2,422,039	2,422,039	2,422,039	2,422,039	2,494,701	2,569,542	2,646,628	2,726,027	2,807,807
Salaries & Employee Benefits	266,528,679	276,903,048	284,172,999	288,010,658	294,335,346	305,947,307	320,383,047	333,058,994	347,712,233	360,590,277
Services & Supplies/Equipment	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
New Station/Enhancements S&S Impacts		50,653	104,345	107,475	221,399	228,041	352,323	362,893	498,373	513,324
TOTAL EXPENDITURES	**288,959,860**	**300,519,387**	**307,843,029**	**311,683,819**	**318,122,431**	**330,448,004**	**345,736,207**	**359,172,748**	**374,733,992**	**388,422,689**
NET GENERAL FUND REVENUE	**5,481,425**	**3,612,643**	**6,823,705**	**14,194,807**	**19,040,902**	**20,288,327**	**19,121,341**	**19,810,932**	**18,680,034**	**20,042,809**
Incremental Increase in GF 10% Contingency	**363,510**	**1,155,953**	**732,364**	**384,079**	**643,861**	**1,232,557**	**1,528,820**	**1,343,654**	**1,556,124**	**1,368,870**
Equity Payments	4,219,070	1,731,022	3,607,646	6,843,888	7,842,098	8,170,712	8,513,247	8,870,296	9,242,481	9,958,919
Equity - Accrued Pmt to Irvine from 14/15 & 15/16				3,281,522	2,291,133					
GENERAL FUND SURPLUS / (DEFICIT)	**898,845**	**725,669**	**2,483,695**	**3,685,318**	**8,263,810**	**10,885,057**	**9,079,274**	**9,596,981**	**7,881,428**	**8,715,021**

DISCUSSION CALENDAR – AGENDA ITEM NO. 14
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **2013 Long Term Liability Study**

Summary:
This agenda item is submitted to provide information on the Orange County Fire Authority's (OCFA) total long term liabilities.

Committee Action:
At its September 11, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

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

Background:
In order to determine an agency's financial stability, one must look at all of its long term obligations or liabilities, not just pensions. The attached Liability Study (Attachment 1) examines all of OCFA's long-term liabilities including:

1. Defined Benefit Pension Plan
2. Defined Benefit Retiree Medical Plan
3. Lease Purchase Agreements (helicopters)
4. Workers Compensation Claims
5. Accrued Compensated Absences (accumulated sick and vacation payouts)

In addition to this agenda item summarizing existing long term liabilities, staff has submitted a separate agenda item focused on expedited payment of OCFA's unfunded pension liability with OCERS.

Although the OCFA has already taken steps to reduce some of its long-term liabilities, it must continue to find additional ways to mitigate the impacts, fund the accrued liabilities, and ensure the long term viability of the organization.

Impact to Cities/County:
Strategic planning to reduce liabilities where possible, and provide early funding for those liabilities which cannot be reduced, will assist OCFA in sustaining frontline emergency services for our member agencies and the citizens we serve.

Fiscal Impact:
See attached report.

Staff Contacts for Further Information:
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(714) 573-6301

Attachment:
2013 Long Term Liability Study

ORANGE COUNTY FIRE AUTHORITY

2013

LIABILITY STUDY

THE OCFA'S LONG TERM LIABILITES

SEPTEMBER 2013

THE OCFA'S LONG TERM LIABILITY STUDY

I. OBJECTIVE

One of the key components of fiscal responsibility is prudent management of long-term liabilities. The objective of this study is to provide an accurate assessment of the OCFA's ***total*** long-term obligations.

II. BACKGROUND

OCFA's long term liabilities include:

1. Defined Benefit Pension Plan
2. Defined Benefit Retiree Medical Plan
3. Lease Purchase Agreements (helicopters)
4. Workers Compensation Claims
5. Accrued Compensated Absences (accumulated sick and vacation payouts)

OCFA's biggest long-term challenges are pensions, retiree medical for current and retired employees, and workers' compensation claims. These costs are expected to increase dramatically over the coming decades due to population aging and increases in healthcare costs. Both the Defined Benefit Pension Plan and the Defined Benefit Retiree Medical Plan are currently underfunded.

DEFINED BENEFIT PENSION PLAN

In a *defined benefit plan*, employees are promised *specific benefits* upon retirement. For example, a pension plan may promise employees that they will receive an annual retirement income determined in accordance with an agreed-upon formula (e.g., predetermined percentage of annual earnings x number of years of service).

The OCFA participates in the Orange County Employees' Retirement System (OCERS), a cost sharing multiple-employer, defined benefit pension plan. All OCFA regular, full-time and part-time employees become members of OCERS upon employment, and the OCFA makes periodic contributions to OCERS as part of the funding process. The contributions submitted to OCERS are divided into employer and employee contributions. The combination of these contributions and investment income from OCERS' investments are structured to fund the employees' retirement benefits by the time the employees retire.

The OCFA contributes to two employee categories identified as Safety members and General members.

<u>Safety Members' Retirement</u>

In October 2002, Safety members received the enhanced benefit formula of 3% @ 50. Initially, Safety members contributed 2% in 2002 and 4% starting in 2003. After October 2004, the contribution ended. Based on 2010 negotiations, Firefighter Safety employees hired prior to January 1, 2011, started a phased-in contribution in October 2010 of 2.5%, going up to 5% in 2011, 7.0% in 2012 and 9.0% in 2013. Chief Officer Safety members have a slightly different phase-in: 2.75% in 2011, 5.5% in 2012, 8.25% in 2013 and 9.0% in 2014. Employees hired after January 1, 2011, contribute 9.0% upon commencement of employment. Employees hired after July 1, 2012, contribute 9% upon commencement of employment and will be included in a lower tier plan with a benefit formula of 3% @ 55 if they have reciprocity. Without reciprocity, new employees will be included in the new tier plan required under the Public Employee Pension Reform Act (PEPRA), with a 2.7% @ 55 benefit formula contributing 9% of compensation earnable through June 30, 2014; thereafter, new employees' contributions will change to 50% of normal costs.

Effective January 1, 2018, employees hired prior to implementation of PEPRA will be required to begin contributing increased amounts for their employee share, until they reach the 50% of normal cost threshold. Under PEPRA, the annual increases for current Safety members cannot exceed 33% of their prior contribution rate (i.e., a firefighter contributing 9% prior to 2018 could not be required to contribute more than 11.97% in 2018 [9% * 1.33% = 11.97%]).

General Members' Retirement

In July 2004, an enhanced retirement benefit of 2.7% @ 55 went into effect for General members, with employees contributing 6.0% since inception. Effective January 2011, members of the Orange County Employees' Association (OCEA) agreed to phased-in increases to their contribution rate to 7.25% in January 2011, 8.50% in July 2011 and 9.0% in February 2012. Employees hired after July 1, 2011, contribute 9.0% upon commencement of employment, and will be included in a lower tier plan with a benefit formula of 2% @ 55 if they have reciprocity. Without reciprocity, new employees will be included in the new tier plan required under PEPRA, with a 2.5% @ 67 benefit formula contributing 9% of compensation earnable through December 18, 2014; thereafter, new employees' contributions will change to 50% of normal costs.

Effective January 1, 2018, employees hired prior to implementation of PEPRA will be required to begin contributing increased amounts for their employee share, until they reach the 50% of normal cost threshold. Under PEPRA, the annual increases for current General members cannot exceed 14% of their prior contribution rate (i.e., an employee contributing 9% prior to 2018 could not be required to contribute more than 10.26% in 2018 [9% * 1.14% = 10.26%]).

Retirement costs represent approximately $62.5 million or 22% of the Authority's FY 2013/14 General Fund budget. Each year, the Authority receives its retirement rates from OCERS. The total retirement rate has two components: the Normal Cost Component plus the current year's cost for the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost Component is the cost to pay for the current year's value of retirement benefits as earned. The UAAL Component is the accrued liability for past services which were not funded by prior contributions and investments.

Technically speaking, the UAAL is determined by the actuary and is the difference between the present value of accrued liabilities and the value of assets as of a specific date. This amount changes over time as a result of changes in accrued benefits, pay levels, rates of return on investments, changes in actuarial assumptions, and changes in the demographics of the employee base. As of December 31, 2012, OCERS is 62.52% funded with a UAAL of $5.6 billion. OCFA's portion of the UAAL is approximately 8.0%. The current equivalent single amortization period for OCFA's UAAL as calculated in the December 31, 2012 valuation is between 19 and 20 years for both General and Safety.

Based on the December 31, 2012 valuation by OCERS, the Authority's total UAAL was $473.7 million with $400.9 million or 85.0% attributed to Safety members and $72.8 million or 15.0% attributed to General members. The Safety member plans are currently 66.24% funded, and the General member plans are 56% funded. The OCFA reduces its UAAL over time as part of the annual required pension contribution to OCERS as shown below:

General (2.7% @ 55, 2.0% @ 55, and 2.5% @ 67 CalPEPRA combined)

Employer Rate	2012 Valuation	2011 Valuation
Normal Cost	13.93%	12.33%
UAAL	24.76%	20.43%
Total	38.69%*	32.76%

Safety (3.0% at 50, 3% @ 55 combined and 2.7% @ 57 CalPEPRA combined)

Employer Rate	2012 Valuation	2011 Valuation
Normal Cost	26.16%	23.49%
UAAL	26.84%	19.66%
Total	53.00%*	43.15%

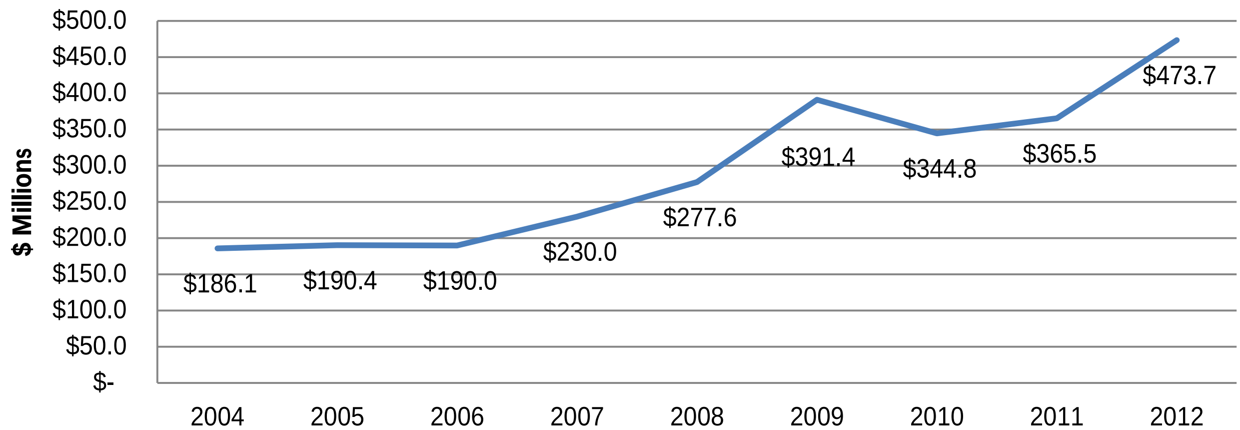
*Note: Totals do not include the *Employee Rates*, which vary from employee to employee based on age of entry. *Employee Rates* range from 7.75%-14.81% for General members and 12.10%-19.32% for Safety members.

For fiscal perspective, each 1% increment in retirement contributions for General members equates to an annual budgetary cost of $209,553. Each 1% increment for Safety members equates to an annual cost of $1,117,561.

The UAAL for OCFA

General and Safety Plans Combined

OCFA's Pension Liability increased significantly from last year as a result of OCERS lowering the interest rate assumption from 7.75% to 7.25%



Two events have the greatest impact on plan funding: (1) plan changes, namely benefit formula changes and (2) differing actual experience requiring a modification in assumptions to reflect reality such as life expectancy. Other assumptions that impact the funding and UAAL include:

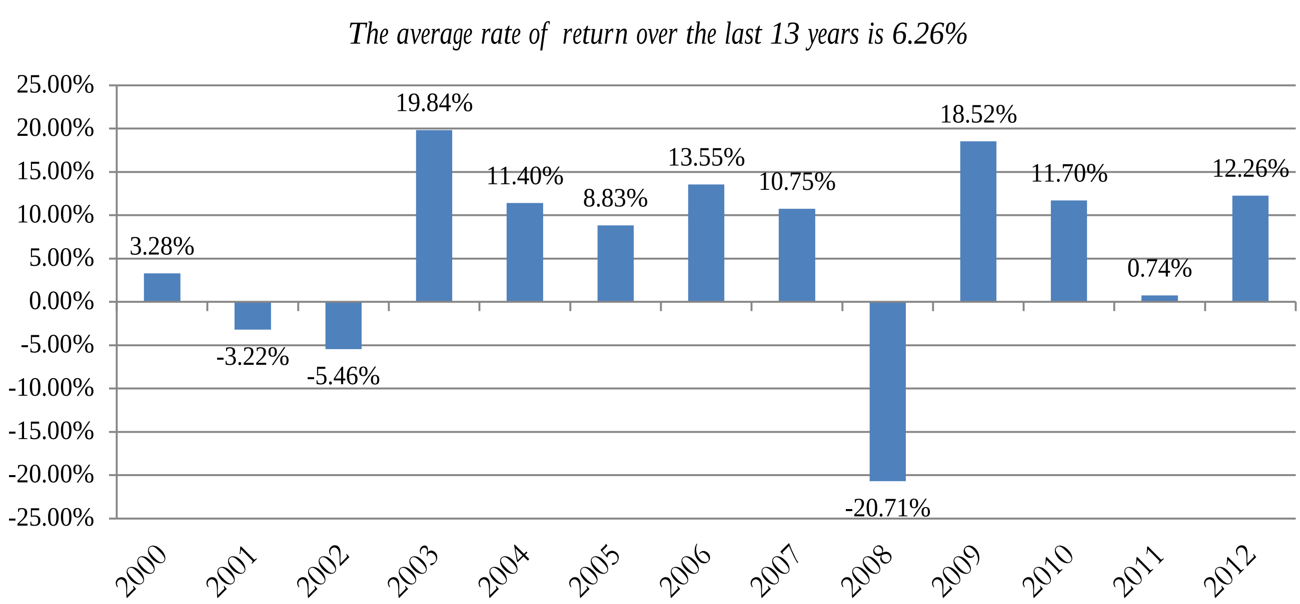
1. The assumed rate of return
2. The rate of increase in salaries
3. Member mortality
4. The age at which members choose to retire
5. How many members become disabled
6. How many members terminate their service earlier than anticipated

The assumed rate of return, also known as the discount rate, is a critical issue impacting OCFA's UAAL. The higher the discount rate, the lower the present value of pension assets needed to meet future pension obligations. A lower discount rate increases the current unfunded pension liabilities. This past year, the OCERS Board voted to lower the interest rate assumption from 7.75% to 7.25% which increased OCFA's annual retirement costs by $7.5 million. This increase is being phased in over a two-year period starting in FY 2014/15.

The following chart shows a history of OCERS' investment performance. The timeframe selected is slightly longer than the 10-year timeframe used in OCERS' Annual Report in order to capture a full range of various returns and also capture the most current year available. Although there have been years in which OCERS exceeded its assumed rate of return, the years in which OCERS incurred significant losses, such as the 21% loss in 2008, have a dramatic negative impact. OCERS' average return for the 13 years reflected below is 6.26%, which is below OCERS' assumed rate of return of 7.25%. When OCERS' actual return falls below its assumed rate of return, OCFA incurs higher retirement rates/costs.

OCERS' History of Performance

(Based on Fair Value)



OCERS' investment return also impacts the funding level of the entire system, as demonstrated in the following chart. After the 21% loss in 2008, OCERS UAAL increased and its funding level began to drop.

OCERS' Schedule of Funding Progress

(Dollars in Thousands)

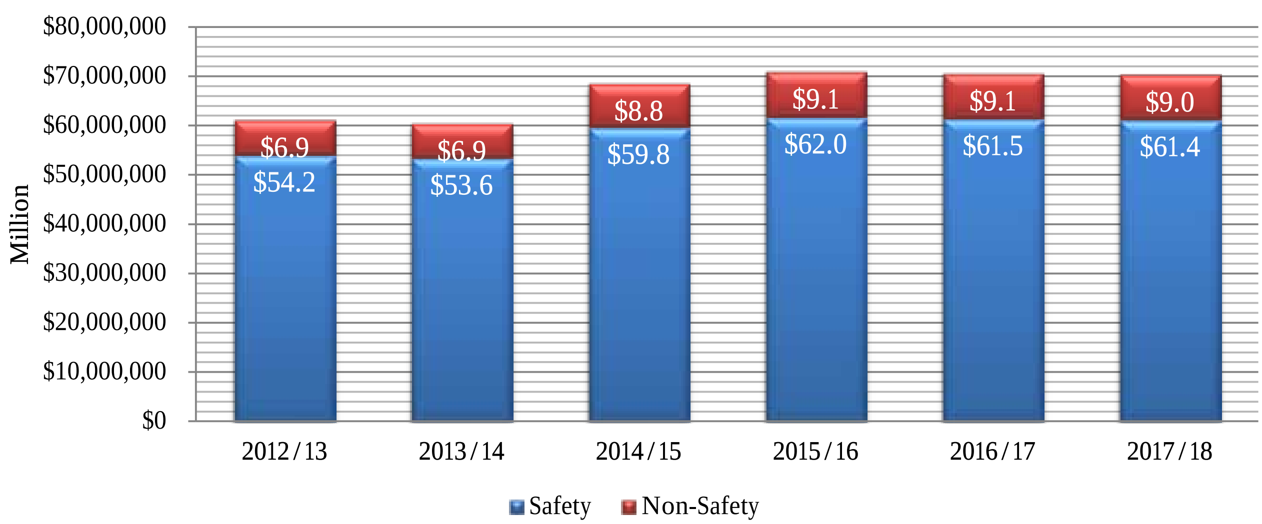
OCERS' funding level has declined recently

Actuarial Valuation Date December 31	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)
2004	$5,245,821	$7,403,972	$2,158,151	70.85%
2005	5,786,617	8,089,627	2,303,010	71.53%
2006	6,466,085	8,765,045	2,298,960	73.77%
2007	7,288,900	9,838,686	2,549,786	74.08%
2008	7,748,380	10,860,715	3,112,335	71.34%
2009	8,154,687	11,858,578	3,703,891	68.77%
2010	8,672,592	12,425,873	3,753,281	69.79%
2011	9,064,355	13,522,978	4,458,623	67.03%
2012	9,469,208	15,144,888	5,675,680	62.52%

The chart below assumes OCERS will earn its assumed rate of return of 7.25% in future years.

OCFA's Projected Retirement Costs

Retirement rates appear stable, assuming OCERS earns 7.25%



Note: Retirement costs are net of employee contributions, recently implemented new tiers, and include savings from OCERS prepayment of 50% each year.

The analysis of long-term obligations, including pensions, is an important part of credit rating agencies' review of local governments. A number of these agencies have been downgraded due in part to pension funding issues.

OCFA has taken steps to increase employee contributions and reduce benefits by establishing new tiers, with the long-term goal to ensure adequate pension funding. However, other factors (such as OCERS' investment performance) are beyond the OCFA's control, yet these factors have a significant impact on determining retirement rates, and ensuring adequate funding.

To proactively address the OCFA's unfunded pension liability, staff has prepared a separate report for the Board of Directors outlining strategies for expediting payment of the OCFA's UAAL. In addition, staff has researched other options to assist in holding future pension cost increases down, such as potential actions relating to the Cost of Living Adjustments (COLAs) that retirees receive annually with their pensions. Exhibit A is a Briefing Paper describing background information on the pension COLA, how the COLA adjustment is determined each year, and provides a suggested option for transmittal to the County Board of Supervisors and OCERS Board of Retirement, for their consideration of potential cost-containment actions relating to Pension COLAs under the authority granted by the '37 Act.

NEW ACCOUNTING RULES

Currently, many governments disclose pension information in the footnotes of their financial statements and generally only report the contributions they are required to make in a given year, as well as what they actually paid. On June 25, 2012 the Government Accounting Standards Board (GASB) approved new standards that will affect how local governments report their obligation for pension benefits. Previously, no liability was recognized for a local government's obligation for pensions earned by employees as long as the local government paid the actuarially determined annual required contribution (ARC) for funding. Under GASB Statement 68, *Accounting and Financial Reporting for Pensions*, beginning with fiscal years ending June 30, 2014, most governments will begin reporting a liability in their financial statements for the unfunded portion of their retirement plans. Recognition in the financial statements alongside other liabilities such as outstanding bonds, claims and judgments, and long-term leases, will put the pension liability on an equal footing with other long-term obligations.

GASB also changed the formula states and local governments use to convert projected pension benefit payments into present value, based on an assumed "discount rate". The rate used will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments, as long as the plan's net position is projected to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve the return; or (b) a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds to the extent that the conditions for use of the long term expected rate of return are not met. If the projected benefit payments are discounted using the lower rate, then the present value will be higher and the liability will be larger.

In addition to the OCFA's retirement plan administered by OCERS, the OCFA provides a post-employment medical retirement plan (Retiree Medical Plan) for certain employees. Employees hired prior to January 1, 2007 are in a *defined benefit plan* that provides a monthly grant toward the cost of retirees' health insurance coverage based on years of service. The Plan's assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are invested by OCERS. As such, if OCERS does not earn its assumed rate of return of 7.25%, the UAAL increases. Current active employees hired prior to January 1, 2007, are required to contribute 4% of their gross pay toward the Retiree Medical Plan.

Based on an actuarial study prepared by Nyhart Epler as of July 1, 2012, the OCFA's Unfunded Actuarial Accrued Liability (UAAL) for the Retiree Medical defined benefit plan is $127.7 million, or $101.9 million excluding the implicit subsidy. The UAAL is impacted by future retirees, spouses of retirees, a 5% annual increase in the medical grant, the investment return of the trust and an implied subsidy.

What is the implicit subsidy?

The Government Accounting Standards Board (GASB), through Statement No. 45 requires public entities to reflect their liability for Other Post-Employment Benefits (OPEB), including benefits to retirees, in their annual financial statements.

When both active employees and retirees pay the same premiums, a hidden/"implicit" subsidy exists for retirees, because health care costs are typically higher for retirees than active employees. GASB requires that "implicit" subsidy to be included in the liability calculation even if the retiree participants pay for 100% of the premium.

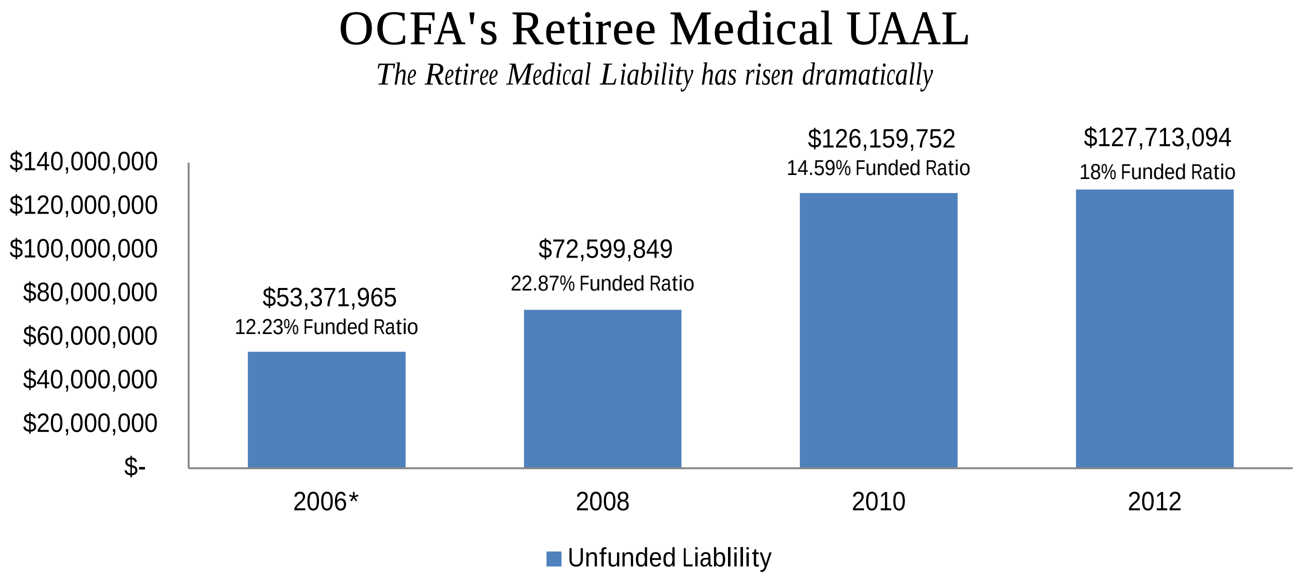
GASB's reasoning for requiring that the implicit rate subsidy be included in the calculation of OPEB liability is based on the following rationale:

1. The cost of health care increases with increasing age
2. In general, the cost of health care is higher for retirees than for active employees of the same age (retirees have more time to take advantage of health care)
3. If retirees pay the same premium as active employees, there is an implicit employer subsidy due to the blending of the claims experience

For example: assume the average cost of benefits is $100 for the total active and retired population. Currently, the employer requires the retirees to contribute the full cost of the plan or $100. After analyzing the claims experience, it is discovered that the retiree population's average cost is $175. The difference between the retiree's average cost and the combined population average cost, $75, is the employer's implicit rate subsidy.

How does this impact OCFA?

In the case of the OCFA's Retiree Medical Plan, we have both the "explicit'' subsidy portion (the retiree medical grant) for all retirees and the "implicit" subsidy portion for the Safety retirees since our firefighter group has the same pool and rate structure for both active and retired Safety employee's. (Because our General Non-Safety retirees are enrolled through CalPERS, a PEMHCA (Public Employees Medical and Hospital Care Act) community, no "implicit" subsidy calculation is required for this group of retirees.) Based on the 2012 valuation, 20% or $25.8 million of the total OPEB liability is due to the implicit subsidy for Safety members. The implicit subsidy was $21.8 million in 2010 and $14 million in 2008. In 2006, the implicit subsidy was not calculated.



*Did not include implicit subsidy.

The benefit provided under the OCFA's Retiree Medical Plan is a negotiated benefit included in the various Memorandums of Understanding and the Personnel & Salary Resolution for employees hired prior to January 1, 2007. The Retiree Medical Plan document itself contains provisions regarding the potential termination of the benefit. Specifically, the Plan states:

- Section 1.3 – Rights: This Plan does not create any vested right to the benefits provided hereunder on the part of any Employee, Retiree or any other person. As provided in Sections 5.4 and 5.5 hereof, this Plan may be amended or terminated at any time, in full or in part, by the Authority in its sole discretion.

- Section 5.4 – Termination of Plan: The Authority reserves the right at any time to terminate this Plan by action of its Board of Directors, in its sole discretion, without prior notice to any Participant or other person. Termination shall be subject to the meet and confer requirement of the Meyers-Milias-Brown Act and any other applicable law.

- Section 5.5 – Amendment of Plan: This Plan and any or all benefits provided hereunder may be amended at any time from time to time, in whole or in part, by the Board of Directors of the Orange County Fire Authority, in its sole discretion, without prior notice to any Participant or other person. Amendment shall be subject to the meet and confer requirements of the Myers-Milias-Brown Act and any other applicable law.

The OCFA has previously approached funding issues and plan sustainability issues relating to this Plan collaboratively with its labor groups in order to identify options for improving the funding status, as a much preferred option over discussions about termination of the Plan. Similar to previous approaches, following receipt of the 2012 Actuarial Study for this Plan, management met with representatives of all three labor groups to review the findings. We are currently in the process of gathering ideas from labor for options that may be considered in the future to improve the funding status of the Plan. After the ideas have been gathered, management believes an appropriate strategy would be to pursue a special actuarial study to evaluate the various options and associated impacts on plan funding, for potential negotiation with labor in the future.

COURT CASE ON ORANGE COUNTY'S RETIREE MEDICAL PLAN

Unlike pensions, which have long been held to be vested and protected under state law, retiree medical benefits have previously fallen under more of a gray zone. In December 2011, California's Supreme Court ruled that certain retirees' medical benefits are vested and thus protected from reduction by employers seeking modifications to reduce costs. They indicated that subsidizing medical insurance premiums is an implied contract. The Court also ruled that ordinances and resolutions of the employer are important source documents for determining the contractual nature of such other post-employment benefits.

However, in August 2012, the Santa Ana Federal Court judge ruled that retiree medical benefits could be capped and that the employer was no longer required to subsidize retiree medical benefits by pooling retirees with active employees.

DEFINED *CONTRIBUTION* RETIREE MEDICAL PLAN

For employees hired on or after January 1, 2007, the OCFA created a *defined contribution plan* that is administered by the International City Management Association Retirement Corporation (ICMA-RC). The Plan provides for the reimbursement of medical, dental and other healthcare expenses of retirees. Employees are required to contribute 4% of their gross pay. Account assets are invested as directed by the participant and all contributions, investment income, realized gains and losses are credited to the individual's account. Under this plan structure, there is no UAAL.

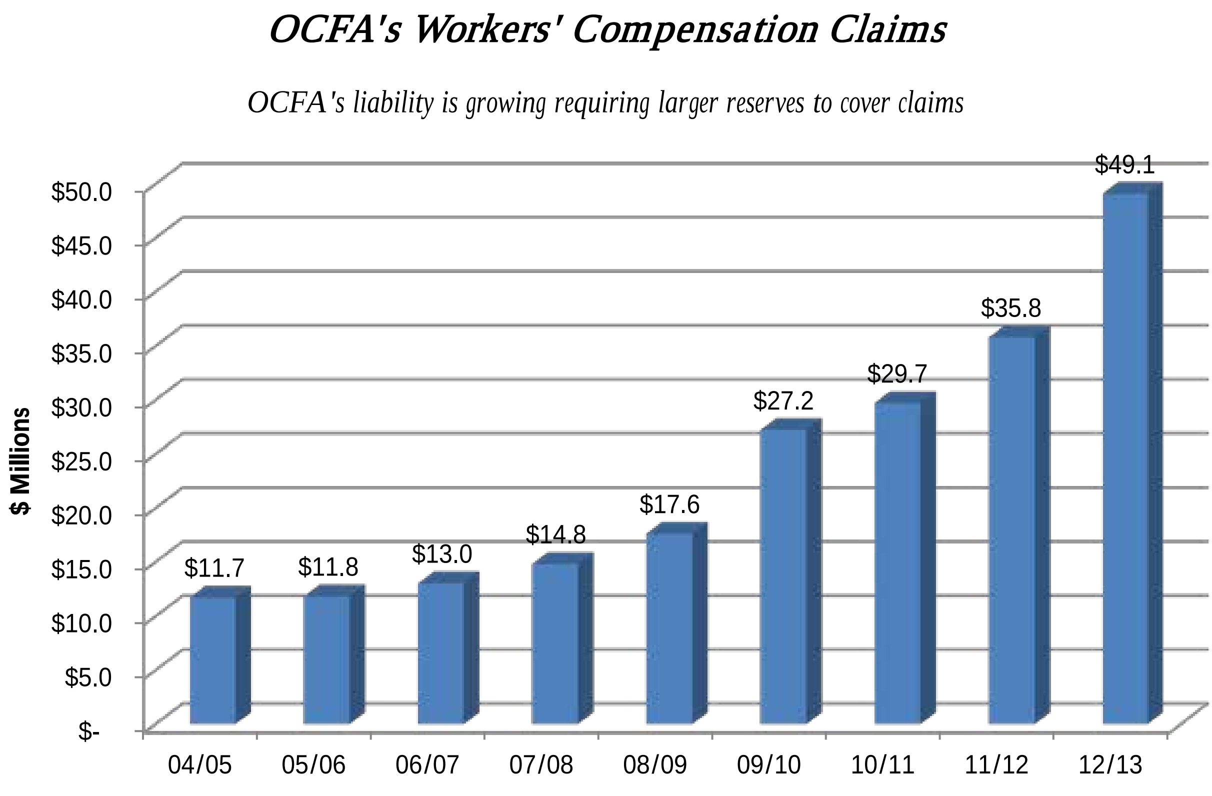
LEASE PURCHASE AGREEMENTS

A Lease Purchase Agreement is a form of long-term debt used by government agencies to acquire buildings, vehicles, equipment and other capital assets. Within this type of lease, a lessee can apply lease payments annually toward the purchase of the property. In December 2008, the OCFA entered into a ten-year Lease Purchase Agreement to purchase two helicopters and related equipment for a purchase price of $21.5 million. In 2011, OCFA refinanced the helicopters and lowered its interest rate from 3.76% to 2.58% saving $444,000 over the remaining six years of the lease. As of June 30, 2013, $12.9 million remains due, including interest and principal. The final maturity is in 2018.

Considering the current low interest rate environment, and the associated low rate of return being earned on OCFA's investment portfolio, staff has completed a preliminary review to assess feasibility of paying off the outstanding lease obligation. Staff concluded that the early payoff of the obligation would have impacts on the OCFA's annual budget, annual cashflow, and potential requirement for issuance of a Tax and Revenue Anticipation Note (TRAN). Therefore, staff temporarily paused on the analysis, for further consideration during the FY 2014/15 budget development process.

In March 2002, OCFA implemented a workers' compensation self-insurance program. A separate fund called Fund 190: Self Insurance was established in May 2003 to track funding and expenditures for workers' compensation claims liability. The funding sources include revenue from the General Fund and interest earnings. The required funding levels are determined by an independent actuarial study. As of June 30, 2013, OCFA's total workers' compensation liability is $49.1 million. Although the workers' compensation program represents a large liability for OCFA, it is important to note that it is a ***fully-funded*** liability. OCFA has $49.1 million set-aside in reserves to pay this liability as the various medical claims and bills become due.

This liability reflects the present value of estimated outstanding losses at the 50% confidence level. A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, a 50% confidence level means that the actuary believes funding will be sufficient in five out of ten years. The Workers' Compensation Funding Policy that was adopted by the Board on May 27, 2010, sets the funding level at 50% for outstanding losses and 60% for projected losses.



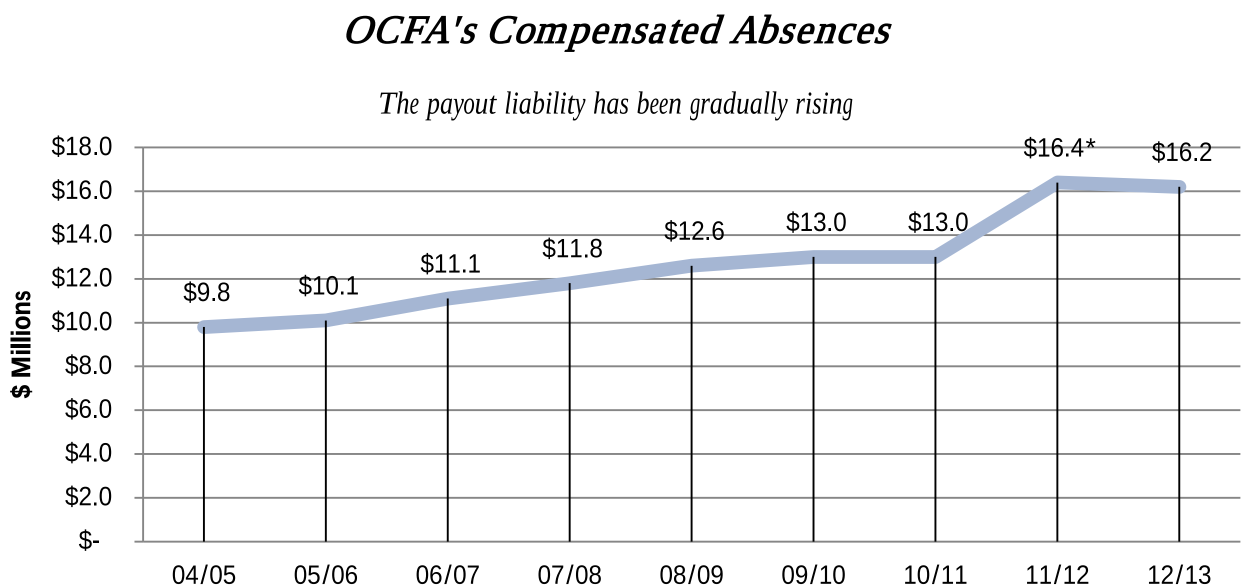
There are several contributing factors to the liability increase including workers' compensation reform that increased the statute of limitation for cancer from five to ten years; injury presumption for safety personnel; an aging workforce which contributes to a longer recovery time and higher permanent disability benefits; increased medical costs; and an increase to the workforce in 2012 with the addition of the City of Santa Ana. The City of Santa Ana reimburses the OCFA for injuries that initially occurred while the employee worked for the City.

In addition, the outstanding and growing liability reflected in the above chart reflects the fact that although the entire future cost of claims are recorded in the year of injury, the actual payment of that claim does not occur immediately. The cashflow payments for many workers' compensation cases occur slowly over time, with an average of up to 7-10 years. Therefore, it is a natural occurrence that the unpaid liability for a new self-insured system will grow for about 5-7 years as the unpaid liabilities stack on top of each other for those initial years. Upon maturity, the amount of unpaid liability should level out, and continued increases at that point in time are more likely purely driven by other forces, such as increased medical costs and/or increased claim activity.

ACCRUED COMPENSATED ABSENCES

Compensated absences are commonly described as paid time off made available to employees in connection with sick and vacation time. If employees do not use all of such compensated absences, a liability is accrued for the unused portion. The OCFA's policy allows employees to accumulate earned but unused sick and vacation pay benefits.

The majority of sick and vacation payouts occur at the time an employee retires. The OCFA has budgeted $3.0 million for sick and vacation payouts in FY 2013/14 based on historical trends and expected retirements. OCFA's total liability for compensated absences as of June 30, 2013 is $16.2 million.



*FY 11/12 corrected to include Santa Ana General Leave Balances. The City of Santa Ana reimburses the OCFA for uses of transferred Leave Balances.

Earlier this year, the OCFA City Managers' Budget and Finance Committee recommended that staff evaluate options for mitigating the budget and liability impacts of payouts for accumulated sick and vacation balances. Staff has begun requesting and gathering information from other jurisdictions that have taken action, or are pursuing creative strategies for reducing these liabilities.

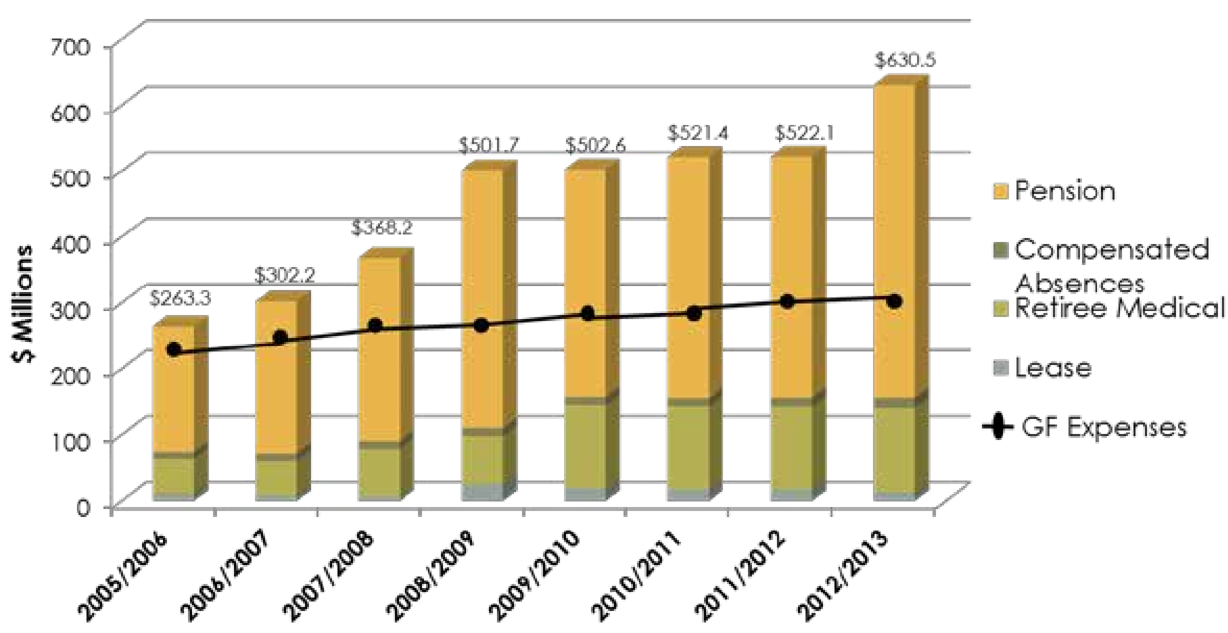
III. SUMMARY

OCFA's total long term, unfunded liabilities as of June 30, 2013 are as follows:

	$ Amount in Millions	*% of Total*
Defined Benefit Pension Plan	$473.7	75.1%
Defined Benefit Retiree Medical Plan	127.7	20.3
Helicopter Lease Purchase Agreement	12.9	2.0
Accrued Compensated Absences	16.2	2.6
Total	$630.5	100.0%

Over the last eight years, OCFA's total long term, unfunded obligations have increased by $367.2 million or 139%.

OCFA Total Unfunded Liabilities



Note: Workers Compensation was removed from the chart above since it is fully funded by a reserve fund.

ACTIONS UNDERWAY

1. Staff is working with the OCERS' actuary, The Segal Company, to analyze several options to expedite the pay down of OCFA's pension liability.
2. A Deployment Study has been initiated to thoroughly examine OCFA's methods of delivering emergency services, seeking opportunities to become more efficient with limited resources, while also ensuring long-term liabilities can be funded appropriately.

3. Authorization has been obtained to negotiate an Alternative Dispute Resolution process for disputed workers' compensation cases, also known as a Carve-Out program.

Recommended actions pending approval of this staff report include:

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

PAST ACTIONS

The economic downturn over the last few years has had a severe impact on revenues. As a result, the OCFA has already taken several steps to manage its long-term obligations:

1. Implemented a trigger formula connecting future pay raises for all OCFA employees to OCFA's financial health.
2. Implemented lower retirement formulas for all labor groups.
3. Implemented increased employee retirement contributions, phasing in to 9% for all labor groups.
4. Refinanced the helicopter lease to lower the interest rate.
5. Established a cash flow reserve, enabling annual prepayment of retirement contributions to achieve a discount.
6. Provided a study to the Board of Directors regarding the feasibility of Pension Obligation Bonds.
7. Provided a study to the Board of Directors regarding the feasibility of changing automatic Cost of Living Allowance (COLA) increases for pensions.

CONCLUSION

As long-term liabilities continue to rise, OCFA must continue to strategically balance present-day needs with future commitments. The goal is for OCFA's budget over the long-term to be able to fund all of its long-term liabilities.

Some of the components of this management include:

1. Continue to find ways to reduce long-term costs
2. Fully fund pensions and other liabilities annually
3. Explore ways to save money on healthcare

4. Pursue legislative changes for matters such as automatic pension COLA’s etc.

Exhibit A

ORANGE COUNTY FIRE AUTHORITY

Cost-of-Living Adjustment (COLA)
Briefing Paper

September 2013

COST-OF-LIVING ADJUSTMENT (COLA)

Overview

All county retirement systems that fall under the County Employees' Retirement Law of 1937 ('37 Act), including the Orange County Employees Retirement System (OCERS), provide an annual cost-of-living adjustment (COLA) for retired members and survivors which is calculated based on actual increase to the Consumer Price index (CPI), rounded to either one-tenth of one percent or one-half of one percent, but not to exceed a certain percentage.

The retiree COLA for OCERS is governed by Govt. Code Section 31870.1 of the '37 Act. Under this section, OCERS must determine the appropriate COLA for OCERS retirement benefits and implement that COLA on April 1st of each year. According to the law, the COLA is based on the annual change in the U.S. Department of Labor, Bureau of Labor Statistics CPI for the Los Angeles-Riverside-Orange County geographic area. The law requires that this change be rounded to the nearest one-half percent, with a maximum 3% available to increase or decrease benefits.

While annual COLAs can increase or decrease, a retiree's basic retirement benefit is guaranteed by OCERS Retirement Board. The retiree's pension will never go below the retirement allowance he/she was entitled to when they retired. It is possible for a benefit, once increased by COLA, to be thereafter reduced by a negative COLA, provided, however, that the original benefit granted is not reduced. For example, if a retiree received a 3% COLA in the year after he or she retired, followed by a negative 3%COLA in the following year, OCERS would reduce the retiree's benefit by that 3% COLA granted the prior year.

Who Sets the COLA Maximum for OCERS?

The County Board of Supervisors has sole authority to set the maximum COLA increase for the entire system. The current maximum COLA for the OCERS system is 3%. The Board of Supervisors is authorized to enact COLA caps between 2% and 6%, provided that an actuarial survey of the retirement system has been made by the adopting county prior to the passage of the ordinance establishing the cap (Govt. Code Section 31874). The COLA caps are **not** bargained for by the agencies that contract with OCERS.

The Board of Retirement is charged with implementing the COLA provisions by determining the actual cost-of-living increase or decrease using Bureau of Labor Standards Statistics, and calculating the member's actual adjustment based on what is available in a member's COLA Bank.

The determination of the retirement benefit COLA is separate from the determination of any cost-of-living adjustments to the salaries of active employees. The retirement benefit COLA is determined by the OCERS Board (must fall within the cap set by the Board of Supervisors) while a salary adjustment for active employees is determined by the employer's governing body. Also, the salary adjustment for active employees is not controlled by the '37 Act and, therefore, can be based on different cost-of-living benchmarks, which can result in a larger (or smaller) salary adjustment than the retirement benefit COLA.

What is a COLA Bank?

The '37 Act, along with actions taken by the Board of Supervisors, enact caps on the maximum percentage OCERS can increase the COLA in any one year. If the inflation rate (measured by CPI) is higher than the statutory enacted limit, the unused portion is "banked" for future years and applied if the CPI is lower than the annual maximum. This helps to stabilize the COLA from year to year.

OCERS describes the process as follows:

"OCERS' actuary first determines the annual increase or decrease in the CPI, using the Bureau of Labor Statistics figures for our geographic area. The COLA is limited to a maximum annual increase or decrease of 3 percent. If the cost-of-living figures exceed 3 percent (either by increase or decrease), any amount above or below 3 percent is added to or subtracted from an OCERS member's "COLA Bank." If an OCERS' member has a zero COLA Bank, OCERS policy is to maintain the Bank at zero, and not apply a decrease to create a negative COLA Bank balance. Typically, the more years an OCERS' member has been retired, the more they have in their COLA Bank. In 2011, the COLA was 1 percent. This was based upon a change in the CPI of 1.20 percent which was rounded to 1 percent as is required by statute. For those retirees who did not have anything in their COLA Bank, their COLA was 1 percent. For those retirees with .5 percent in their COLA bank, their COLA was 1.5 percent and .5 percent was deducted from their COLA Bank. For those retirees with 1 percent in their COLA Bank, their COLA was 2 percent and 1 percent was deducted from their COLA Bank. For all other retirees with 2 percent or more in their COLA Bank, their COLA was 3 percent and 2 percent was deducted from their COLA Bank."

For 2013, the COLA was 2.0% based upon a CPI change of 2.04%. OCERS must round to the 2.0% based on statute. For those members who retired on or before April 1, 1986, they received a 3% COLA, and OCERS took 1% from their COLA banks. For those who retired between April 2, 1986 and April 1, 1987, they received a 2.5% COLA, and OCERS took .5% from their COLA banks. For those who retired between April 2, 1987 and April 1, 2013, they received a 2% COLA.

The Govt. Code Section which requires this procedure is:

Govt. Code Section 31870.1. "The board [of retirement] shall before April 1 of each year determine whether there has been an increase or decrease in the cost of living as provided in this section. Notwithstanding Section 31481 or any other provision of this chapter (commencing with Section 31450), every retirement allowance, optional death allowance, or annual death allowance payable to or on account of any member, of this system or superseded system who retires or dies or who has retired or died shall, as of April 1st of each year, be increased or decreased by a percentage of the total allowance then being received found by the board to approximate to the nearest one-half of 1 percent, the percentage of annual increase or decrease in the cost of living as of January 1st of each year as shown by the then current Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the area in which the county seat is situated, but such change shall not exceed 3 percent per year; however, the amount of any cost-of-living increase or decrease in any year which is not met by the maximum annual change of 3 percent in allowances shall be accumulated to be met by increases or decreases in allowances in future years; except that no decrease shall reduce the allowance below the amount being received by the member or his beneficiary on the effective date of the allowance or the application of this article, whichever is later."

What Other Agencies Have Done to Reduce the Retirement COLA

Legislation that confers certain pension benefits to public employees is difficult, if not impossible, to roll back because of protective language in state laws and the Constitution. However, that is changing. This past November, Rhode Island passed landmark pension legislation that included a suspension of cost-of-living adjustment increases for retirees. Public sector unions may sue over the new law, saying that the state cannot break contracts. Courts in Colorado and Minnesota ruled to allow cuts in COLAs for current retirees. South Dakota and New Jersey have taken the same action and South Dakota is still waiting for a decision on a lawsuit challenging its actions. In the past two years, 17 states have reduced their automatic COLAs; the others include Maine, Oklahoma and Washington.

Previously, appellate courts in California and West Virginia have already found that COLAs could not be reduced. This has not stopped other states from following Colorado and Minnesota, so perhaps more legal battles lie ahead.

Although OCERS is somewhat unique, other '37 Act counties, namely, Sacramento and San Diego counties have set different retirement COLAs for each tier of employees based on their hire dates. San Diego's Tier A retirees and survivors are eligible for a COLA up to 3% annually whereas Tier B is eligible for a COLA up to 2%.

Recommendations

As OCFA continues its efforts to explore ways to lower future pension costs, reducing the COLA paid on retirement benefits may provide immediate cost savings. This was recently demonstrated when OCFA requested a Special Study from the actuarial firm, The Segal Company, on several new tier options.

The Study included an analysis of a lower tier for Safety and General Members with a 3% retirement COLA and also a 2% retirement COLA. The table below shows the impact on retirement rates:

Benefit Formula	Max COLA	Employer Rate % of Payroll	Estimated Avg. Annual Amount	Employee Rate % of Payroll	Estimated Annual Avg. Rate
S - 3.0%@55	3.0%	18.30%	$12,600	12.70%	$8,800
S - 3.0%@55	2.0%	16.45%	$11,300	10.91%	$7,500
G - 2.0%@55	3.0%	11.11%	$6,800	8.29%	$5,000
G - 2.0%@55	2.0%	10.14%	$6,200	7.35%	$4,500

As discussed above, the County Board of Supervisors currently sets the COLA limits for the **entire** OCERS system and conversely, the STAR COLA is determined by the Board of Retirement. Staff has submitted a recommendation to the OCFA Board to direct staff to transmit a copy of this report to the County Board of Supervisors and the OCERS Board of Retirement, for their consideration of potential cost-containment actions relating to Pension Cost of Living Adjustments (COLAs) under the authority granted by the '37 Act.

Conclusion

In California, pension promises made to current and retired members are considered a "vested right" and protected under the contract clauses of State and Federal laws. If any changes to the Pension COLA were to be considered, it would most likely apply to future employees only since they have no vested rights. A legal review/opinion should be obtained prior to pursuit of this option to determine if it is feasible.

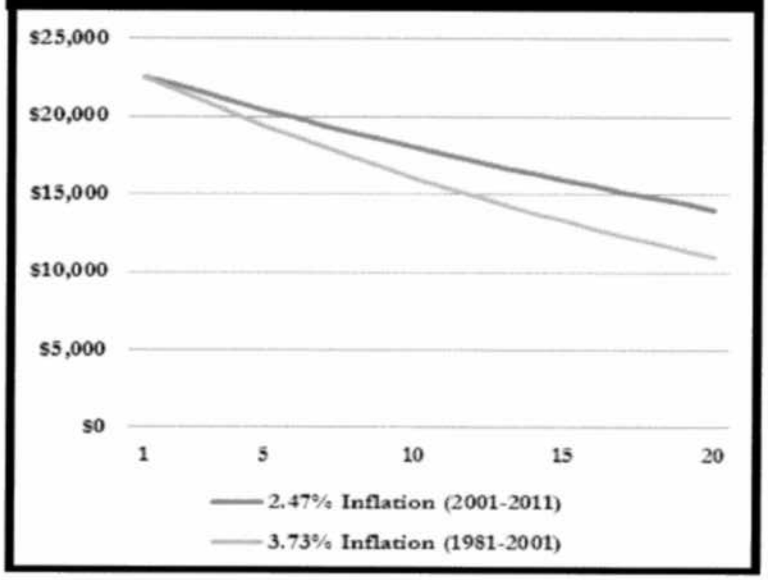
NASRA ISSUE BRIEF:
Cost-of-Living Adjustments

June 2012

NASRA

Cost-of-living adjustments (COLAs) in some form are provided on most state and local government pensions. The purpose of a COLA is to offset, or reduce, the effects of inflation on retirement income. Considerable variation exists in the way COLAs are designed, and in many cases they are determined or affected by other factors. COLAs add both value and cost to a pension benefit. COLAs are receiving increased attention as many states look to make adjustments to the cost of benefits amid challenging fiscal conditions and the current low-inflationary environment. This brief presents a discussion about the purpose of COLAs, the different types of COLAs offered by government retirement systems, and an overview of recent state legislative COLA actions.

Figure 1: Impact of 20 Years of Inflation on Purchasing Power of $22,600



COLA Purpose

Most state and local governments provide a COLA for the purpose of offsetting or reducing the effects of inflation, which erodes the value of retirement income, as illustrated in Figure 1. Using the actual average inflation rate for two time periods (2001-2011 and 1981-2001), after 20 years, the real (inflation-adjusted) average U.S. public pension benefit in 2010 of $22,600 falls to $14,052 (62 percent of its value) or $10,976 (49 percent of its value), depending upon the actual rate of inflation.

This depreciation can affect the sufficiency of retirement benefits, particularly for those who have no means to supplement their income due to disability or advanced age. Social Security beneficiaries are provided an annual COLA to maintain recipients' purchasing power. Similarly, most state and local governments provide an inflation adjustment to their retiree pension benefits. This is particularly important for those public employees – including nearly half of public school teachers and most public safety workers – who do not participate in Social Security. Unlike Social Security, however, state and local retirement systems typically pre-fund the cost of a COLA over the working life of an employee to be distributed annually over the course of his or her retired lifetime.

Common COLA Types and Features

The way in which public pension COLAs are calculated and approved varies considerably. Appendix A presents a listing of COLA provisions for many state retirement plans, illustrating the variety that exists in COLA plan designs. In general, COLA types and features are differentiated in the following ways:

Automatic vs. Ad hoc

An overarching distinction among COLAs is whether they are provided automatically or on an ad hoc basis. An ad hoc COLA requires the governing body to decide upon a postretirement benefit increase. By contrast, an automatic COLA occurs without action, and is typically predetermined by a set rate or formula. In some cases, ad hoc COLAs are accompanied by other factors, such as a maximum unfunded liability amortization period.

Simple vs. Compound

Another distinction between COLA types is whether the increase is applied in a simple or compound manner. Under a simple COLA arrangement, each year's benefit increase is calculated based upon the employee's original benefit at the time of his or her retirement. Under a compound COLA arrangement the annual benefit increase is calculated based upon the original benefit as well as any prior benefit increases. Some COLAs are both, in that they may be "simple" until the retiree reaches a certain age or year retired, at which point COLA benefits are calculated using a compound method.

Inflation-based

Many state and local governments provide a post-retirement COLA based on a consumer price index (CPI), which is a measure of inflation. Most provisions like this restrict the size of the adjustment, such as by "one-half of the CPI" and/or "not to exceed three percent." The most recognized CPI measures are calculated and published by the U.S. Bureau of Labor Statistics (BLS), and the CPI measures used by most public pension plans are either the CPI-U (based on all urban consumers) and the CPI-W (urban wage earners and clerical workers). Some states use state-specific inflation measures to determine the amount of their COLA.

Performance-based

Some public pension plans tie their COLA to the plan's funding level or investment performance. In one statewide system, for example, the COLA is a range tied to CPI based on the funding level of the plan. Annuitants with another state system receive a permanent benefit increase tied to their length of service when the fund's actuarial investment return exceeds the assumed rate of eight percent.

Delayed-onset or Minimum Age

Another characteristic contained in some automatic COLAs is to delay its onset, either by a given number of years, or until attainment of a designated age. A COLA may also take on any of the characteristics stated above and will become available to a retiree once he or she meets the designated waiting period or age requirements.

Limited Benefit Basis

Some retirement systems award a COLA calculated on a portion of a retiree's annual benefit, rather than the entire amount. For example, one system provides a COLA of three percent applied to only the first $18,000 of benefit. The multiplying factor can also be tied to an external indicator, such as CPI, and factors such as delayed onset may also be present.

Self-funded Annuity Option

Some state retirement plans offer post-retirement benefit increases through an elective process known as a self-funded annuity account. Under this design a member effectively self-funds his or her COLA by choosing to receive a lower monthly annuity in exchange for a fixed rate COLA to be paid annually upon retirement.

Reserve Account

Other public retirement systems pay COLAs from a pre-funded reserve account. This is a variation on the COLA tied to investment performance since the reserve account is funded with excess investment earnings. Under this scenario a COLA is provided from the funds set aside in the reserve account. Sometimes there is a stipulation attached that the fund itself must reach a certain size for any COLA to be granted in a given year.

Figure 2: State Retirement Systems Undergoing COLA Legislative Changes, 2009-2011

COLA Costs

The cost of a COLA, expressed as a percentage of active member payroll, predictably depends on the level of the COLA benefit. Such factors as its size; the portion of the benefit to which the COLA applies; whether or not the COLA is paid annually or sporadically; whether the adjustment is simple or compounded, and other features, all affect its cost. It has been estimated that an automatic COLA of one-half of an assumed CPI of three percent, compounded, will add 11 percent to the cost of the retirement benefit. An automatic COLA of three percent, compounded, will add 26 percent to the cost of the benefit.[1]

The Governmental Accounting Standards Board (GASB) requires public pension plans to disclose assumptions regarding COLAs, including whether the COLA is automatic or ad hoc, and to include the cost of COLAs in projections of pension benefit payments.

Unlike automatic COLAs, the cost of ad hoc COLAs typically is not funded in advance, but rather increases the plan's unfunded liability or amortization period, or both, (or reduces an actuarial surplus) and increases future costs. GASB considers an ad hoc COLA to be "substantively automatic" when a historical pattern exists of granting ad hoc COLAs or when there is consistency in the amount of changes to a benefit relative to an inflation index.

Recent Changes to COLAs

As part of efforts to contain costs and to ensure the sustainability of public pension plans, and in response to the current period of historically low inflation, many states recently have made changes to COLA provisions by adjusting one or more of the elements mentioned above[2] (see Figure 2). As described in Appendix A, since 2009, eleven states have changed COLAs affecting current retirees, five states have addressed current employees' benefits, and six states have changed the COLA structure only for future employees. The legality of these modifications in several states has been, or is, being challenged in court as noted.

Conclusion

The effects of a COLA can be consequential both in protecting purchasing power and in adding costs to a plan. As states consider measures to ensure the sustainability of their pension plans for both those currently retired or employed and future generations of workers, policymakers are reexamining all aspects of benefit design and financing, including the way COLAs are determined and funded. Just as high periods of inflation in the past placed pressure on states to add or adjust COLAs upward, the recent low rates of inflation, combined with sluggish state and local revenues and poor investment returns, have spurred action to reduce COLA levels. Some states have included provisions that would enable COLAs to increase should inflation grow or funding status or fiscal conditions improve.

See also

Gary Findlay, "Addressing Inflation in the Design of Defined Benefit Pension Plans"
http://wikipension.com/images/7/73/Addressing_Inflation_in_the_Design_of_Defined_Benefit_Pension_Plans.pdf

Gabriel, Roeder, Smith & Company, "Postemployment Cost-of-Living Adjustments: Concepts and Recent Trends," April 2011, http://www.gabrielroeder.com/news/pdf_insight/Insight2011_04.pdf

National Association of State Retirement Administrators, "Overview of variations to typical cost-of-living adjustments among public retirement systems," http://wikipension.com/images/c/cf/Variations.pdf

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[1] Gabriel, Roeder, Smith & Company, "Postemployment Cost-of-Living Adjustments: Concepts and Recent Trends," April 2011, http://www.gabrielroeder.com/news/pdf_insight/Insight2011_04.pdf

[2] National Conference of State Legislatures

Appendix A: COLA Provisions by State-Level Plan and Recent Changes

Plan	COLA Provision	Recent Changes
Alaska PERS	Automatic, lesser of 75% of CPI or 9%, simple, for those age 65 and above; lesser of 50% of CPI or 6% for those age 60 or with 8 or more years of service (annuitant must reside in-state to receive the COLA)	
Alaska Teachers	Automatic, lesser of 75% of CPI or 9%, simple, for those age 65 and above; lesser of 50% of CPI or 6% for those age 60 or with 8 or more years of service (annuitant must reside in-state to receive the COLA)	
Alabama ERS	Ad hoc as approved by the legislature	
Alabama Teachers	Ad hoc as approved by the legislature	
Arkansas PERS	Automatic 3% compounded	
Arkansas Teachers	Automatic 3% compounded	
Arizona Public Safety Personnel	Sliding scale of 2.0% to 4.0%, contingent on investment earnings above 10.5%	Increased investment return threshold needed to fund a COLA from 8.0% to 10.5%
Arizona SRS	Up to 4% annually, contingent on excess earnings above 8%	
California PERS	Automatic based on CPI up to 2%, compounded	
California Teachers	Automatic 2% simple, plus adjustments designed to maintain retirees' purchasing power made through a "supplemental benefits maintenance account" financed with an employer contribution of about 2.5% of worker pay	
Colorado Affiliated Local	Based on election of individual participating employers	
Colorado Fire & Police Statewide	Ad hoc as approved by board	
Colorado Municipal	Varies by date of hire, automatic 2% unless negative investment return in previous year, then lesser of average monthly CPI-W or 2%, compounded	Changed from automatic 3.5%; legal challenge to this change was upheld by state district court and is under appeal to state supreme court
Colorado School	Varies by date of hire, automatic 2% unless negative investment return in previous year, then lesser of average monthly CPI-W or 2%, compounded	Changed from automatic 3.5%; legal challenge to this change was upheld by state district court and is under appeal to state supreme court
Colorado State	Varies by date of hire, automatic 2% unless negative investment return in previous year, then lesser of average monthly CPI-W or 2%, compounded	Changed from automatic 3.5%; legal challenge to this change was upheld by state district court and is under appeal to state supreme court
Connecticut SERS	Minimum of 2% up to a maximum 7.5% calculated based on the following formula: 60% of the annual increase in the CPI-W up to 6% and 75% of the annual increase in the CPI-W over 6%	

Plan	COLA Provision	Recent Changes
Connecticut Teachers	For members who retired before 9/92, automatic, based on CPI, with 3% minimum and 5% max, compounded; for those after 9/92, no COLA is provided	
DC Police & Fire	Automatic based on CPI, up to 3%, compounded	
DC Teachers	Automatic based on CPI, up to 3%, compounded	
Delaware State Employees	Ad hoc as approved by the general assembly	
Florida RS	Automatic 3%, compounded. Per legislation approved in 2011, no additional COLA credits will accrue after 6/30/11.	
Georgia ERS	Ad hoc as approved by the ERS board	
Georgia Teachers	Automatic 1.5% every 6 months as long as CPI increases, compounded	
Hawaii ERS	Automatic 2.5% simple; 1.5%, simple, for new hires after 6/30/12	The automatic COLA was reduced from 2.5% to 1.5%, simple, for those who become members of the system after 6/30/2012
Iowa PERS	Non-guaranteed post-retirement payment from a reserve account established from excess investment earnings	
Idaho PERS	Automatic 1% compounded (as long as CPI rises at least 1%), plus investment-based increase	
Illinois Municipal	Automatic 3%, simple, for those hired before 1/1/11; for those hired after 12/31/10, lesser of 3% or half of CPI, simple	Legislation in 2010 reduced the COLA for new hires after 12/31/10 from automatic 3%, simple
Illinois SERS	Automatic 3%, compounded, for those hired before 1/1/11; for those hired after 12/31/10, lesser of 3% or half of CPI, simple	Legislation in 2010 reduced the COLA for new hires after 12/31/10 from automatic 3%, compounded
Illinois Teachers	Automatic 3%, compounded, for those hired before 1/1/11; for those hired after 12/31/10, lesser of 3% or half of CPI, simple	Legislation in 2010 reduced the COLA for new hires after 12/31/10 from automatic 3%, compounded
Illinois Universities	Automatic 3%, compounded, for those hired before 1/1/11; for those hired after 12/31/10, lesser of 3% or half of CPI, simple	Legislation in 2010 reduced the COLA for new hires after 12/31/10 from automatic 3%, compounded
Indiana PERF	Ad hoc as approved by the legislature	
Indiana Teachers	Ad hoc as approved by the legislature	
Kansas PERS	Ad hoc as approved by the legislature; the new cash balance for employees hired after 12/31/14 provides for an optional self-funded COLA as an annuity payment option at retirement	In 2012, the auto 2% COLA is removed for those hired after 6/30/09; also established optional self-funded COLA in new cash balance plan for those hired after 12/31/14 [1]

[1] Legislation creating Kansas PERS Tier 3 passed in 2012 eliminated the Tier 2 COLA. The only employees eligible to receive the Tier 2 COLA are those who were retired and returned to work on or after 6/30/09 and who will retire before 7/1/12.

Plan	COLA Provision	Recent Changes
Kentucky County	Automatic, tied to CPI, not to exceed 1.5% after 12 months of retirement, compounded	
Kentucky ERS	Automatic, tied to CPI, not to exceed 1.5% after 12 months of retirement, compounded	
Kentucky Teachers	Automatic 1.5% compounded	
Louisiana SERS	Contingent upon funded status of system and/or actuarial return; must be approved by the Legislature; lesser of 2% or CPI-U, plus up to 1% additional depending on actuarial return	
Louisiana Teachers	Subject to approval by the legislature and contingent upon funding available in COLA account consisting of excess investment returns; COLA lesser of 3% or CPI-U if investment returns meet or exceed actuarial assumption; if investment returns are less than actuarial assumption, COLA lesser of 2% or CPI-U, if system at least 80% funded; COLA applies only to first $70,000 of benefit, indexed to CPI; participants may elect retirement option providing an actuarially reduced benefit with auto annual 2.5% COLA beginning at age 55	
Massachusetts SERS	Ad hoc, typically based on CPI up to 3% applied to first $13,000 of benefit, subject to legislative approval and enactment	Effective 2011, increased benefit to which COLA applies from first $12,000 of benefit to $13,000
Massachusetts Teachers	Ad hoc, typically based on CPI up to 3% applied to first $13,000 of benefit, subject to legislative approval and enactment	Effective 2011, increased benefit to which COLA applies from first $12,000 of benefit to $13,000
Maryland PERS	Automatic based on CPI, capped at 2.5% based on attainment of 7.75% rate of actuarial investment return. If that threshold is not met, COLA is 1%	For service credit earned after 6/30/2011, COLA was lowered from CPI up to 3%, compounded, to CPI capped at 2.5%, or 1%, depending on investment return
Maryland Teachers	Automatic based on CPI, capped at 2.5% based on attainment of 7.75% rate of actuarial investment return; if that threshold is not met, COLA is 1%	For service credit earned after 6/30/2011, COLA was lowered from CPI up to 3%, compounded, to CPI capped at 2.5%, or 1%, depending on investment return
Maine Local	Based on individual employer election. If provided, based on CPI up to 4%	
Maine State and Teacher	COLA is suspended through 7/1/14, after which it will be based on the CPI up to 3% applicable to the first $20,000 of benefit, indexed for inflation	Effective 7/1/2011, the COLA of CPI up to 4%, compounded, was suspended for three years, after which the cap and portion of the benefit to which the COLA applies will be reduced
Michigan Municipal	Employers may elect to provide a COLA, on a one-time basis or as an automatic adjustment	
Michigan Public	Automatic 3% simple	Employees hired after 6/30/10

Plan	COLA Provision	Recent Changes
Schools		participate in a hybrid plan that does not provide a COLA
Michigan SERS	Automatic 3% simple up to $300 annually	
Minnesota PERF	1.0%, compounded, until the plan funding level reaches 90%; 2.5% thereafter	Reduced auto-COLA from 2.5% in 2010; change was affirmed by a state judge in 2011
Minnesota State Employees	Automatic 2.0% compounded, until the plan's funding level reaches 90%, after which it will increase to 2.5%	Reduced auto-COLA from 2.5% in 2010; change was affirmed by a state judge in 2011
Minnesota Teachers	Suspended through 2012, after which COLA will be automatic 2.0% compounded, until the plan's funding level reaches 90%, when it returns to 2.5%	Reduced auto-COLA from 2.5% in 2010; change was affirmed by a state judge in 2011
Missouri DOT and Highway Patrol	80% of increase in CPI, up to 5%, compounded	
Missouri Local	Contingent upon investment return, with a max of the lower of 4% or cumulative CPI since retirement	
Missouri PEERS	Automatic, compounded at 2% if CPI-U is between 0% and 5%; 5% if CPI-U is 5% or higher, and no COLA is given if CPI-U is less than 0%; subject to a lifetime cap of 80%	In 2011, the Board changed the automatic, compounded COLA from based on CPI, not to exceed 5%, to either 0%, 2%, or 5%, depending on whether the CPI is negative, positive and below 5%, or over 5%, respectively; subject to a lifetime cap
Missouri State Employees	80% of CPI up to 5% compounded; members hired before 8/28/97 receive a minimum of 4% and a maximum of 5% compounded, up to 65% of original benefit, and then 80% of CPI up to 5% thereafter	
Missouri Teachers	Automatic, compounded at 2% if CPI-U is between 0% and 5%, 5% if CPI-U is 5% or higher, and no COLA is given if CPI-U is less than 0%; subject to a lifetime cap of 80%	In 2011, the Board changed the automatic, compounded COLA from based on CPI, not to exceed 5%, to either 0%, 2%, or 5%, depending on whether the CPI is negative, positive and below 5%, or over 5%, respectively
Mississippi PERS	Automatic 3%, simple, until age 55, then compounded thereafter; for new hires after June 2011, onset of compounding is delayed until age 60	For new hires after June 2011, onset of compounding is delayed until age 60, from 55
Montana PERS	Automatic 3% compounded	
Montana Teachers	Automatic 1.5% compounded beginning 3 years after onset of annuity	
North Carolina Local Government	Ad hoc as approved by the legislature	
North Carolina Teachers and State Employees	Ad hoc as approved by the legislature	

Plan	COLA Provision	Recent Changes
North Dakota PERS	Ad hoc as approved by the legislature	
North Dakota Teachers	Ad hoc as approved by the legislature	
Nebraska Schools	Based on CPI, up to 2.5%, compounded	
New Hampshire Retirement System	Ad hoc as approved by the legislature's fiscal committee	
New Jersey PERS	COLA suspended until the plan funding level reaches 80%, after which a panel will assess the prudence of paying a COLA	Legislation approved in 2011 suspended the automatic COLA that was based on 60% of CPI; change is under legal challenge
New Jersey Police & Fire	COLAs suspended until the plan funding level reaches 80%, after which a panel will assess the prudence of paying a COLA	Legislation approved in 2011 suspended the automatic COLA that was based on 60% of CPI; change is under legal challenge
New Jersey Teachers	COLAs suspended until the plan funding level reaches 80%, after which a panel will assess the prudence of paying a COLA	Legislation approved in 2011 suspended the automatic COLA that was based on 60% of CPI; change is under legal challenge
New Mexico PERA	Automatic 3% compounded	
New Mexico Teachers	Automatic based on CPI, compounded. When the change in CPI is more than 2%, the COLA is one-half the CPI, but not less than 2%, nor more than 4%. Member must be at least 65 years of age to receive a COLA	
Nevada Police Officer and Firefighter	After 3 years of receiving benefits, auto 2% annually, rising gradually to 5% annually, compounded, after 14 years of receiving benefits; the compounded COLA is capped by the lifetime CPI for the period of retirement, i.e., it may not exceed inflation	2009 legislation reduced the COLA ceiling to the 12-year amount of 4% annually for those who become members on or after 1/1/10
Nevada Regular Employees	After 3 years of receiving benefits, auto 2% annually, rising gradually to 5% annually, compounded, after 14 years of receiving benefits; the compounded COLA is capped by the lifetime CPI for the period of retirement, i.e., it may not exceed inflation	2009 legislation reduced the COLA ceiling to the 12-year amount of 4% annually for those who become members on or after 1/1/10
New York State Teachers	Automatic, based on one-half of the increase in the annual CPI, applied to first $18,000 of annual pension, compounded; must be 62 and retired for 5 years, or 55 and retired for 10 years, to receive COLA; COLA is a minimum of 1% and a maximum of 3%	
NY State & Local ERS	Automatic, based on one-half of the increase in the annual CPI, applied to first $18,000 of annual pension, compounded: must be 62 and retired for 5 years, or 55 and retired for 10 years, to receive COLA; COLA is a minimum of 1% and a maximum of 3%	
NY State & Local Police & Fire	Automatic, based on one-half of the increase in the annual CPI, applied to first $18,000 of annual pension, compounded: must be 62 and retired for 5 years, or 55 and retired for 10 years, to receive	

Plan	COLA Provision	Recent Changes
	COLA; COLA is a minimum of 1% and a maximum of 3%	
Ohio PERS	Automatic 3%, simple	
Ohio Police & Fire	Automatic 3%, simple	
Ohio School Employees	Automatic 3% simple	
Ohio Teachers	Automatic 3% simple	
Oklahoma PERS	Ad hoc as approved by the legislature; subject to required funding	The Legislature approved a provision in 2011 requiring future COLAs to be funded, which effectively rules out COLAs for the foreseeable future. Prior to this legislative action, a 2% COLA had regularly been approved
Oklahoma Teachers	Ad hoc as approved by the legislature; subject to required funding	The Legislature approved a provision in 2011 requiring future COLAs to be funded, which effectively rules out COLAs for the foreseeable future. Prior to this legislative action, a 2% COLA had regularly been approved
Oregon PERS	Automatic, based on CPI, up to 2%, compounded	
Pennsylvania School Employees	Ad hoc as approved by the general assembly	
Pennsylvania State ERS	Ad hoc as approved by the general assembly	
Rhode Island ERS	Effective 7/1/12, the COLA will be compounded based on a 5-year smoothed investment return less 5.5% with a 0% floor and 4% cap, applied to first $25,000 of benefit, indexed; application of the COLA is delayed until later of Social Security eligibility, normal retirement age under the plan, or 3 years after retirement	In late 2011, legislature revised COLA provisions from automatic 3% compounded, effective 7/1/12. The change is under legal challenge
Rhode Island Municipal	Effective 7/1/12, the COLA will be compounded based on a 5-year smoothed investment return less 5.5% with a 0% floor and 4% cap, applied to first $25,000 of benefit, indexed; application of the COLA is delayed until later of Social Security eligibility, normal retirement age under the plan, or 3 years after retirement	In late 2011, legislature revised COLA provisions from automatic 3% compounded, effective 7/1/12. The change is under legal challenge
South Carolina Police	Automatic, based on CPI up to 2% annually	
South Carolina RS	Automatic, based on CPI up to 2% annually	
South Dakota PERS	Indexed to CPI and funded status, with a minimum of 2.1%, when plan funding level is below 80%, and a maximum of 3.1%, when plan is funded above 100%	In 2010, legislature revised COLA provision from automatic 3.1%
TN Political Subdivisions	Participating employers may choose from 1 of 3 options: a) no COLA; b) automatic based on CPI, up to 3%, compounded, or c) same as b), except simple	

Plan	COLA Provision	Recent Changes
TN State and Teachers	Automatic based on CPI, up to 3% compounded	
Texas County & District	Ad hoc, approved by individual employers	
Texas ERS	Ad hoc as approved by the legislature; per state constitution, plan's amortization period must be less than 31 years for legislature to approve a COLA	
Texas LECOS	Ad hoc as approved by the legislature; per state constitution, plan's amortization period must be less than 31 years for legislature to approve a COLA	
Texas Municipal	Based on individual employer election; employers may choose no COLA or based on 30%, 50%, or 70% of CPI, compounded	
Texas Teachers	Ad hoc, as approved by the legislature; per state constitution, plan's amortization period must be less than 31 years for legislature to approve a COLA	
Utah Noncontributory	For those hired before 7/1/11, automatic based on CPI up to 4%, simple; for those hired after 6/30/11, based on CPI up to 2.5%, simple	Legislature reduced maximum COLA for those hired after 6/30/11 from 4% to 2.5%
Virginia Retirement System	Automatic based on CPI for the first 3%, and one-half of the next 4% of CPI, with an annual cap of 5%, compounded; effective 1/1/13, non-vested active members will have future COLAs based on the first 2% of CPI and one-half of the next 1%, with an annual cap of 3%, compounded	Effective 1/1/2013, non-vested members will have future COLAs capped at 3% rather than 5%; for early retirees, COLA onset is delayed until July 1 one year following retirement
Vermont State Employees	Automatic based on CPI, up to 5%, compounded	
Vermont Teachers	Automatic based on one-half of CPI, up to 5%, compounded	
Washington LEOFF Plan 1	Automatic, full CPI, compounded	
Washington LEOFF Plan 2	Automatic based on CPI, up to 3% compounded	
Washington PERS 1	None	Legislature eliminated automatic COLA of 3% in 2011; change is currently under legal challenge
Washington PERS 2/3	Automatic, based on CPI, up to 3%, compounded	
Washington School Employees Plan 2/3	Automatic, based on CPI, up to 3%, compounded	
Washington Teachers Plan 1	None	Legislature eliminated automatic COLA of 3% in 2011; change is currently under legal challenge
Washington	Automatic based on CPI up to 3%, compounded	

Plan	COLA Provision	Recent Changes
Teachers Plan 2/3		
Wisconsin Retirement System	Based on investment returns, and can increase and decrease, but not below base benefit	
West Virginia PERS	Ad hoc as approved by the legislature	
West Virginia Teachers	Ad hoc as approved by the legislature	
Wyoming Public Employees	Effective 7/1/12, the COLA is removed until the actuarial funded ratio reaches 100 percent "plus the additional percentage the retirement board determines is reasonably necessary to withstand market fluctuations"	Prior to 7/1/12, COLA was automatic tied to CPI up to 3%. Effective 7/1/12, the COLA is removed until the actuarial funded ratio reaches 100 percent "plus the additional percentage the retirement board determines is reasonably necessary to withstand market fluctuations"

Please note: COLA provisions listed above are subject to change as new information becomes available.

DISCUSSION CALENDAR - AGENDA ITEM NO. 15
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Paying Down OCFA's Unfunded Pension Liability with Orange County Employees Retirement System**

Summary:
This agenda item is submitted for review and consideration of actions which will result in expedited payment of OCFA's Unfunded Actuarial Accrued Liability (UAAL) with the Orange County Employees Retirement System (OCERS).

Committee Action:
At its September 11, 2013, meeting, the Budget and Finance Committee reviewed and unanimously recommended approval of this item.

Recommended Actions:

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

Background:
Total retirement costs represent $62.5 million or 22% of the Authority's FY 2013/14 General Fund budget. Each year, the Authority receives its retirement rates from OCERS. The total retirement rate has two components including the Normal Rate and the current year's cost for the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is the difference between the

actuarial accrued liabilities and the value of assets as of a specific date. In other words, the UAAL is the portion of the accumulated costs for service earned to date that is not covered by plan assets.

The UAAL is accounted for by OCERS in layers, with a new gain or loss layer being added every year and amortized, or paid down, over various amortization periods. Amortization periods are established by the OCERS Board as a policy matter. Based on a December 31, 2012, valuation by OCERS, the Authority's total UAAL is $473,792,000 of which $400.9 million or 85% is attributed to Safety members and $72.9 million or 15% is attributed to General members. Under the current layered amortization approach, OCFA has 29 years remaining to pay the UAAL in full.

In an effort to accelerate funding of this UAAL, the Authority submitted a request to OCERS to have its actuary (Segal Consulting) estimate the impact on the Authority's UAAL amortization period and retirement contribution rates, if the Authority were to accelerate the funding of its UAAL. Segal was asked to look at the following four strategies for lowering the UAAL (Attachment 1):

- Shortening the weighted-average amortization period to a specified period (for example, 20, 15, or 10 years)
- Contributing an additional $1 million each year (year 1 = $1M, year 2 = $2M, year 3 = $3M, etc.), with the additional annual contribution growing to $10M over 10 years
- Contributing an additional $2 million each year using fund balance available following the close of each fiscal year
- Contributing additional funds each year, using the savings that will be realized under the new Public Employees Pension Reform Act (PEPRA)

All of the above strategies would reduce the OCFA's existing UAAL more rapidly, and effectively shorten the weighted-average amortization period. Shortening the amortization period would have many benefits to OCFA. Although it would cause our employer contributions to rise, it would result in our liability being paid off sooner. Earlier payments of contributions will result in greater investment income earned and less money paid from the employer over the long-term.

Staff evaluated the affordability of various expedited payment options, using the OCFA's long-term financial forecast. We concluded that combining multiple strategies would yield positive benefits for OCFA, while also retaining flexibility in the event that OCFA's financial environment should change significantly in the coming years.

In particular, staff is recommending the following Strategies for expedited payment of OCFA's UAAL, which are collectively estimated to reduce OCFA's amortization period significantly, with payoff anticipated in less than 16 years, instead of the current period of 29 years:

1. Contribute additional amounts each year using the unencumbered fund balance available following the close of the prior fiscal year, estimated at approximately $3 million per year[1]
2. Contribute additional funds each year, using the savings that will be realized under PEPRA and savings from reductions to OCFA's retirement contribution rates, based on recent 15-year rate projections provided by Segal Consulting (Attachment 2)
3. Beginning in FY 2016/17, contribute an additional $1 million per year building to $5 million in annual payments over 5 years; at year 5, pause to reassess whether the annual increases should continue to build, remain at $5 million, or be adjusted otherwise

The attached long-term financial forecast (Attachment 3) includes the impact of Strategy Nos. 2 and 3 from above. Strategy No. 1 ultimately has no impact on the financial forecast, since it uses year-end funds that become available from revenues in excess of budget, or expenditures less than budget. Historically, OCFA's annual year-end fund balance has averaged nearly $4 million over the past 15 years (Attachment 4). For purposes of this analysis, we have assumed an annual amount of $3 million to be contributed towards the OCFA's UAAL (See footnote 1).

We have estimated the value of the proposed expedited payments from all of these Strategies, resulting in a "snowball" effect with growing annual values that add up to a cumulative $253.8 million over the next 17 years (Attachment 4). This projected $253.8 million UAAL payment is *in addition to* the minimum annual required UAAL payments that OCFA currently makes each year, and will continue to make each year until the UAAL is paid in full.

Alternatively, future events could cause retirement contribution rates to rise rather than fall. When that occurs, OCFA staff will present options to the OCFA Board for funding those required increases, while also continuing to work on progress with accelerated payment of OCFA's UAAL.

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[1] The current Amended Joint Powers Agreement (JPA) requires the Board to consider allocating all, or a portion of, unencumbered fund balance each year to the Structural Fire Fund Entitlement Fund (SFFEF). Also according to the current JPA, every tenth year (FY 2010/11, 2020/21, etc.), it is mandatory that the Board allocate at least 50% of the unencumbered fund balance to the SFFEF. These SFFEF provisions of the JPA are currently under consideration for amendment, pursuant to the equity discussions. If the proposed amendments are approved, then these SFFEF provisions will be deleted, enabling use of unencumbered funds for payment of the UAAL. If the equity provisions and JPA amendment are not approved, then the proposed allocation of unencumbered fund balance to the OCFA's UAAL can still be utilized as a strategy; however, the allocation will be subject to annual Board determination of whether to allocate the funding to the UAAL or the SFFEF.

Impact to Cities/County:

Accelerated payments to OCERS will only be recommended for implementation in a manner which minimizes the impact to cash contract city charges, as is the case with the above strategy. When the annual $1 million budgetary increases are scheduled to begin in FY 2016/17, the impact on cash contract charges will be reviewed with the City Managers for input and feedback to the Budget and Finance Committee and Board of Directors.

Fiscal Impact:

See long-term financial forecast provided as Attachment 3.

Staff Contacts for Further Information:

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Attachments:

1. *Segal Consulting–Accelerated Funding of UAAL for OCFA, August 30, 2013
2. *Segal Consulting–Illustration of Retirement Costs, UAAL & Funding Ratio, August 30, 2013
3. OCFA's Long-Term Financial Forecast
4. Unencumbered Fund Balance – 15-year Average
5. Estimated Cumulative Value of Expedited UAAL Payment Strategies (Snowball Effect)

*=These attachments are on file in the Office of the Clerk.

ADOPTED FY 2013/14 BUDGET

Includes Accelerated Payment of UAAL
Includes Deferred CIP Projects Beginning in 2018/19
Includes Equity Rebates
Includes Handcrew throughout Forecast

	Traditional Five-Year Forecast Period					Extended Ten-Year Forecast				
	ADOPTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
BEGINNING FUND BALANCE	**153,558,420**	**140,447,654**	**138,789,479**	**138,171,942**	**132,576,351**	**134,863,592**	**137,881,930**	**144,042,024**	**149,649,037**	**157,673,897**
GENERAL FUND REVENUES										
Property Taxes	187,618,789	192,914,164	200,461,660	208,677,160	216,825,779	225,480,315	234,501,138	243,903,752	253,704,315	263,919,670
State Reimbursements	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
Federal Reimbursements	100,000	100,000	100,000	100,000	100,000	103,000	106,090	109,273	112,551	115,927
Community Redevelopment Agency Pass-thru	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
Cash Contracts	83,980,236	87,822,101	90,254,150	92,688,651	94,727,582	99,013,416	103,457,693	107,506,840	111,443,379	115,566,900
Fire Prevention Fee	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
ALS Supplies & Transport Reimbursement	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
Interest Earnings	221,379	429,249	626,816	814,907	1,186,005	1,198,358	1,217,241	1,236,945	1,257,598	1,279,177
Other Revenue	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584	998,584
TOTAL REVENUES	**294,441,285**	**304,132,030**	**314,666,735**	**325,878,625**	**337,163,333**	**350,736,331**	**364,857,548**	**378,983,680**	**393,414,026**	**408,465,499**
GENERAL FUND EXPENDITURES										
New Positions for New Stations		1,091,834	2,201,862	2,231,538	4,489,004	4,572,865	6,987,440	7,117,976	9,667,934	9,848,545
Employee Salaries	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
Retirement - Regular Annual Payments	59,984,495	68,635,549	71,028,235	70,649,208	70,415,902	71,303,995	75,056,876	76,637,840	78,097,620	79,030,991
Retirement - Paydown of UAAL (Rate Reductions)	2,500,000	0	1,292,059	1,653,114	1,886,420	3,167,397	1,648,658	2,368,859	3,279,280	4,787,217
Retirement - Paydown of UAAL ($1M per Year)				1,000,000	2,000,000	3,000,000	4,000,000	5,000,000	5,000,000	5,000,000
Workers' Comp Transfer out to Self-Ins. Fund	12,763,412	13,664,036	13,942,894	14,361,181	14,792,016	15,188,335	15,595,272	16,013,112	16,442,148	16,882,678
Other Insurance	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
Medicare	2,202,793	2,422,039	2,422,039	2,422,039	2,422,039	2,494,701	2,569,542	2,646,628	2,726,027	2,807,807
Salaries & Employee Benefits	266,528,679	276,903,048	284,172,999	288,010,658	294,335,346	305,947,307	320,383,047	333,058,994	347,712,233	360,590,277
Services & Supplies/Equipment	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
New Station/Enhancements S&S Impacts		50,653	104,345	107,475	221,399	228,041	352,323	362,893	498,373	513,324
TOTAL EXPENDITURES	**288,959,860**	**300,519,387**	**307,843,029**	**311,683,819**	**318,122,431**	**330,448,004**	**345,736,207**	**359,172,748**	**374,733,992**	**388,422,689**
NET GENERAL FUND REVENUE	**5,481,425**	**3,612,643**	**6,823,705**	**14,194,807**	**19,040,902**	**20,288,327**	**19,121,341**	**19,810,932**	**18,680,034**	**20,042,809**
Incremental Increase in GF 10% Contingency	**363,510**	**1,155,953**	**732,364**	**384,079**	**643,861**	**1,232,557**	**1,528,820**	**1,343,654**	**1,556,124**	**1,368,870**
Equity Rebates	4,219,070	1,731,022	3,607,646	6,843,888	7,842,098	8,170,712	8,513,247	8,870,296	9,242,481	9,958,919
Equity - Accrued Pmt to Irvine from 14/15 & 15/16				3,281,522	2,291,133					
GENERAL FUND SURPLUS / (DEFICIT)	**898,845**	**725,669**	**2,483,695**	**3,685,318**	**8,263,810**	**10,885,057**	**9,079,274**	**9,596,981**	**7,881,428**	**8,715,021**

Orange County Fire Authority
Unencumbered Fund Balance
1998 - 2013

Fiscal Year	Amount
1998/99	3,866,630
1999/00	1,631,036
2000/01	1,554,081
2001/02	2,185,955
2002/03	2,450,966
2003/04	1,706,428
2004/05	3,995,675
2005/06	4,511,546
2006/07	6,687,369
2007/08	6,392,265
2008/09	9,013,694
2009/10	3,346,916
2010/11	1,244,212
2011/12	5,244,794
2012/13 **	6,134,590 **
Average	**$3,997,744**

** The value for FY 2012/13 is a very preliminary estimate, pending posting of final accounting entries for the fiscal year, and completion of the year-end financial audit.

Orange County Fire Authority
Expedited Payment of UAAL
Snowball Effect of Multiple Strategies

		Estimated Annual UAAL Payments from Various Strategies / Sources				
Years	**Fiscal Year**	**Unencumbered Fund Balance Available**	**Annual Savings based on Projected Reductions to Retirement Contribution Rates** *(Notes 1 & 2)*	**Annual Increase of $1M/year to OCFA Budget for Retirement Contributions**	**Annual Snowball Amount**	**Cumulative Expedited UAAL Payment**
1	13/14	3,000,000	2,500,000	-	5,500,000	5,500,000
2	14/15	3,000,000	-	-	3,000,000	8,500,000
3	15/16	3,000,000	1,292,059	-	4,292,059	12,792,059
4	16/17	3,000,000	1,653,114	1,000,000	5,653,114	18,445,173
5	17/18	3,000,000	1,886,420	2,000,000	6,886,420	25,331,593
6	18/19	3,000,000	3,167,397	3,000,000	9,167,397	34,498,990
7	19/20	3,000,000	1,648,658	4,000,000	8,648,658	43,147,648
8	20/21	3,000,000	2,368,859	5,000,000	10,368,859	53,516,507
9	21/22	3,000,000	3,279,280	5,000,000	11,279,280	64,795,787
10	22/23	3,000,000	4,787,217	5,000,000	12,787,217	77,583,004
11	23/24	3,000,000	5,772,547	5,000,000	13,772,547	91,355,551
12	24/25	3,000,000	6,814,115	5,000,000	14,814,115	106,169,666
13	25/26	3,000,000	14,242,631	5,000,000	22,242,631	128,412,297
14	26/27	3,000,000	19,647,456	5,000,000	27,647,456	156,059,753
15	27/28	3,000,000	20,807,106	5,000,000	28,807,106	184,866,859
16	28/29	3,000,000	26,075,871	5,000,000	34,075,871	218,942,730
17	29/30	3,000,000	26,858,147	5,000,000	34,858,147	253,800,877

Note 1: For FY 2013/14, the OCFA's safety retirement contribution rate was less than 2012/13; however, OCFA held the contribution rate flat in the Adopted Budget, with the $2.5 million difference being directed towards expedited payment of OCFA's UAAL.

Note 2: Beginning in FY 2015/16, the OCFA's retirement contribution rates are projected to begin declining, based on recent 15-year retirement rate projections provided by Segal Consulting (dated August 30, 2013). Rather than decreasing the forecasted line item for retirement contributions to match the newly projected / reduced rates, OCFA will continue paying the same dollar amounts as previously projected, resulting in additional payments towards UAAL. It should be noted that a large part of the savings reflected in these new projections are driven by new tiers of retirement under PEPRA.

Attachment 5

DISCUSSION CALENDAR – AGENDA ITEM NO. 16
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, Orange County Fire Authority

FROM: Dave Thomas, Assistant Chief
Operations Department

SUBJECT: **Paramedic Assessment Unit ALS Escort Study**

Summary:
This item is submitted to report on the initiation of a one-year pilot study examining the impact on allowing for selected Paramedic Assessments Units (PAU) to assess and escort patients to an appropriate hospital receiving center that have been determined to be safely managed by a PAU medic. The primary focus of this study will be to improve the availability of paramedic units from OCFA and/or other jurisdictions by a more efficient use of all ALS resources, maximizing the availability of the paramedic engine and two person medic units.

Staff Recommendation:
Receive and file the report.

Background:
In 1994, the Orange County Fire Department initiated an operational pilot study to assess the effectiveness of the use of Paramedic Assessment Units (PAU). These units, staffed with one firefighter, licensed as a paramedic would eventually be strategically located in selected areas of OCFD's response area. The primary purpose of this program would be to provide for paramedic level assessment and treatment capabilities by the first arriving PAU.

In 1995, with the formation of the OCFA, the newly formed JPA Board of Directors approved formal implementation of the PAU Program, authorizing the activation of up to 17 PAU's. Today, 29 PAU'S are strategically located throughout OCFA's jurisdictional area and are fully integrated as part of OCFA's Fire/Emergency Medical Services delivery system.

The purpose of this proposal is to assess the current PAU delivery system and determine the following:

1. Identify PAUs that meet the study criteria and their proximity of medical facilities in relation to first due area of selected PAUs
2. Improve the availability of paramedic units from OCFA and/or other jurisdictions by a more efficient use of our resources
3. Determine any operational impacts caused when the PAU escorts the patient to the appropriate receiving facility

The intent of this study is to provide an operational review of the current response system of selected [1]PAUs within OCFA's jurisdiction – E35, E13, E47 (PAUs) have been identified and will participate as part of this pilot study, a broader discussion of department-wide application including operational limitations are included for policy consideration.

Impact to Cities/County:
None.

Fiscal Impact:
None.

Staff Contact for Further Information:
Scott Brown, Division Chief
Operations/EMS, Division 6
scottbrown@ocfa.org
(714) 567-3234

Attachment:
Orange County Emergency Medical Services Policy No. 330.7 - Paramedic Assessment Unit Service

[1] These selected PAUs were identified based on location to closest receiving center hospital and on current staffing of one firefighter paramedic

PARAMEDIC ASSESSMENT UNIT SERVICE

I. AUTHORITY:

Health & Safety Code, Division 2.5, Sections 1797.218, 1797.220 and 1798. California Code of Regulations, Title 22, Section 100144, 100168 and 100170.

II. APPLICATION:

This policy defines an OCEMS approved paramedic assessment unit service.

A paramedic assessment unit provides advanced life support (ALS) level assessment and intervention.

III. PERSONNEL:

The unit shall be staffed with a minimum of one EMT-P who has a minimum of one year recent experience on an Orange County ALS unit.

Other crew members shall be trained in completing the patient care record and one responder shall be designated as responsible for documentation.

IV. EQUIPMENT:

Each paramedic assessment unit shall be equipped with ALS supplies and equipment that meets the specifications described in OCEMS Policy #325.00, ALS Unit Inventory, with the following exceptions: a) an automated external defibrillator modified for manual override may be used, b) adenosine, midazolam, and morphine sulfate are optional items.

V. SERVICE OPERATION:

Pursuant to dispatch protocols approved by the OCEMS medical director, a paramedic assessment unit may be dispatched as the sole responder to an incident or co-respond with an ALS unit

The paramedic assessment unit may modify the initial dispatch after arrival on-scene according to the judgment of the treating EMT-P.

The prehospital care record (PCR) shall reflect all patient care assessments and interventions.

The paramedic assessment unit paramedic may accompany patients to the hospital when that is appropriate, according to their judgment.

Italicized test identifies quotations from an authority outside the Orange County EMS.

Approved:

DISCUSSION CALENDAR - AGENDA ITEM NO. 17
BOARD OF DIRECTORS MEETING
September 26, 2013

TO: Board of Directors, 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 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.

Committee Action:
At its August 14, 2013, meeting, the Budget and Finance Committee reviewed and unanimously approved forwarding this item to the Board of Directors for its consideration without Committee endorsement.

Recommended Action:
Receive and file the report.

Background:
This agenda item was 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:

Based upon the last classification and compensation study conducted in 2001 by Fox Lawson & Associates at a cost of $94,478 and lacking formal direction to initiate the RFP process, staff anticipates the cost to be estimated at $100-120K.

Staff Contact for Further Information:

Craig Kinoshita, Deputy Fire Chief
Craigkinoshita@ocfa.org
(714) 573-6014

Attachments:

None

REPORTS – AGENDA ITEM NO. 18
BOARD OF DIRECTORS MEETING
September 26, 2013

CHIEF'S REPORT

1. Customer Satisfaction Survey Results by City - August 2013

CUSTOMER SATISFACTION SURVEY

Attachment 1

Data by City for August 1 - 31, 2013

CITY/AREA	FORMS SENT	FORMS RETURNED *	PERCENT RETURNED *	AVERAGE RATING
Aliso Viejo	9	3	33.33%	97.02%
Buena Park	117	27	23.08%	98.63%
Coto de Caza	10	3	30.00%	100.00%
Cypress	54	11	20.37%	97.34%
Dana Point	75	19	25.33%	97.18%
El Modena	2	0		
Emerald Bay	0	0		
Irvine	319	78	24.45%	97.12%
La Palma	30	6	20.00%	94.05%
Ladera Ranch	4	2	50.00%	89.29%
Laguna Hills	65	17	26.15%	93.70%
Laguna Niguel	86	35	40.70%	98.41%
Laguna Woods	106	63	59.43%	97.94%
Lake Forest	116	14	12.07%	96.17%
Los Alamitos	15	5	33.33%	100.00%
Las Flores	0	0		
Midway City	16	1	6.25%	100.00%
Mission Viejo	188	67	35.64%	96.70%
Modjeska Canyon	1	0		
Orange Park Acres	3	1	33.33%	100.00%
Placentia	57	27	47.37%	93.12%
Portola Hills	0	0		
Rancho Santa Margarita	67	17	25.37%	99.37%
Rossmoor	7	2	28.57%	100.00%
San Clemente	60	25	41.67%	97.92%
San Juan Capistrano	76	28	36.84%	98.85%
Santa Ana	337	65	19.29%	97.11%
Santa Ana Heights	5	0		
Santiago Canyon	0	0		
Seal Beach	67	39	58.21%	95.54%
Silverado Canyon	2	0		
Stanton	81	19	23.46%	98.31%
Sunset Beach	0	0		
Trabuco Canyon	12	3	25.00%	95.24%
Tustin	146	41	28.08%	96.83%
Villa Park	11	1	9.09%	100.00%
Westminster	172	34	19.77%	95.68%
Yorba Linda	75	31	41.33%	98.49%
Non-OCFA cities	39	7	17.95%	96.85%
TOTALS/AVERAGE	2,430	691	28.44%	97.23%

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